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Guidelines on EU blending operations

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Guidelines Nº 5

Guidelines on EU blending operations

Directorate-General for International Cooperation and Development
European Commission

Brussels • Luxembourg, November 2015

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Preface

This document provides guidance and basic information on blending operations managed by the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO) and Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) in the context of external aid operations. It does not cover the blending facility for the enlargement countries (the Western Balkan Investment Framework), as it has its own guidance document. The main audience for these guidelines is staff of DG DEVCO and DG NEAR; particularly members of the European Union (EU) Delegations, who play a key role in the identification, preparation and management of blended operations.

The guidelines summarise the key features, modalities and operational aspects of blending. They provide guidance on blending operations to be implemented within the 2014–2020 Multiannual Financial Framework, taking stock of blending experience from 2007 to 2013. They cover blending operations conducted under the EU Blending Framework, referring to other blending mechanisms for illustrative purposes where relevant.

Management of EU blending activities by the European Commission reflects the changes and recommendations implemented following the 2014 Court of Auditors' special report on blending.[1] Blending activities are also continuously enhanced based on recommendations made by the EU Platform for Blending in External Cooperation (EUBEC). The EUBEC was set up as a Commission expert group, and its overall objective is to improve the quality and efficiency of EU development and external cooperation blending mechanisms, taking due account of the policy frameworks that govern EU relations with the different partner countries, notably EU Development, Neighbourhood and Enlargement policies[2].

The guidelines are organised as follows:

- Chapter 1 introduces the purpose of the EU Blending Framework.
- Chapter 2 outlines the concept of and rationale for blending.
- Chapter 3 presents the forms of EU support provided under blending operations, including guidance on the use of specific instruments.
- Chapter 4 presents an overview of blending operations.
- Chapter 5 outlines the typical operational cycle of blended operations, highlighting the role of specific stakeholders in the process including the EU Delegations and Headquarters Thematic and Operational Units.
- Chapter 6 highlights the risks and mitigation tools involved in blending.
- Chapter 7 presents the key issues in ensuring the visibility of blended operations.
- Chapter 8 outlines climate change issues relevant for blended operations.

(1) http://www.eca.europa.eu/Lists/ECADocuments/SR14_16/SR14_16_EN.pdf.

(2) More details on the objectives, functioning and deliverables of the EUBEC can be found at http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2852.

- Chapter 9 introduces issues pertaining to private sector involvement.

The annexes to this document extend and deepen the user's knowledge and understanding of specific aspects of blending operations.

Complementing these guidelines are four sector-specific reference documents, covering (respectively) energy, transport, water and sanitation, and support to private sector development. These documents provide basic information on the main supported sectors in EU partner countries and on the potential support provided by EU blending operations in these sectors.

The dynamic environment in which blending operations are identified and implemented necessitates regular updating of these guidelines to reflect changes in the international and EU policy arena. This document captures the situation within blending as of December 2015 and will be updated on a regular basis to keep up with developments.

Abbreviations and acronyms

AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AFD	Agence Française de Développement
AfIF	Africa Investment Facility
AIF	Asian Investment Facility
CIF	Caribbean Investment Facility
CIR	common implementing rules
DCI	Development Cooperation Instrument
DG DEVCO	Directorate-General for International Cooperation and Development
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EEAS	European External Action Service
EBRD	European Bank for Reconstruction and Development
EDF	European Development Fund
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
ENI	European Neighbourhood Instrument
EU	European Union
GEEREF	Global Energy Efficiency and Renewable Fund
ICCF	Interact Climate Change Facility
ICT	information and communications technology
IFCA	Investment Facility for Central Asia
IFP	Investment Facility for the Pacific
IMF	International Monetary Fund
ITF	EU-Africa Infrastructure Trust Fund
LAIF	Latin America Investment Facility
KfW	German Development Bank
MSME	micro, small and medium enterprise
NIF	Neighbourhood Investment Facility
ODA	official development aid
SE4All	Sustainable Energy for All
SME	small and medium enterprise

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CHAPTER 1
Introduction

The Post-2015 Development Agenda offers a great opportunity to tackle the challenges of poverty eradication and sustainable development. It calls for an integrated approach, addressing the economic, social and environmental dimensions of sustainable development in a balanced manner. The European Union (EU) and its Member States are committed to contributing meaningfully to achieving the agenda, in particular through a holistic approach to sustainable development finance organised around three pillars:

- supporting the partner countries in the mobilisation of more domestic resources;
- leveraging domestic and international public and private financing through blending for development projects;
- a renewed commitment to remaining the world's largest provider of official development aid (ODA).

The EU Agenda for Change adopted in 2011 stressed the importance of choosing the right mix of policies, tools and resources to be effective and efficient in the fight against poverty in the context of sustainable development (EC, 2011). The current strained economic and budgetary environment makes it imperative to ensure that aid is spent effectively, delivers the best possible results and — especially — is used to leverage further financing for development. Along these lines, the Agenda for Change stressed the importance of further developing blending mechanisms in order to boost financial resources for development. In selected sectors and countries, a higher percentage of EU development resources should be deployed through existing or new financial instruments to leverage further resources and thereby increase impact.

In this context — and in line with its commitments to the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the European Code of Conduct on Division of Labour in Development Policy (2007) — the European Commission set up the EU Blending Framework. The EU Blending Framework will contribute towards addressing the challenge of sustainable and inclusive growth and job creation in our partner countries and increasing the impact of EU aid.

CHAPTER 2

What is blending?

2.1 Definition and objectives

Blending is the strategic use of a limited amount of grants to mobilise financing from partner financial institutions and the private sector to enhance the development impact of investment projects.

In **blending**, EU grants are combined with non-grant resources such as loans, equity and guarantees from development finance institutions as well as commercial loans and investments in order to achieve a leveraged development impact[1]. In the context of development cooperation, blending projects are targeted at achieving sustainable growth and reducing poverty. The strategic use of a limited grant element can make projects with low financial return but a high economic and social return possible.

The EU implements blending operations in the context of the **EU Blending Framework** through regionally or thematically focused financial instruments that support projects contributing to the fulfilment of EU and partner country strategic development goals.

Formalised EU blending is a recent development, with the first facilities launched in 2007. Blending activities still represent a limited share of EU external programmes. Total blending approvals for 2007–2013 amounted to less than 4% of total EU programmes over the period[2]. Regional blending facilities cover all countries eligible under the relevant financing instruments or frameworks (see Section 4.2 for more information on these).

2.1.1 WHY BLENDING?

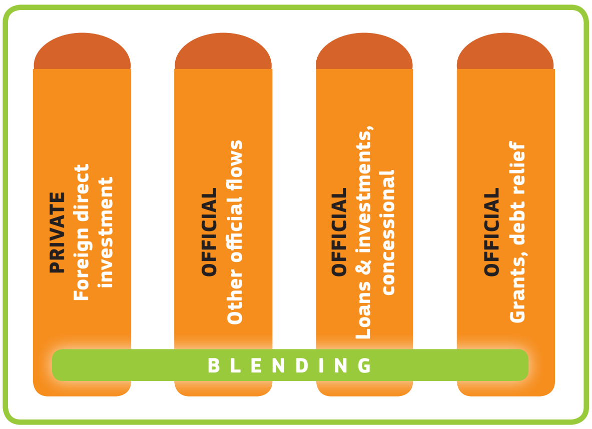
In addition to public and private national resources, the other major external fund flows from which developing countries receive resources are ODA, other official flows, foreign direct investment and remittances. Globally, ODA currently accounts for less than 20% of all fund flows; but however, in some countries, ODA might represent more than 70% of all funds received. EU assistance is part of ODA as are concessional loans provided by multilateral, bilateral or regional financial institutions. In the past, these fund flows operated separately, with their own objectives, procedures and beneficiaries. More recently, the silos began to open and overlap, and blending is one aspect of this trend. In blending, ODA grants are used in combination with ODA loans as well as with foreign direct investment and local private sector financing to support sustainable growth (see Figure 2.1).

Several factors have contributed to the emergence of blending, among them changes related to the providers of development finance. But the main factor involves changes in demand from partner countries. Demand for development funding has been increasing, not only to meet the Sustainable Development Goals, but also to finance capital-intensive projects such as infrastructure, spur sustainable growth and create decent jobs through support to small and

(1) In these guidelines, 'grant' is used as a generic term referring to the various types of EU contributions to a project and should not be interpreted as per Title VI of the EU Financial Regulation.

(2) The annual reports of the regional blending facilities are available at http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

FIGURE 2.1 Blending cuts across silos



medium enterprises (SMEs), and assist developing countries in climate change adaptation and mitigation. Many partner countries cannot access such funding through financial markets at the needed scale and cost, partly due to market failures such as asymmetric information or unpriced externalities which are at the origin of a gap between private and social returns. Public support can bridge this gap and make projects happen.

Partner countries are also now looking at more complex projects — often multicomponent, sometimes multisector — that contribute to poverty alleviation, are sustainable and frequently involve the use of frontier technology. Such projects require tailored innovative financing instruments.

There has been also a significant increase in the number and type of providers of development finance over the last two decades. A number of foundations, private or public, and newly established donor institutions have appeared on the scene. Several have a more flexible no-conditionality approach or offer relatively cheap financing; this has created competitive pressure among traditional development finance institutions and donors. Relatedly, it has become increasingly difficult and costly for partner countries to manage relations with the various providers of development finance.

Blending is a response to these global changes. In the context of limited public resources for external assistance and the growing need for development financing, the EU, as a global player, strives to achieve a more comprehensive approach to:

- enhance donor coordination;
- accelerate access to financing, including for large-scale and multi-objective projects;
- achieve a high leverage effect and thereby increase projects' development impact and sustainability.

2.1.2 OBJECTIVES

Beyond the specific development objectives defined for each operation, the use of blending reflects the following specific goals:

- **financial leverage:** mobilise public and private resources for enhanced development impact and do more with less;
- **non-financial leverage:** improve project sustainability, development impact, quality, innovation and enable a faster project start;
- **policy leverage:** support reforms in line with EU and partner country policies;
- **aid effectiveness:** improve cooperation between European and non-European aid actors (i.e. donors and financial institutions)
- **visibility:** provide more visibility for EU development funding.

2.1.3 CONTRIBUTION TO POLICY DIALOGUE

Blending operations may constitute an opportunity to engage with the government in a dialogue on specific sector policies. The projects supported through blending frequently involve sovereign loans in sectors that are of strategic importance to partner countries (energy, transport, environment, etc.). EU Delegations should include blended operations in their dialogue with partner countries on specific policies, objectives and results; and ensure complementarity and synergies with the various aid modalities including budget support, projects implemented under direct management or any other relevant initiative. Notably, when Delegations are already involved in a sector dialogue through sector reform contracts, blended projects can add leverage to these discussions.

2.1.4 BLENDING RELEVANCE

The relevance of blending as an aid modality relates to its potential in achieving development objectives as compared with other modalities. Whereas EU and partner country priorities and development objectives will be determined in the context of the programming process, the relevance of blending as an aid modality will depend on the region, the country, the sector and the project itself.

Blending can be a highly relevant modality to meet specific challenges faced at the **regional level**: it enables the financing of large-scale projects supporting regional integration and/or multiregional projects that require risk diversification over different regions in order to be sustainable.

When considering blending projects in a public sector context, the debt sustainability situation of **each country** has to be considered. Some countries lack the repayment capacity to take on more debt, and any further project financing would have to be grant only and could not sustain the blending approach. In particular, for example, for countries under International Monetary Fund (IMF) programmes, IMF policy concerning debt limits needs to be taken into account (see Section 3.3.2). Moreover, effective or perceived country risk is key when discussing the blending approach and will be carefully assessed by financial institutions and the private sector in order to lend money or invest capital.

The relevance of blending as an implementation modality is also strongly linked to the **sector**. Blending generally best suits capital-intensive sectors with high project costs, where some cash flow is generated but not sufficient to cover the financing of targeted development objectives (access for the poor, affordability, use of new technologies, etc.). Typically, these sectors include energy, transport and environment (including water and sanitation) as well as private sector development (mainly projects aiming to support micro, small and medium enterprises [MSMEs]). Specific attention should be dedicated to improving living conditions and access to services and goods for groups that experience discrimination and inequality, such as women[3]. The policy framework in the sector should also be sufficient to ensure the sustainability of project results. Blending could also add value in social sectors such as education and health with lower financial leverage through the introduction of innovative financing mechanisms or by driving private sector involvement.

Finally, **project** relevance has to be assessed. This is closely related to sector relevance but goes further than that. Blending is relevant for projects with low financial returns or elevated risk which would normally prevent their being financed, but where a targeted grant might remove the problem so the entire project financing package moves ahead. Six key areas where projects need to 'tick the Box' and reach acceptable standards are financial returns, economic/social benefits, policy, ownership, risk management and good quality management. A problem may arise in any of these areas which the grant contribution could address and thereby unblock the total project financing package. This leads to the concept of additionality, or the added value of EU support in blending operations.

2.2 Additionality of EU support in blending operations

EU support is additional in that it (i) makes the difference between a project going ahead or being blocked; and/or (ii) improves a project's design, quality, timing, sustainability, innovation, impact and/or scale.

Blending operations typically combine a grant element with loans, equity, guarantees or other risk-sharing mechanisms from public development finance

(3) As with all projects supported by the EU, blending operations should benefit from the various tools developed by the Commission to address gender aspects in development projects, notably 'Toolkit on mainstreaming gender equality in EC development cooperation' (EuropeAid Cooperation Office, 2009), 'Tool-Box: a rights-based approach, encompassing all human rights for EU development cooperation (EC, 2014b) and several sector-specific briefing notes.

institutions and others financiers, including — where relevant — private investors. For the purpose of these guidelines, a **grant element** is defined as both an explicit grant where there is a transfer of resources with no obligation or expectation of return; and as another form of concessional finance, including any of the various risk mitigation instruments where EU resources are used as guarantees/first-loss cover (see Section 3.5).

A grant element is particularly suited for projects with a high potential development impact but a below-market expected rate of return which cannot attract sufficient funding from public lenders and/or commercial financiers. Such projects might include those with technical assistance components that ensure quality and sustainability but do not generate sufficient revenue to cover their financing cost. Alternatively, the (perceived) risks involved in certain projects may be too high to attract financing at the necessary scale. An example of this would be firms introducing new energy-efficient technologies or a farmer introducing sustainable agricultural practices, where the activities would not be undertaken because of their perceived high risk and/or an untested regulatory framework or technology.

The added value (or additionality) of grant support in blending operations is defined as **the positive results the EU grant achieves above and beyond what could have been achieved without the grant**. The use of scarce grant funding is justified only when significant additionality is shown. EU support can make the project happen, or make it happen faster or at a greater scale. Additionality can also lie in 'crowding in' private capital, ensuring commercial sustainability, reinforcing markets and promoting higher standards. Other objectives include ensuring enhanced development impact, improvements in terms of sustainability and/or the use of innovative technologies. Some forms of additionality are quantifiable, and the EU and the relevant financial institutions should make every effort to calculate these benefits. Other forms of additionality are not quantifiable and should be addressed in a qualitative manner; they should, nevertheless, be demonstrated.

The **financial leverage** of an operation reflects one important aspect of blending's additionality — i.e. the extent to which public and private financial resources can be mobilised for a specific project. The concept of financial leverage is further developed in Section 4.1.2. Past blending experience has shown that the estimated financial leverage ratio can vary widely: from 2 to 40 times the grant component, depending on the sector, region, country and project specifics. The legal basis for blending (see Section 2.3) states that the EU contribution should aim to mobilise a global investment exceeding the size of the EU contribution; thus the minimum financial leverage ratio would be 2.

EU assistance in each project should be considered with regard to its specific added value, which can encompass different elements, as shown in Table 2.1.

2.3 Legal basis

2.3.1 EU BUDGET FINANCIAL REGULATION AND 11TH EDF FINANCIAL REGULATION

Blending operations are covered by the chapters on financial instruments in the EU budget financial regulation (Title VIII) and the 11th European Development Fund (EDF) financial regulation (Council of the European Union, 2015: Article 40). The common implementing rules (CIR) for implementation of the EU's instruments for financing external action (European Parliament and Council of the European Union, 2014) and the 11th EDF financial regulation state that financial instruments can be grouped in facilities. This enables the Commission to implement financial instruments in the context of its external assistance under the EU Blending Framework and its facilities in compliance with Article 139.1 of the EU financial regulation. This regulation requires that, for the EU budget, financial instruments are authorised by means of a basic act, defining in particular their objectives and duration. Where financial instruments are established without a basic act in duly justified cases, they should be authorised by the European Parliament and the Council in the budget.

The financial regulations additionally set out **specific requirements** for financial instruments.

- **Market failure:** Financial instruments should address market failures or sub-optimal investment situations which have proven to be financially viable but do not give rise to sufficient funding from market sources.
- **Additionality:** Financial instruments shall not be aimed at replacing those of a Member State, private funding or another EU financial intervention.
- **Leverage effect:** The EU contribution shall aim at mobilising a global investment exceeding the size of the EU contribution according to the indicators defined in advance.
- **Alignment of interest:** The Commission shall ensure that there is a common interest between the Commission and the entrusted entity in achieving the policy objectives defined for a financial instrument, possibly fostered by provisions such as co-investment, risk-sharing requirements or financial incentives.
- **Ex ante evaluation:** Financial instruments should be established on the basis of an ex ante evaluation.
- **Reporting:** The Commission shall report annually to the European Parliament and the Council on activities relating to financial instruments.
- **Entrusted entities:** To select entities entrusted with the implementation of financial instruments, the Commission shall publish a call to potential entrusted entities, which shall include the selection and award criteria (Article 216 of the rules of application; Article 139 of the budget financial regulation). This requirement is met through the relevant decision on the facilities (see Section 4.2.3). The CIR also states (Article 4.1e) that entrusted entities should be, whenever possible, 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.

TABLE 2.1 Elements of additionality in blending operations

TYPE OF ADDITIONALITY	QUESTIONS
Economic and financial	What are the economic benefits of the grant funding proposed? Why is the proposed grant funding necessary for operation?
Project scale	How will the grant funding increase the scale of the project? Will it widen the results of the operation, or extend benefits to more people?
Project timing	In what way does the grant element funding have a positive effect on the timing of the operation and/or the benefits it is expected to deliver?
Project quality and standards	How will the grant funding improve the quality of outcomes expected from the operation? How will the grant funding improve the project's chances of success? How will the grant enable promotion of higher standards (including social and environmental) and more substantial social or global public good returns than would otherwise be possible?
Innovation	What are the innovative aspects of the project that could not be generated by or within the target environment without grant support? Why is the proposed innovation important?
Policy and sustainability	Does the grant funding help support further or parallel activities to ensure that benefits continue beyond the life of the project? For example, does the grant funding contribute to structural reforms or support changes to legislation, regulation or policy? Does the grant funding enable demonstration effects to other participants in the marketplace?
Other benefits	Are there any significant benefits outside of the main/primary objectives of the loan operation that grant funding could bring?

Finally, the budget financial regulation (Article 140(3)) stipulates that the budgetary expenditure linked to a financial instrument and the EU's financial liability shall in no case exceed the amount of the relevant budgetary commitment made for it, thus excluding contingent liabilities for the budget.

To ensure the quality and coherence of blending operations and to comply with the financial regulation, blending operations are implemented as a general rule in the context of the EU Blending Framework and its facilities.

CHAPTER 3

Forms of EU support under blending

The type of support provided in blending projects varies with the type of project. The EU contribution can be in the form of technical assistance, investment grants, interest rate subsidies, guarantees, risk capital, or any mix of these. The contribution from financial institutions is mainly in the form of loans but can also be provided as guarantees, risk capital or technical assistance. The amount of the EU contribution per project will vary based on the objectives of the project, the country, the sector, the project economics and the type of support needed. It has varied in the past between less than EUR 1 million up to a maximum of EUR 70 million, depending on the specifics of the project. A detailed justification for inclusion of the EU support needs to be provided on the project application form (see Annex 3), along with a justification for the amount being sought.

In the 2007–2013 Multiannual Financial Framework, the main forms of EU support to blending projects were investment grants (48 %) and technical assistance (31 %). Interest rate subsidies only accounted for 11 % of such support and were used exclusively in Africa; guarantees and risk capital together represented another 10 % of support.

3.1 Technical assistance

Technical assistance contribution is used to boost project design, management, and/or quality.

3.1.1 WHAT IS IT?

Technical assistance is typically used to provide tailored assistance to meet the specific needs of a project (see Box 3.1 for an example). It can also be used in market scoping studies and sector assessments to determine if a specific project should proceed. Technical assistance can be provided for project preparation as well as for project implementation. It can be used in all relevant sectors to finance project pre-feasibility or feasibility studies, address aspects related to the project enabling environment or key aspects in the success of project implementation (e.g. capacity development of different stakeholders, supervision of works). In some cases, technical assistance has been granted under the facilities to support the development of a pipeline of projects in a specific sector/country or region. In the case of **infrastructure projects**, technical assistance is usually provided for project preparation (e.g. feasibility studies) and implementation (e.g. supervision of works, capacity building). For **projects in the MSME sector**, technical assistance is normally used to support private sector project developers (e.g. with drafting a business plan), as well as for building capacity of the implementing financial intermediaries and end beneficiaries.

In providing technical assistance aimed at capacity development, a broad view should be taken so as to develop capacities for prospects that go beyond the life of the project. These capacities should become an asset for the government for future programmes/projects in the sector. To this end, the good practices identified in the Commission's technical cooperation guidelines should be followed (EC, 2009).

3.1.2 WHY IS IT USED?

Without technical assistance, many projects could not proceed, due to a lack of resources to ensure

BOX 3.1 Example of technical assistance: support to the development of geothermal energy (CIF)

This project aims at supporting the Dominican Government in developing its geothermal endowment through the concession of the Wotten Waven reservoir to the benefit of the country and the neighbouring Guadeloupe and Martinique. The project will create an enabling environment for the construction of two geothermal plants and interconnection between the islands.

EU support: EUR 2 million

Total project cost: EUR 8.5 million

Type of grant support: Technical assistance

appropriate preparation of the project. For **infrastructure projects**, the feasibility study and preliminary design cost is usually on the order of 1–2 % of the overall investment cost, while the detailed design cost (with final cost estimates and tender documents) is typically around 4–5 % of the total estimated project cost. Construction supervision normally adds another 4–5 % to the estimated cost. For complex projects, the cost of an initial concept study also has to be added. Total costs for preparatory and implementation activities of infrastructure projects can thus represent a significant share of the total project cost.

For support to **MSME projects** — in particular, those aiming to increase access to finance — technical assistance is needed to address market gaps and inefficiencies on both the supply and demand sides. Local financial intermediaries need to learn how to tailor their products and communication to the specific needs of the MSME market, and potential borrowers need to increase their capacity in preparing bankable projects and reinforce business linkages. This support enhances projects' development impact and ensures achievement of sustainable results.

3.1.3 WHEN IS IT USED?

Technical assistance is most effective and sustainable when linked to a concrete investment project. When provided during project preparation and/or implementation, technical assistance will ensure project quality and sustainability. Cost-sharing possibilities for technical assistance should be explored whenever possible. Co-financing projects with the private sector should be based on cost-effectiveness, shared interest and mutual accountability for results. The risks, costs and rewards of a joint project must be shared fairly.

3.2 Investment grants

Investment grants are used to reduce costs to end users or taxpayers by reducing total investment cost.

3.2.1 WHAT IS IT?

Investment grants are contributions which can finance specific components of projects or a percentage of the total project cost — i.e. a *pari passu* share of all costs incurred[1]. Investment grants can sometimes be provided as incentive payments; e.g. when the support rewards investments in specific energy-saving systems[2] (see Box 3.2 for an example).

(1) *Pari passu* — i.e. on an equal footing. In this context, it means that the Commission contribution is used pro rata in accordance with the amount of the loan disbursed for incurring project expenses.

(2) Incentive payments are paid to the end beneficiaries either by the lead financial institution or by the sub-delegatee.

3.2.2 WHY AND WHEN IS IT USED?

Investment grants can cover part of the total project cost and, consequently, reduce the amount of debt for the partner country. They can also cover specific components of a project, with for example a given social or environmental added-value. They are typically provided for public sector-managed projects but can be used in private sector context, notably to support investments in innovative or green technologies. When support is provided to private sector, it should be in line with the principles and criteria defined in the Commission's communication on private sector (EC, 2014a: pages 3–5).

The need for a grant can be explained by the debt sustainability situation of the beneficiary country (in the case of projects that affect public debt) or can be justified on the basis of the economics of the sector and project. Investment grants will typically be needed for projects that have a high economic rate of return but low financial profitability — i.e. a low financial rate of return. The economic rate of return is the discount rate at which a stream of costs and benefits has a net present value of zero, using economic values as opposed to financial values. It expresses the socioeconomic profitability of a project and does not depend on a project's financing modalities or financing structure. Because these economic benefits for society cannot be fully monetised by investors (e.g. the value of emissions reductions, biodiversity, the affordable provision of basic infrastructure services, etc.), the financial rate of return is typically lower than the economic rate of return.

The project's overall financing package, the lending capacity and constraints of the financial institutions, the country's debt sustainability situation and its capacity to pay for the project are also important elements in the grant allocation.

3.2.3 HOW DOES IT WORK?

The EU contribution, blended with a loan from one or more financial institutions, is generally disbursed on a *pari passu* basis with the loan — i.e. disbursed at the same time as and in proportion to the different loan tranches/disbursements.

BOX 3.2 Example of investment grant: Central Tajik water rehabilitation (IFCA)

This project addresses water and wastewater problems in four cities in central Tajikistan: Gissar, Shachrinav, Somoniyon and Turzonzoda. It aims to carry out a priority programme for rehabilitation of the water supply system, provide maintenance equipment to ensure minimum wastewater service standards, improve billing and collection efficiency through installation of water meters as well as improve the financial and operational management of the four participating water utilities.

EU support: EUR 7 million

Total project cost: EUR 15 million

Type of grant support: Investment grant and technical assistance

3.3 Interest rate subsidies

An interest rate subsidy is used to reduce cost to end users or taxpayers by reducing interest/financing cost.

3.3.1 WHAT IS IT?

An interest rate subsidy is a contribution used to reach a specific interest rate for a loan beneficiary.

3.3.2 WHY AND WHEN IS IT USED?

Interest rate subsidies can be used to reduce the cost of the project for the beneficiary country where debt sustainability analyses point to limits in capacity to absorb additional public or publicly guaranteed debt, particularly non-concessional debt (see Box 3.3 for an example). Like investment grants, they can also be used for projects with high economic rates of return but low financial profitability.

During 2007–2013, interest rate subsidies were used only in the context of the blending facility covering Africa. This anomaly is explained by the debt sustainability situation of a number of African countries, and especially by the limits set on non-concessional borrowing for countries under IMF programmes. Typically, these countries were only allowed to borrow concessional external debt, defined as loans with a grant element of at least 35 % (see Box 3.4 for more details).

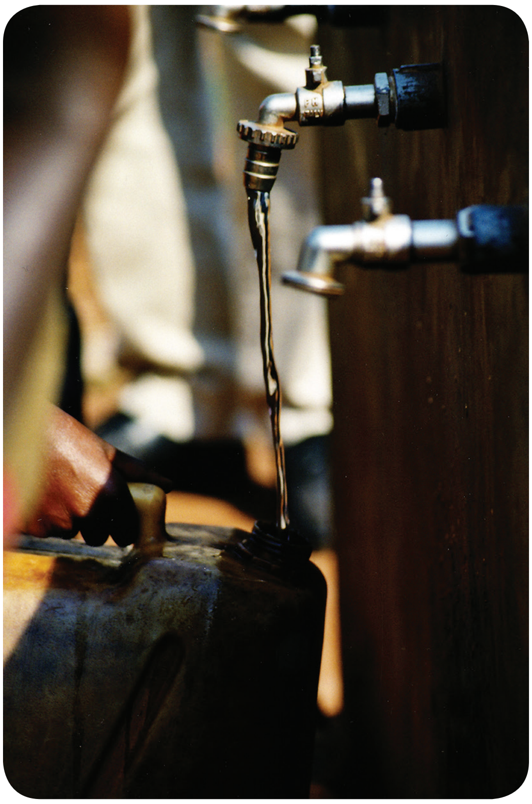
The 2009 revision of the IMF debt limit framework created the possibility of assessing, on a case-by-case basis, whether an envisaged combination of financing instruments could be treated as a package for purposes of meeting concessionality requirements. Thus, interest rate subsidies as a form of support are not necessarily the only option now available to satisfy concessionality requirements in IMF programme countries.

While an interest rate subsidy is quite similar to an investment grant in terms of its impact on project viability and debt sustainability, this form of grant support has a number of specific characteristics which make it less attractive for the Commission. First, the amount of support needed can only be an estimate, which will ultimately depend on market rates as well as the effective disbursement schedule. This quality introduces an element of uncertainty which is difficult to manage in the decision-making process. Further, financial institution methodologies and calculations would need greater transparency and harmonisation. Finally, this form of EU support is simply included in the terms and conditions of loans to partner countries, thereby offering less visibility for the EU contribution as compared to, say, an investment grant, where the EU contribution is clearly visible.

3.3.3 HOW DOES IT WORK?

Typically, the interest rate subsidy is disbursed along with each loan repayment by the partner countries; this requires administrative follow-up by the Commission until full repayment of the loan.

BOX 3.3 Example of interest rate subsidy: Lake Victoria water and sanitation project (ITF)



A global approach was taken in tackling pollution of Lake Victoria, involving three projects, each concentrating on the water infrastructure of the three largest towns on the lake: Kampala, the Ugandan capital; Mwanza and nearby communities in Tanzania; and Kisumu in Kenya. The overall objective of the projects is to improve the health situation for people living in the lake zone by increasing both the supply of affordable drinking water and reducing the risk of water-borne disease.

EU support: EUR 39.7 million (Tanzania and Uganda)

Total project cost: EUR 331.5 million (Tanzania and Uganda)

Type of grant support: Interest rate subsidy (EUR 24.7 million) and technical assistance (EUR 15 million)

BOX 3.4 Concessionality and the IMF debt limit policy

The IMF measures a loan's degree of concessionality by its grant element. The grant element is defined as the difference between the loan's nominal value (face value) and the sum of the discounted future debt service payments to be made by the borrower (present value), expressed as a percentage of the loan's face value, i.e.:

$$Grant\ Element = \frac{Face\ Value - Present\ Value}{Face\ Value} * 100$$

Whenever the interest rate charged for a loan is lower than the discount rate, the present value of the debt is smaller than its face value, with the difference reflecting the (positive) grant element. The discount rate used to calculate the loan's present value is a key assumption in the calculation of the grant element. In 2014, a unified discount rate of 5 % per annum for new loans was applicable. Typically, a loan is considered concessional if its grant element is at least equal to 35 %, although this threshold can be set at a higher level in individual circumstances. The present value depends not only on the nominal value and the discount rate, but also on the fees to be paid, the interest rate, the grace period, the length of the loan and the borrower's repayment profile.

In the past, the IMF typically did not allow for new non-concessional external debt in countries where debt sustainability was a concern, but had no limits on concessional borrowing — i.e., debt with a grant element of at least 35 %. In countries with higher debt vulnerabilities, the concessionality threshold was sometimes raised above 35 % (and as high as 100 %).

In July 2015, the IMF adopted a reform of its policy on public debt limits in fund-supported programmes. Whereas previously, limits concerned non-concessional borrowing only, the policy now adopts a unified debt ceiling.

In **high-risk countries that normally rely on official concessional financing**, new non-concessional borrowing is normally set at zero (as before), but an indicative target or performance criterion can also be set on concessional borrowing. The use of debt conditionality is based on debt sustainability analyses, which for this group of countries include a debt vulnerability risk rating. Three scenarios are envisaged.

- For countries assessed as being at **low risk of debt distress**, programme conditionality need not include limits on public external borrowing.
- For countries assessed as being at **moderate risk of debt distress**, programme conditionality would include a performance criterion on new external borrowing. This criterion would cover all forms of external borrowing (i.e. both non-concessional and concessional) and would be specified in net present value terms, except under circumstances identified below.
- For countries assessed as being at **high risk of debt distress** (or in distress), the current use of debt conditionality would not change significantly. Non-concessional borrowing would be allowed only under exceptional circumstances; programme conditionality would include a performance criterion setting a nominal level of non-concessional borrowing, and a performance criterion or indicative limit set on the level of concessional borrowing.

For **countries that do not normally rely on concessional financing**, and where debt sustainability analyses show significant debt vulnerabilities, limits on debt would be specified in terms of the nominal value of debt, with the precise specification depending on country circumstances, including the quality and availability of data. Depending on the extent of financial market integration, separate limits on externally and domestically issued debt could be justified. Limits on public debt would ideally cover all public and publicly guaranteed debt, but institutional circumstances and data availability could justify the use of narrower coverage of the public sector.

The approach to setting quantitative debt limits is similar across all countries. Evaluation of proposed borrowing plans is one component of the assessment of the fiscal programme of the government, drawing on, inter alia, the assessment of vulnerabilities in the debt sustainability analysis. Debt limits are derived from an agreed fiscal programme, rather than established or assessed in a project-by-project review.

3.4 Risk-sharing instruments

Expanded use of risk-sharing instruments is motivated by the need to use limited available budgets as efficiently as possible, as well as by the fact that grants may not constitute the optimal type of donor support in some cases. This latter assertion applies particularly to cash flow–generating projects whose viability is impeded by specific market or institutional failures which generate high risks for lenders and investors.

Infrastructure projects in developing countries are subject to many risks that are outside the control of investors. These risks include **counterparty risk** (creditworthiness of off-taker, e.g. in energy projects), **legal and regulatory risk** (e.g. risk of tariff changes, contract enforcement, secure property ownership) and traditional types of **political risk** (e.g. risk of currency convertibility, war/civil war, expropriation). In addition, there are **sector-specific risks** that investors may have difficulty accepting, such as wind risk or drilling risk in geothermal projects etc.

The existence of these risks means that total investments remain seriously below potential in many sectors. Where finance is available, tenures are often too short and financing costs too high. It has become increasingly obvious that subsidising MSME lending does not solve the problem of MSME access to finance over the long term. This is because access is not only a function of price, but equally depends on (i) the risk appetite of banks to lend to MSMEs, which is itself very much dependent on external business environment factors such as bankruptcy and collateral regimes; (ii) the bank's ability to provide the funding required for the MSME project (e.g. long tenure and local currency); and (iii) MSMEs' ability to formalise and structure their project proposals and operations.

Risk-sharing instruments (guarantees and equity) can help address these issues and make more financing available at a lower net cost to the EU — and also potentially providing better alignment with other financiers (e.g. where the equity investment benefits from a project's financial success). In the context of risk-sharing instruments, it is important to remember the rule of non-contingent liabilities for the EU budget (Article 140(3) of the budget financial regulation): EU exposure in any given operation can only be up to the amount committed for the given project. Also, any scheme supported by the EU should not only respect the regulatory framework but be aligned with the reforms and policies implemented by the partner country.

If well structured, guarantee and equity instruments can be very powerful in terms of leveraging private sector co-financing. In particular, they can attract (public and private) financial institutions to projects in areas/sectors which target development objectives, but which they would not have financed without such support.

There are additional reasons for the EU to engage in guarantee/risk capital operations, including 'de-risking' projects in a market where the demonstration impact has the potential to be significant, provide visibility and strengthen markets and institutions. On the other hand, care should be taken not to take over the role of private sector investors ('crowding out') if there is no investment gap. Market gap analysis, or sounding out the respective market players, will provide further insight in making the decision to proceed with this type of investment. Once instruments have proven successful (e.g. when private companies enter the market without public support or when development goals have been reached), EU support should be reduced. This point is further developed in Chapter 6.

3.5 Guarantees

Guarantees are used to address (perceived) risks by transferring these risks from investors to third parties with a better capacity to absorb them, with the objective of mobilising commercial financing.

3.5.1 WHAT IS IT?

Guarantees are legally binding agreements under which a party (the guarantor) agrees to pay part or all of the amount due on a loan, equity or other instrument upon realisation of a number of agreed events (non-payment, loss of value, etc.). Guarantees exist in many forms and can be tailored to the specific risk to be addressed. When the EU contribution is used as a guarantee, the funds are set aside to cover potential future losses, subject to realisation of a number of pre-agreed events.

3.5.2 WHY AND WHEN IS IT USED?

Guarantees are used to catalyse funding to support activities that are perceived as too risky by investors and in situations where alternative risk cover provided by commercial insurers may not be available or affordable (see Box 3.5 for an example). Guarantees therefore help mobilise financial resources to target specific countries or sectors that are underserved due to investors' high-risk assessments. Specifically, financiers make decisions on the basis of, inter alia, identified or perceived risks (e.g. country, sector or project risks), which they try to minimise. To reduce these risks, the EU contribution can be provided in the form of a guarantee. Guarantees are sometimes referred to as **credit enhancement mechanisms**, in that the lender is provided with reassurance that the borrower will honour its obligation (through collateral, insurance, or a third-party guarantee).

Guarantees provide lenders with added protection, typically under risk-sharing terms: the EU contribution would generally cover only part of the risks, to avoid moral hazard[3]. Guarantees are most useful where liquidity/availability of funding is not the main problem, but where the high perceived risk of investment remains a barrier to funding.

The EU contribution can be used as a partial guarantee for a portfolio of loans extended either by a financial institution or by financial intermediaries in partner countries, or can be used to create or contribute to a guarantee facility.

Guarantees considered under the EU Blending Framework are generally comprehensive in nature (so-called credit guarantees), triggered by non-payment by the beneficiary. They cover losses in the event of a debt service default regardless of the cause of default — i.e. both political and commercial risks are covered, with no differentiation made regarding the source of risk that caused the default. Although many risks emanate from specific factors (government, country, sector, etc.), investors tend to prefer comprehensive guarantees. Depending on the nature of the project, however, partial risk guarantees covering only a specific identified risk might also be useful. Such risks include traffic revenue risk in toll road projects, wind flow prediction risks in wind farms, the risks of dry well drilling in geothermal projects, country-specific currency risks and more traditional types of political risk.

There are no up-front limitations regarding investors' need for risk coverage. Investors face a broad

BOX 3.5 Example of guarantee: SME guarantee facility (NIF)

The objective of this project is to increase local bank lending to SMEs, improving access to finance for SMEs on a sustainable basis. The project's ultimate objective is to promote job creation. The project will provide an effective risk management tool aiming to encourage local commercial banks to increase their financing to SMEs in the Mediterranean partner countries, thus deploying local currency resources mobilised from their domestic market.

EU support: EUR 24 million

Total project cost: EUR 320 million

Type of grant support: Guarantee

[3] If all the risks are borne by the Commission, the lender has no incentive to evaluate risks correctly and constitute a sound and sustainable portfolio of loans.

spectrum of risk, from financing projects in very creditworthy countries to highly risky countries, but the nature of the risk will differ depending on the country and the sector in question. Guarantees essentially transfer certain defined risks from investors to third parties that have a better capacity to absorb these risks, at a cost to the investor.

Guarantees can be **first-loss guarantees** (covering the first group or percentage of losses on a group of investments or loans) or **second-loss guarantees** (guaranteeing losses after the first-loss guarantee has been fully used), etc.

The terms of the guarantee are, in most cases, the result of negotiations conducted on a case-by-case basis, since they are targeting an issue of perceived risk in markets with limited or no historical data on actual risk. They can be free or remunerated. However, even when remunerated, guarantees funded by the EU are typically concessional — i.e. they are not priced on commercial terms, commensurate for the risks they cover. Guarantees often have a maximum amount (cap), which is an absolute figure to limit the cover and potential costs for the EU. This cap is based on, inter alia, the expected loss percentages, as calculated by the financial institution. Guarantee terms also specify the liability split between the EU and financial institution for a given portfolio. Based on experience to date under the facilities, guarantee rates for financial institutions and financial intermediaries are normally 10–20 % of a portfolio, with a maximum loss of 50 % on any single loan in the portfolio. These rates ensure that intermediaries are correctly incentivised to source good-quality loans and build sustainable portfolios.

At present, the main providers of credit enhancement in developing countries are the World Bank (through partial risk guarantees) and its Multilateral Investment Guarantee Agency (through political risk insurance). Additionally, export credit agencies provide political risk insurance as well as more comprehensive forms of insurance. Studies show that there are gaps and inefficiencies in the provision of credit enhancement/risk mitigation instruments, and that existing products may not always be adapted to the current needs of commercial banks and project developers. The objective in this regard is to identify existing gaps and complement existing products, while leveraging the guarantee instruments provided by others to the extent possible.

3.5.3 HOW DOES IT WORK?

The EU contribution is generally disbursed to the financial institution and then earmarked, but is not disbursed by the financial institution until there is an actual loss. Undisbursed amounts are typically returned to the EU at the end of the project implementation period (or before, as per the contract), according to the conditions defined under the specific guarantee scheme.

In the context of risk-sharing facilities supporting financial intermediaries or specific projects, the level of involvement of the Commission in the decision-making process on granting a guarantee for a specific project or specific financial intermediary should be carefully assessed. A balance must be sought between reputational risks for the EU, the possibility of fostering greater complementarity and synergies with other blending or grant-financed programmes in the region, and the EU's capacity to manage specific non-objection procedures in the needed time frame. The EU–European Development Finance Institutions (EDFI) Private Sector Development Facility, which aims at supporting sustainable development through investments that contribute to Sustainable Energy for All (SE4All) objectives, is one example where the EU has a veto right on whether its guarantee can be used for a specific project[4].

[4] More details on the EU-EDFI private sector development facility are provided in Section 4.1.4.

3.6 Risk capital

Risk capital provided by the EU is used to address (perceived) risk and improve the risk/return profile of investments, with the objective of mobilising private sector financing.

3.6.1 WHAT IS IT?

Risk capital is defined here as finance provided to corporate entities and/or revenue-generating projects which typically is not secured (see Box 3.6 for an example). Risk capital can be provided in different legal forms, each of which has its own risk and return profile. In general, the higher the risk, the higher the requested return. In principle, three forms of risk capital exist:

- equity;
- loans;
- a mix of these two, called mezzanine (or quasi-equity).

Loans are mentioned here simply to explain the concept of risk capital from both ends of the risk spectrum, as senior loans are typically secured by collateral with contractually guaranteed returns and as such are considered a lower-risk form of capital.

BOX 3.6 Example of risk capital: SANAD

The main objective of SANAD is to provide funds (in the form of guarantees, loans, subordinated debt and equity) and technical assistance to financial institutions at developing MSMEs in the Middle East and North Africa, and to effectively accompany MSMEs on their path to sustained growth. The project is divided into two components: the SANAD Fund for MSMEs and the SANAD's Technical Assistance Facility.

EU support: EUR 10 million

Total project cost: EUR 132 million

Type of grant support: Risk capital and technical assistance

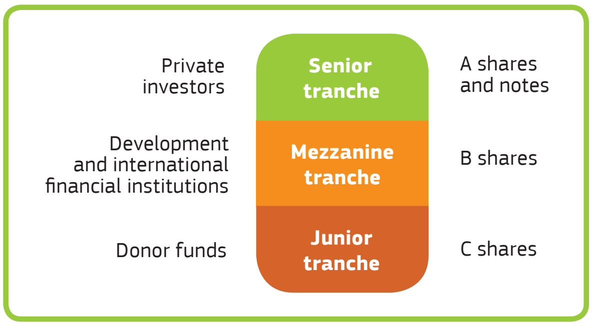
3.6.2 WHY AND WHEN IS IT USED?

Each form of risk capital is used to optimise a company's or project's capital structure such that the cheapest mix of financing is chosen for the company/project. Equity is the most expensive, and senior loans the least expensive, financing instrument. Returns to equity shareholders are discretionary, however, and are paid only after interest on debt has been paid; senior loans provide a contractually guaranteed return to the lender in the form of a fixed or floating interest rate paid on predetermined dates.

Equity gives ownership and shares in the profits of the venture, but will also be first in line to bear the losses and the last to get money back, after any company/project reserves are depleted. Ordinary shares may provide dividends to shareholders and may go up and down in value depending on the value of the company. These shares generally have an indefinite duration, and the owner has to find someone to buy them when it wants to sell. Selling is usually easy when shares are quoted on a stock market, but harder for private companies with only a few shareholders. Because of the high risk and uncertain income, private equity may expect returns of 25 % or higher — although required returns are likely to fall for safer sectors such as infrastructure (perhaps 15 %), or for larger, quoted companies (e.g. 10–12 %).

Loans are provided on the basis of a lender being given a form of security; this is usually some fort of physical asset, but it could also be some other asset such as a guarantee. As the loan is secured, the lender is willing to charge a lower cost than for

FIGURE 3.1 Share tranches



equity. Loans can be categorised as either senior or junior (subordinated) loans; senior loans have priority when interest payments and repayments are made and are therefore the safest type of investment. Interest on and repayments of junior loans are paid after those on senior loans have been paid. The cost of loans (interest rate) varies enormously, based on the borrower's financial strength (credit rating), the security offered, the existing level of debt, the length of the loan, etc.

Mezzanine capital combines characteristics of both equity and loans. It takes different forms, sometimes resembling an equity investment and sometimes being more comparable to junior debt. Examples include preferred shares, subordinated loans and convertible loans. Most of these instruments provide some protection against losses, while also partially benefiting from profits. They are mainly used where pure equity is unattractive — because the risk profile of the investment is considered too high and/or the return potential insufficient, or in markets where there are few exit options for equity.

In the context of blending facilities, the EU has invested risk capital in a number of funds which aim at supporting the development of local MSMEs or renewable energy and clean technology projects and attracting private sector financing for such investments. These funds in turn can offer different types of financial products, depending on market need.

The EU investment is generally made into subordinated equity (C shares), which absorb initial losses from non-performing loans/loss-making equity operations in the fund and typically has a very low upside potential (see Figure 3.1). This provides a risk buffer to mezzanine investors such as financial institutions; these will typically provide a second risk layer/buffer (B shares), which is compensated by a higher return than the C shares. Private sector and other investors fund the most senior tranche of equity (A shares and notes) and are provided commercial returns which reflect the (low) risk/return characteristics of their investment.

A primary objective when setting up such structured funds is to attract private investors to finance the fund. This might be difficult to achieve in a fund's early stages when its track record is short, but its attractiveness will improve as its record is progressively built up.

3.6.3 HOW DOES IT WORK?

Investments in these types of structured funds will normally be made through a company or fund via a public financial institution. Either a special-purpose vehicle or a dedicated investment vehicle can be used; the latter is often managed by a private sector fund manager. When determining the amount of the EU contribution, an equilibrium is sought between the donor's desire to fulfil development goals while minimising its financial contribution and maximising contributions from others (i.e. achieving the highest possible leverage), and the co-financier's (e.g. financial institution and private investors) desire to minimise its risks and maximise its return.

The EU contribution in the form of risk capital will generally be disbursed to the financial institution; which will, in turn, invest the contribution on behalf of the EU in the company, fund, special-purpose vehicle or dedicated investment vehicle. The funds are then used to finance investments.

As a general rule, investments made on behalf of the Commission should have the following characteristics.

- They must be made for a limited duration (generally between 5 and 15 years) that is clearly indicated form the outset.
- The exit strategy must be discussed up front, e.g. via an initial public offering (IPO) or other divestment mode.

- The representation and involvement of the Commission, if any, in the governance structures (board, investment committees, steering committees, etc.) of the fund should be clearly described; alternatively, the modalities for entrusting this representation to third parties (trusteeship, usually to a financial institution) should be similarly clear.

- The possible veto/non-objection rights of the Commission should be clearly indicated (e.g. the obligation to perform ex ante consultations on any changes in the investment strategy).

- The use and mechanisms of redistribution of the profits (dividend waterfall, target financial returns for other investors, etc.) must be clear. Risks and returns should be set so as to provide the right incentives to investors while respecting the rules related to the re-use of reflows on repayments (two-year limit after decommitment, as per Article 140 of the budget financial regulation).

- While the Commission typically does not seek to receive any returns (financial flows) during the implementation period of the project, proceedings from the exit valuation of the EU's shares at the end of the project should be returned to the Commission, except in specific cases.

- Fund management agreements should require the manager to commit its own money as a fund investor to align interests (1 % is typical/minimum in private equity; this may be lower in structured funds), and should incentivise the manager to raise external finance.

- When investing in a company, fund, special-purpose vehicle or dedicated investment vehicle, specific tax-related risks arise (see Chapter 6 for more information). As a general rule, the Commission's Taxation and Customs Union Directorate-General should be consulted on each specific project to check for compliance with the Commission's tax policy.

- Fees for the fund manager must be transparent, ensure full alignment with investor interests and be in accordance with sound remuneration principles.

CHAPTER 4

Overview of blending operations

4.1 Key characteristics

This section provides real-world examples of recent and ongoing projects conducted by the EU as a way to illustrate several key characteristics of blending operations — specifically, the **sectors** in which these have been undertaken; how they enable **financial leverage**; and the role of **financial institutions**.

The most updated information on blending operations by region is available in the annual reports of the various regional facilities[1]. These reports include a short description of approved projects as well as key data on project implementation. The regional facilities are the Africa Investment Facility (AfIF) and EU-Africa Infrastructure Trust Fund (ITF), the Asia Investment Facility (AIF), the Investment Facility for Central Asia (IFCA), the Caribbean Investment Facility (CIF), the Latin America Investment Facility (LAIF), the Neighbourhood Investment Facility (NIF) and the Investment Facility for the Pacific (IFP).

A short description of all projects financed under the regional facilities can be found on the EuropeAid website[2].

4.1.1 SECTORS

By sector, blending has been used primarily for energy and transport projects; followed by environment and water and sanitation projects; and in private sector development projects, particularly for MSMEs. It has been used much less frequently in the social sectors (health and education) and for information and communications technology (ICT) projects. While it has not been a focus in recent years, it is expected that agriculture/agribusiness will become an important sector where blending can deliver added value as an implementation modality.

The sector distribution confirms that blending generally best suits capital-intensive sectors with high project costs, where some cash flow is generated but it is often not sufficient to cover the financing of the targeted development objectives (access for the poor, affordability, use of new technologies, etc.). EU grant support under blending increases **project bankability**, defined as the feasibility (financial, strategic, technical, organisational and managerial) of a project to be implemented according to its development objectives, in a timely and efficient manner and to be able to pay back the invested resources to the financial institution providing the funds.

Following are brief descriptions and examples of blended projects financed in different sectors. Financing of blending operations in **energy**, **transport**, **water and sanitation**, and support to **private sector development** are discussed in more detail in the respective sector reference document[3].

Energy

Projects supported under the blending facilities generally cover the following sub-sectors:

(1) These annual reports are available at http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

(2) https://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending/blending-operations_en.

(3) The four sector reference documents can be found on http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

- **power transmission and distribution,** with the objective of gaining access to secure electricity sources and connectivity within the region, and increasing the efficiency of electricity transport and distribution;

- **renewable energy,** with a primary focus on grid-connected renewable electricity production (hydro, wind, solar, geothermal, biomass/waste-to-energy) (see Box 4.1);

- **energy efficiency** — particularly in end-use sectors, including combined heat and power production, industrial energy efficiency, SMEs and the public and residential sector — with a focus on supporting energy efficiency financing facilities and programmes, given the small-scale of the specific individual investments (see Box 4.2).

BOX 4.1 Ouarzazate Solar Plant — first phase (NIF)

The first step of the Moroccan Solar Plan is development of a 500-megawatt solar power complex located approximately 10 kilometres east north-east of Ouarzazate. Once fully developed, this complex will be one of the largest in the world. In its first phase alone, it will avoid the emission of 110 000 tonnes of carbon dioxide per year while developing renewable energy and energy security in Morocco, as well as creating jobs and promoting an integrated local solar industry.

EU support: EUR 30 million

Total project cost: EUR 807 million

Type of grant support: Investment grant

BOX 4.2 Kyrgyzstan Sustainable Energy Efficiency Financing Facility (IFCA)

A more reliable energy supply and improvement of energy efficiency are the two main objectives of Kyrgyzstan's energy strategy. The Kyrgyzstan Sustainable Energy Efficiency Financing Facility is designed to help local financial intermediaries support small-scale sustainable energy projects by combining credit lines with technical assistance. Incentive payments will support residential energy efficiency as well as industrial energy efficiency and small-scale renewable energy investments.

EU support: EUR 6.8 million

Total project cost: EUR 20.8 million

Type of grant support: Investment grant and technical assistance

Climate change objectives have been adopted in all blending facilities, supporting climate change mitigation as well as adaptation to climate change and improving the climate resilience of projects. As investments in renewable energy and energy efficiency are core elements in the mitigation of climate change, these objectives are relevant for a large share of the projects in the energy sector.

Water and sanitation and environment

Support provided in the water and sanitation and environment sectors focuses mainly on developing environmental infrastructure in the water, wastewater and waste management sectors. This comprises:

- environmental infrastructure (water supply, wastewater, waste management);

- support to public utilities;
- water resource management, including flood protection measures.

The water and sanitation projects financed through the blending facilities support the overall global challenges of providing a safe water supply and sanitation as well as promoting sustainable water resource management (see Box 4.3).

Transport

EU support aims to provide better and more sustainable transport infrastructure and reduce transportation operating costs in support of sustainable growth. Projects mainly cover:

- transport infrastructure (ports, airports, roads, bridges, railway, border passes);
- urban transport solutions;
- transport studies (e.g. master plans, regional transport studies);
- improvement of transport services (see Boxes 4.4 and 4.5).

Private sector development

Private sector development interventions are conducted at three levels:

- **macro level** — overall policy and regulatory framework;

BOX 4.3 Integrated water resource management in Colombia (LAIF)

LAIF support for implementation of integrated water resource management policy gives Colombia's autonomous environmental authorities additional financial resources to carry out environment protection actions and direct investments towards priority river basins. The project will help preserve biodiversity, lower the cost of wastewater treatment, minimise the flow of water provided in the summer and generate around EUR 17.8 billion in economic benefits.

EU support: EUR 15 million

Total project cost: EUR 342.7 million

Type of grant support: Investment grant and technical assistance

BOX 4.4 Greater Dhaka Sustainable Urban Transport Project (AIF)

This project seeks to reinforce the capacity of the Dhaka Transport Coordination Authority in the context of the Greater Dhaka Sustainable Urban Transport Project. In particular, it aims to ensure integration of new mass transit lines (bus rapid transit, metro, bus) in a comprehensive manner, in order to improve the urban transport system — including general traffic, parking, transport and delivery of goods, small traditional transport operators and non-motorised transport.

EU support: EUR 2.85 million

Total project cost: EUR 196 million

Type of grant support: Technical assistance

BOX 4.5 Eastern Africa Transport Corridor (ITF)

This project consists of road improvements to three selected sections (58 kilometres) of the Northern Road Corridor, including two bypasses for Kampala and Mbarara (Uganda). The main objectives are to alleviate transport bottlenecks, generate savings in vehicle operating costs and travel time, and reduce the level of road accidents. Modernisation of this infrastructure is crucial for both national and regional road traffic and sustains economic growth in the area, trade expansion and investment.

EU support: EUR 16.6 million

Total project cost: EUR 129 million

Type of grant support: Technical assistance

- **meso level** — market-enhancing institutions and organisations;
- **micro level** — individual MSMEs and financial institutions.

MSMEs are largely underserved and face significant challenges in accessing financing (both in local and hard currencies) to support their growth. The reasons behind this challenge differ from country to country, but generally reflect a lack of funding and risk capital, an adverse business environment, and a lack of know-how on the part of local financial institutions combined MSMEs' insufficient financial literacy and the overall high level of informality of the local economy. Specific attention is given to gender inequality and the promotion of access to finance and employment for women, who face specific challenges in that regard.

Blending operations can target all these levels but generally aim at facilitating MSME access to finance and incentivising local financial institutions to provide financing to underserved clients (generally because of high perceived risk or high transaction costs). This is typically accomplished through:

- intermediated financial facilities (programmes/instruments delivered by local financial institutions) to support MSMEs;
- specific private sector support (i.e. of a specific industry);
- fund structures and/or guarantee facilities (see Box 4.6).

BOX 4.6 Programme for Entrepreneurial Development of MSME in Central American (LAIF)

Promoting an entrepreneurial environment to facilitate the creation of new and innovative enterprises and supporting the development of the financial sector so it provides adequate access to finance for MSMEs are two key aims of the programme. It includes technical assistance for entrepreneurial development centres and to new innovative enterprises as well as support to financial institutions offering financing for MSMEs.

EU support: EUR 3.8 million

Total project cost: EUR 54.2 million

Type of grant support: Technical assistance

Social sector

Social sector projects mainly focus on supporting the development of:

- social infrastructure (education, hospitals, prisons, senior citizen centres);
- housing and social housing;
- education-linked activities (entrepreneurial learning centres, the Education Finance project, etc.).

While education is not yet a mainstream investment sector for most financial institutions (see Box 4.7), there is scope for increasing awareness and identifying project opportunities which aim to increase employability and facilitate the school-to-work transition as well as provide career options to young people by supporting entrepreneurship and self-employment. The same is true for projects in the health sector, which aim to ensure the population's access to quality health services. Housing and urban development projects that seek to extend affordable social housing and improve the sustainability of accelerated urbanisation have a large potential for blending.

BOX 4.7 Support Programme to the Education Sector in Morocco (NIF)

This project supports education sector reform in Morocco and entails implementation of an action plan involving reinforcement of educational infrastructure throughout the country, with the goal of achieving more equitable socioeconomic development.

EU support: EUR 15 million

Total project cost: EUR 1.9 billion

Type of grant support: Technical assistance and investment grant

Information and communications technology

The ICT sector in developing countries is considered a mature market, where public support would only be needed to meet specific developmental objectives; this is because most of the sector's investment needs are adequately provided by the private sector. Projects should focus on affordability in order to reach the one-third of the population of the poorest countries who currently live beyond the reach of ICT networks. They should widen access to more advanced ICT services such as broadband for high-speed Internet, leverage new ICT infrastructure to improve service delivery and build on it as a source of economic growth, and develop and align people's skills relevant to the information technology–enabled services sector and knowledge economy (see Box 4.8).

BOX 4.8 Seychelles: submarine cable (ITF)

This project will provide cost-efficient broadband telecommunications infrastructure to address present and future needs for connectivity and capacity. The Seychelles to East Africa submarine cable will remove a major barrier to the Internet's development — and therefore to the economic and social development — in Seychelles. Furthermore, the government's equity investment generates dividends to the government, which should be directed to providing Internet access to schools and hospitals.

EU support: EUR 4 million

Total project cost: EUR 27 million

Type of grant support: Investment grant

4.1.2 FINANCIAL LEVERAGE

Leverage as a financial concept is at the core of blending: grant resources are to be used to leverage loans and other financial flows from financial institutions as well as private sector capital. It is both about reaching scale (with limited grants potentially leveraging large amounts of investment) and delivering enhanced development impact — i.e. generating results that, in a given context, could not have happened without the grant element. Leverage thus goes hand in hand with additionality and rationale. Leverage reflects the additional amount of finance a grant can help to mobilise as a financial input into an investment project that will then go on to deliver beneficial results in line with policy objectives.

As a financial concept, leverage can be measured and reported on quantitatively as a ratio. This ratio relates the size of a grant either to the size of the other financial flows that the grant helps unlock or mobilise or to the size of the total investment (project cost). Hence, it can be easily measured and reported.

Three different leverage indicators are used, as explained in detail in the project application form and its guidelines (see Annex 3, Section 28), where the grant amount used in the denominator corresponds to the total EU blending facility grant (including any technical assistance component), which is compared to the amount of funding mobilised as a result of the grant.

- **Investment leverage ratio:** the value of the investment (total project cost) divided by the total amount of the EU blending facility grant(s) relating to this investment
- **Total financial institution leverage ratio:** the amount of financial institution financing — whether non-concessional, concessional or grant funding — divided by the total amount of the EU blending facility grant(s) relating to this investment
- **Private financing leverage ratio:** the amount of private sector financing mobilised in the investment project divided by the amount of the EU blending facility grant(s)

The lead financial institution provides an ex ante assessment of leverage across these three ratios, which is updated ex post or when the final value of funds mobilised becomes apparent during the life of the project. On an annual basis, financial institutions should provide an updated estimate of these ratios based on any new information which might affect the final funding that will be mobilised by the grant.

The leverage ratio is likely to be very different depending on the nature of the grant intervention (e.g. risk capital operations compared with interest rate subsidy), the sector, or the characteristics of the project being supported (e.g. if the project is situated in a fragile state as opposed to a middle-income economy). Thus, the temptation should be avoided to simply seek to maximise leverage, or to assume that higher leverage will lead to more results per euro of EU grant money. This should be kept in mind when leverage ratios are calculated at an aggregate level, say, for a given blending facility. By the same token, comparisons of leverage ratios across projects, countries, regions or facilities should always be made with care, taking into account the many potential structural differences.

In the case of technical assistance, the difference between pre-investment phase technical assistance and investment phase technical assistance should be taken into account. **Pre-investment phase technical assistance** typically funds studies which enable pipeline development or project preparation, where the precise project size and investment amounts are not yet known. In these cases, leverage can be calculated using indicative investment/project size (based on estimated amounts of investments that could result from the projects assessed during this phase). It will be reported only for the purpose of indicating the level of total investments to which such pre-investment phase technical assistance could contribute. **Investment phase technical assistance**, however, clearly accompanies an investment commitment. Leverage for such technical assistance projects can be calculated precisely using the same proposed ratios described above and reported (and included) systematically alongside leverage for investment projects.

Leverage in this sense is strictly a financial ratio, and covers funds mobilised and associated directly with the investment (and therefore the grant component). It does not include funds that might also be catalysed as a result of or in parallel to the investment (e.g. through demonstration effects) or other changes that are generated as a result of the investment, such as changes to policy, even where these have a financial impact.

4.1.3 FINANCIAL INSTITUTIONS

Whenever possible, implementation of blending operations is generally entrusted, under indirect management, to a **lead financial institution**, as defined under the CIR (Article 4.1e). So-defined lead financial institutions include the EIB, multilateral European financial institutions such as the EBRD, and bilateral European financial institutions such as the Agence Française de Développement (AFD) and the Kreditanstalt für Wiederaufbau (KfW). Any financial institution entrusted with budget implementation tasks by the Commission has to successfully pass the so-called seven pillar assessment.

In many cases, projects are co-financed, with more than one financial institution contributing to the financing package. In this respect, blending facilities have enabled increased coordination, making it possible to finance greater and more complex projects. Regional development banks have played an important role in blending facilities, both as co-financiers and as lead financial institutions in some regions. The latter circumstance was notably the case for the Caribbean Development Bank and the Inter-American Development Bank in the Caribbean and the African Development Bank in Africa.

Whereas European financial institutions can always act as lead under the blending facilities, provided they have successfully passed the seven pillar assessment, non-European institutions need to demonstrate their added value in the region and project to serve as lead. The involvement of non-European financial institutions as lead financiers will be examined by the Board of the relevant blending facility on a case-by-case basis following a targeted approach looking at the specific added value the non-European financial institution brings to a particular project or region. For example, non-European financial institutions might help fill the gap left by European financial institutions with regard to (i) specific, thorough knowledge of local conditions and presence in the region; (ii) 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; (iii) specific know-how and experience in relevant sectors; or (iv) additional technical and/or financial capacity to substantially leverage further resources. The role of non-European financial institutions already acting as lead in specific blending facilities should be preserved, provided that the conditions outlined above are met. This pertains to the African Development Bank in Africa, and the Caribbean Development Bank and the Inter-American Development Bank in the Caribbean.

Thus, in practice, a lead financial institution under the EU Blending Framework could be:

- a multilateral European financial institution (e.g. EIB, EBRD);
- a European national development financial institution from a Member State (e.g. AFD, KfW, Agencia Española de Cooperación Internacional para el Desarrollo — AECID);
- a regional or other multilateral bank which can act as a lead in specific cases (e.g. the African Development Bank in Africa or the Caribbean Development Bank or Inter-American Development Bank in the Caribbean).

So far, more than 90 % of blending operations have been implemented under the lead of four main public financial institutions: the AFD, the KfW, the EIB and the EBRD. The AECID has also emerged as a key player in Latin America. The Commission is striving to involve more European public financial institutions and will continue its efforts to do so. As an example, the EU-EDFI Private Sector Development Facility (discussed further in Section 4.1.4) was established by the Commission in 2013 under the SE4All initiative. It will be carried out with the EIB and a number of European bilateral development financial institutions[4] — the EDFI members — building on the existing initiatives of the European Financing Partners (EFP) and Interact Climate Change Facility (ICCF), which co-finance projects aimed at sustainable development through investments in the private sector. It is important to note the active participation of many regional banks as co-financiers in this facility, such as the Central American Bank for Economic Integration (CABEI), the Development Bank of Latin America (CAF) and the Inter-American Development Bank in Latin America; and the Asian Development Bank in Asia and Central Asia.

Annex 2 presents an overview of development finance institutions.

4.1.4 SPECIFIC BLENDING OPERATIONS

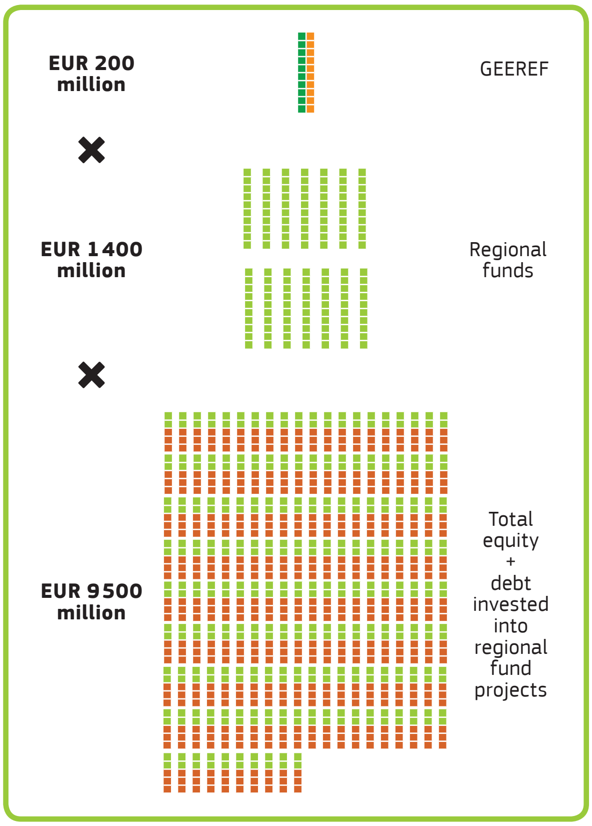
In addition to the projects approved under regional facilities and described in the annual reports, two specific blending operations are described below. Both are in the energy sector. The first has a global coverage; the second is a pilot programme which supports private sector development in the context of SE4All.

Global Energy Efficiency and Renewable Fund

Equity is an important form of capital for renewable energy and energy efficiency projects. However, equity markets in many developing and emerging countries are often underdeveloped, limiting the amount of risk capital available to renewable energy and energy efficiency project developers. In the absence of sufficient equity capital, these types of projects are typically unable to attract any other type of financing such as loans. In response, the Global Energy Efficiency and Renewable Fund (GEEREF) invests in private equity funds that focus on renewable energy and energy efficiency projects in emerging markets where scarcity of risk capital has been established as a critical barrier to renewable energy and energy efficiency investments (see Figure 4.1).

GEEREF is the first 'fund of funds' targeting the provision of capital for emerging market private equity finance for renewable energy and energy efficiency.

FIGURE 4.1 GEEREF investment



Key: ■ = A shares; ■ = B shares; ■ = equity; ■ = debt.

It is set up as an innovative global equity/risk capital fund that uses limited public money to mobilise private investment in small-scale energy efficiency and renewable energy projects. The fund currently holds high-risk (first-loss) A share commitments from the EU, Germany and Norway and B share commitments from commercial investors. It is estimated that when GEEREF achieves its funding target — which is to have a total of EUR 200 million in funds under GEEREF management — it will have mobilised around EUR 9.5 billion in renewable energy/energy efficiency project investment through the funds in which it participates.

EU-EDFI Private Sector Development Facility

The EU has committed to support SE4All[5], with a particular focus on Sub-Saharan Africa. The EU-EDFI

[4] http://www.edfi.be.

[5] SE4All was initiated by the United Nations in 2012 to ensure universal access to modern energy services, double the share of renewable energy in the global energy mix and double the global rate of improvement in energy efficiency.

Private Sector Development Facility is one of three components included in the SE4ALL initiative (EC, 2012a). Managed by the EIB and the EDFI, the facility builds on the existing EFP and ICCF initiatives which co-finance projects aimed at sustainable development through investments in the private sector. The facility aims at contributing to poverty reduction and economic development in Sub-Saharan Africa through the mobilisation of resources for projects in the energy sector. It further aims to increase access to modern energy services, and investments in renewable energy and energy efficiency, by promoting private sector investments and providing additional dedicated financial resources to African countries.

The EU contribution is used to support projects that would not have been financed otherwise in the context of the EFP and the ICCF, by partially guaranteeing the financing provided by the financing partners (loans, equity or early-stage development equity or seed money). The EU contribution amounts to EUR 43 million for a partial risk guarantee instrument; in addition, up to EUR 5 million may be used for technical assistance. The EU is represented on the EFP and ICCF investment committees, whenever a facility/project guarantee is sought. The Commission has a veto right on the use of its funds. Through the possibility of an opt-out decision, the EU retains control over the use of its funding for each individual energy project.

Based on the experience gained with this new risk-sharing mechanism, there might be potential for scale-up and replication to other sectors/regions in the future.

4.2 EU Blending Frameworks

The EU implements blending operations in the context of four Blending Frameworks, corresponding to the financing instruments providing funding in support of the Union's external policies. In order to be able to address the different regional strategic priorities, increase policy leverage and effectively use blending operations for policy dialogue and for reporting purposes, Blending Frameworks cover geographically defined facilities as well as thematic programmes.

- The **Development Cooperation Instrument (DCI) Blending Framework** covers all eligible countries under the DCI with the LAIF, the AIF and the IFCA; as well as specific thematic programmes.
- The **European Development Fund (EDF) Blending Framework** covers all eligible countries under the EDF with the AfIF[6], the CIF and the IFP.
- The **European Neighbourhood Instrument (ENI) Blending Framework** covers all eligible countries under the ENI with the NIF. In the Neighbourhood, only countries that have signed a European Neighbourhood Policy (ENP) Action Plan can benefit from assistance.
- The **Instrument for Pre-Accession Assistance (IPA) Blending Framework** covers all eligible countries under the IPA with the Western Balkans Investment Framework.

4.2.1 PROGRAMMING

During the programming process, sectors of intervention and indicative envelopes are defined in the multiannual indicative programme. As part of this process, the EU discusses with partner countries and regional organisations national and regional priorities and development objectives that would be best met using the blending modality. Potential funding for blending operations is discussed in the context of the programming process of the regional, national and thematic programmes under the different financing instruments (DCI, EDF, ENI and IPA). The (regional and thematic) programming documents listed in Table 4.1 are of particular relevance for use of the blending modality for the 2014–2020 Multiannual Financial Framework.

Where relevant, national multiannual indicative programmes may also contain an indication of the

[6] Following Council and Parliament request to harmonise blending set-ups in the different regions, the AIF was set up for the 2014–2020 Multiannual Financial Framework. The ITF was the instrument that covered blending operations over the 2007–2013 financial framework.

TABLE 4.1 Programming documents for using blending modality in 2014–2020 Multiannual Financial Framework

INSTRUMENT	PROGRAMME	DOCUMENT URL
DCI	Latin America Multiannual Indicative Regional Programme	http://ec.europa.eu/europeaid/sites/devco/files/dci-multindicativeprogramme-latinamerica-07082014_en.pdf
	Asia Multiannual Indicative Regional Programme	http://eeas.europa.eu/asia/docs/rsp/regional-asia-mip-2014-2020_en.pdf
	Central Asia Multiannual Indicative Regional Programme	http://ec.europa.eu/europeaid/sites/devco/files/mip-2014-2020-central-asia-regional-20140812-en.pdf
	Pan-African Multiannual Indicative Regional Programme	https://ec.europa.eu/europeaid/sites/devco/files/mip-pan-african-programme-2014-2017_en.pdf
	Global Public Goods and Challenges (GPGC) Multiannual Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/mip-gpgc-2014-2017-annex_en.pdf
ENI	ENI-Wide Multiannual Indicative Regional Programme	http://eeas.europa.eu/enp/pdf/financing-the-enp/enp_wide_strategic_priorities_2014_2020_and_multi_annual_indicative_programme_2014_2017_en.pdf
	Neighbourhood South Multiannual Indicative Regional Programme	http://eeas.europa.eu/enp/pdf/financing-the-enp/regional_south_strategy_paper_2014_2020_and_multiannual_indicative_programme_2014_2017_en.pdf
	Neighbourhood East Multiannual Indicative Regional Programme	http://eeas.europa.eu/enp/pdf/financing-the-enp/regional_east_strategy_paper_2014_2020_and_multiannual_indicative_programme_2014_2017_en_.pdf
EDF	West Africa Regional Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/eeas-2015-rip-west-africa_fr.pdf
	Central Africa Regional Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/rip-central-africa-region_-edf11-2015_fr.pdf
	Eastern Africa, Southern Africa and Indian Ocean Regional Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/rip-ea-sa-io-signed-20150604_en.pdf
	Caribbean Regional Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/caribbean-regional-indicative-programme_en.pdf
	Pacific Regional Indicative Programme	https://ec.europa.eu/europeaid/sites/devco/files/rip-pacific-edf-11-2014-2020_en.pdf
	Intra-ACP Regional Indicative Programme	http://ec.europa.eu/europeaid/sites/devco/files/intra-acp-strategy-11-edf-2014-2020_en.pdf

relevance of the use of the blending modality in a specific sector.

4.2.2 STRATEGIC DISCUSSIONS ON BLENDING OPERATIONS

The EU holds regular dialogues on strategic orientations and general guidelines with partner countries and relevant regional organisations on blending operations. These discussions are conducted either in the context of existing regional or sub-regional policy dialogue fora or, where there are no such suitable identified fora, in dedicated strategic meetings under the ownership principles of EU development cooperation. As a general principle, the Commission and the European External Action Service (EEAS) conduct and co-chair strategic discussions, where financial institutions may participate as observers. The set-up for these discussions varies depending by region: more detail can be found in the respective rules of procedure. For African, Caribbean and Pacific countries, the principle of partnership of the Cotonou Agreement will be respected.

4.2.3 BLENDING DECISION-MAKING PROCESS

In compliance with the new financial regulation, the revised blending decision-making process involves two steps:

1. Based on priorities stemming from the regional or multiannual indicative programmes and from policy dialogue with relevant partner countries and regional organisations, one or more **Commission decisions** allocate financing to the regional facility from the various regional, national and thematic envelopes as relevant. The annual action programme defines the financial allocation, objectives, expected activities, results, target leverage, eligible instruments and basic governance structure of each facility.

   Depending on the specificities of the region, different options are available for this decision.

   - One decision allocates financing to the facility in the relevant regional annual action programme, with funds coming from regional, national and thematic programmes as relevant. For financing coming from national and thematic programmes, a cross-reference should be made in the relevant annual action programme.

   - Different decisions in the relevant regional, national and thematic annual action programmes allocate financing to the regional facilities.

   While it is not a legal obligation, best practice is that an indicative pipeline is annexed to the Commission decisions allocating financing to the regional facilities. As an example, the 2014 decision allocating financing to the LAIF is included in Annex 5. However, this pipeline is indicative and could include projects that will ultimately not materialise, or new projects may be included in the pipeline at a later stage.

   After this decision, the specific Blending Framework governance is used to select projects (see further on Blending Framework Board and technical assessment meetings).

2. A **complementary Commission decision**[7], after the relevant Board deliberation, further specifies the projects, in particular indicating the project amount and entrusted entity. This information is needed to comply with the Financial Regulation that foresees that when implementing an action under indirect management, the Commission decides on the entrusted entity. No comitology is required for this complementary Commission decision.

The **Blending Framework Board** (hereafter called the Board) is responsible for formulating opinions on individual blending operations. It is chaired by the Commission[8], the EEAS participates, the EU Member States are voting members, and financial institutions are observers. The Board is also 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 elaborated with partner countries and regional organisations;

- monitoring and review of the pipeline of projects based on the results of the discussions at the technical level;

(7) See Annex 6 for a template.

(8) The operational director, as authorising officer by sub-delegation, chairs the technical and Board meetings of the concerned regional facility. The Commission's position on projects before the Board must have been agreed by both the operational directorate in charge of the concerned region, and Directorate C (as well as Directorate B in case of a project in a field of its competence). For blending programmes mainly financed by thematic lines, the thematic director in charge chairs the technical and Board meetings. The same double vetting process by the concerned operational directorates and Directorate C (as well as Directorate B in case of a project in a field of its competence) shall apply to ensure the complementarity of the proposed actions with national and regional policies and programmes.

- examining project-related results (including annual reports) and monitoring the portfolio of approved projects;
- promoting exchanges of best practices, drawing on the specific expertise of the financial institutions as appropriate and respecting the appropriate division of labour;
- examining the involvement of non-European financial institutions, in particular regional banks, to act as lead financial institutions, following a targeted approach and on the basis of the specific added value brought in a particular project or region.

The Board meets two to four times per year as needed, and the meeting is organised back to back with the respective financing instrument committees whenever possible. If necessary, especially in case of urgency, opinions on projects can be formulated through written procedure. The formulation of an opinion is preferably taken by consensus, but if needed the regular voting rules of the respective committees apply (DCI, EDF, ENI).

Technical assessment meetings are held to review and discuss the pipeline of projects so as to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political and thematic objectives; and to technically assess project proposals submitted by lead financial institutions and facilitate exchanges on good practices across regions. Technical assessment meetings are chaired by the Commission(9) with the participation of the EEAS and financial institutions. Such meetings are held on a regular basis as needed and will be organised pragmatically, bringing together appropriate experts from the financial institutions, the Commission and the EEAS.

The assessment of project proposals is based on the harmonised project application form (see Annex 3) and includes alignment to EU political and thematic policy objectives, justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure, and other issues such as debt sustainability and EU visibility. Based upon the technical assessment, proposals may be rejected or may need to be revised for further discussion at a later technical assessment meeting. The results of the technical assessment shall be transmitted to the Board. Once a proposal is assessed as technically mature, the lead financial institution will be able to submit a final revised application form to the Secretariat in view of the submission to the Board.

The Secretariat of the EU Blending Frameworks is run by the Commission. One Secretariat based in DG DEVCO supports the DCI and EDF Blending Frameworks (Financial Instruments Unit); one based in DG NEAR (Unit A4) supports the ENI Blending Framework. The Secretariats support the management of the EU Blending Frameworks by providing:

- support in the technical assessment process;
- support in the formulation of opinion on individual blending operations by the Board;
- coordination of internal Commission/EEAS consultations;
- support in the organisation of technical and Board meetings;
- consolidation of the pipeline including a short project description;
- monitoring of projects at the facility level;
- production of regular up-to-date information and annual reports on the facilities;
- exchange and dissemination of best practices;
- support to the organisation of communication events and the implementation of the communication strategy (websites and other communication tools).

Within DG DEVCO, a **Blending Steering Committee** is held two to three times a year. It is chaired by the DG DEVCO Director General with the participation of the thematic directors, the operational directors, Unit

(9) See footnote 8.

03, the EEAS, DG NEAR and the Directorate-General for Economic and Financial Affairs. The Steering Committee shall:

- follow up on the overall work and discuss draft recommendations formulated in the context of the European Union Platform on Blending in External Cooperation (EUBEC) as well as monitor their implementation once agreed;
- follow up on other recommendations/requests put forward by e.g. Council, European Parliament, internal and external audits and evaluations as well as ensure a common understanding of such recommendations/requests;
- exchange views about the overall pipeline of projects;
- on an exceptional basis, discuss sensitive or controversial issues as well as innovative projects linked to blending, particularly for those countries where substantial or high risks are identified in the risk management frameworks used for budget support operations;
- ensure coherence regarding the use of blending in DG DEVCO and coordination with blending in DG NEAR;
- look at complementarity and coherence with other implementing modalities, in particular with budget support, and or/other EU instruments;
- monitor that the internal arrangements for the management of the blending facilities work satisfactorily[10];
- report to the Commissioner on its work including its deliberations and conclusions.

The EU blending decision-making process is illustrated in Figure 4.2.

To increase accountability and transparency, project application forms must be accompanied by a letter of support from the Head of Delegation[11] before they are submitted to the Board. For public sector projects, a letter of support from the relevant partner country authority also must be provided, either before the Board or, at the latest, before the contracting of the project, depending on the specific situation.

The distinction of the blending decision-making process lies in its close links and interactions with the parallel decision-making process of financial institutions and partner countries (see Figure 4.3), particularly when the EU contribution is blended with sovereign loans. Early-stage coordination with financial institutions and partner countries as well as at all steps of the blending project cycle is key to a smooth decision-making process. This is further discussed in Chapter 5, which discusses the blending project cycle.

Once a proposal is selected, a **complementary decision is adopted by the Commission**. This is necessary to complement the relevant annual action programme referred to above, in line with the second sub-paragraph of Article 84(3) FR. For this complementary decision, no comitology is needed under the CIR. A template approved by the Inter-Service Consultation exists for adoption of these decisions (Annex 5). Additionally, a short extract including information relevant to the projects to be adopted shall be added (but is not subject to the decision). Examples of the extract are included in Annex 5. The complementary decision approach was confirmed by the Directorate-General for Budget in its note Ares(2013)2713580.

4.2.4 EU MEMBER STATE ADDITIONAL CONTRIBUTIONS TO FUNDS FOR BLENDING OPERATIONS

Depending on the region, EU Member States (as well as, potentially, non-EU donors) could be interested in making additional financial contributions to blending operations in the context of the EU Blending Framework. Such a contribution is made through a

[10] Note Ares ref. devco.c.3(2015)12733 on 'Internal arrangements for the governance of the blending operations'.

[11] In the case of regional projects, this should be considered with regard to the specifics of the project.

FIGURE 4.2 Blending decision-making process

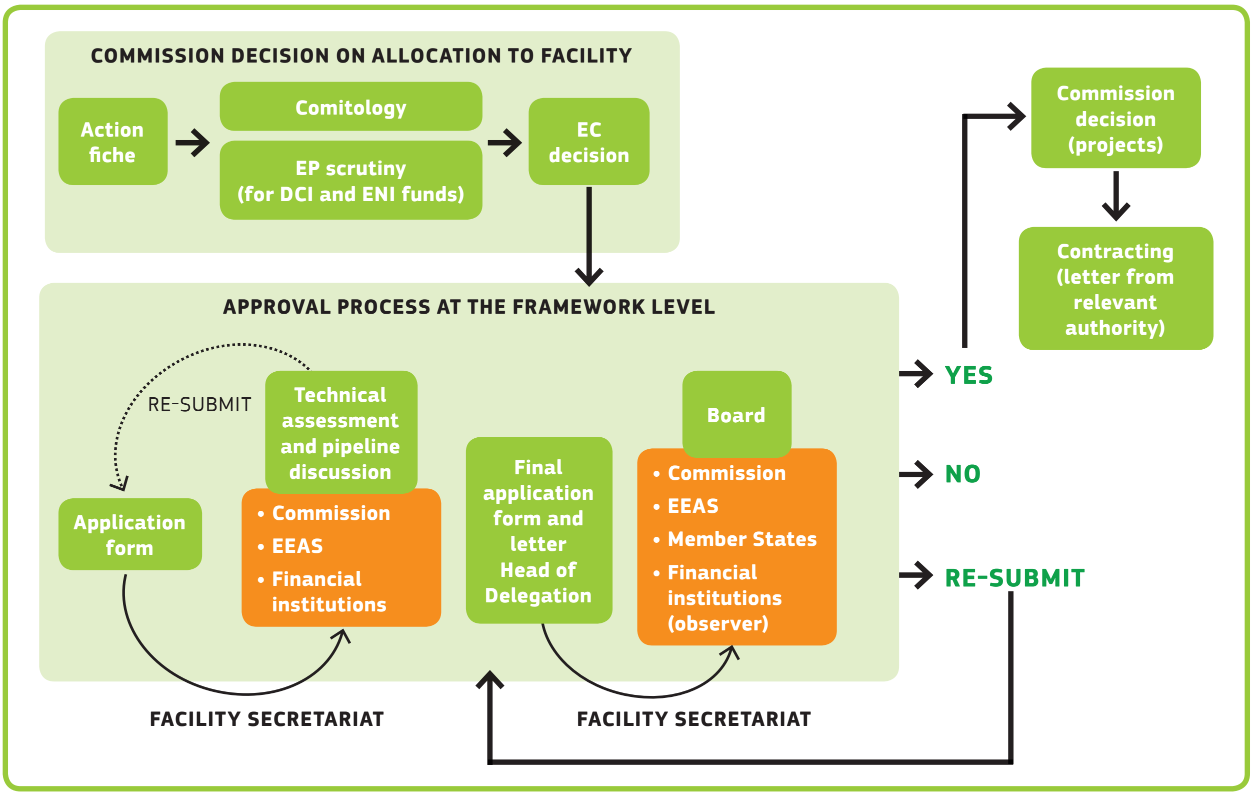
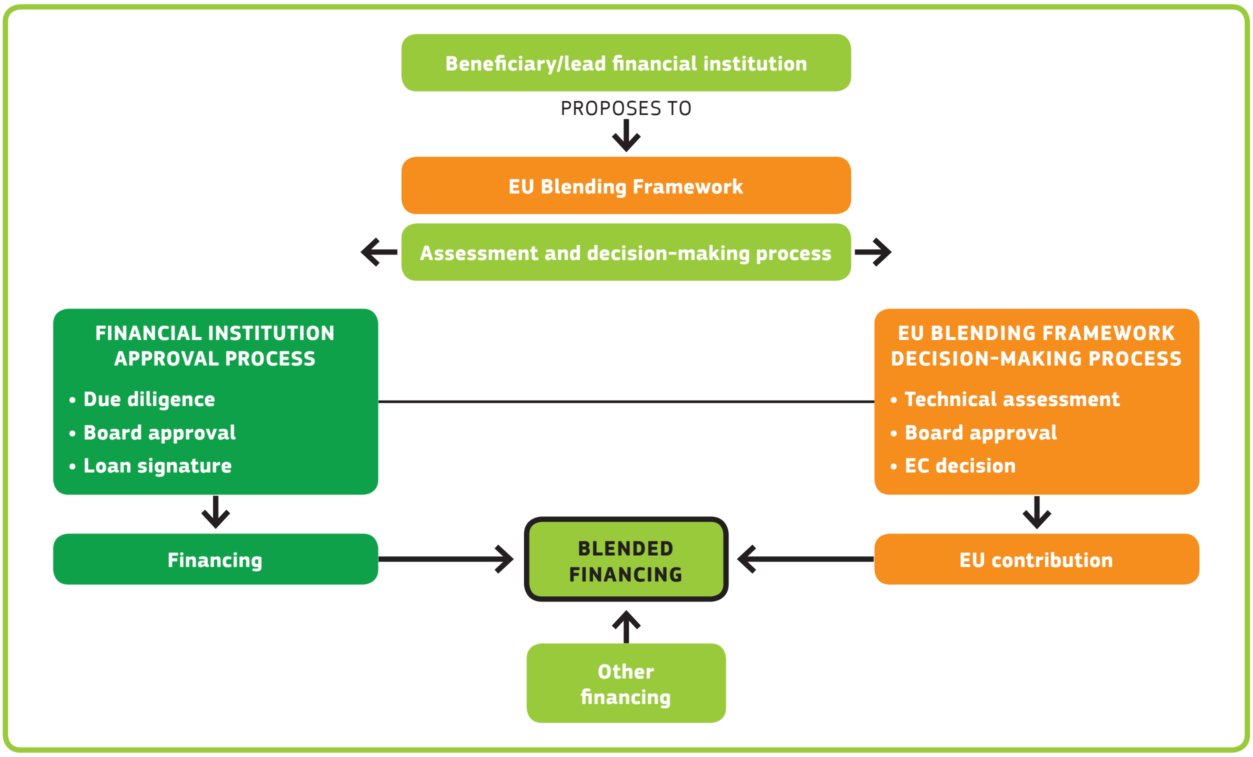


FIGURE 4.3 Parallel decision process of financial institution and EU



dedicated fund, associated with each regional facility, and whose implementation rules are defined in agreements signed between the donors. For example, in the case of the NIF, Member States established the NIF Trust Fund, whose fiduciary management was entrusted to the EIB. Contributions to a fund can be earmarked if necessary (by sector, geographically, or with priority to funding regional programmes, etc.).

In these cases, the governance structure described under Section 4.2.3 applies to all blending operations, whether financed out of the EU budget and the EDF or out of EU Member State contributions. The Board decides on a case-by-case basis whether a given project should be financed out of the EU Member State contribution or the EU budget/EDF, based on availability of funds and, if applicable, the relevance of the project vis-à-vis earmarking of EU Member State contributions.

For projects financed out of EU Member State contributions pooled in a fund, decisions are taken by the Board by consensus or, if necessary, using voting rules reflecting EU Member State contributions.

4.2.5 CIVIL SOCIETY ORGANISATIONS

At the project level, financial institutions apply their own procedures relevant to civil society engagement as part of their project approval and management processes, either by ensuring that the project promoter undertakes the relevant public consultation or by engaging directly. In this context, EU Delegations and thematic or operational units engage with representatives of local civil society in line with common practice for other implementation modalities. As first contact point for many civil society organisations, the EU Delegations are also responsible for increasing access to information for local civil society organisations on blending.

The Commission organises regular meetings on blending with civil society organisations and will maintain its efforts to enhance transparency and dialogue on blending with all interested parties. The Commission is also exploring possibilities to involve civil society organisations at the project level.

CHAPTER 5

Blending operations project cycle: from idea to completion

This chapter describes the stages in the project cycle of blending operations, noting all involved stakeholders and required activities per stage with a focus on the role of the EU Delegations. Figure 5.1 shows the project cycle stages.

The EU blending project cycle comprises seven stages with responsibilities shared by key stakeholders. The main stakeholders in blending are EU Delegations, DG DEVCO and DG NEAR (Headquarters), financial institutions, partner countries and regional organisations, EU Member States, as well as other Commission services and the EEAS.

The following sections detail the various stages in the EU blending project cycle. A particular challenge in blending operations is matching this project cycle to that of the relevant financial institution(s) to ensure that quality projects are supported in a timely manner.

5.1 Identification

Projects are identified by the financial institutions and EU Delegations with the partner countries and, where relevant, regional organisations. Projects involving the private sector or aimed at supporting the development of the private sector are identified by financial institutions and, where relevant, EU Delegations in the context of their project identification/business development activities and based on their interactions with private sector stakeholders. The contribution of EU Delegations to the project identification process will depend on their capacity to engage in policy dialogue and identification activities in the relevant sectors and varies by region. All Delegation sections can contribute to the identification process. In particular, the involvement of the economic section is highly recommended with regard to country investment plans, fostering economic growth and supporting private sector development. The EU Delegations ensure the coherence of projects with EU policy objectives and sector priorities. Delegations should make use of available toolkits and guidelines to take into account

FIGURE 5.1 Project cycle stages

IDENTIFICATION	PREPARATION	ASSESSMENT	BOARD OPINION	CONTRACTING	MONITORING	EVALUATION
Generating the pipeline, ideally so there is a chance to select from multiple projects	Ensuring the project meets criteria and information is complete	Testing the project to make sure it meets all standards	Board makes recommendations on grant approval/ conditions, followed by formal Commission decision	Setting up and implementing project in compliance with regulations	Obtaining the right information to steer and manage the project	Checking if objectives were met and feeding findings in to future project designs

cross-cutting issues such as decent work (in accordance with EC, 2006), gender (EuropeAid Cooperation Office, 2009) and human rights (EC, 2014b).

In all cases, a blending operation needs to be developed and promoted by a financial institution, as it involves the provision of a loan or other type of financing from one or more financial institutions, to achieve the desired development impact and leverage effect. Financing provided by financial institutions is dependent on comprehensive due diligence, project preparation and credit checks conducted by the financial institutions to ensure project quality and sustainability.

Information on project proposals under development are provided by the financial institutions and consolidated by the relevant Blending Framework secretariat (DG DEVCO Financial Instruments for DCI and EDF, and DG NEAR Financial Assistance for ENI) in the form of a **pipeline**, for discussion during technical assessment meetings. Annex 7 presents an example of a pipeline, and includes information on the following aspects: the financial institutions involved (as lead and as co-financiers), short description of the project and its objectives, end beneficiaries, project promoter/sponsor (ministry, private stakeholders, utility, etc.), project's total estimated costs, type and amount of EU contribution requested, value added of the EU grant and compliance with strategic objectives, loans envisaged by the financial institution (lead and co-financiers), and indicative timing for submission to the technical assessment meeting.

The pipeline discussion ensures coordination at an early stage, as the project pipeline is regularly reviewed and discussed by the Commission, the EEAS and participating financial institutions — including in relation to geographical balance and agreed EU political objectives. Here again, the role of the Delegations is key in assessing at an early stage the relevance of projects in the pipeline vis-à-vis policy objectives, but also in relation to debt sustainability aspects. The results of the pipeline review are transmitted to the Blending Framework Board.

Even though each financial institution has its own specific project cycle, the activities related to the project identification process generally consist of consultations with relevant authorities/private sector stakeholders and an early review of the project's bankability assignment, resulting in project concept notes and — where relevant — pre-feasibility or market studies.

Table 5.1 gives an overview of the stakeholders and their main contributions in project identification.

TABLE 5.1 Project identification

UNIT/ENTITY	TASK	OUTPUT
EU Delegation, DG DEVCO/NEAR Headquarters (where relevant)	Contribute to pipeline development through dialogue with partner countries and financial institutions based on sector policies	Identify potential projects and help financial institutions to prioritise them
Partner country	Dialogue with financial institutions and Delegation	Identify potential projects and provide guidance on priorities
Lead financial institution	Business development activities (public and private sector); identify projects to be included in the pipeline	Individual financial institution pipeline documents
DG DEVCO Financial Instruments/DG NEAR Financial Assistance (Blending Framework secretariat)	Consolidate pipelines for discussion at technical assistance meeting	Pipeline documents for discussion at technical assistance meeting
DG DEVCO/NEAR, EEAS (Headquarters)	Prioritise projects (pipeline discussion during technical assessment meeting)	Conclusions of pipeline discussion in technical assistance meeting

5.2 Project preparation

The lead financial institution is in charge of submitting project proposals to the relevant Blending Framework secretariat via a project application form for discussion at the technical assessment meeting. Proposals should be submitted 30 working days before the meeting to ensure sufficient time for review and assessment. Further details can be found in the rules of procedures of the different blending frameworks (DCI, EDF, ENI).

In all cases, financial institutions are required to consult with the relevant national or regional EU Delegation and/or the relevant Delegation operational units. For complex or innovative projects — including thematic aspects and/or more complex financial instruments — the project application form is also discussed early on by the financial institution with the relevant Headquarters units in DG DEVCO or DG NEAR; early involvement of Headquarters EEAS services is also advisable. In coordination with the relevant EU Delegation, the financial institution consults closely with the partner country[1] and — where relevant — regional organisations and any other important stakeholder (notably within the private sector or civil society).

Whenever possible, consultations should take the form of trilateral meetings organised by the financial institution during project preparation and involving the relevant authorities and EU Delegation services. These consultations are documented (contact persons, types and dates of consultations) in the project application form (Box 38).

Project proposals are submitted by a lead financial institution to the relevant Blending Framework secretariat using the project application form. The application form should be supported by **a letter from the Delegation head** ensuring ownership as well as clearing potential political issues related to the project.

Table 5.2 summarises the different stakeholders and their main contribution in the preparation of projects.

5.3 Technical assessment

The Blending Framework secretariat registers the project proposal received from the lead institution and ensures that it is shared with the relevant Commission entities for internal technical assessment. Using the **assessment framework** to specify which parts of the project application form are to be reviewed by the relevant services, the secretariat forwards the project proposal to the EU Delegations, Headquarters operational and thematic units, relevant Commission directorate-generals (e.g. the Directorate-General for Economic and Financial Affairs, the Directorate-General for Climate Action), finance and contract units, and the EEAS. Annex 4 presents the assessment framework with detailed assessment questions.

In their review, these various entities assess:

- the project's alignment to EU policy objectives;
- justification of the need and added value of the grant contribution;

(1) By definition, partner countries are involved since in most cases they enter into a loan agreement in the context of blending operations.

TABLE 5.2 Project preparation

UNIT/ENTITY	TASK	OUTPUT
EU Delegation, DG DEVCO/ NEAR Headquarters	Guidance and contribution on application content (including on cross-cutting issues such as gender and human rights aspects)	
Lead financial institution	Feasibility study, concept review, due diligence, preliminary negotiations with beneficiaries; complete and submit project application form to blending facility	Project application form and all relevant annexes (feasibility studies, financial institution 's board decision documents, due diligence summaries, etc.)

- the project's social, environmental and climate change aspects as well as specific cross-cutting issues such as gender aspects, decent work and human rights;

- the appropriateness of the proposed financial structure and other issues such as debt sustainability.

In their review, the EU Delegations, operational and thematic units, and EEAS should provide at least:

- an assessment of the relevance of a project to current EU priorities for the country/region;

- information on any political barriers which could endanger project success;

- information on any similar actions which could duplicate the proposed action and an indication of the complementarity with other actions (planned or under implementation).

EU Delegations, particularly their economic sections, are also very well positioned to comment on the project vis-à-vis public debt, taking into consideration the country's specific debt sustainability situation and investment plans.

A set of **analytical tools** can be used in assessing the need and added value of a grant contribution (see Box 5.1). These tools assess (i) the financial rate of return of the project; (ii) the economic rate of return, which considers costs and benefits for the country; (iii) the full economic value generated by the project as determined through cost/benefit ratio; and (iv) the ability of the project to cope with risk as determined through risk assessment/sensitivity analysis. While these analyses are actually performed by the financial institution and not necessarily by the Commission, those involved in the project's assessment should be able to 'speak the same language' in order to assess the relevance and size of the grant requested. Two useful reference documents on cost/benefit analysis and economic appraisal of projects are *Guide to cost-benefit analysis of investment projects* (Directorate-General for Regional and Urban

BOX 5.1 Analytical tools for assessing need and added value of grant contribution

Project financial rate of return: The financial rate of return is the discount rate at which a stream of costs and benefits has a net present value of zero, using financial values. This financial rate of return is generally compared to a cut-off rate (the financial cost of capital): if the financial rate of return is greater than the minimum required rate of return — the cost of capital — the decision would generally be to go ahead with the project.

Country economic rate of return: The economic rate of return is the discount rate at which a stream of costs and benefits has a net present value of zero, using economic values (as opposed to financial values); these include non-monetised items (e.g. the value of emissions reductions, biodiversity) and non-accruing items (benefits that do not accrue to the sponsors of the projects but to third parties, citizens, etc.) The economic rate of return expresses the socioeconomic profitability of a project for the country and the population as a whole. A subsidy is typically justified for projects that have a high economic rate of return but low financial profitability or financial rate or return. A project's economic rate of return is generally compared with a cut-off rate (the economic cost of capital) in order to evaluate its performance. This is also compared to the financial rate of return.

Cost/benefit ratio: The cost/benefit ratio compares the total costs of the project to the country with the total benefits (net present value) to the project and the country. If this ratio is less than 1, the project is worthwhile; if it is greater than 1, it is not.

Risk assessment/sensitivity analysis: Sensitivity analysis measures the magnitude of setbacks that project costs and benefits can absorb. These are typically set as a percentage variation to total or specific costs (i.e. a 'plus' percentage for cost overruns) or a minus variation for total or specific benefits. These percentages derive from the analyst's assessment of risks and negative events. The financial and economic rates of return with sensitivity variations are then compared to the benchmark rate to see if the project can absorb the possible setbacks that might arise.

Policy, 2014) and *The economic appraisal of investment projects at the EIB* (EIB, 2013).

As part of the technical assessment, the proposal is discussed in a **technical assessment meeting** organised by the secretariat with the relevant Commission services, the EEAS and financial institutions. The Commission chairs the meeting. The discussion covers the results of the assessment conducted by the Commission services and any written comments provided by the EEAS and other financial institutions peer reviewing the application.

Based on the results of the discussions at the technical assessment meeting, the following outcomes are possible.

- For projects assessed as technically mature, the lead financial institution is requested to integrate the comments made and submit the final revised application form to the secretariat, in view of submission to the Board for approval.
- The proposal is revised by the lead financial institution based on comments made in order to re-submit the proposal for further technical discussion at a subsequent technical assessment meeting.
- The proposal is rejected.

Table 5.3 summarises the stakeholders and their contributions in technical assessment.

5.4 Board opinion

Opinions on EU grant requests are taken by consensus at meetings of the relevant Blending Framework Board. If needed for formulation of Board opinion, regular voting rules of the relevant committee (EDF, DCI, ENI) should apply. The Board meeting is chaired by the relevant DG DEVCO or DG NEAR director and is comprised of representatives from other Commission services and the EEAS, the EU Member States as voting members, and financial institutions as observers. The part of the meeting during which decisions are made is restricted to the Commission, the EEAS and the EU Member States.

Project proposals are sent by the financial institution to the secretariat 25 working days in advance of the Board meeting. Board meetings are generally held — depending on need — two to four times a year. Typically, these are held back to back with meetings of the respective financing instrument committee. When justified by time constraints, opinions on projects can be requested by written procedure.

Board conclusions must be incorporated in relevant complementary Commission decisions as mandated

TABLE 5.3 Technical assessment

UNIT/ENTITY	TASK	OUTPUT
EU Delegation, DG DEVCO/NEAR Headquarters	Quality assessment (in particular, analysis against policy objectives)	Quality assessment documents
DG DEVCO Financial Instruments/DG NEAR Financial Assistance (Blending Framework secretariat)	Compile quality assessments; perform quality assessment in terms of financial structure, support preparation of technical assessment meeting	Annotated agenda for technical assessment meeting chair; minutes of technical assessment meeting
DG DEVCO/NEAR Headquarters	Relevant director chairs technical assessment meeting	
Lead financial institution	Clarifies/adds information; in some cases, other financial institutions	Comments during technical assessment meeting
Other financial institutions	Provide peer review	Written comments
Reviewers (thematic units, line DGs, EEAS)	Review and comment on application	Quality assessment documents

by the relevant financial regulations and their implementing rules.

Table 5.4 summarises the different stakeholders and tasks involved in Board opinion.

5.5 Contracting

The Commission decision to proceed with a project is followed by formal contracting. Contracting is based on templates reflecting the requirements of FR 966/2012 as well as its rules of application No 1268/2012; the legal basis applicable is the relevant financing instrument (ENI, DCI, EDF). FR 966/2012 also applies for EDF insofar as projects are covered by Title VIII of the FR 'Financial Instruments' (Article 40 EDF FR).

The same contracting templates apply to EDF and EU budget–financed facilities. The templates are based on the Financing Agreement template and the Delegation Agreement template which is part of the Pillar Assessed Grant or Delegation Agreement (PAGoDA) template, depending on the contracting arrangements applicable to the project (see Section 5.5.1). All PAGoDA templates and a PAGoDA Manual are published in the *DEVCO companion to financial and contractual procedures*. A specific template will be used for the EIB. In addition, specific framework administrative agreements signed with the EIB and other financial institutions (EBRD, European Investment Fund) further define responsibilities and obligations in the context of blending operations, as do specific framework administrative agreements signed with Member State bilateral agencies. Delegation agreements can be used for all types of activities (investment grants, technical assistance, interest rate subsidies, risk capital operations, guarantees and any other form of risk-sharing mechanism).

5.5.1 METHODS OF IMPLEMENTATION

Blending operations are implemented in accordance with Article 58(c) of FR 966/2012 as applicable and with respect to Article 40 of Reg 2015/323[2] i.e. via indirect management.

5.5.1.1 Signature of a delegation agreement with the lead financial institution

When the Commission signs only a delegation agreement with the lead financial institution, the funds are channelled directly through the lead financial institution, and budget implementation tasks are delegated to the lead. The lead financial institution, in turn, may sub-delegate the launch of tender procedures/execution of payments to a project executing agency.

(2) Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund

TABLE 5.4 Board opinion

UNIT/ENTITY	TASK	OUTPUT
EU Delegation	Formally endorse project	Letter of support from Delegation head
DG DEVCO Financial Instruments/DG NEAR Financial Assistance (Blending Framework secretariat)	Guide lead financial institution in preparing final application for Board submission; prepare Board meeting	Annotated agenda for Board meeting chair; minutes of the Board meeting
Lead financial institution	Prepare and submit final application to the Board	Final application form
EEAS, other Commission services, Member States (Member States are the only voting members of the Board)	Review and recommend for approval, rejection or re-submission	Comments during Board meeting

The lead financial institution receives remuneration for the tasks carried out on behalf of the Commission, which has been negotiated and agreed upon for all blending operations. The following rules apply in order to calculate the fees to be paid to the lead financial institution.

- **2 % of the EU contribution to the project for investment grants, risk capital, guarantees and other risk-sharing mechanisms.** This percentage has a triple limitation, irrespective of the size of the contribution: a maximum of EUR 750 000 and a minimum of EUR 200 000, or an amount representing a maximum of 7 % of the EU contribution, if the minimum exceeds that percentage.

- **4 % of the EU contribution to the project for technical assistance and studies.** This percentage also has a triple limitation irrespective of the size of the contribution: a maximum of EUR 300 000 and a minimum of EUR 150 000, or an amount representing a maximum of 7 % of the EU contribution, if the minimum exceeds that percentage.

5.5.1.2. Signature of a financing agreement with the partner country with transfer of funds and signature of a delegation agreement with the financial institution

The Commission can also sign a specific **Financing agreement** with the partner country (with transfer of funds to the partner country). Signing a financing agreement is a way to potentially increase ownership of the project/programme for the partner country. It also raises the level of legitimacy and responsibility of the partner country to implement the project and to achieve project objectives, particularly in the context of specific sector-related approaches. This contractual arrangement is not used for technical assistance and risk-sharing instruments, but mainly for investment grants. Concluding a financing agreement may also make it possible for the partner country to implement the project while applying its own rules and procedures (while under the control of the pillar assessed financial institution). A financing agreement also has the potential to provide greater visibility for the EU development cooperation which is not ensured to the same extent when the funds are channelled directly through a lead financial institution.

The decision on a financing agreement is to be made by the relevant authorising officer based on the existing cooperation with the country concerned, taking into account the overall regional/national/sector context and financial risks.

Within the financing agreement, the funds are usually channelled and managed by the partner country's authorities while under the control of the pillar assessed financial institution.

The exact tasks to be delegated and the extent of these are negotiated and agreed between the Commission, the partner country and the financial institutions contributing to the project. Although the partner country implements the project and to a certain degree manages the EU funds, the Commission delegates residual tasks to the lead financial institution. These tasks are always delegated to the lead financial institution of a Member State or an international organisation. The residual tasks, as well as the responsibilities and practicalities of monitoring, evaluation and auditing, are defined in the delegation agreement signed with the lead financial institution; this also defines the fees to be paid to the financial institution (see Section 5.5.1.1).

Regarding disbursements within the financing agreement, a two-tier structure has been put in place. EU funds are transferred to a non-interest-bearing account opened in the partner country's treasury/central bank. To safeguard the use of public funds, and as reflected in the recommendations of the Court of Auditors' report on blending[3], the Commission should make disbursements only when the funds are actually needed by the beneficiary. In practice, this means that funds are disbursed in several instalments when appropriate, upon justification of disbursement needs.

This structure has the advantage of creating an immediate ownership of the funds by the partner country. Moreover, in case of a subsequent problem

(3) http://www.eca.europa.eu/Lists/ECADocuments/SR14_16/SR14_16_EN.pdf.

related to project execution, funds recovery will be possible through compensation or offsetting on another project implemented in the same country, thereby limiting the financial risks for the EU.

Second, a project account is opened by the project executing entity. Each transfer from the treasury account to the project account must be authorised by the Head of the EU Delegation on the basis of a payment request from the partner country. The payment request is accompanied by a confirmation from the lead financial institution that the project is on track and progress is as foreseen.

There are two options regarding the transfer of funds to the project account.

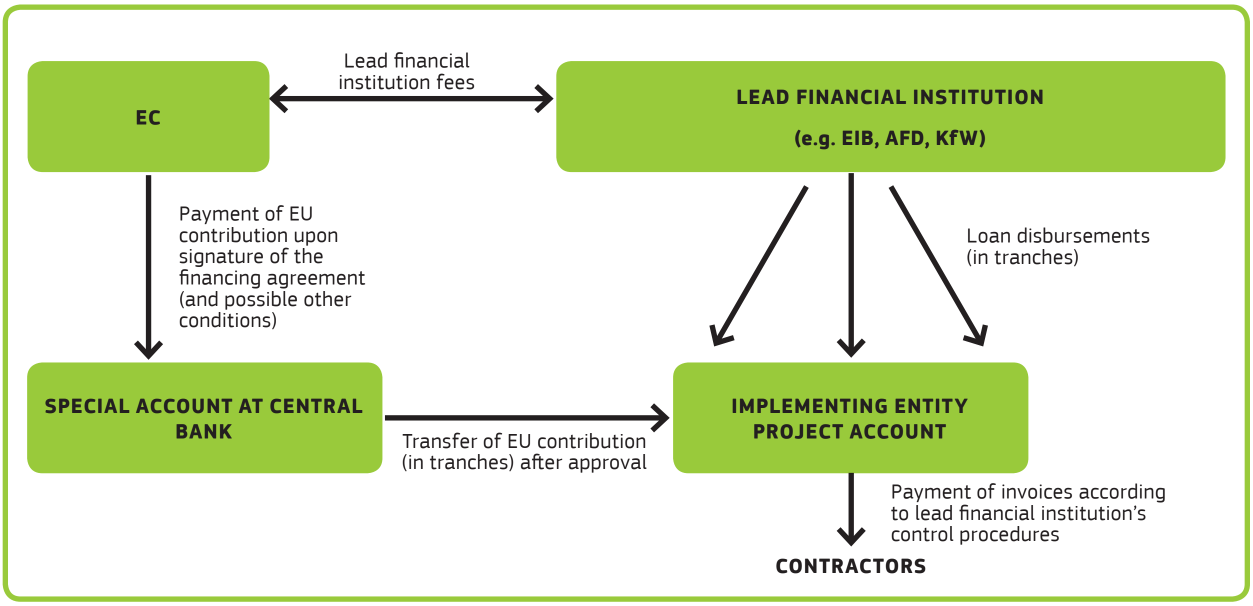
- **Option 1 — funds are pooled:** The EU contribution is disbursed in tranches, in accordance with the financial needs of the project, to a special account at the central bank of the partner country. From the special accounts, the funds are then disbursed to a common project account, where they are pooled with the financial Institution loans, at the request of partner country authorities.

  The lead financial institution and/or the co-financing institutions as well as the Commission thus transfer their funds to a common project account. To ensure coordination of the transfers from all involved financial institutions, the lead financial institution has to confirm that each of the loan agreements the partner country has signed with the lead financial institution and the co-financing institutions has entered into force and is effective. In this way, the EU contribution is pooled together with the funds of the other participating financial institutions (see Figure 5.2).

  Each party disburses its contribution to the common project account (it may be carried out on a *pari passu* basis, meaning that every party disburses at the same time in accordance with its relative share in the overall financing of the project). The details of this procedure are agreed up front by the parties (e.g. in the technical and administrative provisions of the financing agreement).

- **Option 2 — funds are not pooled:** A separate common project account needs to be opened if the partner country or a financial institution cannot, according to its internal accounting rules, pool the grant funds together with the loan(s). Although separate accounts are used, it is still possible to make the payments on a *pari passu* basis (if the individual contracts are financed both through loans and grants). However, if the Commission or a participating financial institution has decided to earmark its funds for a specific component and is

FIGURE 5.2 Option 1: pooled funds



the only one financing that component, payments on a *pari passu* basis will not be possible.

5.5.1.3 Signature of a financing agreement with the partner country without transfer of funds and signature of a delegation agreement with the financial institution

Where funds are not transferred to the partner country, the latter and the Commission can still decide to enter into a financing agreement for political, visibility and ownership reasons. The financing agreement can be signed without transfer of funds to the partner country, while maintaining some implementation obligations of the partner country. In such cases, the Commission will sign a delegation agreement with the financial institution, which will foresee that the funds are channelled directly through the lead financial institution.

5.5.2 APPLICABLE TEMPLATES

The following specific features should be considered for all blending contracts.

- The Commission has negotiated a set of framework administrative agreements both with international organisations (EIB, EBRD) and bilateral agencies (KfW, AFD, etc.). These agreements include a set of derogations and, if relevant, supplementary provisions, applicable to every financial institution signing the relevant framework administrative agreement. The derogations will need to be included in Article 7 of the special conditions of the templates[4] (PAGoDA Blend and PAGoDA Financial Instruments).

- The method for calculation of fees to be applied to the lead financial Institution is the same for the PAGoDA Blend and Financial Instruments (see Section 5.5.1.1).

The templates can be found at http://ec.europa.eu/europeaid/companion/document.do?isAnnexes=true.

[4] A special template for the EIB has been negotiated (see Annex 8).

A PAGoDA manual will be prepared by DG DEVCO including detailed interpretations of the provisions included in the PAGoDA Blend and Financial Instruments.

5.5.2.1 PAGoDA Blend

This template refers to the technical assistance and investment grants implemented under the blending facilities. It is largely identical to the standard delegation agreement template which is part of the PAGoDA. A few additional elements, related to the partial applicability of Title VIII financial instruments have been included only in the special conditions. General conditions for delegation agreements shall apply unchanged unless specific derogations for financial institutions are introduced. The applicable template for financing agreements may also be used for blending activities. Annex I remains as a general description of the action (no compulsory template exists).

The PAGoDA Blend introduces the following additional elements to standard indirect management contracts:

- an indication of the targeted leverage effect;

- the remuneration to be paid shall be based on the model applicable to the blending facilities (agreement reached in the framework arrangement signed between the Commission and the financial institutions in 2007) as indicated above in Section 5.5.1.1;

- the remuneration to be paid to the lead financial institution shall be done up front, accompanying the first pre-financing payment.

5.5.2.2 PAGoDA Financial Instrument (risk-sharing instruments only)

This template refers exclusively to risk-sharing instruments (guarantees, equity, quasi-equity and other forms of risk-sharing mechanisms) and reflects the requirements of Title VIII of FR 2012/966. This template is composed of a set of general and special conditions, as well as a list of specific annexes. The general conditions applicable for indirect management are, to a large extent, modified to accommodate the specific requirements of Title VIII (Articles 139–140 of the budget financial regulation).

Title VIII is applicable *mutatis mutandis* to the EDF financial regulation as far as the financial instruments are concerned.

Note that where technical assistance is combined with risk-sharing instruments, technical assistance is implemented according to rules applicable in Title VIII.

The delegation agreement for risk-sharing instruments shall include the following specific elements:

- the description of the financial instrument, including its investment strategy or policy, the type of support provided, the criteria for eligibility of financial intermediaries and final recipients, as well as additional operational requirements transposing the policy objectives of the instrument;
- the requirements for a target range of values for the leverage effect;
- a definition of non-eligible activities and exclusion criteria;
- provisions ensuring alignment of interest and addressing possible conflicts of interest;
- provisions for the selection of financial intermediaries and for the establishment of dedicated investment vehicles, if applicable;
- provisions on the governance of the financial instrument (to be understood as the governance structure of the risk-sharing operation, e.g. the composition of the steering committee, the role of the Commission in the governance structures, etc.);
- provisions for the management of contributions from the EU and of fiduciary accounts, including counterparty risks, acceptable treasury operations, responsibilities of parties concerned, remedial actions in the event of excessive balances on fiduciary accounts, recordkeeping and reporting.

  Note that for all risk-sharing operations, fiduciary accounts shall be opened by the lead financial institution. The rules applicable to the opening of these accounts are to be found in the DEVCO note 'Rules for opening, management and closure of fiduciary accounts'[5].
- provisions on the duration, possibility of extension, and termination of the financial instrument, including the conditions for early termination and, where appropriate, exit strategies;
- provisions on monitoring of implementation of support to financial intermediaries and final recipients, including reporting by the financial intermediaries;
- where applicable, type and nature of any hedging operations, which are provisions specific to the risk-sharing instruments and therefore constitute modifications as compared to the standard PAGoDA general conditions and will be included in a separate annex (Part IV).

5.5.3 INFORMATION NEEDED TO PREPARE CONTRACTS

Information needed for contract preparation must be provided in the project application form submitted for opinion to the Board. This information includes:

- a description of the entities involved, implementation scheme and organisational set-up (Box 23);
- indicative budget, project costs and financing plan (Box 24);
- a description of the procurement procedure (Box 36);
- a description of the monitoring, reporting and evaluation to be used for the project (Box 37);
- an Indication of the targeted leverage effect (this must be indicated in the special conditions).

[5] Ref. Ares(2014)526103 – 27/02/2014.

In the case of risk-sharing mechanisms, the following shall be added:

- an indication of the type of account to be used for payments (i.e. potential use of fiduciary accounts).

Guidelines on how to complete the project application form include detailed definitions of the information to be provided (see Annex 3).

In the case of public sector projects, **an approval letter from the relevant authority** has to be submitted before the contract is signed.

Roles and responsibilities vary depending on the financing instrument used, but can be generally summarised as shown in Table 5.5.

5.6 Implementation, monitoring and reporting

The lead financial institution is responsible for project implementation (tendering and procurement procedures, implementation of technical assistance if relevant, regular updates with the partner country, etc.) and monitoring (see Box 5.2), as well as for reporting in accordance with the contractual provisions of the delegation agreement and the relevant memorandum of understanding or framework agreement. The content of such reporting is defined in the contractual templates and covers financial and operational

BOX 5.2 Good practices in project monitoring

- Use the contracts to verify compliance
- Follow the D+3 rule for projects which are not (blending operations are now considered multidonor)
- Participate in follow-up/steering committee meetings (where applicable)
- Participate in joint visits organised by the lead financial institution (at least one per year)
- Prepare an initial list for projects to be included in results-oriented monitoring
- Verify with the finance and contracts units whether financial information on costs incurred is sufficient to allow for clearing
- Meet the project manager from the lead financial institution and the beneficiary/implementing entity if possible once per year, after the receipt of the progress report

If applicable, progress on policy dialogue (e.g. when the blended project supports implementation of a sector policy) during project implementation should be reflected in the reports.

TABLE 5.5 Contracting

UNIT/ENTITY	TASK	OUTPUT
Delegation/DEVCO Headquarters Operational services	Prepares the contract. For national programmes, the Delegation is usually in charge. For regional programmes, it can be a Delegation or Operational services in Headquarters. Negotiates the Agreements	Finalised contract → deconcentrated
Unit DEVCO Financial Instruments	Supports the EU Delegations in the preparation of the contract and negotiations with the financial institution's	Finalised contract
Director responsible in the relevant country/ region	Authorising officer	Signed contract
Lead financial institution	Negotiates the contract	Finalised contract including signature
Operational units and Finance and Contract Units	Participate in the negotiation of all the contracts	Finalised contract including signature

aspects. Project reporting generally consists of at least an annual report to the Commission.

While responsibility for project monitoring lies with the entrusted entity, the Commission remains accountable for use of EU funds and follows project progress based on the information provided in the lead financial institution's reports. In addition, it is possible for the Commission to participate in joint monitoring missions.

A common and minimum set of indicators that reflect project outputs and intended outcomes has been defined and agreed upon with financial institutions and Member States for blending operations. The choice of indicators was guided, inter alia, by a series of considerations, such as coherence with facility objectives and priorities, the EU's external cooperation policy objectives and financial regulation, coherence with DEVCO's general Results Measurement Framework, as well as current practices by financial institutions and the possibility for aggregation and reporting to the general public. Guidance notes on how to complete an application form for blending facilities include a definition for each of the indicators agreed upon; they also require applicants to qualitatively describe the expected impact of the proposed project.

Special elements of reporting to be provided by the lead financial institution relate to the implementation of financial instruments; these are additional to standard indirect management requirements (investment grants and technical assistance):

- achieved leverage effect;
- performance of the financial instrument, including the investments realised;
- balance of the fiduciary account;
- use of repayments and revenues (see Annex 9);
- in the case of equities, value of the equity investments with respect to previous years;
- accumulated figure for losses of assets of equity investments and for called guarantees for guarantee instruments.

Table 5.6 delineates responsibilities of the main stakeholders in monitoring and reporting. In addition, the Blending Framework secretariats are responsible for preparing annual reports covering the activities

TABLE 5.6 Follow-up

UNIT/ENTITY	TASK	OUTPUT
Lead financial institution	Primary responsibility for monitoring and reporting according to contractual obligations Should contact the EU Delegation upon monitoring missions (where joint monitoring missions are possible)	Regular monitoring missions and progress reports
EU Delegation, DG DEVCO/NEAR Headquarters	Participate in joint monitoring missions Receive, review and approve periodic reports from lead financial institution; ensure appropriate monitoring and progress against objectives and indicators defined for the project Perform pre-financing payments (when relevant); manage information related to the financial statements received on the fiduciary account (e.g. decommitments in case of reflows or repayments) (see Annex 9) Initiate proposals for results-oriented monitoring projects	Payments Corrective actions Decommitments in case of generated reflows or repayments
DG DEVCO/NEAR Headquarters	Participate in selection of projects to be proposed for results-oriented monitoring	Results-oriented monitoring reports

of the different investment facilities. These reports present an overview of approved projects, progress in implementation of ongoing projects and expected results[6]. Under Article 140.8 of the budget financial regulation, the Commission annually reports to the European Parliament and Council on activities relating to financial instruments. This report, in accordance with CIR Title II, Article 4.3, is carried out at the facility level and not at the project level.

(6) These reports can be found at http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

5.7 Evaluation

Responsibility for the evaluation of blended operations is delegated to the lead financial institution as set forth in the delegation agreement and applicable financing agreements, and in accordance with its own procedures. The Commission may conduct additional project-level evaluations, if needed.

It is recommended that the Commission verify with the lead financial institution as to how the project will be evaluated and, if necessary, determine whether it is appropriate to schedule a final evaluation.

CHAPTER 6

Risks associated with blending instruments

When implementing blending operations, the Commission faces a number of risks, which can be grouped into the following categories:

- **development risks,** which refer to the possibility that projects will fail to produce development impact or initiate unintended consequences;
- **reputational risks,** which refer to the possibility that public resources will be used inappropriately and result in the loss of credibility and standing for the EU;
- **commercial risks (financial and market),** which refer to the possibility that individual commercial entities will not perform as expected or that entire markets will suffer adverse effects.

The relevance of the above-mentioned risks depends on the individual project. Not all risks will apply to all projects, as they typically depend on many factors, including the type and amount of finance provided, the specific characteristics of the sector, the legislative framework, etc. While all risks are examined by the EU in blending operations, it is crucial to assess the specific experience of the given financial institutions to determine the financial risks involved in a specific operation.

The Commission focus on development impact and principles is addressed through strong monitoring systems and strict adherence to high standards of conduct on the part of beneficiaries with respect to environmental and social policies and practices, corporate governance, transparency and integrity, including prevention of tax fraud and tax evasion. These elements are included in financial institutions' due diligence and monitoring and evaluation frameworks, as well as in the assessment and review process implemented by the Commission.

The screening and review process implemented by the Commission in the context of blended operations integrates the different risks identified below using a variety of tools, including the project application form. Other risk management tools can be useful in the context of blending operations as well, such as the Risk Management Framework for Budget Support.

While some risks are more relevant in the public sector context (e.g. the risk of increasing the debt ratio of partner countries), a number of non-financial risks linked to the use of specific financial instruments (e.g. fund structures) are specifically relevant in the private sector context. These risks are addressed in a set of principles and criteria to be applied in each operation involving private sector participation (see EC, 2014a, pages 3–5).

6.1 Types of risk

6.1.1 DEVELOPMENT RISKS

Development risks fall into two categories: risks that public resources are not used responsibly and risks that the use of public resources create unintended consequences.

- **Irresponsible use.** Public resources are not used responsibly when donors pay more than the market value of the good or service or when they pay for goods that are unlikely to produce development outcomes. This circumstance could occur when insufficient monitoring and evaluation create a lack of transparency and accountability. It can also occur when intermediaries benefit from donor resources that were intended for end beneficiaries. Public donors can mitigate these risks by focusing on development outcomes that correlate with financial outcomes and the performance of service providers, and by requiring monitoring and evaluation as a covenant in financing agreements.

- **Unintended consequences.** The use of blending may cause unintended consequences such as crowding out private financing or increasing the debt ratios of developing countries. Public donors can mitigate these risks by requiring that all investments be additional to what the market already provides and by strengthening local intermediaries, as opposed to international corporations; encouraging syndication of international loans to engage the private sector; and only using highly concessional finance for projects that provide public goods/services.

These risks can occur at any stage of a project's life cycle. At the initial stage, there is a risk that resources allocated by donors will not reach the intended end beneficiaries. Later, there is the risk that resources will reach the intended beneficiaries, but not produce the desired outputs. Finally, there is the risk that the outputs will not lead to the expected outcomes or will create unintended consequences. Table 6.1 provides an overview of different types of development risks.

When providing support in the context of private sector engagement, note the following risk issues in particular.

- **Crowding out the private sector:** The direct support provided in the short run should not crowd out the private sector, but rather 'crowd it in'. It should contribute to strengthening the development of market solutions in the medium/longer term through appropriate policy changes, institutional reforms and/or capacity building and through a successful demonstration effect.

- **Market distortion:** The use of grant resources cannot lead to a distortion (e.g. artificially supporting a project that is fundamentally not viable or involves excessive risk taking). Rather, EU support should be justified as a response to an identified market failure or in pursuit of well-defined distributional objectives, really be needed to reach the objectives of the project, provide leverage, be consistent with fair competition and not crowd out private finance.

- **Subsidy calibration:** Efforts should be made to ensure that the subsidy is properly calibrated

TABLE 6.1 Types of development risks by project stage

STAGE	POTENTIAL RISK
Input	Investments do not reach intended countries/regions
	Investments do not reach intended sectors or company sizes
	Investments do not reach intended segments of the population
Output	Investments fail to attract co-financing
	Investments are not additional to existing support
	Subsidies are not temporary
Outcome and impact	Investments do not lead to measurable impact (e.g., job creation, green growth, poverty reduction)
	Investments do not create unintended consequences (e.g., market distortions, negative externalities, crowding out of private actors)
	Investments have a demonstration effect or multiplier effect
	Investments provide low value for the money expended

and structured in line with actual needs to avoid unduly favouring a particular company/private sector project sponsor, which may thus receive an unnecessary windfall gain.

- **Using fund structures:** In using debt and/or equity fund structures, a specific risk is related to the domiciliation of funds in third countries and the lack of application of minimum standards of transparency and good governance to avoid potentially harmful tax practices. To mitigate this risk, the screening process involves systematic consultation with competent services on the presented fund structures. This consultation ensures coherence with EU tax policy, as well as consideration of wider discussions in the 'OECD Global Forum on transparency and exchange of information for tax purposes' as well as agreement of the G20 countries in increase their effort to exchange tax information and flight global tax evasion.

6.1.2 REPUTATIONAL RISKS

All development projects involve reputational risks, which are difficult to assess. The following risks should be taken into consideration when designing and reviewing blended operations.

- **Projects do not adhere to approved principles for aid effectiveness:** The High Level Forums on Aid Effectiveness in Rome (2003), Paris (2005), Accra (2008) and Busan (2011) have articulated clear principles towards effective aid. Since blended projects include more stakeholders — and sometimes stakeholders that are primarily commercially oriented — there is a risk that projects will not adhere to principles of ownership, alignment, harmonisation, results and mutual accountability.

- **Investments do not adhere to social and environmental criteria and are inconsistent with Commission regulations:** To avoid reputational risks, projects must adhere to both the laws and regulations of the countries in which they take place and those of the EU.

- **Benefits do not remain in the partner country.** When using fund structures, a specific risk is related to the domiciliation of funds in third countries; another risk is that benefits do not reach the partner country due to harmful tax practices.

6.1.3 COMMERCIAL RISKS

Like all investments, investments in blended projects have commercial risks. While the impact of these risks for a donor that does not expect market returns or a development finance institution that has an implicit or explicit state guarantee are different from those of a private company, they should still be considered, because they have an impact on the ability to produce development outcomes and on reputational risk.

Commercial risks can be categorised as either market risks or financial risks.

- **Market risks** refer to events that affect an entire economy or industry. These risks can include political and social instability, corruption, environmental risks, macroeconomic risk or changes in legal structures/frameworks.

- **Financial risks** refer to events that change the value of the investment — e.g. changes in the local currency value, counterparty default, changes in the contractual framework of the project, changes in the creditworthiness of contractual counterparties and lack of transferability.

Note that several of the risks identified as market risks are assessed yearly for countries eligible for budget support by the five dimensions of the risk assessment framework where EEAS leads on the assessment of political risks. Commission services should use this risk management tool to the fullest extent, particularly for countries identified as having substantial or high risks.

6.2 Assessing risk likelihood and defining mitigation measures

Financial institutions include risk assessment in their project identification and due diligence processes; the results are documented in the project application form (Box 30; see Annex 3). The screening and review process implemented by the EU should integrate the different risks identified above, using all internally available tools such as the Risk Management Framework for Budget Support.

Mitigation measures for various types of risk are described in the project application form and should be discussed in the context of Commission project screening and review. It might also be useful to take into account the mitigating measures implemented and monitored by EU Delegations within the framework of budget support operations.

CHAPTER 7
Visibility

As part of the EU's obligation to be accountable both to European taxpayers and EU partner countries, the visibility of EU funding must be assured. Information such as delivery of financial support, donor coordination and aid effectiveness must be made available. The *Communication and visibility manual for European Union external actions* (EuropeAid Cooperation Office, 2010) provides guidance on how to standardise and convey the EU's written and visual identity across all of its actions. While the manual is a general guidance document, its requirements also apply to blending:

- All actions that are fully or partially funded by the EU should incorporate information and communication activities to raise awareness of the reasons for the EU action.
- The EU's written and visual identity must be ensured for all actions funded by the EU throughout the project cycle.
- Implementation of visibility provisions is required from all the beneficiaries of EU support.

Overall visibility actions related to blending should notably aim to:

- ensure that all relevant stakeholders are informed about blending operations;
- enhance linkages between EU-funded projects and regional, national and sector strategies;
- increase the attractiveness of blending to bilateral donors, private investors and other potential partners as a way to leverage additional financing;
- boost the overall public profile of the EU in the international community.

At the project level, specific visibility provisions are included in the contract signed with the lead financial institution. In some cases, the costs of visibility are borne by the lead financial institution. However, where EU requirements go beyond the lead's usual visibility initiatives, visibility activities can be covered as direct project costs, as they are not included in Article 18.7 of general conditions, Part II. This is discussed by the lead financial institution and the Commission during proposal revision.

The service managing the project should, either at the EU Delegation or Headquarters level, follow up to ensure that contractual obligations regarding visibility are upheld. The first step in this regard is to determine whether a project communication plan or strategy has been drafted. Detailed checks can follow, depending on the specific circumstances in the partner country (e.g. word-of-mouth advertising may replace media coverage). Table 7.1 lists the most important checks to carry out during the course of a project.

While the responsibilities for implementation of visibility requirements are clear-cut for technical assistance and investment grants, they can be more complex for risk capital operations and guarantees. When the EU grant provides assistance to a financial intermediary, visibility obligations need to be clearly defined in the contract, monitored and reported. The following provisions can help ensure visibility:

- Intermediaries should develop a communication and/or visibility plan for a programme.

TABLE 7.1 Checklist of visibility provisions under EU contribution agreements

ITEM	YES	NO
Has the lead financial institution drafted a communication plan for the project?		
Was the fact that an action has received funding from the EU publicised (e.g. article in local media)?		
Is the EU logo displayed on project materials?		
Is the following disclaimer present in all publications: 'The document has been produced with the financial assistance of the European Union'?		
Do all actions under the project clearly state that each action was carried out 'with funding by the European Union'?		
Did the lead financial institution ensure that information on the EU funding contribution is also applied by its implementing partners?		

- Intermediaries should mention the support received from the EU on their website and present a link to the EU blending website.
- Intermediaries should add the EU logo to all relevant promotional materials.
- Intermediaries should mention EU assistance in their visibility actions towards end beneficiaries.
- EU representatives should be invited to relevant events such as kick-off meetings, information sessions and networking events for end beneficiaries.

In addition, lead services at the Delegation and Headquarters levels should proactively follow project developments to seize visibility opportunities when they arise. Such opportunities might include inauguration or signature events, local events such as civil society consultations relevant to the project or regional/global events dealing with topics related to blending (e.g. Energy Days, Development Days). To identify such opportunities at the local level, EU Delegations should maintain regular contact with local representatives of financial institutions, as they usually are best informed about such events. Once identified, opportunities can be prepared for in cooperation with Commission services and financial institutions.

CHAPTER 8
Climate change

8.1 Overview

Climate change is one of the top five priorities in the EU's Europe 2020 strategy[1], which means that climate considerations need to be included in all aspects of EU activities, including its blending operations. Climate change has also become a priority in EU relations with third countries. This includes mitigation of climate change (reducing greenhouse gas emissions and reducing the carbon intensity of the economy), as well as adaptation to the adverse impacts of climate change and improving the climate resilience of projects and sectors.

Blending is a powerful tool to support EU climate action, because it allows climate investments to be achieved at scale, leveraging additional sources of climate finance. The EU blending facilities should continue to provide climate finance based on it proven strengths, focusing on efficient and effective project identification, prioritisation and implementation, to complement other European and global instruments delivering climate finance.

To strengthen links within emerging international climate finance systems, the EU blending facilities should continue to play a strong role in the preparation of project pipelines and the implementation of priority investment plans brought forward by partner countries; they should also enhance partnerships with commercial and development banks in these countries to improve local mitigation and adaptation practices.

(1) http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/sustainable-growth/index_en.htm.

Climate change windows were introduced in all regions with the overall aim of improving tracking and the overall visibility of climate action through blending. These windows can also be a way to channel dedicated additional funds for climate action via blending, as was done in Latin America. Climate change windows should also support implementation of low-carbon and climate-resilient development strategies in partner countries and regions. This includes mainstreaming climate into existing project pipelines and throughout the project cycle (from project planning, through preparation and into implementation/operation), as well as identifying climate-relevant projects in new sectors.

Climate aspects are considered in the different stages of the project cycle as follows.

Policy framework of blending mechanisms:

1. Climate change objectives are included in the strategic objectives of most regional programmes.

2. Climate change windows have been introduced in all regions.

3. Lead financial institutions have mainstreamed climate change aspects in project identification and development.

Development and assessment of projects:

1. Lead financial institutions assess the climate aspects of the project and consider climate change impacts and vulnerability in project design, using their internal criteria and procedures.

2. Lead financial institutions align project identification and development with priorities established

by the partner country's climate-relevant national and sub-national policies and strategies.

3. Lead financial institutions provide information on climate aspects and the results of climate assessment on the project application form.

4. The volume of climate finance provided by the project and the proposed EU grant is tracked and reported using the Rio markers method (see below).

5. The Commission assesses the information provided on climate aspects on the project application form, and requests additional clarification, if necessary.

The EU Delegations, the Directorate-General for Climate Action and DG DEVCO Unit C2 (Environment, Ecosystems, Biodiversity and Wildlife) — working closely with EEAS — take the lead in assessing the information provided on a project's climate aspects.

The remainder of this chapter provides background on the three main considerations in mapping climate finance — tracking climate action and results, supporting climate strategies in partner countries and mainstreaming climate change. It also provides links to information to be provided on these in the project application form (included as Annex 3 of these guidelines).

8.2 Tracking climate action and results

Most bilateral donors and some multilateral development banks report progress against their climate finance commitments to the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC) using **Rio markers**. The Commission's grant expenditures in the current EU budget (2014–2020) are also tracked according to a Rio marker–based methodology. This methodology is used to determine the contribution of blended projects to climate finance.

Rio markers are differentiated for climate mitigation and climate adaptation, including improving the climate resilience of the project (Table 8.1).

- **Rio Marker 2** is applied for a grant which has only climate-related objectives; thus, 100% of the project finance is reported as climate finance. In this case, the contribution to climate change mitigation or adaptation is the principal objective of the project.

- **Rio Marker 1** is applied for a grant with significant climate-related objectives; thus a unified rate of 40% of the project finance is reported as climate finance. The contribution to climate

TABLE 8.1 Examples of Rio marking

PROJECT AND USE OF THE EU GRANT	RIO MARKER	EXPLANATION
Investment in energy efficiency or renewable energy (e.g. wind power).	Mitigation 2	Energy efficiency and an increase in the share of renewable electricity generation; replacement of fossil fuels and direct reduction of greenhouse gas emissions
Investment in water infrastructure with specific activities targeting energy efficiency	Mitigation 1	Energy efficiency (and climate change mitigation) is significant, but not the principal objective of the project
Investment in flood-protection infrastructure with the overall objective of protecting against climate change–induced flooding risk	Adaptation 2	Adaptation to climate change is the principal objective of the project
Investment in water infrastructure (drinking water), taking into consideration future climate change (droughts)	Adaptation 1	Adaptation to climate change is a significant (considering future climate change) objective of the project, but not the principal objective

change mitigation or adaptation must be a significant objective of the project. Alternatively, the lead financial institution may propose a specific percentage of the total project finance as contributing to climate change objectives, based on its own methodology.

- **Rio Marker 0** is applied for a grant which has no climate-related objectives or where these objectives are not significant.

If the EU grant is focused on a specific climate action which may not apply to the whole project, the lead financial institution may indicate the Rio marker for the project component financed by the EU grant separately from the project. For instance, an investment project in water infrastructure that also aims at increasing climate resilience (e.g. mitigating the impact of droughts) could be designated Rio Marker 1. If the EU contribution is entirely used to fund a vulnerability assessment of future climate risks, the EU contribution could be designated Rio Marker 2, as it is fully dedicated to climate aspects of the project.

Projects assigned Rio Marker 1 (climate-significant objective) should not only specify climate mitigation or adaptation as a significant objective in the project design, but should also include specific project activities which support this objective. For instance, if a water infrastructure investment project includes an objective of making the infrastructure resilient to future climate change, the project should also include specific related activities. These could be a climate change vulnerability assessment, or specific infrastructural measures to address future increased droughts.

The allocation of Rio markers to a specific project does not influence its scoring or prioritisation during the decision-making process on grant allocation. The main purpose of tracking climate finance is to allow donors — including the EU — to report on their commitments to climate finance.

The project application form includes Rio markers for both mitigation and adaptation with a description of climate-relevant project objectives in Section 32.

8.3 Supporting climate strategies in partner countries and policy dialogue

The EU addresses climate change at all levels from policy dialogue to project implementation. The policy dialogue between the EU and its partner countries across the world covers climate change issues, including international climate negotiations. Also, mainstreaming climate change into policy, legislative and market systems is one of the backbones of EU support to developing country partners.

EU blending facilities enhance the Commission's capacity to work with the local public and financial system on climate finance. In particular:

- **Scaling up financial flows:** In using blending facilities, the EU's leveraging potential can provide scale, effectiveness and efficiency to climate finance through instruments ranging from grants to concessional loans. Additional flows of public and private finance are also mobilised and redirected to climate investments. In combining both technical assistance and lending, blending facilities are able both to finance projects and to link them with national strategies as required in climate-relevant sectors.

- **Direct financing to sub-national entities:** Through blending facilities, the Commission — like all financial institutions — engages with local public and private entities in a long-term relationship. The blending facilities also help engage dialogue at the local level, which plays a large role in implementing climate change measures.

- **Applying a wide range of financial instruments:** Through its blending facilities, the Commission supports the development of innovative instruments tailored to specific climate change issues such as (i) climate change–focused credit lines, (ii) risk-sharing instruments, (iii) blending facilities that allow a blending of loan and grant elements to leverage investments and help coordinate actors in the field of large-scale green infrastructure, and (iv) public-private partnerships for infrastructure and renewable energy projects. The Commission can also participate in partnerships with national/domestic and regional development banks that work on climate finance and/or sustainable development agendas.

Increasingly, partner countries are developing and adopting low carbon development strategies — in some cases with the support of international policy programmes in which the EU participates, such as the Global Climate Change Alliance. These policies and strategies are known by a variety of names, including low carbon development strategy, green growth strategy and national climate change plan. Nationally appropriate mitigation actions are plans describing climate protection measures taken by countries embedded in their plans for national development. These national strategies often identify priorities for climate finance for mitigation and adaptation.

The project application form includes information on alignment with or support given to national and sub-national climate strategies (e.g. nationally appropriate mitigation actions) in the partner country in Section 32.

8.4 Mainstreaming climate change and evaluation of climate aspects

Climate mainstreaming in blending could be defined as integrating climate change objectives into the selection as well as the appraisal and monitoring of projects. Climate mainstreaming also aims at attracting additional funding, and increasing the effectiveness and efficiency of blending, in contributing to EU climate action. It further seeks to improve the project design of blended projects.

The assessment framework for climate aspects has been expanded with the introduction of common indicators for climate impacts and information on climate aspects.

The project application form includes the following information on mainstreaming in Sections 28 and 32:

- Estimation of the relative (net) impact of greenhouse gas emissions (in kilo-tonnes of carbon dioxide equivalent/year). Emissions reduction is defined in relation to a baseline. The estimate categorises the impact as high, significant or insignificant emissions reduction.

- Information on climate change risks and the measures taken to increase project resilience.

- Less carbon-intensive and more carbon-resilient alternatives that were considered.

- Information on the indirect/longer-term climate mitigation or adaptation impact of the project, e.g. through replication, market transformation, technology transfer or enabling environment.

CHAPTER 9

Private sector

9.1 The role of the private sector

The communication on 'A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries' (EC, 2014a) provides the Commission with a strategic framework for strengthening the role of the private sector in achieving inclusive and sustainable growth, with three main objectives: (i) developing the private sector in partner countries, (ii) mainstreaming private sector engagement in specific sectors and (iii) catalysing private sector engagement for development.

The communication defines a number of key principles to keep in mind when engaging with the private sector, namely:

- focusing on employment creation, inclusiveness and poverty reduction;
- taking into account the diversity of the private sector in terms of structure, objectives, sector, regions and modality of operations;
- ensuring policy coherence and coordination between relevant Commission services as well as with EU Member States;
- focusing on results and market-based solutions;
- taking fragile situations into consideration.

It also defines the criteria that need to be met when providing direct support to private sector actors. Blending operations are identified as one of the possible modalities that can contribute to implementing the EU approach to private sector development.

9.2 Private sector actors in blending operations

In blending operations, private sector stakeholders can have a variety of roles, in most cases multiple ones. They can contribute to the financing of the investment, at the project level or in specific fund structures; they can benefit from EU support in order to access finance not available in the market or at the needed terms; and, in many cases, they will act as agents in the implementation of projects.

Private sector actors can cover a variety of organisations with differing objectives and operating modalities. Thus, in order to discuss private sector participation and resource mobilisation, it is important to identify the different stakeholders who have a potential interest in pursuing investments and financing in developing countries. They can be grouped according to their location (domestic or international), risk/return profiles of their activities and the conditions under which they operate.

Commercial financiers: This group particularly consists of domestic and international commercial banks. Domestic commercial banks are typically the first port of call for development financial institutions in mobilising private sector funds for development projects. Domestic commercial banks generally provide finance for operations with a limited risk profile — senior secured short- to medium-term loans. The commercial financier group also includes profit-oriented non-bank financial institutions and microfinance institutions; these have a higher risk appetite, as they deal with MSMEs, which often do not meet standard bank lending requirements. International commercial banks are generally limited to cross-border loans in countries with investment-grade credit ratings, and then typically for short-term loans to the lowest risk borrowers.

Corporations: This group consists of domestic and international companies, including MSMEs. In terms of mobilising private sector resources, financial institutions have had good experience with such 'real economy' investors, e.g. manufacturers or infrastructure project developers/operators. Corporations have a vested interest in long-term productive use of their capital (and good returns). As they take an active/leadership role in their projects, they may also offer working capital financing to help their local suppliers where bank offerings are limited, thus contributing to further development of local MSMEs. Few international corporations are active in countries with small economies or at high risk, making mobilisation of domestic companies in those countries important.

Financial investors: These comprise a very diverse group, whose common denominator is an interest in diversifying investments in emerging markets, provided there is an acceptable return/risk profile for those investments. This group includes institutional investors (asset managers, local and international pension funds, sovereign wealth funds), investment banks and private equity investors. A distinction can be made between active and passive investors. Active investors are looking for investment opportunities and are involved in setting up investment structures and the management of investee companies; passive investors tend to invest in funds established by other financial institutions.

Insurers: Insurers typically offer insurance or guarantees for banks and other debt providers based on project risk and the probability of events, effectively taking over part or all of the risk associated with loans. While private and public insurers, including multilaterals such as the World Bank's Multilateral Investment Guarantee Agency, are active in some developing countries and in specific sectors, the biggest gap is the provision of long-term comprehensive insurance by the private market, especially for infrastructure projects.

Social investors: This group is interested in achieving social and/or development goals while still making an acceptable return, which could be (much) lower than normal for similar projects. Examples of social investors are non-governmental organisations, impact investors, patient capitalists, foundations, family offices, philanthropists and individual investors. A distinction can again be made between active and passive investors. Several active non-governmental organisations are becoming more investment oriented. This group includes non-profit non-bank financial institutions/microfinance institutions which have other methods to deal with MSMEs, which are often informal.

Private donors: This group consists of charities and private organisations that do not expect a return on their donations.

9.3 Private sector involvement in blending

While the great majority of blending operations contribute towards financing public infrastructure, private sector financing at the project level through the facilities is increasing. A total of 44 blending projects with some form of private engagement have been approved to date, mainly in the areas of energy, private sector development (MSMEs) and ICT — projects of very differing natures. In public-private partnerships, private financing comes from the project developer providing equity for the project company (usually a maximum of 30 %) and from commercial financiers[1]. For example, in an energy-efficiency scheme, the local SME or household would put up its own funds to finance part of the investment. Private financing has also been attracted to fund structures (with risk capital from the EU) that enable the provision of financing to the local private sector (MSMEs) and the renewable energy sector.

If a project does not foresee any direct contribution from the private sector, it may still work towards catalysing private financing. Technical assistance to

[1] A public-private partnership is defined as a contract between a public authority and a private contractor in which both parties agree on the design of a business project in order to achieve common objectives or to deliver a public good and/or service. The roles and responsibilities of both parties are clearly defined within the partnership, as are risk allocation and the payment mechanism.

foster capacity building in the local financial sector or to increase the capacity of local SMEs, for example, may eventually link local markets more closely with international financial markets and create investment opportunities.

More detail on blending operations in support of private sector development (in particular of MSMEs) can be found in the *Blending and support to private sector development* reference document[(2)].

(2) Available at http://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en.

ANNEX 1

Glossary of terms

Bond: A security (document) representing a debt investment by which an investor lends money to an entity (corporate, governmental or other) that borrows the funds for a defined period of time at a defined interest rate, subject to defined conditions.

Covenant: Legal conditions in a financing agreement which require a borrower or investee to do — or *not* do — specific things.

Currency swap: Swaps the principal and interest payments on loans made in one currency for another currency.

Debt fund: Investment fund in which the principal asset is fixed-income securities (also called bonds).

Equity fund: Investment fund in which the principal asset is equity (stocks, or shares).

Equity/stock/shares: A security (document) representing an ownership interest.

Leasing: Provides the lessee the use of an asset (equipment, property, etc.) for a specified period of time and defines the obligation to pay regular instalments to the owner of that asset (lessor).

Loan: Any debt evidenced by a note or contract which specifies, at least, the principal amount, interest rate and date of repayment.

Mezzanine finance: Refers to subordinated debt or a preferred equity instrument that represents a claim on a company's assets which is senior only to that of common shares (equity). Mezzanine financing can be structured either as debt (typically unsecured and subordinated) or preferred stock.

Moral hazard: Situation where a person or business does not sustain the negative costs or consequences that may result from their actions, thus increasing their tendency to take risks.

Quasi-equity: Refers to investments with equity-like qualities (such as profit participation) without conferring ownership rights to the investor. Examples include mezzanine debt and subordinated debt.

Senior debt: Borrowed money a company must repay first if it goes out of business.

Sponsor: A key stakeholder that invests in a project with equity (and other financial instruments) and is instrumental in ensuring that the project is fully financed, actually goes ahead and is successfully implemented.

Subordinated debt: Debt that is either unsecured or has a lower priority than that of another debt claim on the same asset or property; also called junior debt.

Supplier credit: An offer of credit extended to a buyer by a seller or supplier.

Syndicated loan: Loan offered by a group of lenders (called a syndicate) working together to provide funds for a single borrower.

Trade finance: Refers to a range of financing methods to finance domestic or international trade. Domestic trade finance includes factoring; international trade finance includes letters of credit and export guarantees, among others.

Working capital: Amount of money a business needs to operate for a period of time — i.e. the balance between incoming and outgoing payments. In accounting terms, this is defined as current assets minus current liabilities.

ANNEX 2

Overview of financial institutions

A2.1 Multilateral financial institutions

A2.1.1 EUROPEAN INVESTMENT BANK (EIB)

Overview: Founded in 1958, the EIB is owned by and represents the interests of the EU Member States and has the mandate to contribute to furthering EU policy objectives. The EIB has 2 000 employees and is one of the largest multilateral borrowers and lenders by volume. More than 90 % of EIB activity is focused on Europe, but the institution also supports the EU's external and development policies. Since 2000, the European Investment Fund, a specialist provider of risk finance to SMEs, has been part of the EIB. The EIB benefits from the EU or Member State guarantee for its operations outside the EU (so-called external mandate). This is a comprehensive guarantee for sovereign and sub-sovereign operations and a political risk guarantee for non-sovereign operations. In addition, the EIB benefits from an EU Member States' comprehensive guarantee for its resource operations in African, Caribbean and Pacific countries, as well as EDF refinancing through the investment facility. The EIB can also lend under its own risk.

Regional coverage: Pre-Accession countries; Eastern Neighbours; Asia; Central Asia; Latin America; African, Caribbean and Pacific countries; Mediterranean partnership countries

Volume of activities (EIB Annual Report 2014): EUR 8 billion outside the EU; EUR 69 billion within the EU

Shareholders: The 28 Member States of the EU, with each country's share based on its economic weight within the EU at the time of its accession

Website: www.eib.org

A2.1.2 EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Overview: The EBRD was established in 1991 to help build a new, post-Cold War era in Central and Eastern Europe. Since then, the EBRD has become the largest financial investor from Central Europe to Central Asia, and more recently in the Southern and Eastern Mediterranean. The bank Invests primarily in private sector projects whose needs cannot be fully met by the market, fostering transition towards open and democratic market economies.

Regional coverage: Pre-Accession countries, Eastern Neighbours, Central Asia, Mediterranean partnership countries

Volume of activities (EBRD Annual Report 2013 — signatures): EUR 8.5 billion

Shareholders: 64 countries (including the 28 Member States), the European Union and the EIB. Capital subscriptions range from 2.1 million (Turkmenistan and Malta) to 3.0 billion (United States). Altogether, EU shareholding reaches 63 %.

Website: www.ebrd.com

A2.1.3 WORLD BANK GROUP/ INTERNATIONAL FINANCE CORPORATION (WBG/IFC)

Overview: The World Bank Group consists of five organisations: the International Bank for Reconstruction and Development (IBRD; lends to governments of middle-income and creditworthy low-income countries), the International Development Association (IDA; provides interest-free loans and grants to governments of the poorest countries), the International Finance Corporation (IFC; focused exclusively on the private sector), the Multilateral Investment Guarantee Agency (MIGA; created in 1988 to promote foreign direct investment in developing countries) and the International Centre for Settlement of Investment Disputes (ICSID; provides international facilities for conciliation and arbitration of investment disputes). The IFC provides investment and advisory services to SMEs in over 80 countries and focuses on every phase of SME development: investment climate reform, building management skills, access to finance and access to markets.

Regional coverage: Pre-Accession countries; Eastern Neighbours; Asia; Central Asia; Latin America; African, Caribbean and Pacific countries; Mediterranean partnership countries

Volume of activities (WBG Annual Report 2014): USD 65.6 billion total; USD 17.3 billion for the IFC

Shareholders: 184 countries

Website: www.worldbank.org; www.ifc.org

A2.2 EU bilateral financial institutions

A2.2.1 KREDITANSTALT FÜR WIEDERAUFBAU (KFW)

Overview: KfW, founded in 1948, is Germany's leading state-owned development and promotional bank, providing a wide variety of financial products for private individuals as well as for enterprises, cities, municipalities and non-profit and social organisations. The German Investment and Development Corporation (Deutsche Investitions- und Entwicklungsgesellschaft, DEG), created in 1962, has been a subsidiary of KfW since 2001 focused on financing private sector projects in developing countries. On behalf of the Federal Ministry for Economic Cooperation and Development, KfW administers Germany's official financial cooperation in more than 100 developing and transition countries in Africa, Asia, South and Central America, the Middle East and the Caucasus. Its priority areas of activity include poverty reduction and economic development, good governance, education and health care, and protection of the climate and the environment.

Regional coverage: Pre-Accession countries; Eastern Neighbours; Asia; Central Asia; Latin America; African, Caribbean and Pacific countries; Mediterranean partnership countries

Volume of activities (KfW Annual Report 2014): EUR 7.4 billion in development activities, EUR 1.5 billion for the DEG, EUR 74.1 billion total

Shareholders: Federal Republic of Germany and German federal states (Lander)

Website: www.kfw.de, www.deginvest.de

A2.2.2 AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)

Overview: The AFD operates France's bilateral development finance mechanism. It is a public industrial and commercial institution with the status of a specialised financial institution, acting in accordance with policy set by France's Framework Document for Development Cooperation. Based on this policy mandate, the AFD contributes to economic and social development in its geographical areas of operation. Proparco, the AFD's private sector financing arm, provides funding to viable private sector projects in sectors and regions that other investors deem too risky. The AFD carries out its mandate through financing, risk analysis and hedging instruments; and expertise in training and capacity building, which it provides to both public and private stakeholders. The AFD utilises grants, soft loans and market-rate loans, guarantees and technical assistance.

Regional coverage: Middle East and North Africa, Asia, Central Asia, Latin America and the Caribbean, Sub-Saharan Africa, French overseas provinces

Volume of activities (AFD Annual Report 2014): EUR 8.1 billion, including Proparco

Shareholders: The AFD is a French public institution; Proparco is owned by the AFD (63 %), French financial organisations (22 %), international financial organisations (12 %) and French companies (2 %)

Website: www.afd.fr, www.proparco.fr

A2.2.3 AGENCIA ESPAÑOLA DE COOPERACIÓN INTERNACIONAL PARA EL DESARROLLO (AECID)

Overview: The AECID is the management body for Spanish cooperation, implementing around 20 % of Spain's bilateral ODA. Its geographical priorities are set out in the 4th Spanish Cooperation Master Plan, which establishes three priority regions: Latin America; North Africa and the Middle East; and Sub-Saharan Africa, especially the western region, covering 23 countries. In 2010, Spain restructured its financial cooperation and established the Fund for Development Promotion (Fondo para la Promoción del Desarrollo, FONPRODE).

Regional coverage: Latin America and the Caribbean (Bolivia, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, Peru); North Africa and the Middle East (Mauritania, Morocco, Saharawi population and Palestine); West Sub-Saharan Africa (Mali, Niger and Senegal); Central, East and Southern Africa (Equatorial Guinea, Ethiopia, Mozambique); Asia (Philippines)

Volume of activities: EUR 333 million (funds managed in 2014)

Website: www.aecid.es

A2.2.4 CASSA DI DEPOSITI E PRESTITI (CDP)

Overview: The CDP is a joint stock company under public control, with the Italian Government holding 80.1 % and a broad group of bank foundations holding 18.4 %; the remaining 1.5 % is in treasury shares. The CDP uses its resources to pursue its institutional mission to support the growth of the country, financing the investments of public entities, infrastructure and support to enterprises. In 2014, the Italian Government mandated the CDP to operate as the Italian financial institution for cooperation and development.

Volume of activities (CDP Annual Report 2013): EUR 16.3 billion (new lending and managed resources)

A2.2.5 EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS (EDFI)

Overview: The EDFI is an association of 15 bilateral European development finance institutions with a private sector mandate. These institutions are the Belgian Investment Company for Developing Countries (BIO), the CDC Group, Compañía Española de Financiación del Desarrollo (COFIDES), the German Investment and Development Corporation (DEG), the Finnish Fund for Industrial Cooperation (FINNFUND), the Netherlands Development Finance Company (FMO), Denmark's Investment Fund for Developing (IFU), the Norwegian Investment Fund for Developing Countries (Norfund), the Development Bank of Austria (OeEB), France's Proparco, the Belgian Corporation for International Investment (SBI-BMI), the Swiss Investment Fund for Emerging Markets (SIFEM), Società Italiana per le Imprese all'Estero (SIMEST), Portugal's Sociedade para o Financiamento do Desenvolvimento (SOFID) and Swedfund International AB. The EDFI strives to strengthen information flow and cooperation between its members and other bilateral, multilateral and regional development finance institutions.

Regional coverage: Mediterranean and Middle East, Sub-Saharan Africa, Caribbean and Pacific, Latin America, Central Asia, Eastern Neighbours, Asia

Volume of activities (EDFI Annual Report 2013): EUR 28 billion

Website: www.edfi.be

A2.3 Regional development finance institutions

A2.3.1 ASIAN DEVELOPMENT BANK (ADB)

Overview: The ADB was founded in 1966 and its main mission is to improve people's lives in Asia and the Pacific. The largest part of its lending portfolio — USD 16 billion in 2013 — is comprised of public sector (sovereign) lending, which is extended to partner governments and public sector entities and backed by government guarantees. The private sector (non-sovereign) lending portfolio accounted for USD 4.5 billion in lending volume in 2013, and was provided to projects with clear development impacts and/or demonstration effects. The ADB's Private Sector Development Strategy has three mutually reinforcing strategic thrusts: creating enabling conditions, generating business opportunities and catalysing private investment[(1)].

Regional coverage: Central and West Asia (USD 5.53 billion), East Asia (USD 2.53 billion), South Asia (USD 5.96 billion), Southeast Asia (USD 6.21 billion), Pacific (USD 0.41 billion)

Volume of activities (ADB Annual Report 2013): USD 21.02 billion

Shareholders: 67 members, 48 of which are from within Asia and the Pacific; 14 of the remaining 19 members are EU countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

Website: www.adb.org

A2.3.2 AFRICAN DEVELOPMENT BANK (AFDB)

Overview: The AfDB's overarching objective is to spur sustainable economic development and social progress in its regional member countries by mobilising and allocating resources for investment in, and providing policy advice and technical assistance to support, development efforts.

Regional coverage: Northern Africa, Sub-Saharan Africa

Volume of activities (AfDB Annual Report 2013): USD 6.7 billion (317 approved operations in 2013)

Shareholders: 54 African countries[(2)]; 26 non-African countries (Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, South Korea, Kuwait, Luxembourg, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States, United Arab Emirates — i.e. 13 EU Member States and 13 non-EU countries)

Website: www.afdb.org

A2.3.3 INTER-AMERICAN DEVELOPMENT BANK (IDB)

Overview: Established in 1959, the IDB is one of the leading sources of development financing for the Latin America and the Caribbean region. The shareholders are 48 member countries, including 26 Latin American and Caribbean borrowing members, who have a majority ownership of the IDB.

Regional coverage: Latin American and Caribbean countries

Volume of activities (IDB Annual Report 2014): USD 13.5 billion

Shareholders: 26 regional developing countries (Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago,

(1) More information can be found in ADB Private Sector Operations: Innovation, Impact, Integrity, https://openaccess.adb.org/handle/11540/663.

(2) Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

Uruguay, Venezuela), Canada, the United States, 20 non-regional members (including 14 EU Member States: Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Italy, Netherlands, Portugal, Slovenia, Spain, Sweden, United Kingdom; and six non-EU countries: China, Israel, Japan, Norway, South Korea, Switzerland)

Website: www.iadb.org

A2.3.4 CENTRAL BANK OF WEST AFRICAN STATES (BCEAO)

Overview: The BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest) was created in 1959 to ensure implementation of monetary and exchange rate policies, and the smooth functioning of payment systems among the eight member countries of the West African Monetary Union (Benin, Burkina Faso, Côte D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo). Its main missions are to define and implement the Union's monetary policy, ensure the stability of the Union's banking and financial system, promote effective functioning and ensure supervision and security of the Union's payment systems, implement the Union's currency exchange policy as mandated by the Council of Ministers, and manage the official currency exchange stocks of the member states. With regard to monetary stability, the bank can take the lead on specific projects or missions aimed at improving the policy environment as well as diversification and reinforcement of the Union's financial system and support capacity building in the banking and financial sectors.

Website: www.bceao.int

A2.3.5 WEST AFRICAN DEVELOPMENT BANK (WADB)

Overview: Established in 1973 by the West African Monetary Union member states, the WADB is a multilateral development bank whose work is focused on three development goals: poverty reduction, economic integration and private sector activity.

Regional coverage: West Africa (Benin, Burkina, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo)

Volume of activities (Annual Report 2014): CFA 280.9 billion

Shareholders: Nine Category A shareholders (regional countries representing around 93% of the capital: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo and the BCEAO) and eight Category B shareholders (representing about 7% of the capital: France, KfW for Germany, the EIB for the EU, Belgium, Eximbank for India, People's Bank of China for China and Morocco)

Website: www.boad.org

A2.3.6 DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

Overview: The DBSA was established in 1983 with the objective of ensuring economic development within Southern Africa. Reconstituted as a development finance institution, its activities have been focused on social and economic infrastructure funding and delivery. The DBSA has prioritised water, energy, transport and ICT as key focus areas.

Regional coverage: South African Development Community (SADC): Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe

Volume of activities (DBSA Annual Report 2012–2013): R 18.1 billion

Website: www.dbsa.org

A2.3.7 EAST AFRICAN DEVELOPMENT BANK (EADB)

Overview: Founded in 1967 with the aim of providing financial and other support to its member countries, the EADB has lending activities all over the region in both the public and private sectors. More than 60% of its portfolio goes to health and education, hotels and tourism, construction and building, electricity and water, and agriculture projects and contributes to the economic and social development as well as prosperity of the region.

Regional coverage: East Africa (Kenya, Rwanda, Tanzania, Uganda)

Volume of activities (EADB Annual Report 2013): USD 105.6 million

Shareholders: Class A: Kenya, Rwanda, Tanzania, Uganda; Class B: African Development Bank (AfDB), Netherlands Development Finance Company (FMO), German Investment and Development Corporation (DEG), SBIC Africa holdings, Commercial Bank of Africa, Nordea Bank of Sweden, Standard Chartered Bank, Barclays Bank PLC

Website: www.eadb.org

A2.3.8 EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)

Overview: The PTA Bank was established in 1985 to promote regional integration, push the development of infrastructure, and foster the development and deepening of financial and capital markets in member states. It provides debt, quasi-equity and equity financing as well as non-financial products and services such as the management of special-purpose funds so as to advance regional growth and integration through customer-focused and innovative financing instruments.

Regional coverage: Eastern and Southern Africa (Burundi, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tanzania, Uganda, Zambia, Zimbabwe)

Volume of activities (PTA Bank Annual Report 2013): USD 3.6 billion (approvals 2013)

Shareholders: Regional members (81 %): Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia, Zimbabwe; non-regional members (7 %): Belarus, China; Institutions (12 %): African Development Bank (AfDB), Mauritian Eagle Insurance Co. Ltd., National Pension Fund of Mauritius, Africa Reinsurance Cooperation (Africa-RE)

Website: www.ptabank.org

A2.3.9 CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI)

Overview: Founded in 1960, the CABEI seeks to promote integration and development in Central America especially through financing infrastructure, long-term investments in industry and agriculture, as well as improving economic synergy and social development.

Regional coverage: Belize, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama

Volume of activities (CABEI Annual Report 2013: USD 1.37 billion

Shareholders: Regional countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama)[3], non-regional countries (Argentina, China, Colombia, Mexico, Spain)

Website: www.bcie.org

A2.3.10 DEVELOPMENT BANK OF LATIN AMERICA (CAF)

Overview: Created in 1970, the CAF (Corporación Andina de Fomento) is a development bank promoting a sustainable development model in the public and private sectors of Latin America. It ensures efficient mobilisation of resources for timely provision of multiple financial services in order to foster economic and social development and regional integration.

Regional coverage: Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela)

Volume of activities (CAF Annual Report 2013): USD 12.1 billion

Shareholders: Bolivia, Brazil, Colombia, Mexico, Peru and regional capital investment

Website: www.caf.com

(3) Belize is currently the only beneficiary country that does not participate in share capital.

A2.3.11 CARIBBEAN DEVELOPMENT BANK (CDB)

Overview: Established in 1970 for the purpose of contributing to the harmonious economic growth and development of the Caribbean countries, the CDB intends to be a catalyst for development resources in the region, especially in terms of poverty reduction and the promotion of social and economic development.

Regional coverage: Caribbean

Volume of activities: USD 0.17 billion

Shareholders: 27 member countries: 22 from the region (19 borrowing: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands; and 3 non-borrowing: Colombia, Mexico, Venezuela) and 5 non-regional members (Canada, China, Germany, Italy, United Kingdom)

Website: www.caribank.org

ANNEX 3

Project application form and guidance notes

European Commission

LOGO Lead Finance Institution(s)

APPLICATION FORM *(01.01.2016)*

IDENTITY OF THE PROJECT Date:

1	Blending Facility		**2**	Project Number/code	
3	Name of project				
4	Meeting Type		**5**	Meeting date	
6	Date of prior discussion (if applicable)	☐TAM ☐ Board	**7**	Sector(s)	
8	DAC-code(s)		**9**	EU Special Window	☐ SE4All ☐ Climate Change Window ☐ Other
10	Partner country(ies)		**11**	Regional programme	☐yes (if so, specify) ☐ no

12	Lead Finance Institution			
13	Co-financier(s)			
14	Type(s) of EU contributions and Amount(s) requested (€)	EU Contributions	Amount(s) requested	Lead fees
15	Project stage	☐Project identification ☐ Project preparation ☐ Investment phase		

16	Partner country authority / Private partner(s)	
17	Implementing entity(ies)	☐Public ☐Mixed ☐Private ☐Financial Intermediary(ies)
18	Short description of the project	

19	Main objectives of the project

20	**Indicative budget - Project Uses & Sources**					
	Type / Sources	**EU Blending facilities**	**Financial institutions**	**Non blended financing (including partner country(ies)/beneficiary**	**Other financing**	**Total (€M)**
	Technical assistance: - preparation phase					
	- pre- investment phase					
	- investment phase					
	Investment Costs					
	Communication					
	Evaluation, audit					
	Other…					
	Total Uses (€M)					

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APPLICATION FORM *(01.01.2016)*

DETAILED DESCRIPTION OF THE PROJECT

21	Context of the project	*(Recommendation (R) 7 - Compliance with National/Regional policies)*

22	Coherence with the Policy objectives of the Facility and EU Policies	*(Recommendation (R) 7 - Compliance with National/Regional policies)*

General Policy objectives	**Not targeted**	**Significant objective**	**Main objective**
Participation development/good governance			
Aid to environment			
Gender equality (including WID)			
Trade development			
Reproductive, Maternal, New born and child health			

Comments:

23	Consultations before submission: • EU Delegation(s) • Geographic unit(s) • Local partners/Regional organisations/Other stakeholders	*(R1 - Partner countries/ local coordination)* *(R2 - Consultations with EU DEL)*

24	**Entities involved, Implementation scheme, Organisational set up and Exit Strategy**	*(R9 - Financial Structure) (R10 - Implementation scheme)*
	Description of entities involved	
	Implementation scheme: organisation of activities	
	Organisational set-up	
	Exit Strategy	

25	**Indicative budget – Uses &Sources, detailed description**			
	Uses			
		Description		Amount (€M)
	Investment Costs, of which: …			
	Technical assistance (AF Annex III)			
	Communication			
	Evaluation, audit			
	Other…			
	Total Uses			
	Sources			
		Type of	Main components financed	Amount

European Commission

LOGO Lead Finance Institution(s)

APPLICATION FORM *(01.01.2016)*

		financing/contribution		(M€)
	EU (Blending Facility):			
	- Investment grant			
	-Technical assistance preparation phase			
	-Technical assistance pre-investment phase			
	-Technical assistance investment phase			
	- Interest rate subsidy			
	- Guarantee			
	- Equity			
	- Other			
	Lead FI: - component 1 - component 2 …			
	Eligible FI 1			
	Eligible FI 2			
	Sub-total blended financing			
	Partner Country/Beneficiary (own contribution)			
	Other public financier(s)			
	Other mixed financier(s)			
	Other private financier(s)			
	Sub-total non-blended financing			
	EU Additional support			
	Non EU Additional Support			
	Sub-total other financing			
	Total financing			

26	**Financing conditions of financial institutions**	☐Sovereign ☐Non Sovereign ☐ODA ☐Non ODA

27	**Debt sustainability**	*(R5 - Debt Sustainability)*

28	**Financial Leverage**	*(R4 - Leverage Effect)*
	Investment leverage ratio	
	Total eligible FI leverage ratio	
	Private loans/equity leverage ratio	

29	**Additionality of the EU contribution**	*(R3 - Additionality)*
	Economic	
	Financial	
	Social	
	Project scale	
	Project timing	
	Project quality and standards	
	Innovation	
	Sustainability	
	Environment	
	Other benefits	

30	**Justification EU contribution (amount)**	*(R13 - EU grant amount justification)*

LOGO Lead Finance Institution(s)

APPLICATION FORM (01.01.2016)

31	**Expected Results** *(R6 - Results Measurement Framework)*					
	Indicator	Units	Baseline value (X) *(Indicate year)*	Expected value after the project (Y) *(Indicate year)*	Expected result (=Y-X)	Comments and reference to methodology used, where necessary
	Standard Outputs (copy all applicable indicators for the relevant sector from Annex V in the Guidelines)					
	- Output Indicator 1					
	- Output Indicator 2					
	- …					
	Standard Outcomes (copy all applicable indicators for the relevant sector from Annex V in the Guidelines)					
	- Outcome Indicator 1					
	- Outcome Indicator 2					
	- …					
	Project specific indicators (introduce other indicators applicable to this project)					
	- Custom indicator 1					
	- Custom Indicator 2					
	- …					
	Cross sector indicators *(compulsory if they are main objectives - cf. Box 19)*					
	Total number of beneficiaries	#				
	Number of beneficiaries living below the poverty line	# *(and/or %)*				
	Greenhouse gas emissions impact	*CO_2 ktons eq/yr*				
	Direct employment: Construction phase	*# (FTE)*				
	Direct employment: Operations and maintenance	*# (FTE)*				
	Expected Impact (narrative description):					

32	**Project sustainability**	*(R8 - Sustainability)*

33	**Risk Assessment categories**	Description	Mitigation	Risk severity		
				H	M	L
	Political					
	Economic					
	Financial					
	Social					
	Environmental					
	Implementation					
	Other					

34	**Climate and Environment Rio markers** *(R11 - Climate Change)*				
	EU contribution	*Mitigation*		*Adaptation*	
		Either: Project/Project component [M€]	*Or:* Rio marker *(tick one if relevant)*	*Either: Project/Project component* [M€]	*Or: Rio Marker (tick one if relevant)*
	RM1*('significant objective')*		□		□

European Commission

LOGO Lead Finance Institution(s)

APPLICATION FORM *(01.01.2016)*

	RM2(*'principal objective'*)		◻		◻
	EFI contribution	*Mitigation*		*Adaptation*	
		Either: Project/Project component [M€]	*Or:* *Rio marker (tick one if relevant)*	*Either:* Project/Project component [M€]	*Or:* Rio marker *(tick one if relevant)*
	RM1(*'significant objective'*)		◻		◻
	RM2(*'principal objective'*)		◻		◻
	For RM1 or RM2 projects Project objectives contributing to climate change mitigation and/or adaptation				
	For RM1 or RM2 projects Description of climate relevant project activities				
	For RM1 or RM2 projects Alignment with/support to national or sub-national climate change strategies				
	For all projects Climate change project risks and measures to reduce vulnerability				
	For all projects Less carbon intense and more climate resilient alternative solutions considered				
	If applicable Indirect climate change mitigation impact assessment				
	EU contribution	*Biological diversity*		*Desertification*	
		Either: Project/Project component [M€]	*Or:* Rio marker *[tick one if relevant]*	*Either:* Project/Project component [M€]	*Or:* Rio marker *[tick one if relevant]*
	RM1 *('significant objective')*		◻		◻
	RM2 *('principal objective')*		◻		◻
	EFI contribution	*Biological diversity*		*Desertification*	
		Either: Project/Project component [M€]	*Or:* Rio marker *[tick one if relevant]*	*Either:* Project/Project component [M€]	*Or:* Rio marker *[tick one if relevant]*
	RM1 *('significant objective')*		◻		◻
	RM2 *('principal objective')*		◻		◻
	For RM1 or RM2 projects Project objectives contributing to biodiversity protection and/or the fight against desertification				
	For RM1 or RM2 projects Description of biodiversity- and/or desertification-relevant project activities				
	For RM1 or RM2 projects Alignment with/support to national or sub-national strategies or plans on biodiversity protection and/or combating desertification				

LOGO Lead Finance Institution(s)

APPLICATION FORM (01.01.2016)

35	**Indicative Project Calendar**	Date
	Completion date of feasibility study	
	Completion date of environmental and social impact assessments	
	Appraisal mission	
	Dates of approval by EFIs Boards: ➢ Lead Financier ➢ Other co-financing EFIs	
	Dates of signature of the loans with the beneficiary: ➢ Lead Financier ➢ Other co-financing EFIs	
	Target date of signature of EU Delegation Agreement with Lead FI	
	Target date of signature of EU Financing Agreement with Beneficiary	
	Start of activities financed by the EU grant	
	End of activities financed by the EU grant	
	End of project activities	
	Comments	

36	**Description of procurement procedure**	*(R12 - Tenders)*

37	**Monitoring, reporting and evaluation**	

38	**Visibility**	

39	**Contacts**	Contact person	Function	Phone	Email
	Lead Finance Institution				
	Other Eligible FI member(s) of the consortium				
	EU DEL				
	DG: - geographic unit - thematic unit				
	Partner Country Authority / Private partner(s)				

40	**Date of submission**		**Name of submitting person**	

European Commission

LOGO Lead Finance Institution(s)

APPLICATION FORM *(01.01.2016)*

Annex I: Key requirements checklist

Main requirements: Please confirm whether the operations proposed will

		Yes	No
1	Benefit only the countries eligible under the respective EU regional blending facility		
2	Be fully consistent with EU principles/directives in particular concerning the Environment, Public Procurement and State Aid		
3	Be ODA eligible		
4	Not duplicate or overlap with other operations		
5	Be complementary to corresponding regional, national and local strategy and measures (*sections 21 and 22*)		
6	Concern the objectives and sectors identified in the Strategic Orientations of the respective EU regional blending facility and relevant Action Plans (*section 22*)		
7	Provide a clear explanation of the use of the contribution(s) requested (*sections 24 and annex III*)		
8	Be technically and financially sound (provides value for money) (*sections 25*)		
9	Help leverage loans (*section 28*)		
10	Avoid replacing private financing or introducing distortions to the financial market (*section 29*)		
11	Project demonstrates clear expected direct or indirect poverty alleviation impact (section 31)		
12	Provide a justification for the size of the contribution(s) requested *(section 30*)		

Priority Criteria

1	Operations presented by Eligible Finance Institutions in a consortium		
	Other priority criteria may be added according to regional priorities		

European Commission

LOGO Lead Finance Institution(s)

***APPLICATION FORM** (01.01.2016)*

Annex II: Project map

Annex III: Public description of the project

Annex IV: Estimated breakdown of TA costs *(if applicable)*

Annex V: Communication and Visibility Plan

GUIDANCE NOTES FOR AF (01.01.2016)

GUIDANCE NOTES
HOW TO FILL IN APPLICATION FORM FOR BLENDING FACILITIES?

Preamble: general explanation and recommendations

These Explanatory Notes (EN) accompany the Application Form (AF) For Blending Facilities. The AF is designed and structured in 2 parts (identity of the project and detailed description of the project) and 40 sections, attempting to avoid any replication and with the first 20 sections (which should in principle be included on the first page of the AF) containing the context and main description of the project.

This document is structured according to the AF: i.e. the chapter numbers refer to the section numbers from the AF.

The main objective of the EN is to provide guidance to the applying financial institutions on expected information to be provided in the AF for Blending Facilities. It clarifies what information the Commission expects to receive, particularly in the light of the conclusions of the Special Report of the Court of Auditors on EU Blending (October 2014) and the recommendations of the EUBEC Platform (2012-2015). In order to facilitate the filling, Annex VIII "Questions for last checking" has been included. This generally reflects the assessment carried out by the Commission and aims to help the applying financial institutions to double check that all the relevant information has been included.

The Recommendations of the EUBEC Platform, numbered from R.1 to R.13, are included in the relevant sections of the Application form. Although all of the recommendations are important, experience has shown that the most frequent requests for clarification from the Commission arise from Recommendations 3 (Additionality) and 13 (EU grant amount justification), so it is recommended to fill them in with particular care.

Please note that all the sections need to be duly filled in as clearly and concisely as possible, taking into account the maximum limits and avoiding repetitions.

Information on sections 19, 22 and 34 are important for the Commission's OECD reporting and therefore it is crucial to fill the above mentioned section as accurately as possible.

The final recommendation is to address sensitive issues immediately to ensure that these are clarified as early in the process as possible.

The final version of the Application form should be submitted in pdf version; the maximum number of pages is 20 pages + up to 10 pages as Annexes.

GUIDANCE NOTES FOR AF (01.01.2016)

Table of Contents

1 Blending Facility

Choose type of Facility abbreviation from the table below[1]:

Blending Facility	Full name
AfIF	Africa Investment Facility
AIF	Asian Investment Facility
AITF	EU-Africa Infrastructure Trust Fund
CIF	Caribbean Investment Facility
IFCA	Investment Facility for Central Asia
IFP	Investment Facility for the Pacific
LAIF	Latin America Investment Facility
NIF	Neighbourhood Investment Facility
WBIF [2]	Western Balkan Investment Framework
…	

2 Project Number/code

The European Commission will insert the appropriate project number: Name of the Instrument/ number or code.

One number per project would be attributed as soon as the project is presented for the first time to the Technical Assessment Meeting (TAM). Project with several tranches will be attributed the same number plus a sequential number/letter.

3 Name of project

Enter a comprehensive title of the project, knowing that this name will follow the project through to completion.

4 Meeting Type

There are two applicable meeting types to choose from:

- Technical Assessment Meeting ("TAM")
- (DCI/EDF/ENI/IPA) Board.

5 Meeting Date

Enter the relevant meeting date in the following system: DD/MM/YYYY.

[1] The table reflects the set-up of blending facilities as of September 2015.

[2] In the context of the WBIF, the special nature of its procedures and projects has to be taken into account.

6 Date of prior submission

Applicable just in case of re-submission of a project as request by the relevant TAM/Board.

7 Sector(s)

Choose sector/s from the table below:

Sector name	**Examples of most commonly supported types of projects across all BFs**
Energy	energy infrastructure (energy transmission and network connections); energy networks improvements, renewable energy projects; energy efficiency, district heating, gas infrastructure, sustainable energy financing facility etc. Tick ☐ Sustainable Energy for All (SE4All) – if applicable.
Environment	water supply and wastewater treatment infrastructure; waste management; flood protection; water resources management; etc.
Transport	infrastructure in ports, rail, roads, airports; urban transport, border crossing infrastructure; etc.
Social Sector	education, health sector, judiciary facilities, prisons, centres for elderly infrastructure; social housing; entrepreneurial learning centre etc.
Private Sector	MSME[3] development; microfinance; support to private sector development and access to finance.
ICT	Telecommunication networks et.
Agriculture	
…	

8 DAC-code

Use CRS purpose codes available at: http://www.oecd.org/dac/stats/dacandcrscodelists.htm
Provide only one code number and the name.

9 EU Special Windows

Tick the relevant option, if applicable. The "windows" refer to a particular earmarking and /or use of EU funding (e.g. climate change or Sustainable Energy for All (SE4All).

10 Partner country (ies)

Insert the name of the partner country or countries. For "Regional" projects, please indicate which countries are involved (with the mention "etc." if the list is clearly opened).

[3] Micro, small and medium enterprises.

11 Regional programme

Insert the name of the sub-region concerned (if relevant).

12 Lead Finance Institution

Provide name of the lead finance institution.

13 Co-financiers(s)

Provide names of all other finance institutions acting as co-financiers.

14 Type(s) of EU contribution and amount(s) requested (€)

Choose type(s) of EU contribution from the list below and indicate the relative amount plus lead fees:

Type(s) of contribution	Abbreviation	Amount requested (€)	Lead fees
Investment Grant	IG		
Technical assistance	TA		
Interest rate subsidy	IRS		
Guarantee	Guar.		
Equity	Equity		
Other	Other		

If this is a multiple grant component project (e.g. TA and investment grant, etc.) specify the amounts separately and coherently within section 14. Project fees should also be separately indicated.

Distinguish Pagoda Blend (TA, IG and IRS), Pagoda FI (Guarantee and Equity) and Pagoda co-delegation if applicable.

In line with C5a PAGoDA - Special Conditions Delegation Agreement, lead fees to be calculated as: 2% of the EU Contribution (and/or the NIF Trust Fund if applicable) to the Project for investment grants (but irrespective of the size of contribution, a minimum of EUR 200,000 flat up to an amount representing maximum 7% of the EU Contribution and a maximum of EUR 750,000) plus 4% of the EU Contribution (and/or the NIF Trust Fund if applicable) to the Project for technical assistance and studies (but irrespective of the size of contribution, a minimum of EUR 150,000 flat up to an amount representing maximum 7% of the EU Contribution and a maximum of EUR 300,000). In case of hybrid projects the minima granted to each component may be cumulative while they cannot go beyond 7% of the contribution to the relevant TA or IG component. Indicate also the sharing mechanism with co-financiers, if applicable.

15 Project stage

Tick the relevant box (multiple choices are possible):

- Project identification: project which is aiming at generating projects
- Project preparation: for example feasibility study, detailed design
- Investment phase: construction and implementation

16 Partner country (ies) authority (ies) / Private partner(s)

Indicate who is the:

- Partner country authority and department in charge, if available (e.g. Ministry of Finance or Ministry of Transport)
- Private partner(s) (e.g. local bank(s) or fund manager), if known at the time of application.

17 Implementing Entity(ies)

Indicate who is (are) the entity(ies) responsible for the implementation of the project (e.g. the public transport agency). Note that in section 16 all the entities involved should be listed, while in this section only the entity in charge of implementing the project should be indicated.
Specify if it is:

- Public,
- Mixed (indicate ownership structure) or
- Private.
- Financial Intermediary(ies)
    - Public,
    - Mixed (indicate ownership structure) or
    - Private.

18 Short description of the project

Provide a short description of the project. The description should include location and the main project components. Section 18 to 20 should be a concise summary in order to provide a comprehensive outline of the project. Further details should be provided in section "Context of the Project".
(Indicative max characters 500 including spaces)

19 Main objectives of the project

Indicate the main objectives (maximum three) of the project in terms of outcomes /outputs. Details to be provided in section "Expected results".

(Indicative max characters 500 including spaces)

20 indicative budget – Project Uses & Sources

A description of the financing plan should be provided, with details outlined in the "Indicative budget". State the amount and different type of project costs matched against the financing contributions of the EU Blending Facility, finance institutions and of other financiers, if any. Total amount of "Uses" should correspond to the total amount of "Sources" in this table.

For TA projects also provide an estimated breakdown of TA costs in Annex III of the Application Form.

(Indicative max characters 350 including spaces)

GUIDANCE NOTES FOR AF (01.01.2016)

21 Context of the project

The context should include the following elements:

- Describe the background of the project. What is the need? How is it justified? Where does the project idea originate from? What are the market failures or sub-optimal investment situations which will be addressed, which may have proven to be financially viable but do not give rise to sufficient funding from market sources? Where relevant, describe an ex-ante assessment of market conditions, additionality aspects and the avoidance of the potential crowding out of other sources of finance.
- Compliance with the main national/regional policies for the concerned sector or thematic area; consistency with the National/Regional/Continental Development Strategy.
- What is the priority of the project from the national/regional authorities' point of view?
- Is the project coherent with the Public Investment Programme (if relevant)?
- Any involvement of the Private sector.
- Any relevant information on the social and/or market impact that the project, if implemented, will have, for instance an important and sudden rise in utility tariffs, which may be necessary for the sustainability of the sector and of the project but which may have important social consequences.

(Indicative max characters 5,000 including spaces)

22 Coherence with the Policy objectives of the Facility and EU Policies

The new table in this Section makes reference to the 5 " General policy objectives" that Commission staff will have to report on going forward for internal monitoring purposes. Definitions of all these objectives can be found in the chapter 3.6 of the "CRIS DAC form manual"[4]. Tick the relevant box in the table, as applicable, and recall the response in Section 31 (Expected Results) providing disaggregated data (e.g. gender) where applicable.

Add comments to justify in a concrete way how the project is coherent with the Policy Objectives of the Facility. Is it in line with similar EU Partnership Programs (examples?). When implementing a financial instrument, justify coherence to its specific policy objectives.[5] In cases where there are other related projects (financed by the Facility, other EU funds, or other donors/ financiers working on the same issue), indicate how the coordination and complementarity with related projects will be ensured and monitored.
Justify in a concise way how the project is coherent with and contributes to achieve the EU policies and core directives (e.g. environment, state aid, public procurement).
Is it a new area of financing for EU or finance institution? Is there a track record of work in this area over the last 5 years?

(Indicative max characters 4,000 including spaces)

[4] See Annex V
[5] as foreseen in the revised Financial Regulation, article 140.2(e) (Title VIII):
http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm
For ACPs NIPs and RIPs can be found at*:* https://ec.europa.eu/europeaid/countries-territories-and-regions-where-we-are-active_en
N.B.: In this web page for ACPs select the option map by country for NIPs and map by region for RIPs
MIP 2014-2017: https://ec.europa.eu/europeaid/sites/devco/files/mip-pan-african-programme-2014-2017_en.pdf
http://eeas.europa.eu/enp/pdf/financing-the-enp/enp_wide_strategic_priorities_2014_2020_and_multi_annual_indicative_programme_2014_2017_en.pdf

23 Consultations before submission

Summarize the timing and the conclusions of the consultations done before submission with the following stakeholders:

- ***EU Delegations***[6]: in the case of a national project provide the name(s) and the function(s) of the person(s) from EU DEL with whom the consultations were conducted (in case of doubt the person to be contacted is the Head of Operations); in the case of a regional project indicate whether any respective EU DELs were informed about the project or appropriate EU Regional Delegation if relevant (e.g. in Africa). In order to increase accountability and transparency, for each public sector project, regardless of whether the scope is national or regional, project application forms have to be accompanied by a letter of support from the relevant EU Delegation before they are submitted to the Board. The letter has to be channelled through the Lead Finance Institution(s). This requirement does not apply for private sector related operations. For public sector projects, a letter of support from the relevant partner country authority has to be provided, either before the Board or at the latest before the contracting of the project, depending on the specific situation.
- ***Geographic unit(s) of DG DEVCO***[7]***/ NEAR***[8]: in the case of regional projects, provide the name(s) and the function(s) of consulted person(s) from DG DEVCO/NEAR geographic unit(s);
  - ***Local partners***: if appropriate specify the process of consultations with national and local level partners relevant for the project.
  - ***Regional organisations***: Indicate the consultations done with regional organisations (if relevant)
  - ***Other stakeholders***: specify consultations with any other stakeholders, if relevant (e.g. CSOs).

  (Indicated max characters 3,000 including spaces)

24 Entities involved, implementation scheme, organisational set up and exit strategy

Describe:

- the entities involved in the implementation (project beneficiary(ies), co-delegatee if any, co-financiers if any, sub-delegatee if any, financial intermediaries[9] if any, other entities if any);
- the implementation scheme (organisation of activities, payments and budget)
- the organisational set-up of the project (adding if possible a graph illustrating the institutional set up - to be annexed).
- the exit strategy

[6] List of EU Delegations: http://www.eeas.europa.eu/delegations/index_en.htm
[7] DG DEVCO/ EuropeAid organigramme: http://ec.europa.eu/europeaid/sites/devco/files/organisational-chart-01-01-2015_en.pdf
[8] DG NEAR/ EuropeAid organigramme: http://ec.europa.eu/enlargement/pdf/who_does_what/20150917-near-org-chart.pdf
[9] Definition of Sub-delegatee and Financial Intermediary to be further aligned with the contract templates on Financial Instruments.

GUIDANCE NOTES FOR AF (01.01.2016)

1. Description of entities involved

1.1 Description of the Sub-delegatee/Grant beneficiary[10] (for TA and/or Investment Grants)

The Sub-delegatee means the entity (implementing or executing agency) to which the Lead FI (the "Delegatee") will sub-delegate tasks such as the launch of procurement and award of contracts and/or the execution of payments.

The Delegatee may, on the other hand, decide to provide a Grant to the entity (implementing or executing agency) (the "Grant beneficiary").

There is sub-delegation where there is a clear transfer of decision-making power to the Sub-delegatee. If the criteria to distribute funds are defined a priori by the Delegatee reducing the margin of discretion of the partner, then this should not be considered sub-delegation but rather a Grant.

The Delegatee in charge of the implementation of the project shall determine whether the entity is a Sub-delegatee or a Grant beneficiary.

- **Definition of sub-delegation**

  The Delegatee body may, if justified, sub-delegate part of the budget implementation tasks to another entity, provided it was positively assessed regarding the pillar of sub-delegation, particularly when this will have a positive impact on aid effectiveness.

  Sub-delegation (second degree delegation) is possible provided that:

  – the second degree delegatee is a public body (national or international) or a private law body with a public service mission . The second degree delegates can also be non-profit organisations possessing the appropriate operational and financial capacity, under conditions equivalent to those applying to the Commission bodies;

  – the second degree delegatee has been subject to an ex ante assessment performed by the delegatee body, equivalent to the one performed by the Commission on the delegatee body (the pillar assessment), ensuring that the implementing partner will implement the action with procedures and systems that comply with international standards. This ex-ante assessment will not be necessary if the implementing partner has already been positively assessed by the relevant services of the Commission to work in indirect management.

1.2 Description of any other entity involved in the implementation (e.g. co-delegatee, co-financing entity)

1.3 For Financial Instruments only (such as risk sharing mechanisms): list other entities involved e.g. Financial intermediaries, Sub-borrowers, Final recipients, Fund manager/Investment advisor

Describe the eligibility and selection criteria by which Financial intermediaries, Sub-borrowers etc. will be selected and outline the selection procedures.

[10] The entrusted responsibility to financial intermediaries shall be further detailed in the template for contracting of Financial Instruments based on art 139 of the Financial Regulation.

Example:

Partner Financing Institutions (PFIs) are chosen by the lead FI based on their financial strength, geographic coverage and branch network, and commitment to engage for instance in energy efficiency (EE) finance. The lead FI will select the PFIs to be financed under the Action in accordance with its own internal procedures. The lead FI assesses the creditworthiness of each PFIs on a case-by-case basis as part of the due diligence process and puts in place appropriate credit quality monitoring benchmarks/ covenants. The Contracting Authority will be kept regularly informed on the loans signed with the PFIs through the progress reports. The Action will contribute to the development of banks and micro finance institutions who have limited experience in EE projects

2. Implementation scheme: the organisation of activities

2.1 Description of the foreseen activities and the implementation scheme

- Indicate the type of components:
  - Investment Costs: description of type of works and output/outcome and type of supplies.
  - Technical Assistance (TA): the breakdown of funds provided for TA shall be detailed.
- Indicate the investment period, the expected duration of the fund/ financing instrument (e.g. unlimited, 10 years etc.) and the repayment period. The end of the repayment period should correspond to the end of the implementation period of the action.

➢ **Definition of multi-donor actions**: this means any action co-financed by several donors (joint or parallel.

➢ **Definition of joint co-financing:** where EU funds are pooled with at least one other donor. Describe whether/how the EU contribution is pooled together with loans from the FI(s) to finance several components of the action.[11]

➢ **Definition of parallel co-financing**: the activities financed by the EU contribution are clearly earmarked to finance separate components and the funds are not pooled together with the ones of the FI(s) or co financing partners.

3. Organisational set-up

3.1 Financial instruments such as Investment grant (IG) and Technical assistance (TA)

- Describe the role (tasks, responsibilities, relations between the different bodies) of the Lead FI, the Sub-delegatee and any other entities involved.
- Describe what are the exact responsibilities of the Lead FI are and of the Sub-delegatee, included the tasks which will be sub-delegated.

[11] Pooling of funds as defined by article 42 of the Rules of Application (RAP) of the FR shall be further detailed in the new contracting templates for Financial Instruments.

- If applicable, describe, to the extent possible, the setup of the Project Implementation Unit (PIU) and its roles and responsibilities.

3.2 Financial Instruments such as risk sharing mechanisms (guarantees and risk-capital)

Describe, if applicable:

3.2.1 The role of the Lead FI vs. the Fund Manager/Investment Advisor

3.2.2 The organisational set-up and the key information needed. An example list would be:

- Governance
- Location of investments
- Type of EU investments
- Timing of EU investments
- Size of EU investments
- Alignment of interest (including risks) between the Lead FI and the Commission and between the Lead FI and the Financial Intermediary(ies) (if applicable)
- Duration of EU investments
- Investor Headquarters
- Conditions for EU investments
- Representation of EU investments
- Governance of the financial intermediary(ies)
- Proposed exit strategy
- Any other relevant information

It is recommended that relevant documents (such as a private placing memorandum or equivalent) are sent to the Commission if possible with the application in order to facilitate the review. However, this information is too detailed to be summarised in the Application form which should provide only a general overview, as above.

<u>Consultation on individual operations</u>

Please include, for projects where this is applicable, information on the option to be adopted for the consultation process with the Commission on individual operations. Please note that all individual operations must conform to the investment guidelines foreseen under the project:

- Option 1: Ex-post information on individual operations will be provided to the Commission under regular reporting at a timeframe to be agreed, but no later than in the annual reports;
- Option 2: Option 1 plus the Commission will be regularly involved in the pipeline discussions (list of foreseeable individual operations to be possibly contracted for the next implementation period). Please detail how these discussions will be held, according to the organisational setup of the project.
- Option 3: As soon as possible and at least 45 days before the planned signature of an operation, the Commission will be consulted on each individual operation. Within 30 days, the Commission may

provide an opinion in relation to the operation funded by the EU, opinion which will be duly taken into account by the financial institution.

- Option 4: Option 3 plus the Commission will be regularly involved in the pipeline discussions (list of foreseeable individual operations to be possibly contracted for the next implementation period). Please detail how these discussions will be held, according to the organisational setup of the project.

The ex-ante consultation foreseen in option 3 is based on a summary note including the main elements of the operation (summary of the project, market opportunity, investment strategy and pipeline, team and/or counterpart analysis, legal structure, value added identification including an ex-ante assessment of expected project results, track record and any other elements that the finance institution considers relevant).

The ex-post information foreseen in option 1 will be provided through the full due diligence note that the FI uses for its decision bodies. If this is not possible, the ex-post information will be provided on the basis of the summary note indicated above for the ex-ante consultation. Please indicate for this option what type of ex-post information will be provided.

The pipeline discussions indicated in options 2 and 4 should be based on the information, insofar as available, listed above for the summary note for the ex-ante consultation.

3.3 Organisation of the accounts

- Describe if the EU contribution will be pooled in a common project account with funds from the Lead FI (or any co-financing institution) or if the funds of the EU contribution will be kept on a separate account where they will not be pooled with other funds. Use flow-charts and/or graphs, if possible.

- Describe the flow of the EU contribution to the entities involved until the final beneficiaries/recipients.

4. <u>Exit strategy</u>

Where an exit strategy is appropriate (for equity, quasi-equity investments etc.) different solutions are possible. The fund/ financing instrument may be wound up and cash returned to either the Commission itself, or to investors. The cash may otherwise be reinvested in alternative instruments *and/* or in certain instances the Commission may agree to transfer the shares to partner countries. The finance institution should propose an exit strategy which can then be discussed with the Commission.

25 Indicative Budget: Project Uses & Sources, detailed description

- In the first part of this section provide information on Uses: this section should add more detailed information to the project components and the amounts indicated in section 20 "Overview of the financing plan".
- In the second part of this section provide information on Sources: this should include information on the main actors providing financing to the project and their planned contribution, such as Commission (EU Blending facility), Lead finance institution, other finance institution(s), partner country's/beneficiary's own contribution, other public (e.g. Governments, municipalities, etc.), mixed or private cofinancier(s) (e.g. commercial banks), other EU and non-EU support. In the “EU Blending

Facility", indicate the type of Commission's contributions: Investment grant, Technical assistance, Interest Rate Subsidy[12], Guarantee, Equity or Other. In the following lines, specify the type of financing/contribution, indicating "L" for Loan or "G" for Grant and the main components financed with that amount.
Under "EU additional support", specify whether additional EU programme is applicable (e.g. National Indicative Programme).
Under non-EU additional support, specify whether non–EU programme/support is applicable (e.g. guarantee provided by World Bank Group).

The figures provided in this section are indicative and may differ from the final ones to be used in the contracting phase.

26 Financing Conditions of financial institutions

Indicate if the financing is ODA or non-ODA eligible, sovereign or non-sovereign. In addition, indicate, if possible), the financial conditions attached to the loans provided by the FIs (loan tenor, grace period and interest rate).

27 Debt sustainability

Describe the following elements of the debt sustainability (N.B. this is only relevant for public sector projects):

- Country Risk rating of public debt distress assigned based on the last Debt Sustainability Assessment (WB/IMF DSA) if available: *low, moderate, high or debt distress*[13].
- How close is the country to the debt ceiling under the program supported by the IMF (if relevant)?
- How does the sovereign or sub-sovereign loan / guarantee affect the debt sustainability framework?
- How will the grant help in the fulfilment of the concessionality requirement or recommendation by the IMF (if relevant)?

28 Financial Leverage

Three different standard leverage indicators are to be used, and <u>the individual elements of the calculation should be clearly stated in the AF, not just the calculated leverage ratio</u>:

1) **Investment leverage ratio** = value of investment (total project cost) divided by total amount of EU blending facility support relating to this investment. This includes investment grants, other financial instruments (e.g. guarantees, interest rate subsidies etc.) and technical assistance.

[12] Amount not to be indicated.
[13] A list of rating by country is available here: http://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

2) **Total finance institution leverage ratio** = amount of finance institution financing divided by total amount of EU blending facility support (as defined above) relating to this investment. Finance institution financing can be in the form of non-concessional, concessional or grant funding.

3) **Private sector finance leverage ratio** = amount of private sector (non-grant) financing in the investment project divided by amount of EU blending facility support.

The applicant finance institution should provide an ex ante assessment of leverage across these three ratios in the relevant place in the project fiche. These must be updated ex post in the context of the progress and final reports as the final value of funds mobilised becomes apparent during the life of the project. It is important to emphasise that the individual elements of the calculation should be shown, for each of these ratios, to ensure clarity and not just the calculated leverage ratio.

For the purpose of coherent and transparent reporting, only funds that will be used in the investment project phase to which the grant is attached should count towards the ratio – investments expected in future phases of the project should not be counted unless they are committed at the same time as investments in the present phase. Finance that is provided as a parallel stream of finance but not directly as an input into the project should normally be excluded.

Similarly, additional finance that is mobilised as an indirect result of the project (e.g. as a result of the demonstration effect etc.), even if the time lag is short, should not count towards the leverage ratio.

However, additional finance that is mobilised as a direct result of the project (e.g. additional funding MSMEs can mobilise as a direct result of TA provided) could be included as part of the indicative investment/project size, as indicated below regarding 'pre-investment phase TA'.

In the **case of technical assistance (TA),** the difference between pre-investment phase TA and investment phase TA should be taken into account in leverage calculations. Pre-investment phase TA comprises projects to enable project identification or preparation as indicated in Section 14, where the precise project size and investment amounts are not yet known. In these cases, leverage can be calculated using indicative investment/project size (based on estimated amounts of project that could flow from the results of this pre-investment phase). It will be reported only for the purpose of indicating the level of total investments such pre-investment phase TA could contribute to. Investment phase TA clearly accompanies an investment commitment.

I.E. With regards to the denominator in all three proposed ratios, the total amount of EU blending facility support should include both the pre-investment phase and investment phase TA, in cases where the pre-investment phase TA has led to concrete investment(s) supported by the Facility.

29 Additionality of the EU contribution

The focus of this section is on the additionality of the EU grant and refers to what the grant will achieve, in terms of benefits or positive results, over and above what would be achieved without the grant. The use of scarce grant funding is clearly justified only when significant additionality is shown for the funding.

Some types of additionality are quantifiable, and every effort should be made by the finance institutions to do this. Other types may not be quantifiable and these should be addressed in a qualitative manner. Where a qualitative method is chosen, the reasons for this choice should be properly explained and substantiated. Evidence should be provided to support claims of additionality where possible. Additionality is part of the reporting requirements in the context of the subsequent progress and final reports of the project. It is important to bear this in mind when describing the additionality in the AF.

To the extent applicable, each category should be filled out in full, indicating for each type if it is a primary objective (as mentioned in section 19) or accompanying benefit:

Type of Additionality	Questions
Economic	What are the economic benefits of the EU contribution proposed? Why is the proposed EU funding necessary for the operation? Please list the economic benefits/positive externalities that may be realised by the project (or negative externalities avoided) which would not happen without the presence of the grant component, such as addressing market failures and avoiding market distortions.
Financial	What are the financial benefits of the EU's contribution to the project? How will this impact the end beneficiaries? E.g. through broadening access to finance to target groups; lowering end-user tariffs etc.
Social	What are the social benefits of the EU's contribution? E.g. will this help address affordability constraints for low income households etc.
Project Scale	How will the EU funding increase the scale of the project? Will it widen the results of the operation; or extend the benefits to a wider group of end beneficiaries?
Project timing	In what way does the EU funding have a positive effect on the timing of the operation and/or the benefits it is expected to deliver?
Project quality and Standards	How will the grant funding improve the quality of the outcomes expected from the operation? How will the grant funding improve the project's chances of success? How will the grant enable promotion of higher standards (including social and environmental) and more substantial social returns than would otherwise be possible?
Innovation	What are the innovative aspects of the project that could not be generated by or within the target environment without EU support? Why is the proposed innovation important?
Sustainability	Does EU funding help support further or parallel activities to ensure that benefits continue beyond the life of the project? For example does the EU funding contribute to structural reforms, support changes to legislation, regulation or policy? Does the EU finance enable demonstration effects for other participants in the market place?
Environment	What are the environmental benefits of the EU's contribution? Will it ensure that higher environmental standards are achieved?
Other benefits (if applicable)	Please list any other significant benefits (not listed already above) that will accrue to the project as a result of the inclusion of EU funding.

30 Justification of EU contribution (amount)

Your attention is particularly drawn to the importance of this section. Explain thoroughly how the EU contribution amount was determined / calculated, providing a numerical calibration of the contribution amount, where possible.

In addition, the grant justification should make reference to the needs of the macro-economic situation of the partner country, the economic and financial viability of the project, the additionality and the envisaged project impacts, as presented in the respective sections of the AF.

It is important to describe in detail the types of activities to be carried out by the EU funding (figures as outlined in box 23). For TA, this should include a breakdown of planned activities and corresponding costs, even if the costs are indicative and both the breakdown of activities and costs may change.

31 Expected Results

Introduce the values for results indicators that reflect expected outputs and intended outcomes of projects. The term "project" is meant to cover the overall project / operation for which support from the Facilities is sought, regardless of which finance institutions and/or donors are involved in the financing plan and of the co-financing arrangement foreseen (joint co-financing, parallel co-financing). In the case of funds, credit lines and other intermediated operations, finance institutions may report values which are related solely to the finance which is being provided, to avoid overestimation of the results.

Values for these indicators will be presented in the AF based on the following principles:

- Baseline value (X) refers to the value of the indicator without the blended project. Baseline values will reflect the status of the blended project and its indicators as observed normally before the project has started. Baseline values may be "0" at Board opinion stage because they are related to the activities of the blended project (e.g. new water distribution pipelines), while in other cases, baseline values can be values in existence before the blended project, which may change due to the effect of the project (e.g. number of passengers). This is especially the case for brown-field developments and rehabilitation projects.
- Expected value after the project (Y) or "target value" is the specific, planned level of result to be achieved within an explicit timeframe in relation to a predefined baseline. This is usually the value at the time of project completion or for a representative year during the project's operational phase. Some of the outcomes proposed will evolve over time in the project cycle and if measured at the end of the construction period (start of operation) would not fully reflect the annual increase or final expected benefits. It is therefore requested that baseline and expected value with the project also include a reference to the timeline for expected results. This can be explained in the comments box.
- Expected result (Y-X) is the result to which the project has contributed, simply the expected value after the project minus the baseline. If the baseline value is zero, then expected result should equal expected value after the project.
- Comments should include information on methodologies, data sources, assumptions and time frames used to calculated the figures presented.

Responses such as "not available at this stage" or "will be known only at the end of the project" should be avoided as much as possible, although they may not be completely excluded due to the intrinsic nature of certain projects (e.g. large programs where all components are not yet pre-identified, intermediated operations without pre-identified final beneficiaries, reasons related to the local context etc.).

- **Standard outputs and outcomes**

Values for standard output and outcome indicators due to be measured, should be provided whenever possible, for all projects in a given sector. The relevant indicators corresponding to the sector selected in Section 7 of the AF should be applied here. Standard indicators can be found in Annex V and cover the following sectors: Energy, Transport, Environment (including Water and Sanitation), Social sector and Private Sector Development.

With regards to the private sector development indicators, these are applicable to projects targeting MSMEs. 'Direct operations' indicators should only be applied to projects targeting MSMEs directly (i.e. not through financial intermediaries). 'Indirect operations' indicators should be used for operations targeting MSMEs through financial intermediaries such as banks, micro-finance institutions, private equity and investment funds. Any other operations involving the private sector should utilise the indicators for the relevant priority sector (energy, transport, environmental or social). 'Indirect operations' indicators may optionally be used in addition to other priority sector indicators for operations through financial intermediaries (e.g. energy finance facilities through local banks).

There is some flexibility in the use of these standard indicators (e.g. where the necessary information to complete certain indicators is unavailable due to the type of operation or where the client doesn´t use the same indicators and there is no reasonable alternative source of data, etc.). In these cases, alternative indicators which may be available during the project cycle should be proposed and will be treated as "project specific indicators". Such values are to be provided when available.

Outputs are specific, direct deliverables of the project (i.e. goods and services delivered or to be delivered) which will provide the conditions necessary to achieve the Outcome. They refer to the "physical" project itself.

Outcomes are the uptake or use of the project by beneficiaries, implying a quantification of performance. They refer to the effects of the project.

An output typically is a change in the supply of goods and services (supply side) whereas an outcome reflects changes in the utilisation of goods and services (demand side).

- **Project specific indicators**

Project specific indicators can be introduced at both output and outcome level to complement the standard indicators in providing an overall view of the major results of the project. There is a certain degree of flexibility in adopting alternative indicators which may be available at any time during the project cycle and will be treated as "project specific indicators".

Finance institutions are particularly encouraged to introduce indicators in this section relating to indirect employment benefits if they are able to do so.

- **Cross sector indicators**

Values for each of the cross sector indicators are to be provided, although they may not apply to every blended project in light of the diverse nature of i) interventions, ii) policy objectives of the EU facilities and iii) mandates of DFIs.

Definitions applicable to the indicators are provided below. Due to differences among FIs in the methodology used to calculate the indicators, FIs should indicate the methodology used, providing the necessary explanation on the definition and measurement methodology being applied, including underlying assumptions.

Definitions and remarks on cross sector indicators:

Total number of beneficiaries:

Definition: estimated number of people with improved access to services (financial services, social and economic infrastructure, etc.)

The "number of beneficiaries" remains the most common denominator to highlight the overall outreach of the blending interventions across all sectors. Being a key design parameter for most interventions, data on the number of beneficiaries should be readily available, at least for infrastructure projects - ex-ante from Feasibility Studies, etc. as well as ex-post from the implementing partners and operators. A particular case can be made to allow for distinguishing between individuals and MSMEs, the latter being highly relevant for certain credit lines, etc. (unless this is already being captured by the respective standard sector indicators).

Number of beneficiaries living below the poverty line (i.e. whose living conditions are improved by the project)

This indicator is intended to demonstrate the project's contribution to poverty alleviation. The indicator applies for projects financed by EC Instruments whose primary objective is to address poverty (e.g. DCI, EDF). The use of the indicator is strongly encouraged for other projects too.

The preferred method for the calculation of this indicator will be to multiply the total number of beneficiaries by the known incidence of poverty among the beneficiaries (expressed as a percentage). More detailed methods of calculation may exist and finance institutions should strive to produce as accurate a figure as possible. Further categorisation of the target group at the level of cross-sector indicators (e.g. by gender, age, income/poverty level) should be done whenever possible.

Definition: sub-group of total beneficiaries living below the poverty line. National or international poverty lines can be used to calculate this indicator; if more accurate data exists at sub-national or local level, then finance institutions should seek to use this. Methodology and data sources used should be detailed in the application form.

In line with overall EU policy objectives, the aim of this indicator is to report on the poverty level of the beneficiaries, and therefore reflect the socio-economic benefits achieved through blending. Data on the poverty incidence among the beneficiaries should be available through national or international data, tariff studies, demand assessments, etc.

Some projects are expected to affect poverty indirectly, rather than directly (e.g. investments to improve ports / airports). In these circumstances, there should be an assessment of the likely indirect impact on poverty which should be backed up where possible, by evidence. This can be included in the narrative description of the expected impact.

Aggregation of results within a given intervention should take into consideration that different methodologies may be used as well as the risk of double counting.

Relative (net) Greenhouse gas emissions impact

The assessment of this indicator should provide comparability of projects, while allowing finance institutions to apply their own procedures. The GHG emissions impact assessment will be further discussed as part of the work of the EU Platform for Blending in External Cooperation (EUBEC), and as part of further discussions on reporting and communication.

Definition: The GHG emissions impact that a project is expected to produce on an annual basis: the average amount of GHG emissions induced, avoided, reduced or sequestered per year by a project during its lifetime, or alternatively for a representative year once it is completed and operating at normal capacity. To estimate the GHG emissions impact, the finance institution will calculate the expected change in GHG emissions relative to a baseline scenario.

In the absence of harmonised methodologies, finance institutions may use their internal methodologies and report on points 1-4 explained below in section 31 of the project submission form, providing in the comments section explanation of methodologies, data sources, assumptions and time frames used to calculated the figures presented (including EFIs GHG methodology or other published methodology for GHG assessment):

1) *Impact category*

Indicate in the comments box, at the provisional and final opinion stages, which of the four categories is expected to apply to the project:

- "Mitigation": If the project's principal objective is climate change mitigation, then the GHG emissions impact needs to be assessed and reported regardless of the expected magnitude of the result. For small projects or multicomponent projects where no carbon foot printing data is available, approximate estimates should be included with a reference to the source data (e.g. sector averages) and methodology.
- "High gross emissions": If project activity is potentially leading to gross emissions (due to construction and operation phases) estimated to be higher than 100 $ktCO_2eq/year$[14] over its lifetime, then the overall GHG emissions impact of the project is likely to be significant. Therefore the GHG emissions impact needs to be estimated and reported for these projects.

- "Significant relative (net) GHG emissions impact": If the relative (net) GHG emissions impact is estimated to be higher than 20 $ktCO_2eq/year$, then the project's impact is considered significant and GHG emissions impact estimates must be provided.

- "Insignificant relative (net) GHG emissions impact": If the relative (net) GHG emissions impact is estimated to be between 0 and 20 $ktCO_2eq/year$, then the project's impact on GHG emissions is considered insignificant. For such projects, approximate estimates should preferably be included with a reference to the source data (eg sector averages) and methodology. Estimated baseline and expected result figures as outlined in points 2-4 are not necessary, but as a minimum the comments section should clearly indicate the basis for assuming insignificant GHG impact.

2) *Estimate baseline emissions*: X $ktCO_2eq/year$

Indicate in the baseline column the baseline GHG emissions amount. Determine baseline emissions using a baseline scenario. This may be either a "without project scenario", or an "alternative scenario" reflecting the likely alternative means of achieving the same project outcomes or level of service. Indicate the methodology for baseline scenario used in the comments box.

[14] All thresholds used in these guidelines may be lowered at later stage to capture a representative sample of emissions from the portfolio of the blending facilities.

3) *Estimate gross emissions*: Y $ktCO_2eq$/year
   Indicate the project's estimated gross emissions in the "Expected value with the project" column. Gross GHG emissions are the GHG emissions that might result from the project activity over its lifetime. This impact is presented as GHG emissions expected to be produced on an annual basis: either an average amount of GHG emissions induced per year by the project during its lifetime or the amount for a representative year once the project is completed and operating at normal capacity. Clarify in the comments box: (a) the project parameters for GHG accounting (activities, facilities, infrastructure, or system), (b) whether the values provided include direct (Scope 1), indirect (Scope 2) and/or upstream/downstream (Scope 3) GHG emissions, and (c) whether the values include emissions due to construction phase.

4) *Calculate net emissions impact = Y-X $ktCO_2eq$/year.* [15]
   Indicate the project's estimated relative (net) GHG emissions impact in the "Expected result" column (a saving should be shown as a negative figure).

5) Comments section must include reference to EFIs GHG methodology or other published methodology for GHG assessment.

<u>Direct employment - Construction phase</u>

Definition: Number of full-time equivalent construction workers employed for the construction of the company or project's hard assets during the construction phase. This indicator will only be measured whenever possible, and in line with the different FI methodologies; it should not include indirect employment during construction. Part-time jobs for construction are converted to full-time equivalent jobs on a pro rata basis, based on local definition (e.g., if working week equals 40 hours, a 24 hr/week job would be equal to 0.6 FTE job; a full-time position for three months would be equal to a 0.25 FTE job if the reporting period is one year). If the information is not available, the rule-of-thumb is two part-time jobs equal a full-time job. Note: employment for the client company's operations and maintenance is not to be included in this indicator. For such jobs, use the indicator Direct Employment - Operations and Maintenance.

<u>Direct employment - Operations and maintenance</u>

Definition: Number of full-time equivalent employees as per local definition working for the client company or project during the project's operation phase. This indicator will only be measured whenever possible, and in line with the different FI methodologies. This indicator includes directly hired individuals and individuals hired through third party agencies as long as those individuals provide on-site services related to the operations of the client company; it should not include indirect employment related to the project's operation. Also, this 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, based on local definition (e.g., if working week equals 40 hours, a 24 hr/week job would be equal to 0.6 FTE job). Seasonal or short-term jobs are prorated on the basis of the portion of the reporting period that was worked (e.g., a full-time position for three months would be equal to a 0.25 FTE job if the reporting period is one year). If the information is not available, the rule-of-thumb is two part-time jobs equal a full-time job. Note: employment for the purpose of the construction of the client company's fixed assets is not to be included in this indicator. For such jobs, use the indicator Direct Employment - Construction Phase.

Both employment indicators may also be reported using the current practices and methodologies applied by finance institutions *(in which cases the methodology used is to be made transparent).*

[15] Or different methodology for specific sectors (e.g. electricity networks).

- **Expected impact**

Expected impact should be described in a narrative manner, based on assumptions about the link between outcomes and impact. One key impact expected is on poverty alleviation. Impact is meant as the long-term effects produced by the blended project. It is the broader, longer term change, which a blended project can (directly or indirectly) bring. Impact indicators are more difficult to measure and collect, because of the time lag between project implementation and impact, or because of the difficulty of tracking the effect of the blended project on the impact indicator.

Indicate in particular in this section if the project is directly or indirectly promoting substantial social returns and its poverty alleviation impact, plus any cross border impacts of the project.

FIs in most cases will not be required to attempt to measure the long term effects produced by the blended project on a systematic basis, since it is widely agreed that long term impacts usually only materialise (well) after the end of the project and are typically difficult and expensive to monitor and measure. However, FIs will have to clearly state the impact assumptions they are making when they formulate a project proposal.

32 Project Sustainability

- Describe under which conditions the project will be sustainable when the grant support expires.
- Describe any incentives that could be necessary to enhance the sustainability of the project.
- In the case of technical assistance, refer also to how the project leads to an investment, as well as whether its results can be transferred to other sectors or geographical areas. Describe the project sustainability in relation to environmental and social aspects.
- Describe how the maintenance of the project will be ensured during the project implementation and operation (if relevant)?
- If possible negative impacts are identified, propose respective mitigation measures in section 33 - Risk assessment.

33 Risk Assessment

Identify the project related risks and the way these risks will be mitigated. Assess how seriously the identified risk might influence the project: high (H), medium (M) or low (L). *Indicative max characters 4,000 including spaces.*

Provide information about the following risk categories:

- Political risks (will also be assessed by the EEAS - External European Action Service - and the Commission in cooperation with the EU Delegations concerned)
- Economic risks
- Financial risks (this should be linked to both the financing plan and entities involved in the implementation scheme as detailed in the AF): The description should focus on the following elements: (i) credit and currency risk of the beneficiaries; (ii) risks linked to partner finance institutions (intermediaries); (iii) in risk sharing operations- there are several additional elements, notably the percentage of the expected and unexpected losses covered by EU funds, the period covered by the risk

sharing operations, the link between the size and use of EU grant requested and losses or other risks taken.

- Social risks
- Environmental risks (direct climate risk issues are addressed in section 32)
- Implementation risks, including risks related to project outputs not leading to intended outcomes and impact.
- Other risks: describe any other risks identified. Indirect risks in any of the above sections resulting from climate change impacts can also be referenced here, if significant.

34 Climate and Environment Rio markers[16]

Describe the following aspects related to climate change mitigation and/or climate resilience/adaptation:

34.1 Financial tracking

Currently there is no consensus among the finance institutions on a common approach to climate finance reporting, i.e. positive lists/design criteria versus Rio Marker based tracking .Therefore the tracking of climate finance should remain as flexible as possible and allow finance institutions to apply their own procedures, but at the same time allow the Commission to track climate expenditure as it does for the whole EU budget, using a Rio Marker based methodology (RM2 – 100% of EU contribution recorded as climate finance); RM1 – 40% of EU contribution recorded as climate finance). Climate finance tracking and methodology will be further discussed as part of the work of EUBEC (see background), and as part of further discussions on reporting and communication. In the meantime the following procedure should be applied – for both the 'EU contribution' and the 'EFI contribution', either:

- Specify the cost of project components with the principal objective of climate change mitigation /adaptation by indicating an amount in the corresponding box – RM2. The same project cost can only be attributed once. Therefore, a project or project component contributing both to mitigation and adaptation should have the cost split between mitigation/adaptation without double counting, and including an explanation of the FI methodology in the comments section
- Alternatively, specify (by putting an “X” in the corresponding box) if the contribution to climate change mitigation/adaptation is (1) the principal objective of the project (RM2) or (2) a significant objective of the project (RM1). Note that the project may contribute to both mitigation and adaptation objectives.

Definitions:

Rio markers for mitigation: http://www.oecd.org/dac/stats/46782000.pdf

Rio markers for adaptation: http://www.oecd.org/dac/stats/45303527.pdf

Project versus project components: If the EU grant is focused on a specific climate action which may not be the case for the whole project, then the FI should indicate the RM for the project component

[16] See Annex VI.

financed by the EU grant separately from the project: for example, even if only part of the investment project is counted as RM2, but the grant is used for an energy audit on the project, then the EU grant may be identified as RM2 for mitigation. For example, a climate vulnerability assessment financed by an EU grant may be identified as RM2 for adaptation even if the project as a whole is marked RM1 or only a part of it is counted as RM2. This distinction should be clearly linked to the project element or activity listed in box 32 under "Description of climate relevant project activities".

34.2. Project objectives contributing to climate change mitigation and/or adaptation

If the project as a whole or part of the project is relevant for climate change mitigation or adaptation, its climate related objectives should be explained here. Describe briefly in qualitative terms how the EU contribution and the project respectively will help attain the climate related objectives.

34.3 Description of climate relevant activities

Describe the project components and/or activities contributing to climate change mitigation and/or adaptation. If available and relevant, indicate definitions/benchmarks used to classify these project components or activities as climate action. For mitigation projects or projects including mitigation elements, describe why/how the project would decrease GHG emissions in comparison to a reference/baseline. For adaptation projects or projects including adaptation elements, describe how key climate vulnerabilities are addressed – starting with where and how these have been identified and which climate change impacts are identified as the highest risk. Include the context of climate change data used to establish these key vulnerabilities: indicate how the project components or activities will increase the climate resilience of the communities, city, infrastructure, or ecosystem and reduce key vulnerabilities (soft and hard adaptation activities and elements should be included).

34.4 Alignment with/support to national or sub-national climate change strategies

Does the project support development or implementation of a national / regional Low-Emission Development Strategy (LEDS), a Nationally Appropriate Mitigation Action plan (NAMA), a National Adaptation Plan (NAP) and/or any sub-national climate change policies and action plans (local authorities level, corporate level, community level)?

34.5 Climate change project risks and measures to reduce vulnerability

Provide information on how the project has been screened for risks from climate change impacts that may have negative effects on the project's operation, maintenance, financial and physical sustainability or other effects during its lifetime. Indicate whether: (a) a cross sector vulnerability assessment has been carried out at planning stage and, if not, how the technical/financial/operational risks of climate impacts have been addressed; (b) the country and project beneficiary has sourced and received appropriate and useful climate data support to enable decision making on these aspects (if further work is still needed to address climate risks in the project and the system in which it sits, highlight those further needs and actions); (c) how the results and findings of the vulnerability screening and assessments have been incorporated into the project, by hard or soft measures including changes in technical standards, changes in warning systems and operations, and other (e.g. insurance).

34.6 Less carbon intense and more climate resilient alternative solutions considered

Analyse climate change potentials. Clarify if less carbon intense or renewable, more efficient or climate resilient solutions have been explored. There may be a risk that the project could decrease climate resilience of surrounding communities, infrastructure, or ecosystems compare to a baseline alternative. In these cases, describe the expected negative impacts, the approach to reduce/manage these and indicate if a renewable or less carbon intense alternative option has been considered. If a shadow carbon price was used in the economic Cost-Benefit Analysis (CBA), describe the level of the shadow carbon price used and if an absolute increase in value per year was used in the economic CBA.

34.7 Indirect climate change mitigation impact assessment *(if applicable)*

Describe and, if possible, estimate the indirect/longer term impact on mitigation e.g. through replication, market transformation, technology transfer, enabling environment, etc.

NB: Direct climate change mitigation impacts are reported in section 31

35 Indicative Project Calendar

Provide dates on the specified in the table milestones of the project in the form of number of Quarter of the year e.g. Q1 2015. In the case of dates of approval by EFIs Boards, provide the exact date (where available) in the following format DD/MM/YYYY.
Provide also the anticipated/ confirmed date for the project's environmental and social impact assessment.

In addition, the Commission and the Lead FI should discuss and jointly agree upon the following two dates:

i) conclusion of the Delegation Agreement (DA) with the Lead FI and

ii) conclusion of the EU Financing Agreement (FA) with the partner country, if applicable. Although the Lead FI will not sign the FA, it will be consulted during the preparation/negotiation of the FA.

End of activities financed by the EU grant: enter a date when the project’s core activities, financed by the EU grant, shall end (e.g. works have been performed, supplies have been delivered or services have been provided).

36 Description of procurement procedure

Provide an overview of the planned tendering process for the EU grant component (if relevant), including the name(s) of the contracting authority(ies) (e.g. local authority(ies), lead FI) and the applicable procurement rules.

- Indicate all (if several different ones will be used) the procurement procedures applicable to the implementation of all the projects components.
- Indicate when (e.g. Q4 2014) and where the tender details including tender documents will be published.

Example:
All contracts implementing the project must be awarded and implemented by open international tender or other acceptable procurement procedure complying with the procurement rules of the UNDP and other international standards, and in any case being in full compliance with EU regulations and to the FIs' satisfaction. The Lead FI will monitor the tender and award procedure in accordance with its internal procedures.

- Indicate how domestic preferences (if any) are tackled.

37 Monitoring, reporting and evaluation

Monitoring, Reporting and Evaluation set up

- The section should include key information on project monitoring and reporting as well as evaluation cycle.
- Describe, when relevant, the *modus operandi* for the implementation of the monitoring process

Below is specified a set of best practices/recommendations which should apply in the project preparation and implementation phase in order to ensure more frequent and more effective co-operation with EU project managers (in EU Delegations and EU Headquarters).

➢ **Preparation of the project**

- *First exchange between the Lead FI and the EU Delegation/HQ on the preparation of the Project.*
- *Discussion on the communication and visibility action plan (including: review of the proposed plan and potential updates/changes in the plan, identification of implementation modalities).*

➢ **Start of the project/ Contract signature**

- *Meeting between the Lead FI and the EU Delegation/HQ for the presentation by the Lead FI of the "roadmap of the project" (e.g. monitoring missions)*
- *Discussion about the extent of the involvement of the EU Delegation/HQ*
- *Discussions on the set-up, functioning and role of project management meetings (e.g. steering committee or project review group)*
- *Agreement on frequency of informal exchange of information*
- *Kick off meeting (with the partner country authorities/beneficiaries, if applicable).*

➢ **Implementation**

- *Submission of the regular progress report by the Lead FI to the EU Delegation/HQ (as required by the Agreement signed between the Commission and the Lead FI.*
- *Meeting between the Lead FI and the EU Delegation/HQ to exchange comments, if possible*
- *Project management meetings (e.g. project review group, if relevant).*

➢ **Audit**

- Audit should be carried out in accordance with the general conditions of the contract signed between the Commission and the Lead FI/ Partner country and in line with the Lead FIs applicable procedures for Audit.

➢ **Main pre-conditions**

- If identified, indicate pre-conditions and conditions that would apply to the EU contribution to the project (e.g. the loan conditions if they impact the project implementation/ schedule/ payments; conditions to implementation/ pre-financing disbursement if requested by the Operational Board).

38 Visibility

The Communication and Visibility Plan should be included in Annex IV of the AF. It should be a proposal from the FI (max. 1 page) which should include as much detail as possible at this stage of the project. No general template is necessary.

39 Contacts

Provide contact details of the project manager in your institution, the reference person in the EU DEL (national projects) / DEVCO geographical units (regional projects) and the representative of the Partner Country Authority or the Private partner (whenever possible), taking into account any restrictions imposed by banking regulations, confidentiality and compliance issues etc.

40 Date of submission and Name of submitting person

No specific comment.

ANNEXES

Annex I. Key requirements checklist

Ensure that this annex is as complete as possible.

Annex II. Project map

In order to gain a better insight of the project, especially for transport projects, it is highly recommended to provide a map to show the project impact in the country/region.

Annex III. Public description of the project

Provide a summary of the project - for public display, i.e. press release or annual report.
The objective is that this public description is uploaded to the public websites of the respective Blending Facilities in a timely manner after the final positive opinion, to allow quick and transparent information to all stakeholders, including private sector companies. Include any available information on the project location such as maps.

E.g.: Context of the project (section 21), main objectives (19), most important activities /aspects of implementation scheme (24), expected main results/benefits (31), most important aspects of value added (29), info on visibility (37). (Length: half a page to one page).

Annex IV. Estimated breakdown of TA costs (if applicable)

Annex V. Communication and Visibility Plan

Example provided in Annex C5g of the Pagoda blending:
http://ec.europa.eu/europeaid/companion/annexes.do?chapterId=19

and on the Communication and Visibility Manual for European Union External Actions:
https://ec.europa.eu/europeaid/sites/devco/files/communication_and_visibility_manual_en_0.pdf

The information provided is indicative only and will not be use in the contracting phase.

Annex VI. General Policy objectives

The marker system facilitates monitoring and co-ordination of Members' activities in support of DAC policy objectives for aid, including key elements of the Millennium Development Goals (MDGs). These cover the areas of economic well-being, social development, environment sustainability and regeneration and democratic accountability, protection of human rights and the rule of law.

Some of the MDGs are clearly sector-focused (e.g. universal primary education, reduction of maternal mortality rate), and the CRS sector classification gives the necessary detail to collect data on aid activities in these fields. Certain aspects of environmental sustainability can likewise be captured through purpose codes (e.g. specific activities for environmental policy and planning, biosphere protection, biodiversity conservation and hazardous waste management). However, activities across all economic sectors can be targeted to environmental sustainability. Gender equality measures are applied in various sectors. To identify these activities, the following markers have been defined: gender equality, aid to environment, and participatory development/good governance (PD/GG).

Data collection on the policy objectives of aid is based on a marking system with three values:

- main objective
- significant objective
- not targeted to the policy objective.

1. Main (primary) policy objectives are those which can be identified as being fundamental in the design and impact of the activity and which are an explicit objective of the activity. They may be selected by answering the question "would the activity have been undertaken without this objective?"
2. Significant (secondary) policy objectives are those which, although important, were not the prime motivation for undertaking the activity.
3. Not targeted means that the activity was examined but found not to target the policy objective.

Coverage

Policy objective markers should be applied to all bilateral aid excluding administrative costs. In other words, they will cover both sector-allocable and non-sector-allocable aid. Similarly, they cover all forms of aid (e.g. investment projects, technical co-operation).

1) Participatory Development/Good Governance (PD/GG)

An activity should be classified as PD/GG-oriented (score Main or Significant) if it is intended to enhance elements of participatory development, democratisation, good governance and the respect of human rights.

a) The objectives are explicitly promoted in activity documentation; and

b) The activity contains specific measures to promote one or several of the PD/GG aspects defined as follows:

- Participatory development, i.e. establishing new systems, structures or institutions through which groups, communities or people in a country can play an active and influential role in shaping decisions that affect their lives.
- Democratisation, which integrates participation and pluralism, including the right of opposition, into the political life of the country and provides a basis for legitimacy of the government.
- Good governance, i.e. the accountability, efficiency, and effectiveness of the official sector, an independent judiciary as well as the rule of law, and effective, responsible and equitable administration at all levels of government.
- Human rights, i.e. actions specifically designed to strengthen the respect for, and to facilitate the implementation of, internationally agreed human rights.

Examples of typical activities:

- Civil service reform; support to labour unions, workers. Education programmes, combating child labour; support to police forces, customs.
- Education and training programmes; decentralisation programmes.

2) Aid to Environment

An activity should be classified as environment-oriented (score Main or Significant) if:

a) It is intended to produce an improvement, or something that is diagnosed as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned; or

b) It includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development.

Examples of typical activities:

- Social infrastructure and services: Water resources protection; water resources policies and water management that take into account environmental and socio-economic constraints, sanitation or waste management practices that brings environmental benefits.
- Economic infrastructure and services: Infrastructure projects designed with comprehensive and integrated environmental protection and management components; activities promoting sustainable use of energy resources (power generation from renewable sources of energy); energy conservation.
- Production sectors: Sustainable management of agricultural land and water resources; sustainable forest management programmes, combating land degradation and deforestation; sustainable management of sea resources; adoption and promotion of cleaner and more efficient technologies in production processes; measures to suppress or reduce pollution in land, water and air (e.g. filters); increasing energy efficiency in industries; sustainable use of sensitive environmental areas for tourism. (Sustainable natural resources management is a combination of management practices that have been planned and selected on the basis of interdisciplinary and participatory assessment of ecological, social and economic impacts of alternative management options, and resolution of possible conflicts or disputes concerning the significance and acceptability of the impacts of the proposed management alternatives).

This marker is automatically specified as main or significant if one of the Rio markers (below) is marked as main or significant.

3) Gender equality (including WID)

An activity should be classified as gender equality focused (score Main or Significant) if:

It is intended to advance gender equality and women's empowerment or reduce discrimination and inequalities based on sex;

Gender equality is explicitly promoted in activity documentation through specific measures which:

a) Reduce social, economic or political power inequalities between women and men, girls and boys, ensure that women benefit equally with men from the activity, or compensate for past discrimination; or

b) Develop or strengthen gender equality or anti-discrimination policies, legislation or institutions.

Examples of activities that could be marked as main objective:

- legal literacy for women and girls;
- male networks against gender violence;
- a social safety net project which focuses specifically on assisting women and girls as a particularly disadvantaged group in a society;
- capacity building of Ministries of Finance and Planning to incorporate gender equality objectives in national poverty reduction or comparable strategies.

Such activities can target women specifically, men specifically or both women and men.

Examples of activities that could be marked as significant objective:

- activity which has as its main objective to provide drinking water to a district or community while at the same time ensuring that women and girls have safe and easy access to the facilities;
- a social safety net project which focuses on the community as a whole and ensures that women and girls benefit equally with men and boys.

4) Trade Related Assistance

An activity should be classified as trade development-oriented (score Main or Significant) if it is intended to enhance the ability of the recipient country to:

a) formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; or
b) stimulate trade by domestic firms and encourage investment in trade-oriented industries.

Examples of typical activities:

- Business support services and institutions: establishment of business partnerships; investment climate assessments; assisting exporters in developing countries in locating potential importers worldwide; training package providing tools and materials regarding operational legal aspects of e-commerce.
- Trade finance: Feasibility study on a pilot export development fund, innovative trade-related finance for SMEs.
- Production and service sectors: support to fruit and vegetable marketing; increase the international competitiveness of SMEs active in textile and clothing sector, through increase of their productivity.

N.B. The trade development marker is not defined to cover all aspects of "Aid for Trade". It is restricted to activities recorded under codes 24xxx, 25010, 311xx, 312xx, 313xx, 321xx and 33210 (business rule).

Other components of "Aid for Trade" are captured separately through a number of sector codes.

5) Reproductive, maternal, newborn and child health (RMNCH)

An activity should be classified as RMNCH related if it enables the following objectives:

- Prevent unintended pregnancies by enabling women and girls to choose whether, when and how many children they have
- Ensure pregnancy and child birth are safe for mothers and babies
- Promote child health (up to year 5)

Typical activities take place in the areas of:

- Health
- Gender/ Inclusion
- Vocational training

The activity should contribute to:

a) Empowerment of women and girls to make healthy reproductive choices and act on them;
b) Removal of barriers that prevent access to quality services, particularly for the most vulnerable population groups;
c) Expansion of the supply of quality services, delivering cost effective interventions for contraception, family planning, linking HIV/RMNCH services, safe abortion, antenatal care, safe delivery and emergency obstetric care, postnatal and newborn care – through stronger health systems with public and private providers;
d) Scaling-up of, and training programs for, reproductive health providers;
e) Enhancement of accountability for results at all levels with increased transparency.

Annex VII. Rio Convention Markers

The Rio markers allow for the identification of activities that target the objectives of the three Rio Conventions:

- United Nations Convention on Biological Diversity (UNCBD);
- United Nations Framework Convention on Climate Change (UNFCCC) and
- United Nations Convention to Combat Desertification (UNCCD).

They are targeted:

- automatically by the system according to the selected DAC code
  For example, when the Code sector is 41030, the RIO marker biological diversity is selected as main objective
- manually by the user.

If one of the Rio markers is specified as main or significant by the user, the marker 'Aid to environment' (above) will also be specified as main or significant automatically.

1) Biological diversity

An activity should be classified as bio-diversity related (score Main or Significant) if:

It promotes at least one of the three objectives of the Convention: the conservation of bio-diversity, sustainable use of its components (ecosystems, species or genetic resources), or fair and equitable sharing of the benefits of the utilisation of genetic resources.

The activity contributes to

a) protection or enhancing ecosystems, species or genetic resources through insitu or ex-situ conservation, or remedying existing environmental damage; or
b) integration of bio-diversity concerns with recipient countries. Development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research or
c) developing countries. efforts to meet their obligations under the Convention.

The activity will score "main objective" if it directly and explicitly aims to achieve one or more of the above three criteria.

Examples of typical activities:

Typical activities take place in the sectors of:

Integration of biological diversity concerns into sectoral policy, planning and programmes, e.g.:

- Water and sanitation: Water resources protection and rehabilitation; integrated watershed, catchment and river basin protection and management;
- Agriculture: Sustainable agricultural and farming practices including substitution of damaging uses and extractions by out-of-area plantations, alternative cultivation or equivalent substances; integrated pest management strategies; soil conservation; in-situ conservation of genetic resources; alternative livelihoods;
- Forestry: Combating deforestation and land degradation while maintaining or enhancing biodiversity in the affected areas;
- Fishing: Promotion of sustainable marine, coastal and inland fishing;
- Tourism: Sustainable use of sensitive environmental areas for tourism.

2) Combat desertification

An activity should be classified as desertification- related (score Main or Significant) if:

It aims at combating desertification or mitigating the effects of drought in arid, semi-arid and dry sub-humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

The activity contributes to:

a) protecting or enhancing dryland ecosystems or remedying existing environmental damage; or
b) integration of desertification concerns with recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or
c) developing countries' efforts to meet their obligations under the Convention.

The activity will score 'main objective' if it directly and explicitly relates to one or more of the above criteria, including in the context of the realisation of national, sub-regional or regional action programmes.

Examples of typical activities in the sectors of water and sanitation, agriculture and forestry:

- Integration of action to combat desertification and land degradation into sectoral policy, planning and programmes (e.g. agricultural and rural development policy, plans and programmes);
- Rehabilitation of land, vegetation cover, forests and water resources, conservation and sustainable management of land and water resources;
- Sustainable irrigation for both crops and livestock to reduce pressure on threatened land; alternative livelihood projects;
- Development and transfer of environmentally sound traditional and local technologies, knowledge, know-how and practices to combat desertification, e.g. methods of conserving water, wood (for fuel or construction) and soil in dry areas.

3) Climate change mitigation

An activity should be classified as climate-change-related (score Main or Significant) if:

It contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

The activity contributes to:

a) the mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or
b) the protection and/or enhancement of GHG sinks and reservoirs; or
c) the integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or
d) developing countries' efforts to meet their obligations under the Convention.

The activity will score "main objective" if it directly and explicitly aims to achieve one or more of the above four criteria.

Examples of typical activities in the sectors of water and sanitation, transport, energy, Agriculture, Forestry and industry:

- GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors through application of new and renewable forms of energy, measures to improve the energy efficiency of existing generators, machines and equipment, or demand side management.
- Methane emission reductions through waste management or sewage treatment.
- Development, transfer and promotion of technologies and know-how as well as building of capacities that control, reduce or prevent anthropogenic emissions of GHGs, in particular in waste management, transport, energy, agriculture and industry.
- Protection and enhancement of sinks and reservoirs of GHGs through sustainable forest management, afforestation and reforestation, rehabilitation of areas affected by drought and desertification.

4) Climate change adaptation

An activity should be classified as adaptation-related (score Main or Significant), if:

- It intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.
- This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.

An activity is eligible for the climate change adaptation marker if:

a) the climate change adaptation objective is explicitly indicated in the activity documentation; and
b) the activity contains specific measures targeting the definition above. Carrying out a climate change adaptation analysis, either separately or as an integral part of agencies' standard procedures, facilitates this approach.

Examples of typical activities:

The list is not exhaustive. The activities may be scored against the objective only if the above criteria for eligibility are fulfilled.

1) Examples of typical enabling activities for adaptation:

- Environmental policy and administrative management (sector 41010): Supporting the integration of climate change adaptation into national and international policy, plans and programmes; Improving regulations and legislation to provide incentives to adapt;

- Environmental research (sector 41082): Adaptation-related climate research including meteorological and hydrological observation and forecasting, impact and vulnerability assessments, early warning systems, etc.
- Environmental education / training (sector 41082): Education, training and public awareness raising related to the causes and impacts of climate change and the role of adaptation.

2) Examples of typical sectorial activities:

- Health (Sector 120): Implementing measures to control malaria in areas threatened by increased incidence of diseases due to climate change.
- Water and sanitation (Sector 140): Promoting water conservation in areas where enhanced water stress due to climate change is anticipated.
- Agriculture (Sector 311): Promoting heat and drought resistant crops and water saving irrigation methods to withstand climate change.
- Forestry (Sector 312): Promoting a diverse mix of forest management practices and species to provide a buffer against uncertainties of climate change.
- Fishing (Sector 313): Promoting changes in fishing practices to adapt to changes in stocks and target species. Introducing flexibility in the gear that is used, the species that are fished, the fishing areas to be managed, and the allocations that are harvested.
- Flood prevention/control (Sector 41050 - under General Environmental Protection) : Implementing measures for flood prevention and management such as watershed management, reforestation or wetland restoration.
- Disaster prevention and preparedness (Sector 740) : Developing emergency prevention and preparedness measures including insurance schemes to cope with potential climatic disasters. Implementing measures to respond to glacial lake outburst flood risk, such as the creation or improvement of early warning systems and widening or deepening of glacial lake outlet channels.

Annex VIII. Questions to guide assessment

(Not to be filled, for double checking purpose only)

Section	Questions for last checking
21	**Context of the project** • Is the need of carrying out the project well justified? • Is the financial gap well justified; is there insufficient funding from market sources? • Is there compliance with main national/regional policies in the concerned sector or thematic area? • Is the project consistent with the National/Regional/Continental Development Strategy? • Is there clear ownership/support of the project from national/regional authorities?
22	**Coherence with the policy objectives of the Facility and EU policies** • Is the project proposal coherent with the policy objectives of the Facility • Is the project proposal coherent with the EU policies? • Are there similar planned or on-going projects in the country/sector? If so, is the coordination mechanisms to be used explained?
23	**Consultations before submission** • How was the EU Delegation involved in the project preparation? • What kind of consultation process has taken place with the national/regional authorities?

	• Have endorsement letters by the Beneficiary and the Delegation been provided?
24	**(a) Implementation Scheme** **(b) Financial Structure** • Is the information about organisational set-up, implementing scheme and financial structure clear?
25	**Indicative Budget** • Is the indicative budget and financing plan sufficiently detailed? • Are the costs realistic and acceptable? • Does the project financing plan present the appropriate mix of funding and leverage between loans and grants? • Is a budget for visibility foreseen?
27	**Debt sustainability** • Are there any additional concessionality requirements that need to be considered?
28	**Financial Leverage** • What is the proposed financial leverage? • Is the proposed leverage sufficient and coherent?
29	**Value Added of the EU grant** • Are the expected impact and results of the project and, more specifically, of the EU grant contribution, clearly defined? • Why is the proposed grant funding necessary for the operation?
30	**EU grant amount justification** • Is the EU grant amount clearly justified?
31	**Expected Results** • Are the indicators sufficiently reflecting the expected outputs and intended outcomes of the project? • Are the expected results in line to the project objectives?
32	**Project sustainability** • According to the AF, do you think that the project will be sustainable when grant support expires? • What measures are foreseen to achieve sustainability?
33	**Risk Assessment** • Are the mitigation measures for the risks identified sufficient? • Are additional risks that are not identified in the application? If so, please enumerate.
34	**Climate and Environment Rio markers** • Is the contribution of the project to climate change mitigation/adaptation clearly demonstrated?
35	**Indicative Project Calendar** • Are the urgency and maturity of the requested grant contribution consistent with the calendar of the project?
36	**Description of tendering process** • Are the procurement procedures to be used for the project clear in the application? • Are these procedures accepted to be equivalent to EC ones?
37	**Monitoring, reporting and evaluation** • Is the monitoring, reporting and evaluation clearly described and sufficient?
38	**Visibility** • Is a visibility plan proposed? • Is it in line with EU visibility provisions and does it provide sufficient and clear visibility?

Annex IX. Indicators

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 electricity	Nr.	Number of new connections to the grid. Only new connections resulting from a project are counted; those already connected to the grid and receiving improved services through a project are not counted.
1.3	Additional capacity from conventional electricity production	MW	Gross generating capacity of a power generation project from conventional energy sources. A project may involve construction of a new power plant or refurbishment of an existing plant.
1.4	Additional capacity from renewable energy sources	MW	Gross generating capacity of a power generation project from renewable energy sources. A project may involve construction of a new power plant or refurbishment of an existing plant.
	OUTCOME INDICATORS	UNIT	DEFINITION
1.5	Population benefitting from electricity production	Nr. of households	The number of households which are estimated to benefit from new electricity supply from the project.
1.6	Power production	GWh/year	Total net annual average electricity generated by project, independently of its maximum capacity.
1.7	Power production from renewable sources	GWh/year	Total net annual average electricity generated by project from renewable sources, independently of its maximum capacity.
1.8	Energy efficiencies	GWh/year	Energy savings as a result of project against no project or most likely alternative (e.g. loss reduction in generation, distribution, etc.)

Transport

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

Environment (water and sanitation)

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

Private sector development

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	*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 prorata basis.

Social (social housing, health and education)

	OUTPUT INDICATORS	UNIT	DEFINITION
5.1	New and/or refurbished habitable floor area	Square meter	Square meters of new and/or refurbished social housing.
5.2	New and/or refurbished health facilities	Nr.	Number of new and/or refurbished health facilities of any type (hospitals, clinics, health centres etc.).
5.3	New and/or refurbished educational facility	Nr.	Number of new and/or refurbished educational facility of any type (schools, universities etc.).
	OUTCOME INDICATORS	UNIT	DEFINITION
5.3	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.
5.9	Students enrolled	Nr. per year	Total aggregate of pre-primary, primary, secondary, tertiary, further, vocational as required.

Agriculture, Food and Nutrition Security

	OUTPUT INDICATORS	UNIT	DEFINITION
6.1	Agricultural production	Tons per yr	For the main productions impacted by the project, measured yearly
6.2	Area under cultivation	Ha per yr	For the main productions impacted by the project, measured yearly
6.3	Due diligence report of projects that affect land and property rights	Yes/No	Based on the guidelines developed by the Agence Française de Développement (AFD) and in line with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)
	OUTCOME INDICATORS	UNIT	DEFINITION
6.4	Additional added value created	Euros (constant value) per yr	For the main productions impacted by the project, measured yearly
6.5	Added value going to farmers	Euros (constant value) per yr	For the main productions impacted by the project, measured yearly
6.6	Net employment creation (gender differentiated)	Nr. per yr	Informal and formal jobs, measured yearly
6.7	Minimum Dietary Diversity Score	Score	Minimum number of food groups consumed by an individual over a reference period. Ref.: FAO Manual Minimum Dietary Diversity in Women (in preparation).

Cross Sector Indicators

	INDICATORS [a)]	UNIT	DEFINITION [b)]
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[17]	CO2 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.

[17] 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'.

ANNEX 4

Assessment framework

EUROPEAN COMMISSION
Directorate-General for Neighbourhood and Enlargement Negotiations

DG DEVCO – ASSESSMENT FORM					
Date of the assessment:					
1	Blending Facility:		Project Number/code:		
9	Name of project:				
Summary of (Recommendation TO BE FILLED by all Assessors)	Recommendation of submission to the Operational Board	**Yes**		**No**	
	Conditionality for the approval of the project				

Summary Comments (please assess the aspects pertinent to your role)	
Questions for the FI	

EUROPEAN COMMISSION
Directorate-General for Neighbourhood and Enlargement Negotiations

Question	Section in the project application form	Assessment *Please provide detailed comments, in particular if a specific aspect is unclear or not well addressed in the project application form.*	Role	Follow up with FI required? Yes/No
21	**Context of the project:** • Is the need of carrying out the project well justified? • Is the financial gap well justified; is there insufficient funding from market sources? • Is there compliance with main national/regional policies in the concerned sector or thematic area? • Is the project consistent with the National/Regional/Continental Development Strategy? • Is there clear ownership/support of the project from national/regional authorities?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
22	**Coherence with the policy objectives of the Facility and EU policies:** • Is the project proposal coherent with the policy objectives of the Facility • Is the project proposal coherent with the EU policies? • Are there similar planned or on-going projects in the country/sector? If so, is the coordination mechanisms to be used explained?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
23	**Consultations before submission:** • How was the EU Delegation involved in the project preparation? • What kind of consultation process has taken place with the national/regional authorities? • Have endorsement letters by the Government and the Delegation been provided?		Delegation DEVCO Geo/Reg Unit DEVCO Thematic Unit	

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24	**Entities involved** **Implementation scheme** **Organisational set up** **Exit Strategy** • Is the information about the entities involved, the organisational set-up, the implementing scheme, the financial structure and the exit strategy clear?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs Finance&Contracts	
25	**Indicative budget – Uses &Sources, detailed description:** • Is the indicative budget and financing plan sufficiently detailed? • Are the costs realistic and acceptable? • Does the project financing plan present the appropriate mix of funding and leverage between loans and grants? • Is a budget for visibility foreseen?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs Finance&Contracts	
27	**Debt sustainability:** • Are there any additional concessionality requirements that need to be considered?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
28	**Financial Leverage:** • What is the proposed financial leverage? • Is the proposed leverage sufficient and coherent?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs Finance&Contracts	

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29	**Additionality of the EU contribution**: • Are the expected impact and results of the project and, more specifically, of the EU grant contribution, clearly defined? • Why is the proposed grant funding necessary for the operation?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
30	**Justification of EU contribution:** • Is the EU grant amount sufficiently substantiated and justified?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
31	**Expected Results:** • Are the indicators sufficiently reflecting the expected outputs and intended outcomes of the project? • Are the expected results in line to the project objectives?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
32	**Project sustainability:** • According to the application, do you think that the project will be sustainable when grant support expires? • What measures are foreseen to achieve sustainability?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	
33	**Risk Assessment :** • Are the mitigation measures for the risks identified sufficient? • Are additional risks that are not identified in the application? If so, please enumerate.		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs	

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34	**Climate and Environment Rio Markers:** • Is the contribution of the project to climate change mitigation/adaptation clearly demonstrated?		DEVCO Thematic Unit Line DGs	
35	**Indicative Project Calendar** • Are the urgency and maturity of the requested grant contribution consistent with the calendar of the project?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Line DGs Finance&Contracts	
36	**Description of procurement procedures:** • Are the procurement procedures to be used for the project clear in the application? • Are these procedures accepted to be equivalent to EC ones?		Finance&Contracts	
37	**Monitoring, reporting and evaluation:** • Is the monitoring, reporting and evaluation clearly described and sufficient? • Is a visibility plan proposed? • Is it in line with EU visibility provisions and does it provide sufficient and clear visibility?		Delegation DEVCO Geo/Reg Unit DEVCO C3 DEVCO Thematic Unit Finance&Contracts	
38	**Visibility** • Is a visibility plan proposed? • Is it in line with EU visibility provisions and does it provide sufficient and clear visibility?		Delegation DEVCO Geo/Reg Unit DEVCO C3 Line DGs	

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ANNEX 5

Example: 2014 Commission financing decision on the LAIF

ANNEX 3

of the Commission Implementing Decision on the

Action Document for the Latin American Investment Facility (LAIF)

1. IDENTIFICATION

Title/Number	Contribution from the General EU Budget to the Latin American Investment Facility (LAIF) CRIS number:		
Total cost	Total amount of EU budget contribution: EUR 30 000 000 This action is co-financed by entities and for amounts specified in the indicative project pipeline which is an appendix of this Action Document.		
Aid method / Management mode and type of financing	Project Approach The action regarding this Regional Blending Facility shall be implemented in indirect management.		
DAC-code	– 41010 – 23010 – 21010 – 32130 - 16050	Sector	– Environmental policy and administrative management; – Energy policy and administrative management; – Transport policy and administrative management; – SME development; - Multisector aid for basic social services

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The Latin American Investment Facility (LAIF) is a blending facility which combines EU grants with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing, and achieve investments in infrastructure and support to the private sector. LAIF aims at reducing the social and economic inequalities which represent one of the biggest threats of the continent by promoting actions which foster economic activities in different sectors.

LAIF aims at fostering investments which will have a positive impact on the socio-economic development in Latin America such as infrastructures in transport, communication and energy interconnections and promotion of renewable energies. It also addresses threats to the environment, including water supply and sanitation and climate change adaptation and mitigation. LAIF also promotes smart, sustainable and inclusive growth, through support to small and medium sized enterprises, to social sectors and to municipal development.
Special attention will be given to a balanced geographical distribution of the projects and to actions which will promote regional or sub regional integration.

The Facility is designed to combine EU grants with other public and possibly private financing. By reducing, through co-financing, the overall cost or risk of the project or by subsidising interest rates and/or financing technical assistance, the Facility will encourage the beneficiary governments, private sector and/or public institutions to carry out essential investments in sectors which would otherwise be postponed due to lack of resources.

Decisions on LAIF financing are conditioned to the additionality of the LAIF contribution. LAIF is a mechanism able to enhance an important leverage effect on priority investments which could not be faced by national financial resources.

Therefore, LAIF does not support any operation which could normally be financed by the market.

2.2. Context

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

In order to achieve the objectives of the Regulation (EU) No 233/2014 and the Regional indicative programme, bilateral and regional financial assistance will promote policies development, capacity building and modernisation measures by the partner countries. Highly important capital investments must be made to rehabilitate, modernise or build essential

infrastructures needed for a low-carbon, efficient and safe production, transport and use of energy and further on for safe and efficient transport of goods and people. It is also vital to progress towards an effective environmental protection, in particular to protect biodiversity and ensure the quality of water, air and soil, and to promote climate change adaptation and mitigation measures. In addition, capital is also needed for the provision of basic social services such as health and education and to develop private sector, in particular small and medium enterprises (SMEs).
LAIF principal objective is to mobilise additional financing to support investment and private sector development in Latin America.

This financing decision concerns the 2014 EU contribution to the Facility. LAIF annual EU contributions will be drawn from DCI Latin America, which could be complemented by funds from Bilateral Programmes.

2.2.1. Sector context: policies and challenges

The EU's partnership with Latin America is founded on close historical and cultural ties; extensive people-to-people exchanges; strong and growing trade and investment flows; and a deep bedrock of shared values and aspirations (commitment to democracy, human rights and rule of law; pursuit of social cohesion and sustainable development. Over the years, the two sides have progressively built up a broad-based relationship of equals, founded on mutual respect and open dialogue. A bi-regional Strategic Partnership, culminating in periodic Summits, was established in 1999. The EU has concluded an extensive web of association and other agreements with individual Latin American countries and regional groupings.

EU development cooperation instruments have been - alongside political engagement, trade and investment, and sector dialogues - a crucial building block of this relationship over the years. During the period 2002-2013, the EU has committed over EUR 4 billion for programmable development cooperation in Latin America, accompanying and supporting the region's own successful development efforts. This has also helped to underpin closer cooperation in many areas (e.g. social cohesion, education, environment and climate change, trade and small and medium enterprises, migration) and given substance to the wider policy agenda jointly pursued by the two sides. It has taken place both through bilateral programmes with individual countries, tailored to their national development agenda, and also through regional programmes pursued at continental level.

Over recent years, the countries of Latin America have collectively enjoyed strong economic growth and macro-economic stability. Economic progress, in large part due to exports of natural resources from a region rich in biologic diversity , has translated into a higher profile and rising influence on global economic issues and in multilateral negotiations e.g. on climate change and sustainable development. Taken as a whole, the region has continued its progress in consolidating human rights and democracy.

Yet considerable challenges remain and the development gains of many Latin American countries are fragile, for example:
- Despite improvement in some countries, the region remains the most unequal in the world. Poverty and income distribution trends as well as citizen perceptions of inequality indicate the need to promote more sustainable and equitable growth across the region and ask for greater efforts to ensure higher levels of social cohesion.

- Economic growth in Latin America has been heavily based on external demand for natural resources and commodities. A number of structural weaknesses (especially in the sector of transports) may impede higher, more inclusive economic growth in the coming years. These include lack of diversification, need for more sustainable use of natural resources , difficult access to innovation, limited job creation, bottlenecks as regards systems for skills and training, and the lack of competitiveness and high informality affecting many Micro, Small and Medium-Sized Enterprises (MSMEs) in the region and the need for open markets and an investment-conducive environment.
- To create opportunities for youth, address gender issues, increase the offer of quality jobs and promote decent work are of particular relevance to ensure greater social inclusion in the continent. Moreover, to strengthen territorial integration by reducing socio-economic dipartites between the urban, rural and the more remote areas is also a key challenge.
- Reconciling environmental sustainability with economic growth is a major challenge in Latin America. The region is highly vulnerable to climate change and to natural disasters, due to its geography, distribution of population and infrastructure, and economic reliance on fragile natural resources. While one of the major assets for the region is its enormous variety of ecosystems and high level of biodiversity, its environment is being heavily affected by issues such as biodiversity loss, deforestation, land degradation, water pollution, with direct consequences particularly for the poorest segments of the society . These challenges are exacerbated by unplanned growth of urban areas (currently home to 80% of the region's population), inequality, and the particularly high vulnerability to climate change and environmental degradation of rural areas (where a third of the poor population of the continent lives). At the same time, Latin America offers many opportunities for low-emission, climate resilient and environmentally sustainable investment, for example in the areas of renewable energy and energy efficiency.

The EU will cooperate in support of the region's efforts in line with the European Consensus for Development, the DCI regulation and the EU's Agenda for Change to eliminate poverty by fostering sustainable and inclusive growth in a context of respect for human rights, the rule of law democracy and other key elements of good governance. The Agenda for Change also foresees that EU's development cooperation with Latin America should be adapted to reflect new realities in the region.

2.3. Lessons learnt

By the end of 2013, allocations to the LAIF from the EU budget have reached a sum of nearly EUR 190 million.

Since its commencement in 2010, the LAIF has provided support to 25 projects, and its contribution has succeeded in mobilising EUR 4.6 billion from Finance Institutions, i.e. EUR 24.3 for every euro provided by the Facility, and a total of EUR 5.5 billion investment.

The LAIF operations have supported, in high proportion, the development of infrastructures for water supply and sanitation, to facilitate renewable energy supplies and to improve transport possibilities in the region.

An important factor for its success has undoubtedly been the participation of the regional Latin American development finance institutions which has boosted the partnership between European and Latin American finance institutions.

In 2012, a Results Oriented Monitoring (ROM) concerning LAIF was launched. The purpose of the ROM was to assess the effectiveness of the LAIF programme, its impact prospects and its potential sustainability. The ROM focused on the analysis of the mechanism and its first results since its inception in 2009 until mid-2012. The ROM was carried taking into account the following elements: relevance and quality of design, efficiency and implementation, effectiveness, impacts and potential sustainability.

The ROM states that LAIF's objectives were overall relevant with the EU cooperation priorities for the region, respecting and following what was previously established in the Programming Documents for 2007-2013. LAIF's effectiveness and sustainability have proven to be quite important until the date. The ROM concludes that, in general, LAIF can be considered as an important and effective instrument capable to tackle the most important issues related with development priorities for Latin America. In conclusion, the LAIF operations have reached important results in line with the objectives.

Nevertheless, ROM recommended improvements regarding the follow-up and the management of the projects. An increased role of the EU Delegations should be foreseen for the future, also in the phase of formulation of the priorities and the projects. This will lead also to a stronger involvement of the partner countries in the design of the projects to better tackle national needs.

In line with these findings, the Mid Term Evaluation (MTE) of the Neighbourhood Investment Facility (NIF), together with the findings relating to the Africa Infrastructure Trust Fund (ITF), has been used, with other reports, by the Platform for Blending in External Cooperation (EUBEC) to make further recommendations. The EUBEC was set up in December 2012. Its objective is to further increase the effectiveness of aid delivered by the European Union through blending by providing recommendations and guidance.

The EUBEC is taking a wide ranging look at many aspects of the EU's blending activities, and the proposed structure and operation of the LAIF in the context of the DCI blending framework will take into account the recommendations of the EUBEC.

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) No 966/2012, an ex-ante evaluation of the LAIF has been carried out. The recommendations of this evaluation have been and will be taken into account.

Based on the ex-ante evaluation and on the success so far achieved by the LAIF, it is expected that blending will be an increasingly important tool for the EU in the current Multiannual Financial Framework (2014-2020).

2.4. Complementary actions

The Latin America Investment Facility is complementary to regional and bilateral programmes:

- Regional programmes for Latin America which aim to improve positive investment climate (Al-Invest, ELAN, ALINPRO[1], etc.). In that context, LAIF

[1] Initiative under preparation

will also be complementary to programmes which enhance trade in the framework of the WTO.

- Through the Climate Change Window, an important part of LAIF funds will be assigned to projects which help fight against the Climate Change, and thus their relations with regional programmes dealing with Environment protection (e,g. EuroClima, FLEGT) will be of particular importance.

- LAIF can be used to enhance and foster bilateral programmes in the fields of transport, energy, environment, social service, etc.

- It is also fundamental to set up a strong synergy with the CIF (Caribbean Investment Facility) considering joint interest resulting from the geographical proximity and the common objectives of this mechanism with LAIF.

2.5. Donor coordination

The LAIF has been implemented in close coordination with EU Member States.

By enabling joint European operations (combining bilateral and community grant funding with eligible Finance Institutions loan operations), the LAIF has generated greater coherence and better coordination between the donors, in line with the Paris Declaration principles and in compliance with the EC Financial Regulation. Member States' resources have reinforced the Community effort. The LAIF is financing larger operations, better support partners in carrying out necessary reforms and investments, and bring greater visibility for the European dimension of external cooperation. In many cases, co-financing with non-EU financial institutions has further improved donor coordination.

The LAIF governing bodies have provided a very suitable arena for coordination amongst European Finance Institutions (EFIs) –and other Finance Institutions-, and amongst the EU Member States allowing regular discussions on project pipelines, priority projects and synergies between them.

3. Detailed Description

3.1. Objectives

The LAIF's main purpose is to promote investments and key infrastructures in transport, ICTs, energy, SMEs, Private sector development, water and environment, with a particular focus on climate change mitigation and adaptation. These will support social and economic sector development in Latin American countries.

3.2. Expected results

In principle, the leverage effect of the LAIF contributions is expected to reach a multiplying factor of 4 to 5 times the amount of the LAIF contributions. In the past period the multiplying factor proved to be much higher although variable according to the operations. Furthermore, the input of the financial institutions will create a leverage effect on pooling of additional resources to be directed towards the beneficiary countries.

Operations financed by financial institutions pooling their loan resources in consortia with LAIF support can allow risk sharing and will possibly contribute to raising the credit ceilings to the benefit of the partner countries. This will promote the financing of categories of investments which at present cannot be financed either by the market or by single development finance Institutions.

3.3. Main activities

LAIF's interventions will be focused on investments.

In coherence with the priorities established in the RIP, LAIF interventions should focus indicatively on the following sectors:

A) Energy: Priority will be given to projects including:

- Energy loss reduction measures.
- Projects which foresee social measures like the "social rate".
- Energy interconnections among countries.
- Renewable energies

B) Transport: Priority should be given to projects whose aim is to improve regional integration such as trans-borders cooperation as well as trade facilitation.

C) Environment:

- Integrated waste management including necessary related infrastructures.
- Introduction of integrated water management, including the necessary related infrastructure.
- Promotion of climate change related investments, i.e. renewable energy, energy saving and cleaner production and other environment friendly techniques, support to adaptation measures.
- Promotion of sustainability measures regarding a better management of the urban areas.

D) SMEs: Support to the private sector through programmes aimed at:

- Improving financial inclusion and access to finance for SMEs at the different stages of enterprise creation, restructuring and modernization, with a particular focus on the green economy.
- Sustainable jobs creation.
- Internationalization (helping SMEs in exporting their products)
- Women and/or youth entrepreneurship, technological poles, enterprise incubators etc.

E) ICT: interconnectivity among Latin American countries and from the region to the EU should be a priority.

F) Social services, including:

1) Better access to health care and improved health services installations.
2) Better education facilities, increased access to education.

The social and development element should be present and detailed in all the projects, and a reference to the MDGs should be included.

The types of operations that can be financed under the LAIF are the following:

- Direct investment Grants
- Interest rate subsidies
- Guarantees
- Technical assistance;
- Risk capital operations;
- Any other risk sharing mechanisms[2].

3.4. Risks and assumptions

A stable political and financial climate on the regional level in general and on the country level in particular is needed to promote and secure investments. The macroeconomic data of the beneficiary countries should be also taken into account especially in order to secure debt stability.

Furthermore the development of favourable policies by the target countries in the sectors concerned will be of high importance and should be consider when deciding about a support to an operation in such a way that a systemic impact is being aimed at.

Renewed commitment by Financial Institutions to continue working through the EU blending facility represents a fundamental condition.

The pipelines of operations must be of high quality and volume and fulfil significantly the criteria of sufficient additionality.

Partner countries and other local beneficiaries must be supportive to the projects prepared by the eligible European Financial Institution. On this issue, it is to be expected that EU Delegations will play an important role in the identification of the countries' priorities and throughout the execution of the projects.

External debt sustainability is also a risk as some countries in the Latin American region are already close to the International Monetary Fund's (IMF) debt limit.

3.5. Cross-cutting issues

Partner countries and eligible financial institutions will ensure that all projects financed with EU resources respect Community principles in terms of environmental, public procurement, state aid, and equal opportunities (gender issues, indigenous people rights, etc.)

[2] As regards risk capital operations, guarantees or any other risk sharing mechanisms, the risk-sharing involves the utilisation of financial resources by the Commission (from the EU contribution) and the entrusted entity and the sharing of losses and gains primarily from underlying debt assets, while in some cases from equity assets as well, in the implementation of a financial instrument operation under external instruments.
The risk-sharing shall contribute to the achievement of the objectives of the corresponding financial instrument for which it is used. The risk-sharing shall typically consist of a bilateral agreement between the Commission and the entrusted entity concerning the losses and gains, on a portfolio or deal by deal basis, of specific underlying assets. The risk-sharing may consist of a multilateral agreement between the Commission, the entrusted entity and other entities. The risk-sharing shall not cover any entities or activities that fall under the applicable exclusion criteria to be defined by the Commission.

3.6. Stakeholders

The final beneficiaries of the Facility will be the Partner countries, either directly or indirectly through their central, regional and local administrations or public or semi-public institutions.

Other final beneficiaries can be the private sector and in particular SMEs for categories of operations dedicated to the private sector development.

All Latin American countries which are entitled to participate in Regional Programmes will be entitled to participate in LAIF projects on a Bilateral or Regional basis[3]. In accordance with the Regulation (EU) No 233/2014, other countries may be eligible for LAIF funding, under certain conditions, to be decided on a case-by-case basis (e.g. regional interest). In particular coordination between activities of the Caribbean Investment Facility (CIF) and LAIF will be sought, only in the case of regional projects[4].

Multilateral and national European development finance institutions will be direct partners and important stakeholders of the Facility.

4. Implementation Issues

4.1. Financing agreement

In order to implement this action, it may be foreseen to conclude financing agreements with the partner countries, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 120 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. DCI Blending Framework

The LAIF will operate under the governance of the DCI blending framework.

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

[3] Article 16 DCI Regulation
[4] Regional projects : projects that are implemented in at least two Latin American countries

- opinions on projects will be formulated by the Boards, held whenever possible back to back with the respective financing instruments' committees (DCI Board);
- such opinions will be prepared in dedicated Technical Meetings

Strategic orientations will be discussed with beneficiary countries in dedicated strategic meetings, under the ownership principle of EU development cooperation. The Commission and the EEAS will conduct and co-chair strategic discussions at an 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 Operational Board to review the pipeline and formulate an opinion on the most relevant projects for achieving EU objectives.

Rules of procedure will further detail the decision making process as well as the organisation of the strategic meetings, which will be approved in the first meetings of the Board.

The Board is chaired by the Commission and includes the EEAS and the EU Member states as voting members, and FIs as observers. The opinion of the Board can be positive, negative or recommend re-submission of the project proposals. FIs will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted but they will not be present during the formal formulation of opinions by the Board. The part of the meeting where opinions on EU contributions requests are expressed will be restricted only to voting Members. The conclusions including their justifications will be subsequently 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 boards - 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

The Board would meet two to four times a year, depending on the needs and back to back with the respective financing instruments' committees. When duly justified by time constraints, opinions on projects could be requested by written procedure.

Opinions of EU grant requests will be taken by consensus, but if needed the regular voting rules of the DCI Committee should apply. The conclusions of the board must be incorporated in relevant Commission decisions for the EU budget as mandated by the relevant FRs and their Implementing Rules/Rules of Application.

Technical meetings 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 Operational Boards.

- assess project proposals submitted by a so called Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other Financial Institutions for peer review and possible written comments. In particular, such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability.

- facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FIs, 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.

The Commission will ensure the secretariat of the DCI blending framework, supporting the Board in all its tasks (opinions on individual blending operations, internal Commission/EEAS consultation including DG BUDG, DG SJ, DG ECFIN and DG SG, monitoring at facility level, consolidation of the pipeline on the basis of the information provided by the Financial Institutions including a short project description, production of regular up-to-date information and annual reports on the facilities, preparation of exchanges on best practices.). It will also 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 also organises the technical level assessment of proposals and is the central contact point for all stakeholders involved in the blending frameworks.

4.3.2. Contribution to the Latin American Investment Facility

In accordance with Article 4.1.(e) of the Regulation (EU) No 236/2014, this contribution may be implemented through indirect management whenever possible under the lead of the European Investment Bank (EIB) in line with its external mandate under Decision No 1080/2011/EU, a multilateral European financial institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European financial institution, e.g. bilateral development banks. These Lead Financial Institutions are not definitively known at the adoption of this Action but are indicatively listed in the appendix of this document. Once they will be known, a complementary financing decision needs to be adopted in order to fulfil all the requirements of Article 84.3 of Regulation (EU, Euratom) No 966/2012.

The Lead Financial Institution will be awarded a contract for an individual operation based on its operational and financial capacity.

The Commission will only entrust budget implementation tasks to Lead Financial Institutions which have been assessed through the pillar assessment pursuant to article 60 of Regulation (EU, Euratom) No 966/2012, and have transparent, non-discriminatory, efficient and effective review procedures in place.

Some of the possible entrusted entities are International Organisations (EBRD, Council of Europe Development Bank (CEB), Nordic Investment Bank (NIB)) that are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. Other possible entrusted entities are public bodies or bodies governed by private law with a public service mission (Agence Francaise de Développement, AFD, KfW, the Spanish Agencia Española de Cooperación Internacional Para el Desarrollo (AECID) and the Italian Società Italiana per le Imprese all'Estero (SIMEST)) will undergo the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 related to financial instruments. In both cases and in anticipation of the results of such assessments the responsible authorising officer deems that, based on a preliminary evaluation and on the longstanding and problem free cooperation with these entities, they can be trusted with budget implementation tasks under indirect management.

The entrusted budget-implementation tasks consist of the implementation of procurement, grants and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

In addition, budget-implementation tasks may be sub-delegated by the entrusted entity to the partner country in accordance with 4(7) of Regulation (EU) No 236/2014. The entrusted budget-implementation tasks consist in the implementation of procurement and grants following the rules assessed and approved by the Lead Financial Institution. Payments may be executed by the partner country under the control by the Lead Financial Institution or by the latter.

EU Members States or other donor's contributions to blending operations could be done through a dedicated Fund.

4.4. 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 shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) 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 other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

	Amount in EUR (thousands)	Third party contribution (where known)
Contribution to the Latin American Investment Facility	30 000	
Totals	30 000	

4.6. Reporting and Performance monitoring

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 LAIF including the details laid down in Article 140 of Regulation (EU, Euratom) No 966/2012. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. The beneficiaries should provide all the relevant information on the execution of the projects in order to enable the EC to carry out the required follow up of the actions.

As per the recommendation of the EUBEC, the Commission will monitor the performance of the projects benefiting from a LAIF grant based on the results indicators listed here below. This performance monitoring will be carried out in indicators for each operation, based on sector-specific indicators, including:

a) Transport
- Length of new or upgraded roads;
- Users of new or upgraded roads;
- Length of new or upgraded railways;
- Rail use;
- Length of new or upgraded public transport lanes;
- Public transport users;
- Port terminal capacity (passenger, container or cargo);
- Ports: Terminal(s) user traffic (passenger, container or cargo);
- Airport terminal capacity and
- Airport use

b) Environment/Water and Sanitation
- Length of new or rehabilitated water supply pipes;
- Population benefitting from safe drinking water;
- Length of new or rehabilitated sewer pipes installed;
- Population benefitting from improved sanitation services;
- New connections to water supply;
- Potable Water Produced;
- Water treatment capacity;
- Wastewater Treated and
- Wastewater treatment capacity

c) Energy
- Transmission and distribution lines installed or upgraded;
- Population benefitting from electricity production;
- New connections to electricity;
- Power production;
- Additional capacity from conventional electricity production;
- Variation in CO_2 emissions;
- Additional capacity from renewable energy sources and
- Energy efficiencies

d) Social Sector (social housing, health, education)

- New and/or refurbished habitable floor area;
- Population benefitting from improved housing, conditions;
- New and/or refurbished health facilities;
- Bed occupancy rate;
- New and/or refurbished educational facility;
- Inpatients;
- Outpatients consultations and
- Students benefitting from new and/ or refurbished educational facility

e) Trade and Private Sector Development

- For direct operations: access to finance: number of units served among relevant target group;
- For indirect operations: access to finance: number of units served among relevant target group;
- For direct operations: access to finance: Amount of outstanding loans to relevant target group;
- For indirect operations: access to finance: Amount of Outstanding Loans to relevant target group;
- For indirect operations: access to liquidity/capital: volume of new loans made available to financial intermediaries (e.g. banks, microfinance institutions, funds);
- For direct operations: number of MSMEs reporting increased turnover (as a result of direct support received from the FIs) and
- For both direct and, where feasible, indirect operations: Number of jobs sustained (resulting from the project)

f) Cross sector indicators

- Total number of beneficiaries;
- Number of beneficiaries living below the poverty line (whose living conditions are improved by the project);
- Variation CO_2/Greenhouse gases and
- Jobs sustained / created.

4.7. Evaluation and audit

At the level of the individual operations, monitoring, evaluation and audit tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project. In addition, the Commission reserves the right to undertake external audits in accordance with international standards.

Operations can be the subject of financial control by the Commission (including by OLAF) as well as by the European Court of Auditors.

4.8. Communication and visibility

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts. For each individual project, a communication plan will be prepared by the lead FI, allowing the involvement of the EU Delegations at key stages of the projects having visibility potential. Additional communication measures might be taken if necessary. The European Commission will publish an annual activity report providing an overview of the financed projects.

Appendix 1: LAIF Indicative Pipeline 2014 - 2015

Country	Lead Finance Institution	FIs consortium composition	Operation's Title	2014 LAIF Contribution		Indicative timing
				TA and/ or studies	Grants	
Brazil	KfW	BID	Solar-Thermal Power Plant	0,0	8,0	provisional approval in Q2 2014, final approval in Q4 2014
Brazil	EIB	tbd	Sao Paulo Power Distribution-Elektro II	-	tbd	Second half of 2014
Chile	EIB	tbd	Punta Sierra Wind park	-	tbd	First half of 2014
Chile	EIB	tbd	Chile CCFL	-	tbd	First half of 2014
Colombia	EIB	tbd	Urban Infrastructure in Medellin	-	5	Second half of 2014
Colombia	AFD	BID	Social protection reform	4	4	S1 2014
Ecuador	EIB	EIB, CAF	Global Loan/Loan for water and waste management projects	-	5	First half of 2014
El Salvador	EIB	EIB, BID	Sitramss Public Transport San Salvador	-	tbd	2014
El Salvador	EIB	tbd	Climate Change Loan to El Salvador	-	5	2014
Honduras	EIB	EIB, CABEI	La Esperanza Road Project	-	5 to 6	First half of 2014
Mexique	AFD	BM	Energy transition	4	3	S2 2014
Mexique	AFD	CAF	Interurban sustainable transport	10	0	S1 2014
México	KfW	open (BID, WB, other parties currently financing biodiv. in Mex.)	Sustainable financing of the federal protected areas system	0,0	10,0	provisional and final approval in **2015**
Nicaragua	EIB	EIB, BCIE	El Barro Hydroelectric Plant Construction	-	tbd	2014
Nicaragua	EIB	EIB, BCIE	La Sirena-Los Calpules Hydroelectric Plant	-	tbd	2014

Panama	EIB	tbd	Second Panama Metro Line	-	5 to 6	2014
Peru	KfW	AfD	Urban Transport	3	0	planned appraisal II Q 2014, contract I Q 2015
Regional	KfW	CAF / BCIE	Geothermal Risk Mitigation and Investment Financing Facility (Grant-based Exploration Risk Mitigation Fund & Investment Financing Window)	4,0	16,0	provisional approval in Q4 2013, final approval in 2014
Regional	KfW	CAF	Programa de Eficiencia Energética	2,0	8,0	Provisional approval in Q4 2013, approval in 2014

Total amount indicated for LAIF support	***101***

ANNEX 6

Template for the complementary Commission Decision and short extract of information on projects

EUROPEAN
COMMISSION

Brussels, XXX
[…](2014) XXX draft

COMMISSION DECISION

of XXX

on the complementary financing decision for the <name of the blending facility> to be financed from the [general budget of the European Union][European Development Fund Bridging Facility]

COMMISSION DECISION

of XXX

on the complementary financing decision for the Neighbourhood Investment facility to be financed from the general budget of the European Union

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[1], and in particular Article 84(2) thereof,

Whereas:

(1) The Commission has adopted the Commission Implementing Decison of 20.8.2014 on the European Neighbourhood wide Action Programme 2014 to be financed from the general budget of the European Union which foresees the EU contribution to the Neighbourhood Investment facility. Following the selection process foreseen in this Decision, the projects to be implemented have been given a favourable opinion of the NIF Board.

(2) For projects to be implemented under indirect management, it is necessary to adopt this Decision in order to provide the elements required by the second subparagraph of Article 84(3) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council.

(3) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in the Annex to this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. EIB, AFD, KfW and EBRD are currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entities' positive assessment under Council Regulation (EC, Euratom) No 1605/2002[2] and on the long-standing and problem-free cooperation with them, budget-implementation tasks can be entrusted to these entities.

(4) In case of indirect management with the partner country or a regional organisation (former decentralised management), keep this recital: [The Commission should entrust budget-implementation tasks under indirect management to the [partner country][regional organisation] specified in the Annex to this Decision, subject to the conclusion of a financing agreement. In accordance with Article 60(1)(c) of

[1] OJ L 298, 26.10.2012, p. 1.

[2] Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

Regulation (EU, Euratom) No 966/2012 EDF BF:[applicable by virtue of Articles 17 and 2(1) of the Annex to Regulation (EU) No 567/2014], the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in the Annex to this Decision.]

HAS DECIDED AS FOLLOWS:

Sole Article

Adoption of the projects to be implemented and of their modalities

The list of projects to be implemented under indirect management in the framework of the Neighbourhood Investment facility, as set out in the Annex attached, is approved.

Budget-implementation tasks under indirect management may be entrusted to the entities identified in the Annex attached, subject to the conclusion of the relevant agreements.

Done at Brussels,

For the Commission
Neven Mimica

ANNEX

Title of the project	Selected Entrusted Entity	Amount of EU contribution	
Regional - Caucasus Transmission Network (Transmission Line and HVDC station between Armenia and Georgia), Stage 1	KfW	10 000 000	
Moldova – Fruit Garden	EIB	8 200 000	
Armenia – Yerevan Solid Waste	EBRD	8 020 000	
E5P Expansion to other Eastern Partnership Countries	EBRD	30 000 000	
Programme for Modernization and Rehabilitation of Municipal Infrastructure	KfW	3000000	
Noor II Second parabolic trough Concentrated Solar Power plant of the Ouarzazate Solar Complex1	KfW	40 000 000	
Egyptian Pollution Abatement Programme III	EIB	10 000 000	
Risk Capital facility for the Southern Neighbourhood countries	EIB	25 000 000	

Noor III : Tower plant of the Ouarzazate Solar Complex	KfW	50 000 000[3]	
Egyptian Abatment Pollution Programme III	EIB	10 000 000	
Moldova North Water	EBRD	10 020 000	

[Measures to supervise and support the implementation of the entrusted tasks in indirect management with [the partner country[ies]][[a] regional organisation[s]]]

The [partner country][regional organisation] will act as the contracting authority for the procurement and grant procedures. The Commission will control choose one of the options of indirect management without or with programme estimates [ex ante all the procurement and grant procedures.][ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 50,000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the contracting procedures for all grant contracts.]

Payments are executed by the Commission keep the following in case of indirect management with programme estimates[except in cases where programmes estimates are applied, under which payments are executed by the [partner country][regional organisation] for see next paragraph[ordinary operating costs,] direct labour and contracts below EUR 300,000 for procurement and up to EUR 100,000 for grants

COMMISSION IMPLEMENTING DECISION of 20.8.2014 on the European Neighbourhood wide Action Programme 2014 to be financed from the general budget of the European Union

of 20.8.2014 on the European Neighbourhood wide Action Programme 2014 to be financed from the general budget of the European Union

[3] Ths amount may be decreased

Egyptian Pollution Abatement Programme III

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Sector: Energy/Environment *DAC code:* 41020 Air pollution control, ozone layer preservation; marine pollution control. 14015 Water Resource Protection: Industrial effluents
Partner country/region	Egypt
Lead FI	European Investment Bank (EIB)
Co-financiers	Agence Française de Développment (AFD); KfW
EU contribution requested	EUR 10, 000,000
Total cost of the project	EUR 105,960,000
Objectives to be fulfilled (main)	The main objective of the project is to set a framework for encouraging cleaner production uptake in Egypt by promoting technologies achieving significant pollution abatement in the industry, i.e. control, reduce or prevent anthropogenic emissions. To some extent, in doing so it will help reducing the greenhouse gas emissions (GHG). It will also improve the living and workplace conditions. The project will also strengthen the enforcement capacity of the EEAA (TA) making it more efficient and help the banks to become more pro-active in the financing of environmental projects thanks to capacity building (TA) in order to insure the sustainability of the project. This operation will be intermediated by local banks and as such will contribute to the development of the Egyptian banking sector. By focusing on SMEs the project will also support job creation.
Foreseen results	The project will contribute to more efficient use of energy and wastewater cleansing by industrial customers in the Egypt, reduction in global greenhouse gas emissions and reduction in local pollution with consequent benefits for human health.

Description of the activities	The programme addresses point source pollution from industrial pollution as well as diffuse pollution (work environment). The investment component is coupled with a set of technical assistance (TA) and institutional support activities to insure the sustainability of the project. The grant from the NIF and KfW to support the investment of the final beneficiaries will consist of direct investment grants (no interest rate subsidies). Direct investment grants are estimated at € 19.42 million, of which € 4 million from the NIF, € 10.42 million from KfW to complement the loans from the co-financiers. €5 million from KFW will be dedicated to the SME window. The request for TA from the NIF has been estimated at € 6 million and the three TA components identified will be tendered into one main contract. The indicative cost breakdown is as follow: • Support to PMU (€2.5 million) • Capacity building/institutional strengthening to the EEAA (€2.5 million) • Capacity building to the banks (€1 million)
Location	Egypt
Duration i.e. implementation period and indicative implementation timetable	Signature of the Agreement: October 2014 Start of activities: 1st Quarter 2015 End of activities: 2020

ANNEX 7

Template for project pipeline

Pipeline

										EU Contribution					National / other contribution envisaged						
	Year	Country	Lead Finance Institution	FIs consortium composition	Operation's Title	Sector	Rio Marker	Project promoter*	Total budget (MEUR)	Technical Assistance	Grants	Risk sharing instruments (guarantee/risk capital)	Loan envisaged by lead FI (M EUR)		M EUR	Contributor	Beneficiaries (final recipients)	Indicative timing for submission to technical meeting (TAM)	Short description of the action and main objectives	Value added of EU grant	Compliance with the strategic objectives
													sovereign	not sovereign							

* Including implementing agency and financial intermediaries when applicable.

Devco precision requested by director C

ANNEX 8

Sample delegation agreement

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For discussion purposes and subject to review and approval by the Parties

DELEGATION AGREEMENT

between

THE EUROPEAN UNION

and

THE EUROPEAN INVESTMENT BANK

in respect of the

[ACTION]

financed from the [general budget of the European Union] [European Development Fund] [under the [FACILITY]]

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This Delegation Agreement is entered into on [*date*] between:

the **European Union,**

represented by the European Commission, [200, rue de la Loi, B-1049 Bruxelles, Belgium,] which is represented for the purposes of the signature of this Delegation Agreement by
[*name*], [*position*], Directorate-General [•]

(the "Commission"),

on the one hand, and

the **European Investment Bank,**

with its head office at 98-100, boulevard K. Adenauer, L-2950 Luxembourg, Grand Duchy of Luxembourg, represented for the purposes of the signature of this Delegation Agreement by [*name*], [*position*], [*directorate*] and by [*name*], [*position*], [*directorate*]

(the "Bank"),

on the other hand,

(the Commission and the Bank referred to each as a "Party" and together as the "Parties").

WHEREAS

RECITALS ARE PROPOSALS / ILLUSTRATIONS, TO BE FURTHER ADAPTED.

[*European Neighbourhood Instrument:*

(1) Regulation (EU) No. 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77/15.3.2014, p.27) (the "ENI Regulation") sets up the European Neighbourhood Instrument (the "ENI") as one of the instruments providing financing for the European Union's external action in partner countries covered by the European Neighbourhood Policy. The ENI Regulation replaced the Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (OJ L 310/1, 9.11.2006) (the "ENPI Regulation") which expired on 31 December 2013.

(2) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) (the "Financial Regulation") sets out the financial rules applicable to the general budget of the Union, including external actions financed from the budget of the Union.

(3) Regulation (EU) No.236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (OJ L 77/15.3.2014, p.95) (the "Common Implementation Regulation") sets out the common rules and conditions for the provision by the Union of financial assistance to actions under several instruments for financing Union's external action, including the ENI (the ENI Regulation as complemented by the Common Implementation Regulations referred to as the "Legal Basis").

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(4) In accordance with Article 185 of the Financial Regulation and Article 4(7) of the Common Implementation Regulation, external actions may be implemented by the Commission indirectly by entrusting budget implementation tasks to any entity listed in point (c) of Article 58(1) of the Financial Regulation.

(5) By Financing Decision No [●], the Commission approved a contribution of EUR [●] (the "EU Contribution") to be used in form of the [*name*] (the "Action") to support the [*name*] Project (as defined below). Based on this Financing Decision, the Commission has decided to entrust the implementation and management of the Action to the Bank through this Delegation Agreement in accordance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation.

[*For Actions financed under the Neighbourhood Investment Facility, use Recitals (1) to (4) from ENI and the following:*

(1) In the context of the ENI blending framework, the Commission has established the Neighbourhood Investment Facility ("NIF") by Decision C(2007) 6280 and Decision C(2014) 5750 of 20 August 2014. The NIF overarching objective is to mobilise additional investments to support the establishment of an area of prosperity and good neighbourliness involving the EU and neighbouring countries. The NIF pursues three strategic objectives, notably (i) establishing better energy and transport interconnections between the EU and neighbouring countries and among neighbouring countries themselves, (ii) addressing threats to the common environment including climate change and (iii) promoting smart, sustainable and inclusive growth, in particular through support for small and medium size enterprises to agriculture and rural development, to the social sector, including human capital development and to municipal infrastructure development.

(2) The NIF is governed by an operational board comprised of representatives of the Commission, the Member States [of the EU / to the NIF] as well as representatives of the eligible financial institutions as observers (the "NIF Board").

(3) On [*date*], the NIF Board provided a positive opinion on a contribution of EUR [●] (the "EU Contribution") to be used in form the [*name*] (the "Action") to support the Project (as defined below). By Financing Decision No [●], the Commission approved a contribution of EUR [●] (the "EU Contribution") to be used through the [*name*] (the "Action") to support the [*name*] Project. Based on this Financing Decision, the Commission has decided to entrust the implementation and management of the Action to the Bank through this Delegation Agreement in accordance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation.

[*Instrument for Pre-Accession Assistance II:*

(1) Regulation (EU) No.231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II) (the "IPA II Regulation") sets up the Instrument for Pre-Accession Assistance (the "IPA II") as the instrument for providing financing for the European Union's external action in EU candidate and accession countries.

(2) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) (the "Financial Regulation") sets out the financial rules applicable to the general budget of the Union, including external actions financed from the budget of the Union.

(3) Regulation (EU) No.236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (OJ L 77/15.3.2014, p.95) (the "Common Implementation Regulation") sets out the common rules and conditions for the provision by the Union of financial assistance to actions under several instruments for financing Union's external action, including the IPA II (the IPA II Regulation as complemented by the Common Implementation Regulations referred to as the "Legal Basis").

(4) In accordance with Article 185 of the Financial Regulation and Article 4(7) of the Common Implementation Regulation, external actions may be implemented by the Commission through indirect management, by entrusting budget implementation tasks to any entity listed in point (c) of Article 58(1) of the Financial Regulation.

(5) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] (the "EU Contribution") to be used in form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[*For Actions financed under the Development Cooperation Instrument, but outside DCI Blending Facilities, use Recitals (1) to (5) below:*

(1) Regulation (EU) No.233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation (the "DCI Regulation") sets out the Development Cooperation Instrument (the "DCI") as one of the instruments providing financing for the European Union's external action in, inter alia, developing countries included in the list of recipients of official development assistance (ODA) established by the OECD/DAC and which are not covered by other specific cooperation instruments.

(2) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) (the "Financial Regulation") sets out the financial rules applicable to the general budget of the Union, including external actions financed from the budget of the Union.

(3) Regulation (EU) No.236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (OJ L 77/15.3.2014, p.95) (the "Common Implementation Regulation") sets out the common rules and conditions for the provision by the Union of financial assistance to actions under several instruments for financing Union's external action, including the DCI (the DCI Regulation as complemented by the Common Implementation Regulations referred to as the "Legal Basis").

(4) In accordance with Article 185 of the Financial Regulation and Article 4(7) of the Common Implementation Regulation, external actions may be implemented by the Commission through indirect management, by entrusting budget implementation tasks to any entity listed in point (c) of Article 58(1) of the Financial Regulation.

(5) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] (the "EU Contribution") under the DCI, to be used in form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]]

[*For Actions under Investment Facility for Central Asia – use Recitals (1) to (4) from DCI, and add (1) to (2) below:*

(1) By Decision [no.], the Commission set up the Investment Facility for Central Asia (the "IFCA"), a financing instrument governed by an operational board comprised of representatives of the Commission, the Member States of the EU and of other donors (the "DCI Board") and aimed at supporting the partner countries in Central Asia through the provision of non-reimbursable financing from the general budget of the European Union to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the IFCA (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the

Project (as defined below). In compliance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[For Actions under Asia Investment Facility – use Recitals (1) to (4) from DCI, and add (1) to (2) below:

(1) By Decision [no.], the Commission set up the Asia Investment Facility (the "AIF"), a financing instrument governed by an operational board comprised of representatives of the Commission, the Member States of the EU and of other donors (the "DCI Board") and aimed at supporting the partner countries in Asia through the provision of non-reimbursable financing from the general budget of the European Union to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the AIF (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]]

[For Actions under Latin America Investment Facility - use Recitals (1) to (4) from DCI, and add (1) to (2) below:

(1) By Decision no.[●], the Commission set up the Latin America Investment Facility (the "LAIF"), a financing instrument governed by an operational board comprised of representatives of the Commission, the Member States of the EU and of other donors (the "DCI Board") and aimed at supporting the partner countries in Latin America through the provision of non-reimbursable financing from the general budget of the European Union to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the LAIF (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Articles 58(1)(c)(iii), 139(4) and 185 of the Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[For Actions under the European Development Fund but outside the Cotonou Investment Facility, managed by the Bank, and outside any EDF-financed Blending Facility, use Recitals (1) to (5) below:

(1) The Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States of the other part, signed in Cotonou (Benin) on 23 June 2000, as revised in Luxembourg on 25 June 2005 and in Ouagadougou (Burkina Faso) on 23 June 2010 (the "ACP-EU Partnership Agreement") sets out the principles and areas for cooperation between its signatories, and foresees the European Development Fund (the "EDF") as the main financing instrument for providing Union assistance for development cooperation under the ACP-EU Partnership Agreement. The EDF is funded by the EU Member States on the basis of specific contribution keys, covering a multi-annual period.

(2) Pursuant to the Internal Agreement of 24 and 26 June 2013 between the Representatives of the Governments of the Member States of the European Union, meeting within the Council on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020 in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (the "EDF Internal Agreement") the

objectives of the EDF for the 2014-2020 period are poverty eradication, sustainable development and the gradual integration of ACP States into the world economy.

(3) In accordance with Article 17 of Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund (OJ L 58, 3.3.2015, p. 17) (the "EDF Financial Regulation"), the EDF may be implemented by the Commission through indirect management, by entrusting budget implementation tasks to any entity listed in point (c) of Article 58(1) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

(4) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the EDF (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Article 17 [***Note:*** *To be added only when the EU Contribution finances a Financial Instrument as (one or more of) the Action Window(s).*] and Article 40 (second paragraph)] of the EDF Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[For Actions under Africa Investment Facility – use Recitals (1) to (3) from the EDF and add (1) to (2) below:

(1) By Decision no.[●], the Commission set up the Africa Investment Facility (the "AfIF"), a financing instrument governed by an operational board comprised of representatives of the Commission, the Member States of the EU and of other donors (the "EDF Board") and aimed at supporting the partner countries in the Sub Saharan Africa region through the provision of non-reimbursable financing from the EDF to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the EDF (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Article 17 [***Note:*** *To be added only when the EU Contribution finances a Financial Instrument as (one or more of) the Action Window(s).*] [and Article 40 (second paragraph)]of the EDF Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[For Actions under Caribbean Investment Facility - use Recitals (1) to (3) from the EDF and add (1) to (2) below:

(1) By Decision no.[●], the Commission set up the Caribbean Investment Facility (the "CIF"), a financing instrument governed by an operational board comprised of representatives of the Commission, the Member States of the EU and of other donors (the "EDF Board") and aimed at supporting the partner countries in the Caribbean region through the provision of non-reimbursable financing from the EDF to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the CIF (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Article 17 [***Note:*** *To be added only when the EU Contribution finances a Financial Instrument as (one or more of) the Action Window(s).*] [and Article 40 (second paragraph)] of the EDF Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[For Actions under Investment Facility for the Pacific - use Recitals (1) to (3) from the EDF and add (1) to (2) below:

(1) By Decision no.[●], the Commission set up the Investment Facility for the Pacific (the "IFP"), a financing instrument governed by an operational board comprised of representatives of the

Commission, the Member States of the EU and of other donors (the "EDF Board") and aimed at supporting the partner countries in the Pacific region through the provision of non-reimbursable financing from the EDF to accompany reimbursable financing from European public finance institutions, including the Bank, in order to generate a substantial leverage effect.

(2) By Financing Decision no.[●], the Commission approved a contribution of EUR [●] under the IFP (the "EU Contribution") to be used in the form of the [*name*] (the "Action") to support the Project (as defined below). In compliance with Article 17 [***Note:*** *To be added only when the EU Contribution finances a Financial Instrument as (one or more of) the Action Window(s).*] [and Article 40 (second paragraph)] of the EDF Financial Regulation, the Commission entrusts the implementation and management of the Action to the Bank.]

[*For all Actions use Recitals below:*

(3) The Parties are willing to cooperate in view of the implementation and management of the Action.

(4) The Parties have signed on 7 and 8 May 2014 a Financial and Administrative Framework Agreement (FAFA) setting out the main principles, standard terms, conditions and procedures under which the Parties shall cooperate in the preparation, set-up, implementation and management of Financial Instruments and Additional Tasks administered by the Bank, to which the Union makes a financial contribution from the Union budget or the EDF.

(5) The provisions laid down in the FAFA shall apply as common provisions for this Delegation Agreement.

(6) The detailed provisions relating to the cooperation between the Parties for the implementation and the management of the Action shall be agreed in this Delegation Agreement.

(7) The Commission has, before the operational implementation of the Action starts, and will continue to ensure, to the extent falling within its competences, consistency of the Action with applicable Union law, in particular State aid rules, and the fulfilment of specific conditions, if any, linked to the Action. Such conditions are defined in this Delegation Agreement.

(8) The signature of this Delegation Agreement on behalf of the Bank has been authorised by the [Board of Directors] / [Management Committee] of the Bank on [*date*].

THE PARTIES HAVE AGREED AS FOLLOWS

Part I – Definitions, Scope, Objectives and Tasks

Article 1 - Definitions

1.1 Wherever used in this Delegation Agreement, terms defined in the FAFA shall have the same meanings as in the FAFA, unless otherwise defined in this Delegation Agreement.

1.2 Wherever used in this Delegation Agreement, the following terms shall have the meanings opposite them:

[**NOTE:** Definitions table to be further developed. It will include all definitions which are relevant regardless of the types of windows included under the Action, whereas definitions that are specific to a particular window are included in the relevant annex. For the definitions in the blue cells, select as applicable for each Action.]

"Action"	means the set of activities to be performed by the Bank as entrusted entity pursuant to this Delegation Agreement in respect of the EU Contribution (as defined below).
"Action Account"	means the account opened by the Bank in its books for purpose of managing the EU Contribution Paid (as defined below) and which consists of [*number of accounts*] accounts corresponding to the Windows of the Action as further described in [Article 8] (*Action Account*) *and referred to as the Financial Instrument Account in the FAFA where such account refers to a FI window*
"Additional Tasks Window"	means the [Technical Assistance Window], [the Investment Grant Window] and the [Interest Rate Subsidy Window].
"Annex"	means an annex to this Delegation Agreement.
"Bank Contribution"	means the financial contribution of the Bank to the Action or the Project (as defined below), further described in [Article 7] (*Contribution of the Bank*).
["Bank Guide to Procurement"	means the Guide to Procurement published on Bank's website that informs the promoters of projects financed in whole or in part by the Bank of the arrangements to be made for procuring works, goods and services required for the Project, as available on the website of the Bank at the [relevant date / date of this Delegation Agreement]. The Bank Guide to Procurement describes the rules to be applied by the Grant Beneficiaries (as defined below) when procuring services, works or supplies financed, in whole or in part, by the EU Contribution under the Action.]
"Bank Environmental and Social Standards"	means (i) the EIB Statement of Environmental and Social Principles and Standards and (ii) the EIB Environmental and Social Standards contained in Volume I of the EIB Environmental and Social Practices Handbook as published on the Bank's website. For the avoidance of doubt, the Bank Environmental and Social Standards include references to the EU Charter for Fundamental Rights and to labour rights and are deemed a human rights-responsive due diligence framework.
"Blending Facility"	as set out in the FAFA, for the purposes of this Delegation Agreement it designates the [NIF] / [AIF] / [IFCA] / [LAIF] / [AfIF] / [CIF] / [IFP] [*specify as applicable*].
"Business Day"	as set out in the FAFA.
"Common	means Regulation (EU) No 236/2014 of the European Parliament and of the

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Implementation Regulation"	Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (OJ L 77, 15.3.2014, p. 95) as it may be amended, supplemented or modified from time to time.
"Communication Activities"	means the communication activities in respect of the EU Contribution under the Action, as set out in Article [29] (*Communication Activities*) and further described in Annex 1[g].
"Contractor"	means the legal or natural persons, or any association thereof (whether formal or informal) with which a Grant Beneficiary concludes a Procurement Contract (as defined below).
"Debt Agreement"	means the agreement entered into between the Bank and a Debt FI Financial Intermediary or a Debt FI Final Recipient for an Operation under the Debt FI Window.
"Debt FI" and "Debt FI Window"	means the debt financial instrument which is a window of the Action as further described in Annex 1[b].
"Delegation Agreement"	means this Delegation Agreement as may be amended, supplemented or amended from time to time.
"Designated Service"	means the Commission's Directorate-General [•] or any successor service thereto communicated to the Bank in writing.
"Equity FI" and "Equity FI Window"	means the equity and/or quasi-equity financial instrument which is a window of the Action as further described in Annex 1[a].
"EU Contribution"	as set out in the FAFA and further described in [Article 6] (*EU Contribution*).
"EU Contribution Committed"	as set out in the FAFA and specified in [Article 6] (*EU Contribution*).
"EU Contribution Paid"	as set out in the FAFA[, *provided that*, for the purposes of the Financial Instruments Window under this Delegation Agreement, it shall not include the revenues generated, or repayments received from, the Financial Instruments attributable to the EU Contribution and returned to the relevant Financial Instruments Window account].
["Exceptional Unforeseen Expenses"]	[means in respect of the Financial Instrument(s) the exceptional expenses referred to in Article 13.4 of the FAFA.] *[**NOTE: For the FI to be signed in 2015**, the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management fees and no unforeseen exceptional expenses will be charged to the EU Contribution.]*
"Execution Period"	means the period of performing the tasks under the Action starting from the date specified in Article 3.4 (*Description and Objectives of the Action and its Windows*) and covering: a) in respect of Financial Instruments, the period up to the date when all actions under the Financial Instruments Window have been completed such that the EU Contribution can no longer be utilised. b) in respect of Additional Tasks, the period up to the date when all activities, such as delivery of the services, works and supplies under the Additional Tasks Window have been completed such that the EU Contribution can no longer be

	utilised; and, in all cases, including Communication Activities and Special Audits, if any. For clarification purposes, the term Execution Period within the meaning of this Delegation Agreement is equivalent to the term "Implementation Period" as used by the Commission.
"FAFA"	means the Financial and Administrative Framework Agreement signed between the Parties on 7 and 8 May 2014.
"Fees"	means the fees due to the Bank under this Delegation Agreement, in accordance with Article 13 of the FAFA, as further set out in [Article 9] (*Remuneration of the Bank*) and [Annex 4] of this Delegation Agreement; [for the avoidance of doubt, Fees do not include the Exceptional Unforeseen Expenses].
["Final Beneficiary"]	[means a recipient (natural or legal person), other than a Grant Beneficiary, a Contractor or a Service Provider, who receives support under the Additional Tasks Window of the Action.]
["Final Recipient"]	means a recipient (natural or legal person), other than a Financial Intermediary or Financial Sub-Intermediary [or a Service Provider] who receives financial support under the Financial Instrument Window(s) of the Action.
"Financial Identification Form"	means a document in the form of [Annex 3], issued by the Bank.
"Financial Instrument"	as set out in the FAFA and for the purpose of this Delegation Agreement: [one / two] financial instruments established under the Action, [the Equity FI and/or the Debt FI, together referred to as the Financial Instruments] as further described in [Annex 1], and these shall be covered by this Delegation Agreement.
"Financial Instruments Window"	means the Equity FI and/or the Debt FI and the related Support Actions, if any.
"Financial Intermediary"	as set out in the FAFA; for the avoidance of doubt, the definition of Financial Intermediary includes also financial entities selected as financial sub-intermediaries by a Financial Intermediary, if applicable.
["Financing Decision"	means a Commission decision pursuant to Article 84(2) of the Financial Regulation.]
"Financial Regulation"	as set out in the FAFA.
"Grant"	means in respect of the Additional Tasks Window, the amount of financial support provided by the Bank to a Grant Beneficiary in order to implement the Action.
"Grant Beneficiary"	means in respect of the Additional Tasks Window, the entity identified in Annex [1 d /e / d and e] as recipient of the Grant and with which the Bank concludes a Grant Agreement.
"Grant Agreement"	means the agreement entered into between the Bank and the Grant Beneficiary in respect of the Grant to be provided under the Action.
"Implementation Period"	[as set out in the FAFA and as further specified in [Article 3.3] (*Description and Objectives of the Action and its Windows*).] For clarification purposes, the term Implementation Period within the meaning of the FAFA is equivalent to the term "Contracting Period" as used by the Commission.

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"Instrument"	means [*the specific instrument of the EU supporting the external action described herein*, e.g.: *ENI, IPA II, DCI, EDF*] [***NOTE:*** *The Instruments are created by an EU Regulation and provide for the various Blending Facilities financed thereunder*.]
["Interest Rate Subsidy Window"	means the interest rate subsidy instrument which is a window of the Action as further described in Annex 1[f].]
"Investment Agreement"	means the agreement entered into between the Bank and an Equity FI Financial Intermediary or an Equity FI Final Recipient for an Operation under the Equity FI Window.
["Investment Grant Window"	means the investment grant facility which is a window of the Action as further described in Annex 1[e]. Investment grants may consist of capital transfers made to Grant Beneficiaries to finance all or part of the costs of their investments in fixed assets, such as buildings, machinery etc,.]
"Lead Financial Institution" / "LFI"	means, in respect of a Project supported by the EU Contribution in the form of the Action in the framework of a Blending Facility, the financial institution designated by agreement of all the co-financiers of the Project, including the Project promoter, to co-ordinate their actions in respect of the Project, under the terms of a separate legal agreement.
"Legal Basis"	means, for the purposes of this Delegation Agreement, the basic act or the legal basis adopted in respect of the Instrument as specified in the Recitals.
"Leverage Effect"	has in respect of the Financial Instrument(s) the meaning as set out in the FAFA.
"Member State"	as set out in the FAFA.
"OLAF"	as set out in the FAFA.
"Operation"	means the set of activities which form the object of an Investment Agreement or a Debt Agreement.
"Operational Guidelines"	means the guidelines for Action Windows as set out in Annexes [1a, 1b, 1c, 1d, 1e and 1f].
"Procurement Contract"	means contracts for pecuniary interest concluded in writing between the Grant Beneficiary and a Contractor, which have as their object the execution of works, the supply of products or the provision of services and are partially or fully financed by the EU Contribution.
"Project"	means the overall project described in the introduction to Annex 1 (*Background to the Action*) which receives separate support from the EU using the EU Contribution through the Action, from the Bank using its own resources and, as the case may be, other financiers.
"RAP"	as set out in the FAFA.
["Secretariat"	as set out in the FAFA.]
"Service Contract"	means an agreement entered into between the Bank and a Service Provider pursuant to a public procurement procedure and under which the Service Provider delivers services as further described under the [Support Actions] and [the Technical Assistance Window].
"Service Provider"	means the natural or legal person, or an association thereof – whether formal or informal – with which the Bank concludes a Service Contract.
["SME"	means micro, small and medium-sized enterprises as defined in EU recommendation 2003/361 and as amended from time to time.]
"Special Audit"	means any technical, special or other audit, including the certification of expenditure, in relation to the Action required by the Commission from the Bank other than the yearly audit of the [financial statements for the Financial Instruments Window / financial statement of expenditure for the Additional Tasks Window] as described [Annex 6].

"Support Actions"	means the support actions in direct relation to a Financial Instrument [the Equity FI and/or the Debt FI] as set out in [Article 15] (*Support Actions*) and [Annex 1c] of this Delegation Agreement.
"Technical Assistance Window"	means the services which are a window of the Action as further described in Annex 1[d]. Technical assistance may, *inter alia*, comprise studies for the identification and preparation of projects, feasibility studies, economic and market studies, technical studies as well as advisory, works and project supervision and other consultancy services.
"Tripartite Agreement"	means the tripartite agreement referred to in Article 287 of the Treaty and entered into on 27 October 2003 by the Commission, the European Court of Auditors and the Bank on the cooperation with respect to the modes for controls exercised by the European Court of Auditors, as may be amended, supplemented or modified from time to time.
"Union Emblem"	means the logo of the European Union with the twelve yellow stars on a blue background as being used by all the institutions, bodies, offices and agencies of the European Union in accordance with *The Interinstitutional style guide* of the Publications Office of the European Union and *The Use of the EU Emblem in the Context of EU Programmes and in Non-EU Countries – Guidelines for beneficiaries and other third parties* as developed by the Commission and as updated from time to time. These guidelines are available at: http://ec.europa.eu/dgs/communication/services/visual_identity/pdf/use-emblem_en.pdf.
"Unitary Fund"	as set out in the FAFA.
"Window"	means each of the Equity FI, the Debt FI, the Technical Assistance Window, the Investment Grant Window and the Interest Rate Subsidy Window.

1.3 Additional defined terms linked to specific Windows are provided in the relevant Annexes.

1.4 In this Delegation Agreement, unless the context otherwise requires,

a) headings are for convenience only and do not affect the construction or the interpretation of any provisions of this Delegation Agreement;

b) words importing the singular include the plural and vice versa;

c) a reference to an article, section, part or annex is a reference to that article, section, part of, or annex to this Delegation Agreement;

d) references to the FAFA are references to the FAFA as in force at the date of signature of this Delegation Agreement

e) references to legislative acts are those acts as amended or replaced from time to time.

Article 2 – Purpose and Scope of the Delegation Agreement

2.1 The Action shall be implemented and managed by the Parties in accordance with the FAFA and this Delegation Agreement.

2.2 This Delegation Agreement specifies the detailed terms and conditions applicable for the implementation and the management of the Action and notably the terms applicable to the EU Contribution to be provided by the Commission to the Bank, taking into account the Legal Basis.

2.3 The provisions laid down in the FAFA shall apply as common provisions for this Delegation Agreement. In case of conflict between [Annex 1] and the body of this Delegation Agreement, the body of this Delegation Agreement shall prevail. In case of conflict between the FAFA and this Delegation Agreement, and subject to any derogations from the FAFA agreed in this Delegation Agreement, the FAFA shall prevail.

Article 3 – Description and Objectives of the Action and its Windows

3.1 The Action contributes to the general objectives of the Instrument as set out in [reference to the relevant provision of the Instrument] and to [description of the objectives of this Action as set out in the Implementing / Financing Decision]. The specific objectives of the Windows of the Action are described the relevant Operational Guidelines.

3.2 The Action comprises the following Windows: [*select as applicable*]

a) the Financial Instruments Window which consists of:

(1) an equity and/or quasi-equity financial instrument (the “Equity FI”) as further described in Annex 1[a];

(2) a debt financial instrument (the “Debt FI”) as further described in Annex 1[b];

(3) support actions provided in direct relation to the implementation of the [Equity FI / the Debt FI / the Financial Instruments] (the “Support Actions”) as further described in Annex 1[c].

b) the Additional Tasks Window which consists of:

(1) technical assistance services (the “Technical Assistance Window”) as further described in Annex 1[d];

(2) investment grants (the “Investment Grant Window”) as further described in Annex 1[e];

(3) interest rate subsidies (the “Interest Rate Subsidy Window”) as further described in Annex 1[f].

3.3 The Implementation Period for the Action shall start upon signature of this Delegation Agreement and end on:

a) [*date / termination of this Delegation Agreement*], or

b) any earlier date specified by either Party if this Delegation Agreement is terminated early, or

c) any later date, as notified in writing by one Party to the other and as formally agreed by the Parties.

3.4 The Execution Period for the Action shall be of [•] months, or any other duration as notified in writing by one Party to the other, and shall start upon [*choose as applicable from the options below*]:

a) signature of this Delegation Agreement; or

b) [*date*].

[***NOTE:*** *Consider consequences of the need to have the Bank’s finance contracts ratified by the beneficiary country on the period of execution of the investment grant.*]

Article 4 – General Obligations and Tasks of the Bank

4.1 The Commission hereby entrusts the Bank with the implementation and the management of the Action.

4.2 As provided in [Article 2.1] (*Purpose and Scope of the Delegation Agreement*), the Bank shall implement and manage the Action and its Windows in accordance with the FAFA and this Delegation Agreement. For the avoidance of doubt, the Bank shall be responsible only for performing those obligations relating to the Action specifically set forth in this Delegation Agreement.

4.3 In accordance with Article 3.1 of the FAFA, the Commission has, before the operational implementation of the Action starts, and will continue to ensure, to the extent falling within its competences, consistency of the Action with applicable Union law, in particular State aid rules, and the fulfilment of specific conditions linked to the Action as defined in this Delegation Agreement.

4.4 For the purpose of implementing and managing the Action and its Windows, the Bank shall:

a) take all decisions on the use of the EU Contribution for the Action, subject to the Operational Guidelines, and notify the Designated Service on de-commitment of, when appropriate,;

b) negotiate and enter into any and all legal arrangements and take any subsequent actions as the Bank in its professional opinion deems appropriate for the implementation, management and, as the case may be, the termination of the Action and its Windows;

c) [*if applicable*, exercise all rights assigned to it as guarantor or investor, as the case may be, in connection with the Action and its Windows;]

d) manage (including without limitation commence, conduct, settle or defend) any litigation or any other legal action, arbitration or proceeding in connection with the Action and its Windows, as required;

e) as further detailed in [Article 8] (*Action Account*), open in its books, maintain and close the Action Account in the name of the Commission, debit and credit the Action Account in accordance with the provisions of this Delegation Agreement, make all payments provided for in this Delegation Agreement and, otherwise, undertake all transactions contemplated by this Delegation Agreement in connection with the Action Account;

f) in accordance with Article 14.4 of the FAFA, keep financial and accounting documents concerning the EU Contribution Paid for a term of seven (7) years following the end of this Delegation Agreement;

g) ensure the ex-post publication of information on support provided under the Action Windows in accordance with [[Article 18] (*Publication of information on support provided under the Financial Instruments*) and / or [Article 23] (*Publication of information on support provided under the Additional Tasks*)] of this Delegation Agreement;

h) ensure protection of personal data, in compliance with Article 22.5 of the FAFA;

i) set up and ensure functioning of an effective and efficient internal control system, in compliance with Article 16.1 of the FAFA;

j) monitor and carry out controls on the implementation of the Action as set out in the FAFA and this Delegation Agreement;

k) apply effective and proportionate anti-fraud measures taking into account the risks identified as set out in the FAFA and in this Delegation Agreement;

l) undertake the operational and financial reporting set out in the FAFA and this Delegation

Agreement;

m) promote the Action and assist the Commission in achieving visibility of the Union support, as further specified in [[Article 17] (*Visibility and Promotion of the Financial Instruments*) and/ or [Article 22] (*Visibility and Promotion of the Additional Tasks*)];

n) [*if applicable*, not create any charges, liens, pledges or other encumbrances over any funds held on the Action Account other than those implied by law;]

o) take such other action as it may deem necessary in its professional opinion for the proper implementation and management of the Action;

(p) apply professional standards and practices with not less care than applied to activities it carries out at its own risk and comply with the terms of this Delegation Agreement;

(q) comply with relevant provisions of the Asset Management Guidelines, as set in Schedule IV of the FAFA

(r) perform any other task(s) agreed in this Delegation Agreement

Article 5- Governance

In accordance with Article 6.9 of the FAFA, the Parties agree that the provisions of Articles 6.1 to 6.8 of the FAFA shall not apply to the Action.

Article 6 – EU Contribution

*[**NOTE:** Article to be further developed and adapted to the various types of activities that may be co-financed by the EU Contribution under Financial Instruments and Additional Tasks types of instruments, in particular in respect of the payment schedule and procedure. Currently it includes clauses similar to ones already used for Financial Instruments within EU, and which may not be entirely transferable to operations outside EU]*

NOTE: For the FI to be signed in 2015, the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management fees and no unforeseen exceptional expenses will be charged to the EU Contribution.

6.1 The EU Contribution Committed to the Action in support of the Project shall be EUR [•] and shall be used for the Action as follows:

Use of the EU Contribution Committed	**Amount (EUR)**	**Percentage of the EU Contribution**
I. Financial Instruments Window		
➢ Equity FI		
➢ Debt FI		
➢ Support Actions		
➢ Bank Fees for managing the Financial Instruments Window		
➢ [Exceptional Unforeseen Expenses]		
Sub-total I - Financial Instruments Window		
II. Additional Tasks Window		
➢ Technical Assistance Window		
➢ Bank Fees for managing the TA Window		
➢ Investment Grant Window		
➢ Bank Fees for managing the IG Window		
➢ [Interest Rate Subsidy Window]		
➢ [Bank Fees for managing the IRS Window]		
Sub-total II - Additional Tasks Window		
III. Other Activities		
Communication Activities		
Special Audit		
Sub-total III - Other Activities		
Total EU Contribution Committed		100%

6.2 The EU Contribution shall be used to cover exclusively [:

a) the amount committed by the Bank for Operations under the Financial Instruments;

b) the amount required by the Bank to implement the [Equity FI related / Debt FI related] Support Actions;

c) the Exceptional Unforeseen Expenses in respect of the Financial Instruments;

d) the amount committed by the Bank through Service Contracts in respect of the Technical Assistance Window;

e) the amount committed by the Bank through Grant Agreements in respect of the [Technical Assistance Window] / [Investment Grant Window] / [Interest Rate Subsidy Window] / [•];

f) the amount required by the Bank to implement Communication Activities;

g) the amount required for Special Audits of the Action or the Project supported by the Action;

h) the Fees due to the Bank;]

thus excluding contingent liabilities for the general budget of the Union. For the purposes of this Article, "contingent liabilities" shall have the meaning given to such term in the European Union Accounting Rules in force at the date of signature of this Delegation Agreement.

For the avoidance of doubt, the EU Contribution Committed to the Additional Tasks Window does not constitute a grant within the meaning of Title VI part I of the Financial Regulation.

[*The list to be adapted to the specific Action*]

6.3 [*for all Actions financed under an instrument governed by the CIR*] In accordance with the provisions of Article 5 of the Common Implementation Regulation, [the Action and any legal commitments implementing it is exempt from any taxes, custom duties and other fiscal charges applicable in [beneficiary country/ies], pursuant to the [agreement between the EU and the relevant country/ies providing for such exemption]] / [any taxes, custom duties and other fiscal charges applicable in [beneficiary country/ies] are included in and covered by the EU Contribution.]

6.4 Pursuant to Article 7 of the FAFA, the EU Contribution shall be paid by the Commission to the Bank in accordance with Article[s] [13] / [20] (*Payment of the EU Contribution*) and [9] (*Remuneration of the Bank*). For the avoidance of doubt, the requests for payment made by the Bank pursuant to Articles [13.3] and [20.3] (*Payment of the EU Contribution*) shall be made separately for each Window of the Action, for Communication Activities and for Special Audits, if applicable, but the Bank may make submit more than one payment request at the same time.

Without prejudice to Article [6.5] (*EU Contribution*), the aggregate amount of all payments made by the Commission pursuant to Articles [13 and/or 20] (*Payment of the EU Contribution*) for each Window of the Action, the Communication Activities, the Special Audits, if applicable, shall not exceed the respective amounts of the EU Contribution Committed to each of these budget lines as indicated in Article [6.1] (*EU Contribution*) and the aggregate amount of the Fees, [and Exceptional Unforeseen Expenses] paid to the Bank shall be as determined in accordance with Article [9] (*Remuneration of the Bank*) and Article 14 (*Reimbursement of Exceptional Unforeseen Expenses*).

6.5 After the end of the Execution Period, if the EU Contribution Paid exceeds the actual amount used to cover all liabilities under the Action, including the Fees payable to the Bank, the costs for Communication Activities and Special Audits, if any, as confirmed in the last financial report submitted by the Bank in accordance with Article [25] (*Operational and financial reporting*), the Designated Service shall issue a debit note to the Bank requesting the Bank to repay the corresponding amount back to the Commission so that the Commission can return it to [the general budget of the Union] / [the EDF].

6.6 For the purposes of the Financial Instruments Window and in light of Article 4(6) of the Common Implementation Regulation, Articles 9.4 and 9.5 of the FAFA shall not apply so that, for the purposes of this Delegation Agreement, the revenues generated and repayments received from the Financial Instruments attributable to the EU Contribution shall be credited to the relevant Financial Instruments Window account and shall, without further use under the Financial Instruments Window, be promptly repaid to the Commission so that the Commission can return it to [the general budget of the Union] / [the EDF].

*[**NOTE:** Article [6.6] only applies if the Action contains a Financial Instruments Window.]*

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Article 7 - Contribution of the Bank

[***OPTION 1:*** *If the EU Contribution to the Action has been approved by the Commission at the proposal of the Bank within the framework of a Blending Facility*:

7.1 If the Project supported by the Action has been proposed by the Bank under a Blending Facility, the Bank shall contribute to such Project supported by the Action as described in Annex [1], except in duly justified circumstances and in all cases subject to approval by its governing bodies. The financial contribution of the Bank to the Project is also subject to the results of feasibility studies financed by the Action or other conditions as described in Annex [1], if any.

7.2 The Bank may make such contribution to the Project notably by: [*To be adapted to the specific Action*]

a) committing financial resources to the Financial Instruments Window of the Action as further detailed in [Annex 1a / 1b]; or

b) making financing available in form of separate Bank loans in support of the Project.

c) For the avoidance of doubt, the Bank has no obligation to contribute financially to the Additional Tasks Window.

*[**OPTION 2:** If the EU Contribution to the Action has been approved or proposed by the Commission outside the framework of a Blending Facility:*

7.1 Except in duly justified cases and subject to approval by its governing bodies, the Bank shall contribute to [the Action] / [the Project supported by the Action] by [*describe Bank contribution as agreed with EC.*].

Article 8 - Action Account

8.1 Pursuant to Article 9.2 and 9.3 of the FAFA, the Bank shall open in its books and maintain an Action Account which shall be used exclusively for transactions in accordance with this Delegation Agreement. The opening of the Financial Instrument account is subject to the prior approval in writing of the Designated Service.

8.2 The Action Account shall consist of [*number of accounts*] accounts, denominated in EUR, corresponding to: [(i) the Equity FI Window; (ii) the Debt FI Window; (iii) the Technical Assistance Window; (iv) the Investment Grant Window; (v) the Interest Rate Subsidy Window] and (vi) the “Other Activities” budget heading; respectively.

8.3 Pursuant to Articles 9.1 and 9.6 of the FAFA, the Bank shall be entrusted with the asset management of the Action Account and the investment of the assets on the Action Account at the risk of the Union as described herein:

a) The EU Contribution Paid received by the Bank on the account(s) corresponding to [the Equity FI Window; the Debt FI Window; the Technical Assistance Window; the Investment Grant Window; the Interest Rate Subsidy Window, the “Other Activities” budget heading] from time to time shall be invested by the Bank, at the risk of the Commission, in the Unitary Fund. An Information Memorandum providing up-to-date detailed description of the Unitary Fund. The Deed Poll and the Information Memorandum of the EIB Unitary Fund shall be submitted to the Designated Service upon signature of a delegation agreement and each time these documents are amended.

b) The Commission acknowledges and agrees that the investments in the Unitary Fund are subject to fees and costs charged by the Unitary Fund which are to be borne by the EU

Contribution.

c) The Bank shall be entitled to invest the assets on the Action Account in the Unitary Fund as soon as received on the Action Account and to divest the investments in the Unitary Fund any time as necessary to implement the Action. For that purpose, the Bank shall, in particular, be authorised to sign and execute the relevant subscription and redemption forms on behalf of the Commission and to make the relevant payments concerning subscriptions, redemptions and fees and costs charged by the Unitary Fund from and to the Action Account.

d) The Unitary Fund referred above shall be managed in accordance with the relevant parts of Schedule IV of the FAFA. The following Articles and parts shall apply: (i) Articles 3,4 and 5 of Part I of the Schedule IV, which are applicable to the investments in the Unitary Fund and (ii) Part III of the Schedule IV. For the purpose of this Delegation Agreement, the Asset Management Designated Service (AMDS) shall not be appointed and any references to the AMDS in the FAFA shall be deemed the references to the Designated Service.

8.4 The Action Account shall be credited, as applicable, with:

a) The EU Contribution Paid;

b) The amounts redeemed from the subscriptions in the Unitary Fund;

c) Repayments from Operations;

d) Revenues from Operations

e) Amounts unduly paid to [Financial Intermediaries] / [Final Recipients] / [Service Providers] / [Grant Beneficiaries] and recovered by the Bank;

8.5 The Action Account shall be debited with:

a) Amounts in respect of Operations;

b) Amounts in respect of Support Actions;

c) Amounts in respect of Service Contracts;

d) Amounts in respect of Grant Agreements;

e) [Amounts in respect of Interest Rate Subsidies;]

f) Amounts in respect of the Communication Activities;

g) Amounts in respect of Special Audits of the Action or the Project supported by the Action;

h) Amounts due to the Bank under [Article 9] (*Remuneration of the Bank*) [and [Article 14] (*Reimbursement of Exceptional Unforeseen Expenses*)];

i) The amounts used for subscriptions in the Unitary Fund (including fees and costs charged by the Unitary Fund);

j) Amounts repaid to the Commission pursuant to [Article 6] (*EU Contribution*);

8.6 The Bank shall provide the Designated Service within ten (10) Business Days after the end of each month with monthly statements on the Action Account.

8.7 In the event of termination of this Delegation Agreement, the Bank shall close the Action Account in its books. The Bank shall inform in writing and without undue delay the Designated Service of such closure. The closure of the Financial Instrument account is subject to the prior written approval of the Designated Service.

Article 9 - Remuneration of the Bank

*[**NOTE**: In case there is no separate fee arrangement applicable under the Blending Facility which prevails, as is the case under NIF for TA and Investment Grants – subject to further discussions]*

NOTE: For the FI to be signed in 2015, the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management and no unforeseen exceptional expenses will be charged to the EU contribution.

9.1 [In accordance with Article 13 of FAFA, the Commission shall remunerate the Bank for the set-up, implementation and management of the Action through the Fees, as further detailed in [Annex 4].

9.2 In accordance with Article 13.8 of the FAFA, the aggregate amount of the Fees will not exceed [6% of the EU Contribution committed for the Equity FI / Debt FI / IRS etc.][whereby such fee cap is intended as separate for each of the two Financial Instruments and may not lead to cross-compensation] / [4% of the EU Contribution committed for the Technical Assistance Window] / [2% of the EU Contribution committed for the Investment Grant Window].

9.3 For the purposes of this Delegation Agreement, the fees charged in the Unitary Fund shall be deemed as the treasury management fee referred to in Article 13.5 of the FAFA, and the references to the treasury management fee shall mean the reference to the Unitary Fund fees. No additional fee for the asset management shall be charged and paid. The Bank shall provide the Designated Service with the details on the fees charged in the Unitary Fund.

9.4 In accordance with Article 13.6 of the FAFA, the Fees under [Articles 9.1 and 9.2 above] shall constitute all remuneration of the Bank payable by the Commission and shall be payable to the Bank annually in arrears. Article 13.7 of the FAFA applies accordingly.]

*[***NOTE: For the FI to be signed in 2015,** the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management fees and no unforeseen exceptional expenses will be charged to the EU Contribution. **For the delegation agreements to be signed in 2015,** the following provisions shall apply: *]*

9.1 [The Commission shall remunerate the Bank for the set-up, implementation and management of the Action through the Fees which shall constitute administrative fees.

9.2 The aggregate amount of the Fees is EUR [•] as further detailed in Article 6 (*EU Contribution*) and shall be paid by the Commission to the Bank in accordance with Article [13.1 (*Payment of the EU Contribution financing the Financial Instruments*) and/or 20.1 (*Payment of the EU Contribution financing the Additional Tasks*)].

Part II – Financial Instruments Window

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Article 10 - Specific Obligations and Tasks of the Bank concerning the Financial Instruments

10.1 The Financial Instruments Window shall be implemented and managed in accordance with the principles referred to in Article 5.1 of the FAFA.

10.2 Specifically for the purpose of implementing and managing the [Equity FI Window / Debt FI Window / Financial Instruments Window], the Bank shall:

a) make the Bank Contribution as referred to in [Article 7] (*Contribution of the Bank*) of this Delegation Agreement;

b) endeavour to reach the range of target Leverage Effect of [•] for the Equity FI and of [•] for the Debt FI over the life of the Action;

c) implement Support Actions in accordance with [Article 15] (*Support Actions*) and [Annex 1[c] of this Delegation Agreement;

d) select [Financial Intermediaries / Final Recipients] in accordance with the Operational Guidelines in Annex 1[a/b];

e) transpose the relevant terms and conditions of the Action and the Financial Instruments Window in the agreements with [Financial Intermediaries / Final Recipients];

f) if applicable, charge the [Financial Intermediaries / Final Recipients] for any amount due by them, in accordance with the Operational Guidelines in Annex 1[a/b];

g) require the [Financial Intermediaries / Final Recipients] to repay any amount unduly paid to them under the implementation and management of the Action and the Financial Instruments Window.

Article 11 - Selection of and agreements with Financial Intermediaries

11.1 The Bank shall select Financial Intermediaries by applying the selection criteria and process set out in the Operational Guidelines in [Annex 1] and in accordance with Article 4 of the FAFA.

11.2 The Bank shall sign agreements with Financial Intermediaries for Operations that comply with the applicable terms and conditions of this Delegation Agreement and in particular those laid down in the Operational Guidelines in [Annex 1[a]/[b]].

11.3 The agreements between the Bank and the Financial Intermediaries shall contain the provisions set out in Article 4.3 of the FAFA and in [Article 17] (*Visibility and Promotion of the Financial Instruments*) and [Article 18] (*Publication of information on support provided under the Financial Instruments*) of this Delegation Agreement. They shall contain provisions concerning the liability of Financial Intermediaries, Financial Sub-Intermediaries and Final Recipients with regard to the financial support received under the Action as further defined in [Annex 1].

11.4 In respect of each Operation the Bank shall, not later than twenty (20) Business Days following the signature of the Investment Agreement / Debt Agreement, notify in writing the Designated Service of the main elements thereof. The Bank shall, without undue delay, notify in writing the Designated Service of the cancellation of an Operation and the reasons for such cancellation.

*[**NOTE:** To be deleted if the selection of the Financial Intermediaries is not done by the Bank pursuant to the signature of the delegation agreement but the Financial Intermediaries are known at the time of the approval of the Action by the Commission / operational board of the Blending Facility]*

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Article 12 - Selection of and agreements with Final Recipients

The Final Recipients will be selected by the Financial Intermediaries [or Financial Sub-Intermediaries] as described in [Annex 1].

[OR - in case of financial instruments where the Bank will enter into Investment/Debt Agreements directly with a Final Recipient, the following provisions shall apply:]

12.1 The Bank shall select Final Recipients by applying the selection criteria and process set out in the Operational Guidelines in [Annex 1].

12.2 The Bank shall sign agreements with Final Recipients for Operations that comply with the applicable terms and conditions of this Delegation Agreement and in particular those laid down in [Annex 1].

12.3 The agreements between the Bank and the Final Recipients shall contain the provisions set out in Article 4.3 of the FAFA and in [Article 17] (*Visibility and Promotion of the Financial Instruments*) and [Article 18] (*Publication of information on support provided under the Financial Instruments*) of this Delegation Agreement. They shall contain provisions concerning the liability of Final Recipients with regard to the financial support received under the Action as further defined in [Annex 1].

12.4 In respect of each Operation the Bank shall, not later than twenty (20) Business Days following the signature of the Investment Agreement or Debt Agreement, notify in writing the Designated Service of the main elements thereof. The Bank shall, without undue delay, notify in writing the Designated Service of the cancellation of an Operation and the reasons for such cancellation.

*[**NOTE:** To be deleted if the selection of the Final Recipients is not done by the Bank pursuant to the signature of the delegation agreement but the Final Recipients are known at the time of the approval of the Action by the Commission / operational board of the Blending Facility]*

Article 13 – Payment of the EU Contribution financing the Financial Instruments

*[**NOTE:** The payment schedule below represents the default option. Different payment schedules may be agreed between the Parties for a specific Action / Financial Instrument Window, if justified by the particular characteristics of the Action / FI Window.]*

13.1. The Commission shall pay to the Bank a first instalment of the EU Contribution for the Financial Instruments Windows of the Action [and for the Communication Activities and Special Audits – *see Note at point (iii) of this clause*] within thirty (30) calendar days from the date of receipt of the signed Delegation Agreement, as follows [*select as applicable, considering the FI Windows under the Action*]:

a) an amount of EUR [●], corresponding to the aggregate of 100% of the Fees due to the Bank for the Equity FI Window and [100]% of the amount of the EU Contribution forecasted for the disbursements and payments under the Equity FI Window (including, for the avoidance of doubt, any amounts forecasted to be paid by the Bank in respect of the Support Actions for the Equity FI Window) for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information), the following identification reference: "*[Action code name] – Equity FI Window Account*"; and

b) an amount of EUR [●], corresponding to the aggregate of 100% of the Fees due to the Bank for the Debt FI Window and [100]% of the amount of the EU Contribution forecasted for the disbursements and payments under the Debt FI Window (including, for the avoidance of doubt, any amounts forecasted to be paid by the Bank in respect of the Support Actions for the Debt FI Window) for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information), the following identification reference: "*[Action code name] – Debt FI Window Account*"; [and

c) [***NOTE:*** *This amount is to be included only once, either in this Article, or in the Article [21] on the Payment of the EU Contribution for the Additional Tasks Windows. The latter should be the preferred option, particularly in case any of these amounts are to be transferred to the promoter in the form of a grant*] an amount of EUR [●], corresponding to [100]% of the EU Contribution forecasted for disbursements and payments in respect of Communication Activities [and Special Audits] for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information) the following identification reference: "*[Action code name] – Other Activities Account*"].

13.2. In accordance with Article 7.2 of the FAFA, from 20[●] until the last year of the Execution Period, the Bank shall provide the Designated Service, on an annual basis, simultaneously with the annual operational report foreseen in [Annex 5a], with the forecasts for the disbursements and payments of the EU Contribution under the Financial Instruments Window(s) (including, for the avoidance of doubt, any amounts forecasted to be paid by the Bank in respect of the Support Actions for the Financial Instruments Window(s)) [and for the Communication Activities and Special Audits – *see Note at point (iii) of Article 13.1*] for the subsequent [calendar year] / [two (2) calendar years], [in the form foreseen in Annex [2]]. Such forecasts shall be duly substantiated, where applicable, through the pipeline report referred to in [Annex 5a], and shall be presented separately for each Financial Instruments Window comprising the Action [and for each budget line under the "Other Activities" budget heading – *see Note at point (iii) of Article 13.1*] and, for each Financial Instrument Window, separately for Operations, the corresponding Fees [and the Exceptional Unforeseen Expenses, if any].

The Bank may provide the Designated Service at any time with updated forecasts for the disbursements or payments of the EU Contribution, as described in the preceding paragraph, if it deems necessary in the event of substantial changes to these forecasts. For the avoidance of doubt, such updated forecasts shall cover the same period as the initial forecast submitted in accordance with the preceding paragraph.

13.3. Without prejudice to the right of the Commission to interrupt or suspend the deadline for the payment of the EU Contribution in accordance with Articles 12.7, 12.8 or 12.9 of the FAFA, the Commission shall make subsequent payments of the EU Contribution for the Financial Instruments Window(s) of the Action [and for the Communication Activities and Special Audits – *see Note at point (iii) of Article 13.1*] into the euro-denominated account indicated in the Financial Identification Form, within [ninety (90) calendar days] from receiving a request for payment from the Bank, substantially in the form foreseen in Annex [2], subject to the following [cumulative] conditions:

a) the amount requested for payment corresponds to maximum [100]% of the forecast for the disbursements and payments of the EU Contribution under each of the Financial Instruments Window(s) (including, for the avoidance of doubt, any amounts forecasted to be paid by the Bank in respect of the Support Actions for each of the Financial Instruments Window(s)) [and for the Communication Activities and Special Audits – *see Note at point (iii) of Article 13.1*] over the [one year] / [two (2) years] period of implementation of the relevant Financial Instrument Window [and for the Communication Activities and Special Audits] covered by the last such forecast submitted in accordance with Article 13.2;

b) the operational and financial reporting obligations of the Bank in respect of the r

Windows for the year(s) preceding the request for payment have been duly fulfilled; and

c) except in duly justified cases, the Bank shall request such subsequent payments only if, at the date of the payment request, the balance available on each of the Financial Instrument Window accounts [and for each budget line under the "Other Activities" budget heading] for which such request for payment is made, including the amount invested in the Unitary Fund, does not exceed [specify a maximum percentage for the balance accepted before additional payments, as justified by the needs of the FI, communication activities and special audits]% of the aggregate amount of all previous payments made by the Commission, as evidenced through the last monthly statement on the relevant Action Account submitted in accordance with Article [8.6] (*Action Account*).

13.4. Each request for payment submitted by the Bank in accordance with Article 13.3 shall include an identification reference for the payment requested, in the following form: "*[Action code name] – [Debt FI Window] / [Equity FI Window] / [Other Activities] Account*".

On the occasion of each payment made by the Commission to the Bank, the Commission shall inform the Bank of such payment [in the form foreseen in Annex [2]] and, in addition, by sending an e-mail at least five (5) Business Days prior to the payment date to [FI_PRO_BOT_LPC_CM]@eib.org (or to such other e-mail address as may be indicated by the Bank from time to time) when such payment has been initiated. The SWIFT message instructing such payment shall include, in field 70 (remittance information), the same identification reference as mentioned in the corresponding request for payment.

Article 14 – Reimbursement of Exceptional Unforeseen Expenses

*[**NOTE: For the FI to be signed in 2015**, the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management fees and no unforeseen exceptional expenses will be charged to the EU Contribution.]*

As foreseen in Article 13.4 of the FAFA, in addition to the Fees received by the Bank pursuant to [Articles 9.1 and 9.2] (*Remuneration of the Bank*), Exceptional Unforeseen Expenses not exceeding [•]% of the EU Contribution committed, may be reimbursed to the Bank by the Commission.

Article 15 – Support Actions

15.1 Where Support Actions in direct relation to [the Equity FI / the Debt FI / the Financial Instruments Window] are implemented by providing technical assistance services to Financial Intermediaries or Final Recipients by Service Providers procured by the Bank, the Bank shall comply with Article 19 of the FAFA and shall:

a) in accordance with Article 19.1 of the FAFA, have the right to enter into any contracts, agreements and other such undertakings for the procurement of the Support Actions, as well as any amendments thereto as may, in the opinion of the Bank, be necessary for the proper implementation of the Support Actions. Any third party external consultants the Bank may procure pursuant to this Article shall be regulated in all aspects by and are subject to the rules, policies and procedures applied by the Bank in relation to its external consultants and advisers;

b) ensure that it has the right to use, and the right to permit the Commission to use, free of charge, any reports produced for the Bank by the external consultants engaged by it under contracts financed in whole or in part from the EU Contribution under the Action. The Bank shall grant the Commission the right to use such reports, subject to any pre-existing third party intellectual property rights and to any confidentiality restrictions.

Article 16 – Procurement of goods, works and services concerning the Support Actions

16.1 In accordance with Article 19.2 of the FAFA, the Bank may sub-contract the following tasks linked to the Action:

a) the activities associated with the management, control and monitoring of the agreements with Financial Sub-Intermediaries and Final Recipients provided that, having due regard to cost and duration, subcontracting would not lead to increased costs over direct implementation by the Bank;

b) audit and legal services that are necessarily or customarily outsourced;

provided that the Bank remains responsible for the co-ordination of all activities which it sub-contracts.

16.2 For the avoidance of doubt, the Bank shall not procure any works or supplies under the Action.

16.3 Having regard that the European Investment Fund (EIF) is a subsidiary of the Bank, the delegation of any task concerning the Action to the EIF would not be subject to Article 19 of FAFA.

Article 17- Visibility and Promotion of the Financial Instruments

17.1 The Parties agree on the visibility and promotion requirements set out in this Article. As a general principle, the Bank shall ensure that the role of the Union and the EU Contribution shall always be given equal prominence to the roles of the Bank itself.

17.2 [Subject to applicable confidentiality requirements, upon the signature of an Operation under the Financial Instruments Window, the Bank shall produce, no later than ten (10) Business Days after the signature of such Operation, a press release which shall be posted on the Bank's website.

The Bank shall decide on the contents of the press releases referred to above, provided that the format, which shall contain the Union Emblem and a statement that the Operation is funded by the Union, under the Financial Instruments Window, has been previously agreed with the Designated Service. The Designated Service may publish the press release also on its website.]

17.3 The Bank shall, on a reasonable efforts basis, co-operate with the Designated Service in providing editorial content for publications by the Commission.

17.4 The Bank shall include in contractual documentation signed with each [Financial Intermediary / Final Recipient] [Service Provider under the Support Actions, if any] under the Financial Instruments Window the Union Emblem and a statement, in the relevant language, which highlights that the financing provided has benefited from the support of the European Union, under the Action under the Instrument.

17.5 The Bank shall require each Financial Intermediary:

a) to explicitly inform Final Recipients that financing provided has benefited from the support of the European Union, under the Action under the Instrument. Such information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter and it shall be duly acknowledged by the Final Recipient. If applicable, these requirements shall also be complied with by Financial Sub-Intermediaries;

b) to include in any press release that the Financial Intermediary or Financial Sub-

Intermediaries may choose to make with regard to the Operation a reference, in the relevant language, that the Financial Intermediary or Financial Sub-Intermediary has benefited from the support of the European Union, under the Action under the Instrument. This shall include the Union Emblem of at least equal prominence to the logo of the Bank. Instead of issuing a press release, the Financial Intermediary or Financial Sub-Intermediary may choose alternative ways of communication, in which case the same visibility requirements shall apply;

c) to follow the guidelines described in *The Use of the EU Emblem in the Context of EU Programmes and in Non-EU Countries – Guidelines for beneficiaries and other third parties*[1] when displaying the Union Emblem.

Article 18- Publication of information on support provided under the Financial Instruments

18.1 Subject to Article 23.8 of the FAFA, the Bank shall publish annually on its website no later than 30 June of each year the information specified in this Article on Financial Intermediaries, Financial Sub-Intermediaries and Final Recipients supported since the signature of this Delegation Agreement until the end of the previous calendar year.

Information on Financial Intermediaries, Financial Sub-Intermediaries and Final Recipients which were no longer supported under the Financial Instruments Window as of 1 January of the previous calendar year shall not be published.

For natural persons, the published information shall be removed two (2) years after the end of the financial year when the financial support was provided.

18.2 The publication requirements referred to in this Article shall include the name, nature and purpose of the Action and:

a) for the Equity FI:

(i) a list of Financial Intermediaries with whom the Bank concluded an Investment Agreement and which receive financing that exceeds the threshold of EUR 15,000, containing for each Financial Intermediary the name and address of the Financial Intermediary, as well as the amount invested by the Bank under the Investment Agreement into the Equity FI Financial Intermediary, an indication of the nature of the Financial Intermediary's investments (indicating whether this Financial Intermediary is a sector specific entity by publishing the respective sector or by indicating that this Financial Intermediary has a generalist approach);

(ii) a list of Final Recipients which receive financing that exceeds the threshold of EUR 15,000, containing for each Final Recipient the name and address and the type of finance received under the Equity FI.

b) for the Debt FI:

(i) a list of Financial Intermediaries which receive financing that exceeds the threshold of EUR 15,000, containing for each Financial Intermediary the name and address of the Financial Intermediary with whom the Bank has signed a Finance Contract, as well as an indication of the amount in EUR;

(ii) if applicable, a list of Financial Sub-Intermediaries used for the implementation of the Debt FI and which receive financing that exceeds the threshold of EUR 15,000, containing for each Financial Sub-Intermediary the name and address and the type of finance received under the Debt FI;

(iii) a list of Final Recipients which receive financing that exceeds the threshold of

[1] http://ec.europa.eu/dgs/communication/services/visual_identity/pdf/use-emblem_en.pdf

EUR 15,000, containing for each Final Recipient the name and address and type of financing received under the Debt FI.

c) for the Support Actions, if any:

(i) a list of Service Contracts exceeding EUR 15,000 containing the contractor's name and address, the amount awarded and the nature and purpose of the Service Contract.

For natural persons the name might be replaced by "natural person" and the address shall be replaced by the locality.

18.3 In accordance with Article 23.8 of the FAFA, and subject to [Article 18.4] (*Publication of information on support provided under the Financial Instruments*), any Financial Intermediary, Financial Sub-Intermediary or Final Recipient may, prior to receiving financial support under the Financial Instruments Window , request in writing (including by a representation in the relevant agreement) for the publication requirements set out in this Article to be waived, on the basis of an adequate written justification to be annexed to or included in the relevant agreement and to be kept on record for possible assessment by the Commission and by the Bank, if such publication risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union. In addition, such publication shall not be required if it would be illegal under the applicable laws and regulations.

18.4 As far as natural persons are concerned, the publication shall comply with the requirements set out in Articles 4 and 5 of Regulation 45/2001. Where the Final Recipient is a natural person, prior consent to publication may not be made a condition for receiving financial support under the Financial Instruments Window. A declaration to this effect set out in [Article 18.3] (*Publication of information on support provided under the Financial Instruments*) may therefore be issued by a natural person also after the award of financial support under the Financial Instruments Window.

Part III – Additional Tasks Window

Article 19 - Specific Obligations and Tasks of the Bank concerning Additional Tasks

19.1 The Additional Tasks Window shall be implemented and managed in accordance with Article 10.9 of the FAFA. Article 4.3 of the FAFA shall apply, mutatis mutandis, to the agreements concluded by the Bank with Service Providers and Grant Beneficiaries. Article 4.4 of the FAFA shall apply, mutatis mutandis, to Service Providers and Grant Beneficiaries.

19.2 [**OPTION 1:** when the Bank shall act as Contracting Authority for procuring the services financed by the EU Contribution under the TA Window:] For the purpose of implementing and managing the Technical Assistance Window, the Bank shall:

a) on the basis of the description of activities set out in the Operational Guidelines in Annex 1[d], design the terms of reference, including the technical specifications, for the relevant services, whenever appropriate in cooperation with the Final Beneficiary / other intended recipient entity/ies;

b) carry out the procurement process for the selection of the Service Provider(s) and award and enter into Service Contracts in accordance with [Article 21] (*Procurement of goods, works and services concerning Additional Tasks*);

c) select Service Providers in accordance with the Operational Guidelines in Annex 1[d];

d) transpose the relevant terms and conditions of the Action and the Additional Tasks Window in the Service Contracts concluded with Service Providers;

e) inform the Designated Service of the signature or termination of a Service Contract by means of the regular operational and financial reporting referred to in [Article 25] (*Operational and Financial Reporting*);

f) manage the Service Contracts and monitor the delivery of the relevant services by the Service Providers in accordance with the terms of the Service Contract(s), whenever appropriate in cooperation with the Final Beneficiary / intended recipient entity/ies;

g) make payments to the Service Providers in accordance with the terms of the Service Contracts;

h) require the Service Providers to repay any amount unduly paid to them under the Service Contracts;

i) if deemed necessary in its professional opinion, enter into a cooperation agreement with the Final Beneficiary / intended recipient entity/ies, setting out the framework for cooperation in respect of the delivery of the services by the Service Provider(s).

19.3 **[OPTION 2:** *when the Bank transfers the EU Contribution under the TA/IG Window to a national entity as grant beneficiary:]* For the purpose of implementing and managing the [Technical Assistance Window] / [Investment Grant Window], the Bank shall:

a) enter into and manage the Grant Agreements with the Grant Beneficiaries in accordance with Operational Guidelines in Annex 1[d / e];

b) disburse the EU Contribution under the [Technical Assistance] / [Investment Grant] Window in accordance with the provisions of the Grant Agreement;

c) monitor and control the use of the EU Contribution by the Grant Beneficiaries, in accordance with the Bank's applicable rules, policies and procedures and the terms of the Grant Agreement;

d) inform the Designated Service of the signature or termination of a Grant Agreement, of the progress in its implementation, as well as of any major changes to the agreed description, objectives, estimated budget, or category of expenditure and implementation time schedule by means of the regular operational and financial reporting referred to in [Article 25] (*Operational and Financial Reporting*).

19.4 **[OPTION 3:** in the case of an Interest Rate Subsidy or another type of grant closely following a loan or another type of financial instrument financed by the Bank (for the avoidance of doubt, the EU Contribution is NOT financing the financial instrument itself):] For the purpose of implementing and managing the [Interest Rate Subsidy Window] / [● Window], the Bank shall:

a) enter into and manage the [● Agreements] with [●] in accordance with Operational Guidelines in Annex 1[●];

b) disburse the EU Contribution under the [Interest Rate Subsidy Window] / [● Window], in accordance with the provisions of the [● Agreement];

c) [monitor and control the use of the EU Contribution by [●], in accordance with the Bank's applicable rules, policies and procedures and the terms of the [● Agreement];

d) inform the Designated Service of the signature or termination of a [● Agreement], of the progress in its implementation, as well as of any major changes to the agreed description, objectives, estimated budget and implementation time schedule by means of the regular operational and financial reporting referred to in [Article 25] (*Operational and Financial Reporting*).

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Article 20 – Payment of the EU Contribution financing the Additional Tasks

*[**NOTE:** The payment schedule below represents the default option. Different payment schedules may be agreed between the Parties for a specific Action / Additional Task Window, if justified by the particular characteristics of the Action / Window.]*

*[**NOTE:** For the avoidance of doubt, payments of instalments of EU Contribution by the Commission into the Action Account under the Additional Task Window represent pre-financing for the purposes of the Commission. Such qualification as pre-financing for the purposes of the Commission is without prejudice to the asset management specified in Article 8 (Action Account).]*

20.1 The Commission shall pay to the Bank a first instalment of the [please specify whether the instalment is a pre-financing or reimbursement of costs] for the Additional Tasks Windows of the Action [and for the Communication Activities and Special Audits] [*see Note at point (iii) of this clause*] within thirty (30) calendar days from the date of receipt of the signed Delegation Agreement, as follows [*select as applicable, considering the AT Windows under the Action*]:

(a) an amount of EUR [●], corresponding to the aggregate of 100% of the Fees due to the Bank for the Technical Assistance Window and [100]% of the amount of the EU Contribution forecasted for the disbursements and payments under the Technical Assistance Window for the period from the date of signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information), the following identification reference: "*[Action code name] – Technical Assistance Window Account*"; and

(b) an amount of EUR [●], corresponding to the aggregate of 100% of the Fees due to the Bank for the Investment Grant Window and [100]% of the amount of the EU Contribution forecasted for the disbursements and payments under the Investment Grant Window for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information), the following identification reference: "*[Action code name] – Investment Grant Window Account*"; [and

(c) an amount of EUR [●], corresponding to the aggregate of 100% of the Fees due to the Bank for the Interest Rate Subsidy Window and [100]% of the amount of the EU Contribution forecasted for the disbursements and payments under the Interest Rate Subsidy Window for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information), the following identification reference: "*[Action code name] – Interest Rate Subsidy Window Account*". [and

(d) [***NOTE:** This amount is to be included only once, either in this Article, or in the Article [13] on the Payment of the EU Contribution for the Financial Instruments Windows. The former should be the preferred option, particularly in case any of these amounts are to be transferred to the promoter in the form of a grant*] an amount of EUR [●], corresponding to [●]% of the EU Contribution forecasted for disbursements and payments in respect of Communication Activities [and Special Audits] for the period from signature of this Delegation Agreement to 31 December 20[●]. The payment shall be made into the euro account indicated in the Financial Identification Form. The SWIFT message instructing the payment shall include, in field 70 (remittance information) the following identification reference: "*[Action code name] – Other Activities Account*".]

20.2 In accordance with Article 7.2 of the FAFA, from 20[●] until the last year of the Execution Period, the Bank shall provide the Designated Service, on an annual basis, simultaneously with the annual operational report foreseen in [Annex 5b], with the forecasts for the disbursements and payments of the EU Contribution under the Additional Tasks Window(s) [and for the Communication Activities and Special Audits] [*see Note at point (iii) of Article 20.1*] for the subsequent [calendar year [***NOTE:*** *This option is to be used when the Action also comprises a Financial Instrument Window for which reporting has to be provided by specific date]]* / [12 months period [***NOTE:*** *This option is to be used when the Action does not comprise a Financial Instrument Window*], [in the form foreseen in Annex [2]]. Such forecasts shall be presented separately for each Additional Tasks Window comprising the Action [and for the Communication Activities and Special Audits] [*see Note at point (iii) of Article 20.1*], and, for each Additional Tasks Window, separately for Service Contracts, Grant Agreements and/or agreements in respect of the interest rate subsidy (as applicable), and the Fees corresponding to the relevant Window.

The Bank may provide the Designated Service at any time with updated forecasts for the disbursements or payments of the EU Contribution, as described in the preceding paragraph, if it deems necessary in the event of substantial changes to these forecasts. For the avoidance of doubt, such updated forecasts shall cover the same period as the initial forecast submitted in accordance with the preceding paragraph.

20.3 Without prejudice to the right of the Commission to interrupt or suspend the deadline for the payment of the EU Contribution in accordance with Articles 12.7, 12.8 or 12.9 of the FAFA, the Commission shall make subsequent payments of the [please specify whether the instalment is a further pre-financing or final payment] for the Additional Tasks Window(s) of the Action [and for the Communication Activities and Special Audits] [*see Note at point (iii) of Article 20.1*] into the euro-denominated account indicated in the Financial Identification Form, within [ninety (90) calendar days] from receiving a request for payment from the Bank, substantially in the form foreseen in Annex [2], subject to the following [cumulative] conditions:

(a) the amount requested for payment corresponds to maximum [100]% of the forecast for the disbursements and payments of the EU Contribution under each of the Additional Tasks Window(s) [and for the Communication Activities and Special Audits] [*see Note at point (iii) of Article 20.1*] over the one year period of implementation of the relevant Additional Tasks Window [and for the Communication Activities and Special Audits] covered by the last such forecast submitted in accordance with Article 20.2;

(b) the operational and financial reporting obligations of the Bank in respect of the Additional Tasks Windows [and of the Communication Activities and Special Audits] for the year(s) preceding the request for payment have been duly fulfilled; and

(c) except in duly justified cases, the Bank shall request such subsequent payments only if, at the date of the payment request, the balance available on each of the Additional Tasks Window accounts [and on each budget line under the "Other Activities" budget heading] for which such request for payment is made does not exceed [*specify a maximum percentage for the balance accepted before any additional payments are made, as justified by the needs of the TA/IG/IRS deals, communication and special audits, as structured*]% of the aggregate amount of all previous payments made by the Commission, as evidenced through the last monthly statement on the relevant Action Account submitted in accordance with Article [8.6] (*Action Account*).

20.4 Each request for payment submitted by the Bank in accordance with Article 13.3 shall include an identification reference for the payment requested, in the following form: "*[Action code name] – [Technical Assistance Window] / [Investment Grant Window]/ [Interest Rate Subsidy Window] / [Other Activities] Account*".

On the occasion of each payment made by the Commission to the Bank, the Designated Service shall inform the Bank of such payment [in the form foreseen in Annex [2]] and, in addition, by sending an e-mail at least five (5) Business Days prior to the payment date to [FI_PRO_BOT_LPC_CM]@eib.org (or to such other e-mail address as may be indicated by the Bank from time to time) when such payment has been initiated. The SWIFT message instructing such payment shall include, in field 70 (remittance information), the same identification reference as mentioned in the corresponding request for payment.

Article 21 - Procurement of goods, works and services concerning the Additional Tasks

21.1 In accordance with Article 19.2 of the FAFA, the Bank may sub-contract the following tasks linked to the Action:

a) the activities associated with the management, control and monitoring of the Grant Agreements provided that, having due regard to cost and duration, subcontracting would not lead to increased costs over direct implementation by the Bank;]

b) audit and legal services that are necessarily or customarily outsourced;

provided that the Bank remains responsible for the co-ordination of all activities which it sub-contracts.

21.2 For the avoidance of doubt, the Bank shall not carry out itself the procurement of any works or supplies that may be financed by the EU Contribution under the Action. Such procurement shall be carried out by the Grant Beneficiary/ies, under the terms specified in the relevant Grant Agreement.

21.3 [Having regard that the European Investment Fund (EIF) is a subsidiary of the Bank, the delegation of any task concerning the Action to the EIF would not be subject to Article 19 of FAFA.]

Article 22- Visibility and Promotion of the Additional Tasks

22.1 The Parties agree on the visibility and promotion requirements set out in this Article. As a general principle, the Bank shall ensure that the role of the Union and the EU Contribution shall always be given equal prominence to the roles of the Bank itself.

22.2 The Commission and/or the Bank may initiate, from time to time, workshops, conferences and/or press events relating to the Action. Each Party will invite the other to such events and each Party will provide the other with reasonable assistance in connection with any such events, if so requested in writing. For workshops, conferences and press events initiated by the Bank, the Bank will be in charge of the organisation, preparation and management of these events. Each Party will cover its own travel expenses.

22.3 The Bank shall, on a reasonable efforts basis, co-operate with the Designated Service in providing editorial content for publications by the Commission.

22.4 The Bank shall include in contractual documentation signed with each Service Provider / Grant Beneficiary under the Additional Tasks Window the Union Emblem and a statement, in the relevant language, which highlights that the financing provided has benefited from the support of the European Union, under the Action under the Instrument.

Article 23- Publication of information on support provided under the Additional Tasks

23.1 Subject to Article 23.8 of the FAFA, the Bank shall publish annually on its website no later than 30 June of each year the information detailed in this Article on Service Providers commissioned and on Grant Beneficiaries supported since the signature of this Delegation Agreement until the end of the previous calendar year.

Information on Service Providers whose Service Contracts ended and on Grant Beneficiaries which were no longer supported under the Additional Tasks Window as of 1 January of the previous calendar year shall not be published.

For natural persons, the published information shall be removed two (2) years after the end of the financial year when the financial support was provided.

23.2 The publication requirements referred to in this Article shall include the name, nature and purpose of the Action and:

a) when procuring the services under the Technical Assistance Window, a list of Service Contracts exceeding EUR 15,000 concluded by the Bank under the Technical Assistance Window, containing the Service Provider's name and address, the value of the Service Contract awarded and the nature and purpose of the Service Contract.

b) when transferring the EU Contribution under the [Technical Assistance Window] / [the Investment Grant Window] to Grant Beneficiary/ies, [identities of the Grant Beneficiary, containing for each Grant Beneficiary the name and location and the type of support received under the relevant Window].

For natural persons the name might be replaced by "natural person" and the address shall be replaced by the locality.

23.3 In accordance with Article 23.8 of the FAFA, and subject to [Article 23.4] (*Publication of information on support provided under the Additional Tasks*), any contractual counterpart of the Bank which is subject to publication of data pursuant to this Article [24] may, prior to receiving financial support under the Additional Tasks Window , request in writing (including by a representation in the relevant agreement) for the publication requirements set out in this Article to be waived, on the basis of an adequate written justification to be annexed to or included in the relevant agreement and to be kept on record for possible assessment by the Commission and by the Bank, if such publication risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union. In addition, such publication shall not be required if it would be illegal under the applicable laws and regulations.

23.4 As far as natural persons are concerned, the publication shall comply with the requirements set out in Articles 4 and 5 of Regulation 45/2001. Where the Service Provider or the Grant Beneficiary is a natural person, prior consent to publication may not be made a condition for receiving financial support under the Additional Tasks Window. A declaration to this effect set out in [Article 23.3] (*Publication of information on support provided under the Additional Tasks*) may therefore be issued by a natural person also after the award of financial support under the Additional Tasks Window.

Part IV – Common Provisions

Article 24– Co-ordination with other Stakeholders

The Commission and the Bank agree that each Party may, upon giving reasonable notice to the other Party, organise a meeting and invite other stakeholders in the Project to discuss strategic orientation issues relating to the Action Windows supporting the Project, subject to confidentiality requirements and taking into account sensitive market information.

Article 25- Operational and Financial Reporting

25.1 The Bank shall provide the Designated Service with the operational reports as described and in the form set out in [Annex 5].

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25.2 The Bank shall provide the Designated Service with the complete set of unaudited and audited financial statements for the Financial Instruments Window and / or the audited statements of expenditure for the Additional Tasks Window and management declaration, with summary report on controls and audits referred to in Schedule III.1-2 of the FAFA and with reporting in the standardised format in accordance with Article 15.3 of the FAFA. The details of the financial reporting are set out in form set out in [Annex 6].

25.3 Except where provided otherwise in this Delegation Agreement, amounts denominated in a currency other than euro and reported by one Party to the other in euro shall be converted into euro at the exchange rate prevailing at the relevant reporting date, as fixed by the European Central Bank.

Article 26 - Controls and Monitoring

26.1 In accordance with Article 16.1 of the FAFA, the Bank shall ensure the functioning of an effective and efficient Internal Control system throughout the duration of this Delegation Agreement with regard to the management of the Action.

26.2 The Bank shall carry out controls and monitoring activities on the implementation of the Action in accordance with Article 16 of the FAFA.

26.3 The Commission may carry out controls and monitoring on the implementation of the Action in accordance with Articles 16.5 and 16.6 of the FAFA as follows:

a) In accordance with Article 16.5 of the FAFA, the monitoring of the implementation of the Action by the Commission is intended to enable it to assess whether the Internal Control system set up by the EIB for the implementation of the Action is efficient and effective, whether the EU Contribution has been used in compliance with applicable regulatory and contractual provisions and the progress towards the achievement of policy objectives reflected in the relevant output and result indicators.

b) To this effect, the Commission may carry out controls and monitoring on the implementation of the Action in accordance with Article 16.6 of the FAFA by means of the financial statements for the Financial Instruments Window and / or the audited statements of expenditure for the Additional Tasks Window provided by the Bank, and, where appropriate, by means of on-the-spot checks on the [Financial Intermediaries] or [Final Recipients], [Service Providers] or [Grant Beneficiaries] on representative and/or risk-based samples of transactions.

c) The Commission may request the EIB to transmit representative and/or risk-based samples of transactions for its control and monitoring activities. The EIB will provide electronic or paper copies of the requested information within a reasonable delay following the Commission request.

d) The Commission may perform on-the-spot checks on the [Financial Intermediaries] or [Final Recipients], [Service Providers] or [Grant Beneficiaries] either directly or through an external consultant commissioned by the Commission at its own expense. These on-the-spot checks shall be planned ahead and planned and completed in a collaborative manner between the Bank and the Commission. Procedural matters shall be agreed in advance. The Commission shall make the draft report of the on-the-spot checks available to the Bank for comments prior to final issuance. The Commission shall send the final report to the Bank once issued. The Bank shall contribute to such monitoring missions by providing all relevant information and documentation related to the implementation of the Action reasonably requested by the Commission.

26.4 In accordance with Article 16.3 of the FAFA, in case of suspected fraud in relation to the EU Contribution, the Bank shall inform OLAF without delay The Bank, in close cooperation with

OLAF, shall take appropriate precautionary measures, including for the safeguarding of evidence.. In the event of irregularities in relation to the EU Contribution, the Bank shall inform the Commission without delay and undertake all necessary actions, including legal proceedings, to recover any amounts due and promptly return any recovered amounts to the Action Account or to the Commission as the Commission may direct.

26.5 OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013, Regulation (Euratom, EC) No 2185/96 and Regulation (EC Euratom) No 2988/95, as may be amended, supplemented or modified from time to time, in order to protect the financial interests of the Union, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with any financing operation under the Action .

26.6 OLAF will as soon as possible notify the EIB of the opening of such investigations, unless the protection of a source of information and/or legal requirements justify a different handling.. The Inspectorate General of the Bank shall have the appropriate powers to conduct enquiries and to cooperate directly with OLAF in order to facilitate the latter's operational activities. Practical details may be laid down in a Working Arrangement between OLAF and the Bank.

Article 27 - Audit

27.1 Article 17 of the FAFA shall apply.

27.2 [In respect of the Additional Tasks Window, the Bank shall commission Special Audits of the reports on cumulative expenditure incurred to be provided in accordance with Annex [5b] subject to cost coverage from the EU Contribution.]

[**Note:** If a Special Audit should be carried out by the Bank on request of the Commission, a budget shall be provided and a clause shall be agreed].

Article 28 - Evaluation

28.1 To the extent required under the Blending Facility, the Commission shall, in accordance with Article 18 of the FAFA, carry out an Evaluation of the Action either directly or through an external evaluator commissioned by the Commission at its own expense. The Evaluation may also be carried out jointly with the Bank's evaluation function.

28.2 The Bank shall contribute to any Evaluation carried out by the Commission by providing all relevant information in respect of the Action as may be reasonably requested by the Commission.

Article 29 – Communication Activities

The Parties agree on the Communication Activities as set out in this Article and as further described in Annex [1g], subject to cost coverage from the EU Contribution.

29.1 The Commission and/or the Bank may initiate, from time to time, working groups, workshops, conferences and/or press events relating to the Action. Each Party will invite the other to such events and each Party will provide the other with reasonable assistance in connection with any such events, if so requested in writing. For workshops, conferences and press events initiated by the Bank, the Bank will be in charge of the organisation, preparation and management of these events. Each Party will cover its own travel expenses.

Article 30 – Liability

Article 24 of the FAFA shall apply.

Article 31 - Notices and Communications

31.1 In accordance with Article 26.3 of the FAFA, notices and communications relating to this Delegation Agreement from one Party to the other shall be sent in writing in paper or in electronic form, according to the provisions set out in paragraphs 3 and 4 below, using the following communication details:

a) for the Designated Service:
European Commission
[Directorate]
[address]
[contact person]
[e-mail]

b) for the Bank:
European Investment Bank
[department]
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
[contact person]
[e-mail]

31.2 Any change made to the above communication details shall have effect only after it has been notified in writing in paper or electronic form to the other Party at the above address.

31.3 Notices and communications relating to the EU Contribution, opening or closing of bank accounts and Fees shall be sent by courier or registered letter with a copy by electronic mail.

31.4 All other notices and other communications shall be sent by electronic mail to the addresses referred to in [Article 31.1] (*Notices and Communications*).

Article 32 - Effectiveness - Termination

32.1 This Delegation Agreement shall enter into force upon signature by the Parties.

32.2 This Delegation Agreement shall terminate on the earlier of:

a) the date on which neither the Union nor the Bank has any actual or contingent liability or exposure under any agreements entered into between the Bank and any third parties for the purposes of this Delegation Agreement, or any such liability or exposure has been written off or determined by the Bank to be unrecoverable and any applicable legal limitation period has expired; or

b) [*date*], as this date may be extended, as notified in writing by the Designated Service to the Bank; or

c) the date specified by either the Union or the Bank upon giving six (6) month's prior written notice to that effect to the other Party.

32.3 To the extent that the Commission is entitled to terminate this Delegation Agreement in accordance with Article 12.6 of the FAFA, it may suspend the transfer of an EU Contribution in whole or part and/or request reimbursement of the EU Contribution Paid. In addition, the Commission is entitled to suspend payments when systemic errors are detected which call into question the reliability of the Internal Control systems of the Bank or the legality and regularity of the underlying transactions.

32.4 In addition, the Commission may interrupt payment deadlines relating to the EU Contribution fully or partially for the purpose of carrying out further checks where (i) information comes to its notice indicating a significant deficiency in the functioning of the Internal Control system of the Bank or that the expenditure certified by the Bank is linked to a serious irregularity and has not been corrected; and (ii) the interruption is necessary to prevent significant damage to the financial interests of the Union.

32.5 The Bank shall be notified immediately of any such suspension or payment interruption together with the reasons thereof. Suspension shall take effect on the date when notification is sent by the Commission. Where the suspension or payment interruption exceeds two (2) months the Bank may request a decision by the Commission on whether the suspension is to be continued. Either Party may terminate this Delegation Agreement if resumption within a reasonable period of time is not possible.

32.6 The Bank may terminate this Delegation Agreement if the Commission fails to perform any of its material obligations under the terms of this Delegation Agreement after prior consultation with the Commission for a period of thirty (30) calendar days after the Bank has given written notice of the non-compliance to the Commission at the end of which time the non-compliance is unremedied or the Commission has not provided a satisfactory explanation.

32.7 Upon termination of this Delegation Agreement pursuant to Article 12 of the FAFA, and subject to agreements with third parties which cannot be reasonably terminated, only the part of the EU Contribution that is not committed by the Bank pursuant to any agreements entered into between the Bank and any third parties for the purposes of this Delegation Agreement shall be cancelled.

32.8 Upon termination of this Delegation Agreement pursuant to Article 12 of the FAFA, or when the Implementation Period comes to an end, the Bank shall return to the Commission the available balance held in the Action Account(s) and not committed by the Bank pursuant to any agreements entered into between the Bank and any third parties for the purposes of this Delegation Agreement at the time of termination or at the end of the Implementation Period after all liabilities incurred have been satisfied or provided for, including remuneration on the balance of the Action Account(s) as well as the Bank's costs and fees.

Upon termination of this Delegation Agreement pursuant to Articles 12.6 FAFA or 12.10 of the FAFA, the Party at fault shall take the necessary measures to limit or minimise costs and possible damages.

32.9 The Bank shall return such funds due to the Commission upon receipt by the Bank of the relevant bank account details and authorised instructions from the Commission.

32.10 Without prejudice to early termination as set out in Article 12 of the FAFA, this Delegation Agreement shall remain in force until the date on which no third party has any actual or contingent liability in respect of any agreements entered into between the Bank and any third parties for the purposes of this Delegation Agreement, or all actual or contingent liability has been declared by the Bank to be unrecoverable, and the Bank has no actual or contingent exposure under any such agreement.

32.11 In accordance with Article 27.5 of the FAFA, the Parties agree that this Delegation Agreement shall not be affected by the termination or expiry of the FAFA, in which case its conditions shall continue to apply to this Delegation Agreement. Termination or expiration of this Delegation Agreement shall not affect any Party's rights and obligations accrued or existing at the date of such termination or expiration, including, without limitation, any Party's accrued rights and obligations related to payment obligations and any actual or contingent liability or exposure under the Action.

Article 33 - Annexes

The recitals and the following Annexes form an integral part of this Delegation Agreement.

[*to be updated*]

Annex 1:	Description of the Action
Annex 1a:	Operational Guidelines for the Equity FI
Annex 1b:	Operational Guidelines for the Debt FI
Annex 1c:	Operational Guidelines for the Support Actions
Annex 1d:	Operational Guidelines for the Technical Assistance Window
Annex 1e:	Operational Guidelines for the Investment Grant Window
Annex 1f:	Operational Guidelines for the Interest Rate Subsidy Window
Annex 1g:	Communication Activities
Annex 2:	Notifications concerning EU Contribution commitments and payments
Annex 3:	Financial Identification Form
Annex 4:	Remuneration of the Bank and reimbursement of Exceptional Unforeseen Expenditures
Annex 5:	Operational Reporting
Annex 6:	Financial Reporting

IN WITNESS WHEREOF this Delegation Agreement has been executed in four originals in the English language, each Party taking two copies as of the day and year written below.

Brussels / Luxembourg, on [*date*]

Signed for and on behalf of	Signed for and on behalf of
THE EUROPEAN UNION	**THE EUROPEAN INVESTMENT BANK**
[name] [*position*] [*Directorate-General*]	**[name]** [*position*] [*directorate*]
	[name] [*position*] [*directorate*]

EIB DRAFT – 4 December 2015
For discussion purposes and subject to review and approval by the Parties

Annex 1: Description of the Action

1. General Background on the Project supported by the Action

[*This part shall only include the general background to the Action (provide its context). Details on the implementation of the various Action Windows are to be described in the form of Annexes 1a-1g (as applicable to the proposed Action).*]

[*The Operational Guidelines need to describe the financing structure of the Project, including ranking and priority of payments and re-payments etc.*]

EIB DRAFT – 4 December 2015
For discussion purposes and subject to review and approval by the Parties

Annex 1a: Operational Guidelines for the Equity Financial Instrument ("Equity FI")

[*to be developed in line with the specific equity instrument proposed under the Action*]

1. Definitions

Terms defined in the FAFA or in this Delegation Agreement shall have the same meaning wherever used in this Annex 1a, unless defined otherwise in this Annex 1a.

Whenever used in this Annex 1a, the following definitions shall apply:

[*insert definitions specifically applicable to the equity financial instrument*]

"Early-Stage"	means [•].
"Equity FI Financial Intermediary"	means an entity undertaking risk capital investments which is eligible to receive funding under the Equity FI; and which shall include investment funds, private equity funds and special purpose vehicles established or in formation, by providing long-term equity and/or quasi-equity but shall exclude entities (i) targeting buy out or replacement capital intended for asset stripping and (ii) operating lending activities requiring a banking licence.

2. Set up of the Equity FI

The Equity FI is a window established under the Action and financially supported by the Instrument.

3. Policy objectives of the Equity FI

The Equity FI contributes to meeting the general objectives of the [Instrument] as set out in [Article [•] of the Legal Basis] and of the Action as further in [Article [3.1] (*Description and Objectives of the Action and its Windows*) of this Delegation Agreement. In particular, the Equity FI: [•]

4. Description of the Equity FI

[•]

5. Operations under the Equity FI

[*to be developed*]

Operations under the Equity FI Window shall have the following features (*EXAMPLES – to be adapted to the specific case of the Equity FI envisaged*):

a) Types of Equity FI Financial Intermediaries:

b) Timing of Operations:

c) Size of Operations:

d) Duration of Operations:

e) Investor base:

f) Conditions for Operations:

g) Governance of the Equity FI Financial Intermediary:

h) Borrowing and lending by the Equity FI Financial Intermediary:

i) Alignment of interest between Bank and the Equity FI Financial Intermediary:

j) Remuneration of the EFG Financial Intermediary's manager:

k) Investment Agreement signing period:

l) Monitoring and audit:

m) Application of the excused investor principle:

6. Selection of Equity FI Financial Intermediaries

As set out in Article 4 of the FAFA and in [Article 11.1] (*Selection of and agreements with Financial Intermediaries*), the Bank shall select Equity FI Financial Intermediaries as set forth in [Section 8] (S*election Process*) of this Annex 1a, in accordance with the guidelines below.

6.1 Equity FI Financial Intermediaries

The Bank shall select applicants for Financial Intermediary under Equity FI which fulfil the requirements set out in [Sections 6.2 and 6.3] below. Selection, for the purpose of this Delegation Agreement materialises upon signature by Bank of the Investment Agreement.

6.2 General requirements

a) Exclusion Criteria

In accordance with Article 4.4 of the FAFA, Equity FI Financial Intermediaries which – at any time during the 5 years prior to their assessment by the Bank for the purposes of the Equity FI - are in any of the situation listed therein shall not be selected.

The Financial Intermediaries interested in being selected by the Bank for the purposes of the Equity FI implementation shall be required to include, as part of their proposal documentation, and in accordance with the announcement to be published by the Bank pursuant to [Section 6.2(a) of this Annex], a statement to the effect that they do not find themselves in any of the circumstances above.

b) Selection Criteria

In order to be selected, interested Equity FI Financial Intermediaries shall fulfil the following general requirements:

(1) [*if applicable, any specific limitations on the nature of the Financial Intermediaries, such as:* to be a private sector financial institution or to operate in the market in a comparable manner to a private sector financial institution;]

(2) to demonstrate operational capacity to implement the Equity FI;

(3) to be acceptable as a counterparty to the Bank in accordance with the Bank's internal policies and guidelines;

(4) not to conduct as part of their business activities illegal activities according to applicable legislation;

(5) in case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards[2];

(6) [•].

c) Contractual Obligations

The selected Equity FI Financial Intermediaries shall be required to comply with the following obligations to be included in the Investment Agreement:

(1) comply with the requirements in Article 4.3 of the FAFA;

(2) publicize the support of the European Union under the [Action] in accordance with [Article [17]] (*Visibility and Promotion of the Financial Instruments*) of this Delegation Agreement, and comply with the relevant provisions of [Article [18] (*Publication of information on financial support provided under the Financial Instruments*)] of this Delegation Agreement;

(3) transpose the conditions in point (1) and point (2) above into their agreements with Final Recipients;

(4) not select as Final Recipients entities which are in any of the situations listed in Section [7.2(a) of these Operational Guidelines];

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2 OJ C 205 of 19.07.2013, pp. 9-11

(5) comply with the reporting requirements which enable the Bank to comply with its reporting requirements vis-à-vis the Designated Service as set out in [Article 25] (*Operational and Financial Reporting*) of this Delegation Agreement;

(6) comply with the audit and evaluation requirements as set out in [Article 27] (*Audit*) and [Article 28] (*Evaluation*) of this Delegation Agreement;

(7) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards.

6.3 Instrument-specific requirements

Equity FI Financial Intermediaries shall comply with the following conditions:

a) [provide long-term equity and/or quasi-equity (including, without limitation, equity, subordinated and participating loans and/or convertible bonds) involving up to 15 year positions;

b) [•]

7. Selection of Final Recipients

7.1. Final Recipients

The Bank will select Final Recipients according to its internal rules and procedures and taking due account of the economic viability of [projects] / [Final Recipients]. [OR]

The Bank shall procure that Equity FI Financial Intermediaries undertake to select Final Recipients according to their internal rules and procedures and taking due account of the economic viability of projects of the Final Recipients.

7.2. General requirements

[The Bank shall] / [Equity FI Financial Intermediaries shall undertake to] select applicants for funding under Equity FI which fulfil the requirements set out in [sections 7.2 and 7.3 below]. Selection, for the purpose of this Delegation Agreement materialises upon signature by Bank/ Equity FI Financial Intermediaries of the relevant contractual documentation.

a) Exclusion Criteria

In accordance with Article 4.4 of the FAFA, Final Recipients which – at any time during the 5 years prior to their assessment by the Bank for the purposes of the Equity FI - are in any of the situations listed therein shall not be selected.

The Final Recipients interested in being selected by the Bank / Equity FI Financial Intermediaries for the purposes of the Equity FI implementation shall include, as part of their proposal documentation, and in accordance with the announcement to be published by the Bank pursuant to Section 7.2(a), a statement to the effect that they do not find themselves in any of the circumstances above. [No such statement shall be required in those cases where the Final Recipients receive financing up to and including [EUR 60,000[3]].]

b) Selection Criteria

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3 Article 131(4)(a) of the Financial Regulation stipulates that no certification is required for low value grants. Low value grants are defined as grants lower than or equal to EUR 60,000 in accordance with Article 185 of the RAPs. The same principle is applied by analogy to the [debt instrument under the Debt FI. Depending on the product, i.e. EUR 60,000 for a loan or a higher amount for a guarantee.]

In order to be selected, interested Final Recipients shall fulfil the following general requirements:

(1) are acceptable as a counterparty to the Bank / Equity FI Financial Intermediary in accordance with their respective internal policies and guidelines;

(2) are deemed potentially economically viable at the time of the support of the EU Contribution;

(3) not conducting as part of their business activities illegal activities according to applicable legislation;

(4) in the case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards[4];

(5) [•].

c) Contractual Obligations

The selected Final Recipients shall be required to comply with the following obligations to be included in the relevant contractual documentation:

(1) comply with the requirements in Article 4.3 of the FAFA;

(2) publicize the support of the European Union under the [Action] in accordance with [Article [17]] (*Visibility and Promotion of the Financial Instruments*) of this Delegation Agreement, and comply with the relevant provisions of [Article [18] (*Publication of information on financial support provided under the Financial Instruments*)] of this Delegation Agreement;

(3) comply with the reporting requirements to enable the Bank to comply with its reporting requirements as set out in [Article 25] (*Operational and Financial Reporting*) of this Delegation Agreement;

(4) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards;

(5) [•].

7.3. Instrument-specific requirements

[Final Recipients shall be eligible if both of the following conditions are met: [SME example]

a) the Final Recipient is an SME immediately before or after the time of first investment[5]; and

b) the Final Recipient is established and operating[6] in a beneficiary country at the time of first investment.

4 OJ C 205 of 19.07.2013, pp. 9-11

5 For avoidance of doubt, any increase of participation beyond the thresholds mentioned in Commission Recommendation 2003/361/EC subsequent to the initial investment or the fact that the SME grows beyond the thresholds is not considered a breach of the requirements.

6 Operating shall mean that the SME either has staff, research and development, sales, marketing or any other type of business operations in a beneficiary country. For the avoidance of doubt, just having a legal address in the beneficiary country shall not be considered as operating in that country.

8. Selection process

As set out in Article 4.2 of the FAFA and in [Article 12.1] (*Selection of and agreements with Final Recipients*) of this Delegation Agreement, the Bank shall select Financial Intermediaries / Final Recipients on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest, with due account of the nature of the Equity FI, and of the experience and financial capacity of the entities concerned.

The Bank shall publish on its website, no later than thirty (30) Business Days following the signature of this Delegation Agreement, an announcement containing all the relevant information for participating in the Equity FI, which may be supplemented later on with further details.

The selection process will be done on a first-come first-serve basis.

The Bank shall examine proposals from interested Financial Intermediaries / Final Recipients on a continuous basis, using its professional analysis and judgment, taking into account the present Operational Guidelines and in accordance with exclusion and selection criteria for Equity FI Financial Intermediaries as set out above.

Any signature of an Investment Agreement with an Equity FI Financial Intermediary / Final Recipient shall be subject to satisfactory due diligence and selection by the Bank, account duly taken of the constraints of the available EU Contribution.

9. Consistency with State aid rules

The Equity FI and Operations complying with the conditions set out in this [Annex 1a] shall be considered as being consistent with State aid rules.

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For discussion purposes and subject to review and approval by the Parties

Annex 1b: Operational Guidelines for the Debt Financial Instrument ("Debt FI")

[*to be developed in line with the specific debt instrument proposed under the Action*]

1. Definitions

Terms defined in the FAFA or in this Delegation Agreement shall have the same meaning wherever used in this Annex 1b, unless defined otherwise in this Annex 1b.

Whenever used in this Annex 1b, the following definitions shall apply:

Finance Contract	means in relation to each Operation under the Debt FI the [debt instrument / loan / guarantee etc.] agreement entered into by Bank and the Debt FI Financial Intermediary.
Final Recipient Transaction	means any form of debt financing, provided by a Debt FI Financial Intermediary or Debt FI Financial Sub-Intermediary (as applicable) to a Final Recipient.
[•]	

2. Set up of the Debt FI

The Debt FI is a window established under the Action and financially supported by the Instrument.

3. Policy objectives of the Debt FI

The Debt FI contributes to meeting the general objectives of the [Instrument] as set out in [Article [•] of the Legal Basis] and of the Action as further in [Article [3.1] (*Description and Objectives of the Action and its Windows*) of this Delegation Agreement. In particular, the Debt FI: [•]

4. Description of the Debt FI

[•]

5. Operations under the Debt FI

[to be developed]

Any of the Operations to be made under the Debt FI Window shall have the following features:

a) Characteristics and types of debt instruments:

b) Signing period:

c) Reporting:

d) Monitoring and audit:

e) [•]

6. Selection of Debt FI Financial Intermediaries

As set out in Article 4 of the FAFA and in [Article 11.1] (*Selection of and agreements with Financial Intermediaries*) of this Delegation Agreement, the Bank shall select Debt FI Financial Intermediaries

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as set forth in [Section 8] (*Selection Process*) of this Annex 1b, in accordance with the guidelines below.

6.1. Debt FI Financial Intermediaries

The Bank shall select applicants for funding under Debt FI which comply with all the requirements set out in [Sections 6.2 and 6.3 below]. Selection, for the purpose of this Delegation Agreement materialises upon signature by Bank of the Debt Agreement.

6.2. General requirements

a) Exclusion Criteria

In accordance with Article 4.4 of the FAFA, Debt FI Financial Intermediaries [and Financial Sub-Intermediaries] which – at any time during the 5 years prior to their assessment by the Bank for the purposes of the Debt FI - are in any of the situations listed therein shall not be selected.

The Financial Intermediaries interested in being selected by the Bank for the purposes of the Debt FI implementation shall include, as part of their proposal documentation, and in accordance with the announcement to be published by the Bank pursuant to [Section 6.2(a) of this Annex], a statement to the effect that they do not find themselves in any of the circumstances above. This requirement shall apply *mutatis mutandis* to Financial Sub-Intermediaries, if any.

b) Selection Criteria

In order to be selected, interested Debt FI Financial Intermediaries shall fulfil the following general requirements:

(1) [*if applicable, any specific limitations on the nature of the Financial Intermediaries, such as:* are a private sector financial institution or to operate in the market in a comparable manner to a private sector financial institution;]

(2) demonstrate operational capacity to implement the Debt FI;

(3) are acceptable as a counterparty to the Bank in accordance with the Bank's internal policies and guidelines;

(4) are not conducting as part of their business activities illegal activities according to applicable legislation;

(5) in case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards[7];.

(6) [•].

c) Contractual Obligations

The selected Debt FI Financial Intermediaries shall be required to comply with the following obligations to be included in the Debt Agreement:

(1) comply with the requirements in Article 4.3 of the FAFA;

(2) publicize the support of the European Union under the [Action] in accordance with [Article 17] (*Visibility and Promotion of the Financial Instruments*) of this Delegation

[7] OJ C 205 of 19.07.2013, pp. 9-11

Agreement, and comply with the relevant provisions of [Article 18] (*Publication of information on financial support provided under the Financial Instruments*)] of this Delegation Agreement;

(3) transpose the conditions in point (1) and point (2) above into their agreements with Final Recipients;

(4) not select [and require Financial Sub-Intermediaries not to select,] as Final Recipients entities which are in any of the situations listed in [Section 7.2(a) of this Operational Guidelines];

(5) comply with the reporting requirements which enable the Bank to comply with its reporting requirements vis-à-vis the Designated Service as set out in [Article 25] (*Operational and Financial Reporting*) of this Delegation Agreement;

(6) comply with the audit and evaluation requirements as set out in [Article 27] (*Audit*) and [Article 28] (*Evaluation*) of this Delegation Agreement;

(7) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards.

6.3. Instrument-specific requirements

Debt FI Financial Intermediaries [and Financial Sub-Intermediaries] shall be required to comply with the following conditions:

[•]

7. Selection of Final Recipients

7.1. Final Recipients

The Bank will select Final Recipients according to its internal rules and procedures and taking due account of the economic viability of [projects] / [Final Recipients]. [OR]

Debt FI Financial Intermediaries or Financial Sub-Intermediaries, as the case may be, shall be required to undertake to select Final Recipients according to their internal rules and procedures and taking due account of the economic viability of projects of the Final Recipients.

7.2. General requirements

[The Bank shall] / [Debt FI Financial Intermediaries [and Financial Sub-Intermediaries] shall undertake to] select applicants for funding under Debt FI which fulfil all the requirements set out in [Sections 7.2 and 7.3 below]. Selection, for the purpose of this Delegation Agreement materialises upon signature by Bank/ Debt FI Financial Intermediaries [and Financial Sub-Intermediaries] of the relevant contractual documentation.

a) Exclusion Criteria

In accordance with Article 4.4 of the FAFA, Final Recipients which – at any time during the 5 years prior to their assessment by the Bank for the purposes of the Debt FI - are in any of the situations listed therein shall not be selected.

The Final Recipients interested in being selected by the Bank / Debt FI Financial Intermediaries [and Financial Sub-Intermediaries] for the purposes of the Debt FI implementation shall be required to include, as part of their proposal documentation, and in accordance with the announcement to be published by the Bank pursuant to [Section 7.2(a)], a statement to the effect that they do not find themselves in any of the circumstances above. No such statement shall be required in those cases where the Final Recipients receive financing up to and including [EUR 60,000[8]].

b) Selection Criteria

In order to be selected, interested Final Recipients shall fulfil the following general requirements:

(1) are acceptable as a counterparty to the Bank / Debt FI Financial Intermediary [and Financial Sub-Intermediaries] in accordance with their respective internal policies and guidelines;

(2) are deemed potentially economically viable at the time of the support of the EU Contribution;

(3) are not conducting as part of their business activities illegal activities according to applicable legislation

(4) in case of Israeli entities, comply with the eligibility criteria formulated in Commission notice Nr 2013/C 205/05 setting out the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards[9];

(5) [•].

c) Contractual Obligations

The selected Final Recipients shall be required to comply with the following obligations to be included in the relevant contractual documentation:

(1) comply with the requirements in Article 4.3 of the FAFA;

(2) publicize the support of the European Union under the [Action] in accordance with [Article 17] (*Visibility and Promotion of the Financial Instruments*) of this Delegation Agreement, and comply with the relevant provisions of [Article 18] (*Publication of information on financial support provided under the Financial Instruments*)] of this Delegation Agreement;

(3) comply with the reporting requirements which enable the Bank to comply with its reporting requirements vis-à-vis the Designated Service as set out in [Article 25] (*Operational and Financial Reporting*) of this Delegation Agreement;

(4) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards;

(5) [•].

7.3. Instrument-specific requirements

[Final Recipients shall be eligible if both of the following conditions are met: [SME example]

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8 Article 131(4)(a) of the Financial Regulation stipulates that no certification is required for low value grants. Low value grants are defined as grants lower than or equal to EUR 60,000 in accordance with Article 185 of the RAP. The same principle is applied by analogy to the [debt instrument under the Debt FI. Depending on the product, i.e. EUR 60,000 for a loan or a higher amount for a guarantee.]

9 OJ C 205 of 19.07.2013, pp. 9-11

a) the Final Recipient is an SME immediately before or after the time of the signature of the relevant contractual documentation; and

b) the Final Recipient is established and operating[10] in a beneficiary country at the time of the signature of the relevant contractual documentation.

8. Selection process

As set out in Article 4.2 of the FAFA and in [Article 11.1] (*Selection of and agreements with Financial Intermediaries*)and [Article 12.1] (*Selection of and agreements with Final Recipients)* of this Delegation Agreement , the Bank shall select Financial Intermediaries / Final Recipients on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest, with due account of the nature of the Debt FI, and of the experience and financial capacity of the entities concerned.

The Bank shall publish on its website, no later than thirty (30) Business Days following the signature of this Delegation Agreement, an announcement containing all the relevant information for participating in the Debt FI, which may be supplemented later on with further details.

The selection process will be done on a first-come first-serve basis.

The Bank shall examine proposals from interested Financial Intermediaries / Final Recipients on a continuous basis, using its professional analysis and judgment, taking into account the present Operation Guidelines and in accordance with exclusion and selection criteria for Debt FI Financial Intermediaries as set out above.

Any signature of a Debt Agreement with a Equity FI Financial Intermediary / Final Recipient shall be subject to satisfactory due diligence and selection by the Bank, account duly taken of the constraints of the available EU Contribution.

9. Consistency with State aid rules

The Debt FI and Operations complying with the conditions set out in this [Annex 1b] shall be considered as being consistent with State aid rules.

[10] Operating shall mean that the SME either has staff, research and development, sales, marketing or any other type of business operations in a beneficiary country. For the avoidance of doubt, just having a legal address in the beneficiary country shall not be considered as operating in that country.

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For discussion purposes and subject to review and approval by the Parties

Annex 1c: Operational Guidelines for the Support Actions

[*To be developed in line with the specific support actions proposed in direct relation to the Equity FI / the Debt FI / a financial instrument (i.e. not qualifying as "Additional Task").]*

***[NOTE:** "Support Actions" are strictly limited to the same Final Recipients as under the Financial Instrument and qualify otherwise as "Additional Tasks" if the measure e.g. on pipeline development, specific training, specific awareness raising also targets eligible beneficiaries which do not become the Final Recipients for some reason]*

Such support actions can include:

- *specific awareness raising and promotion actions by Bank in support of the financial instrument;*
- *non-autonomous technical assistance services provided by external consultants procured by Bank to financial intermediaries, project promoters and sponsors or to beneficiary countries (e.g. on financial structuring, pipeline development);*
- *grants in respect of the implementation of the Equity FI / the Debt FI / a financial instrument.]*

1. Definitions

Terms defined in the FAFA or in this Delegation Agreement shall have the same meaning wherever used in this Annex 1c, unless defined otherwise in this Annex 1c.

Whenever used in this Annex 1c, the following definitions shall apply:

[•]	

2. Set up of the Support Actions

The Support Actions are a component of the [Equity FI / Debt FI / Financial Instrument] established under the Action and financially supported by the Instrument.

3. Objectives and scope of the Support Actions

The objective of Support Actions is to ensure the full use of the EU contribution for the [Equity FI / Debt FI / Financial Instrument Window]. Therefore, the Support Actions enhance the effectiveness and efficiency of the [Equity FI / Debt FI / Financial Instrument Window] and the meeting of the general and specific objectives thereof.

4. Description of the Support Actions

[To be developed in line with the specific support actions proposed.]

5. Selection and award criteria in case of technical assistance services

Technical assistance services to be provided by external consultants shall be procured by the Bank in accordance with its rules and procedures.

6. Budget for Support Actions

The total amount available for Support Actions shall not exceed a maximum of EUR [•] or [•]% of the EU Contribution Paid, whichever amount is lower.

7. Remuneration of Support Actions

[The costs of the Bank related to the Support Actions described in this Annex are deemed to be covered by the remuneration of the Bank for the implementation and management of the [Equity FI / Debt FI / Financial Instrument Window] as described in Annex [•].

8. Consistency with State aid rules

The Support Actions set out in this [Annex 1c] shall be considered as being consistent with State aid rules.

9. Contractual obligations

With regard to Support Actions, the selected Final Recipients shall be required to comply with the same obligations as laid out in Annex 1a, Article 7.2 c) and Annex 1b, Article 7.2 c) respectively, to be included in the relevant contractual documentation.

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For discussion purposes and subject to review and approval by the Parties

Annex 1d: Operational Guidelines for the Technical Assistance Window

[To be developed in line with the specific TA proposed under the Action. For the sake of clarity, if the EU Contribution finances services for the supervision of works, in addition to financial support for CAPEX, such services shall be covered under the TA Window, not the IG Window.]

1. Definitions

Terms defined in the FAFA or in this Delegation Agreement shall have the same meaning wherever used in this Annex 1d, unless defined otherwise in this Annex 1d.

Whenever used in this Annex 1d, the following definitions shall apply:

[•]	

2. Set up of the Technical Assistance Window

The Technical Assistance Window is a window established under the Action and financially supported by the Instrument.

3. Policy objectives of the Technical Assistance Window

The Technical Assistance Window contributes to meeting the general objectives of the Instrument as set out in [Article [•] of the Legal Basis] and of the Action as further in [Article [3.1] (*Description and Objectives of the Action and its Windows*) of this Delegation Agreement. In particular, the Technical Assistance Window: [•]

4. Description of the Technical Assistance Window

[To include a description of the services to be purchased, the intended beneficiaries the period for the delivery of the services (estimation), any specific KPIs and monitoring and reporting indicators etc.]

Budget for the Technical Assistance Window:

Category of Expenditure	Amount	EU Contribution	Other financing sources
Eligible Expenditure			
[services]			
[other eligible categories of expenditure, including expenditure verification / audit certificate to be provided by the Grant Beneficiaries together with the disbursement requests]			
Other expenditures		X	
Bank Fees for the Technical Assistance Window			

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5. Procurement of the services

[ALTERNATIVE 1: The Bank carries out the procurement]

The Bank shall select the Service Providers in accordance with its rules and procedures, as set out in [Article 21] (*Procurement of goods, works and services concerning Additional Tasks*).

[ALTERNATIVE 2: The procurement of the services is carried out by the Project promoter, under the terms of a Grant Arrangement]

The procurement of the services shall be carried out by [*Grant Beneficiary / entity which will be responsible for the procurement*], in accordance with the terms and conditions of the Grant Agreement to be entered into between the Bank and [*Grant Beneficiary / entity which will be responsible for the procurement*].

The Grant Agreement(s) concluded by the Bank with the Grant Beneficiary/ies shall reflect all applicable obligations of the Bank under this Delegation Agreement. In particular, such Grant Agreements shall require that the Grant Beneficiary/ies:

a) implement the Project, including the services financed by the EU Contribution, under [its] / [their] own responsibility and in accordance with the agreed Project description, objectives, estimated budget and implementation time schedule. Any major changes to the Project design, time, and cost shall require the prior consent of the Bank, who shall inform the Commission accordingly;

b) use the Technical Assistance grant funds solely for the purposes for which they were awarded, including in respect of eligibility of categories of expenditure. In particular, costs shall be considered eligible if they comply with the following criteria:

    (1) they are incurred by the Grant Beneficiary/ies during the Execution Period;

    (2) they are necessary for the implementation of the Project;

    (3) the relevant category of expenditure is identified in the table in point 4 above as eligible for co-financing under the Technical Assistance Window;

    (4) they are identifiable and verifiable, in particular being recorded in the accounting records of the Grant Beneficiary/ies and determined in accordance with the applicable accounting standards of the country/ies where the Grant Beneficiary/ies [is] / [are] established and according to the usual accounting practices of the Grant Beneficiary/ies;

    (5) they comply with the requirements of applicable tax and social legislation;

    (6) they are reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency

c) procure the services required for the implementation of the Project and co-financed by the EU Contribution and award any resulting Procurement Contracts in accordance with the rules and procedures indicated in the Guide to Procurement, as available on the Bank's website at the time the tender procedure is launched;

    [For the avoidance of doubt, in case of Projects co-financed from sources other than the EU Contribution, the Bank or the Project promoters, the Bank may agree to the use by the Grant Beneficiary of the procurement procedures of one or more of the other co-financiers of the Project, provided that such co-financiers have been positively assessed by the Commission.]

d) submit the relevant tender announcements, tender documentation, and the relevant Procurement Contract to the Bank for review prior to issuing them or signing the relevant Procurement Contract, and obtain the non-objection of the Bank on the results of the selection and evaluation process prior to communicating them to candidates or tenderers;

e) transpose the conditions defined in this Delegation Agreement in respect of liability, conflict of interest, confidentiality, visibility, [communication], use of results, monitoring and control, evaluation, audit and access rights for the Commission, OLAF and other duly empowered EU institutions and bodies, into the Procurement Contracts;

f) provide the Bank with all necessary verifiable information and supporting documentation, (including, if so requested by the Bank, a financial audit certificate produced by an independent auditor agreed by the Bank) for the Bank to satisfy itself that any services which are co-financed by the Technical Assistance grant have been delivered, and that [*Case 1 – Grant Beneficiary makes the payments to the Contractor*: expenditure declared by the Grant Beneficiary/ies in connection with the Procurement Contract(s)has actually been paid and complies with the conditions for the award and use of the Technical Assistance grant] / [*Case 2 – payments to the Contractors are made by the Bank*: amounts requested for payment by the Contractors are due and are in compliance with the conditions for the award and use of the Technical Assistance grant];

g) keep full, accurate and systematic records on the implementation of the Procurement Contract and the use of the Technical Assistance grant, in such form and detail as is sufficient to establish accurately that the activities have been carried out and the expenses identified in [its] / [their] reports to the Bank have been duly incurred in accordance with the provisions of the Grant Agreement(s). Such records shall enable the income and expenditure related to the Technical Assistance grant to be easily traced, identified and verified;

h) comply with the requirements in Article 4.3.1 – 4.3.6 of the FAFA;

i) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards;

j) as appropriate, comply with the provisions set out in [Article 22] (*Visibility and Promotion of the Additional Tasks*), and Articles 20 and 22 of the FAFA [other as needed].

To the extent legally possible, ownership, title and industrial and intellectual property rights of the results of the activities co-financed by the Technical Assistance grant, including the reports and other documents relating to such activities, shall vest in the Grant Beneficiary as the case may be together with the Bank.

In line with the above, the Grant Beneficiary shall ensure that it has the right to use, and the right to permit the Bank and the Commission to use, free of charge, any reports produced for the Grant Beneficiary or by its Contractors under the Procurement Contracts financed in whole or in part from the EU Contribution. The Bank shall include in its Grant Agreement with the Grant Beneficiary a clause requiring the Grant Beneficiary to grant the Bank and the Commission the right to use such reports, subject to any pre-existing third party intellectual property rights and to any confidentiality restrictions.

Annex 1e: Operational Guidelines for the Investment Grant Window

[*To be developed in line with the specific investment grant window proposed under the Action*]

1. Definitions

Terms defined in the FAFA or in this Delegation Agreement shall have the same meaning wherever used in this Annex 1e, unless defined otherwise in this Annex 1e.

Whenever used in this Annex 1e, the following definitions shall apply:

[•]	

2. Set up of the Investment Grant Window

The Investment Grant Window is a window established under the Action and financially supported by the Instrument.

3. Policy objectives of the Investment Grant Window

The Investment Grant Window contributes to meeting the general objectives of the [Instrument] as set out in [Article [•] of the Legal Basis] and of the Action as further in [Article [3.1] (*Description and Objectives of the Action and its Windows*) of this Delegation Agreement. In particular, the Investment Grant Window: [•]

4. Description of the Investment Grant Window

[To include the identification of the Grant Beneficiary (i.e. the entity with which the grant agreement will be signed) a description of the works, supplies and/or services to be financed by the investment grant, the estimated calendar for the implementation of the activities, etc.]

[To be noted that the Grant Beneficiary is selected prior to the signature of this Delegation Agreement. Therefore, (i) the Grant Beneficiary to be named and described herein and (ii) no selection process by the Bank is required under this Delegation Agreement.]

Budget for the Investment Grant Window:

Category of Expenditure	Amount	EU Contribution	Other financing sources
Eligible Expenditure			
[Works]			
[Supplies]			
[other eligible categories of expenditure, including expenditure verification / audit certificate to be provided by the Grant Beneficiaries together with the disbursement requests]			
Other expenditures		X	

Bank Fees			

5. Contractual Obligations

Grant Agreement(s) concluded by the Bank with the Grant Beneficiary/ies shall reflect all applicable obligations of the Bank under this Delegation Agreement. In particular, such Grant Agreements shall require that the Grant Beneficiary/ies:

a) implement the Project under [its] / [their] own responsibility and in accordance with the agreed Project description, objectives, estimated budget and implementation time schedule. Any major changes to the Project design, time, and cost shall require the prior consent of the Bank, who shall inform the Commission accordingly;

b) use the Grant solely for the purposes for which it was awarded, including in respect of eligibility of categories of expenditure, as further detailed in Section 4 above. In particular, costs shall be considered eligible if they comply with the following criteria:

(1) they are incurred by the Grant Beneficiary/ies during the Execution Period;

(2) they are necessary for the implementation of the Project;

(3) the relevant category of expenditure is identified in Section 4 above as eligible for co-financing under the Investment Grant Window;

(4) they are included in the agreed estimated budget for the Project;

(5) they are identifiable and verifiable, in particular being recorded in the accounting records of the Grant Beneficiary/ies and determined in accordance with the applicable accounting standards of the country/ies where the Grant Beneficiary/ies [is] / [are] established and according to the usual accounting practices of the Grant Beneficiary/ies;

(6) they comply with the requirements of applicable tax and social legislation;

(7) they are reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency

c) procure any works or supplies required for the implementation of the Project and co-financed by the EU Contribution and award any resulting Procurement Contracts in accordance with the rules and procedures indicated in the Guide to Procurement as available on the Bank's website at the time the tender procedure is launched;

[For the avoidance of doubt, in case of Projects co-financed from sources other than the EU Contribution, the Bank or the Project promoters, the Bank may agree to the use by the Grant Beneficiary of the procurement procedures of one or more of the other co-financiers of the Project, provided that such co-financiers have been positively assessed by the Commission.]

d) submit the relevant tender announcements, tender documentation, and the relevant Procurement Contract to the Bank for review prior to issuing them or signing the relevant Procurement Contract, and obtain the non-objection of the Bank on the results of the selection and evaluation process prior to communicating them to candidates or tenderers;

e) transpose the conditions defined in this Delegation Agreement in respect of liability, conflict of interest, confidentiality, visibility, [communication], use of results and assets, monitoring and control, evaluation, audit and access rights for the Commission, OLAF and other duly empowered EU institutions and bodies, into the works or supply Procurement Contracts referred to in paragraph (d) above;

f) provide the Bank with all necessary verifiable information and supporting documentation, (including, if so requested by the Bank, a financial audit certificate produced by an independent auditor agreed by the Bank) for the Bank to satisfy itself that any works or supplies comprising the Project which are co-financed by the EU Contribution have been delivered, and that expenditure declared by the Grant Beneficiary/ies in connection with the Project has actually been paid and complies with the conditions for the award and use of the Grant;

g) keep full, accurate and systematic records on the use of the Grant, in such form and detail as is sufficient to establish accurately that the activities implementing the Project have been carried out and the expenses identified in [its] / [their] reports to the Bank have been duly incurred for the implementation of the Project and in accordance with the provisions of the Grant Agreement(s). Such records shall enable the income and expenditure related to the investment grant to be easily traced, identified and verified;

h) comply with the requirements in Article 4.3.1 – 4.3.6 of the FAFA;

i) comply with applicable environmental and social legislation, including multilateral environmental and human rights agreements and treaties, as appropriate and in accordance with the Bank Environmental and Social Standards;

j) as appropriate, comply with the provisions set out in [Article 22] (*Visibility and Promotion of the Additional Tasks*), and Articles 20 and 22 of the FAFA [other as needed].

To the extent legally possible, ownership, title and industrial and intellectual property rights of the results of the activities co-financed by the investment grant, including the reports and other documents relating to such activities, shall vest in the Grant Beneficiary.

In line with the above, the Grant Beneficiary shall ensure that it has the right to use, and the right to permit the Bank and the Commission to use, free of charge, any reports produced for the Grant Beneficiary or by its Contractors under the Procurement Contracts financed in whole or in part from the EU Contribution under the Investment Grant Window. The Bank shall include in its Grant Agreement with the Grant Beneficiary a clause requiring the Grant Beneficiary to grant the Bank and the Commission the right to use such reports, subject to any pre-existing third party intellectual property rights and to any confidentiality restrictions.

Any equipment or other supplies purchased with the EU Contribution under the Investment Grant Window shall belong to the Grant Beneficiary or to Final Beneficiaries as specified in the Grant Agreement.

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For discussion purposes and subject to review and approval by the Parties

Annex 1f: Operational Guidelines for the Interest Rate Subsidy Window

[*To be developed in line with the specific subsidy proposed under the Action*]

[To be noted that the Grant Beneficiary is selected prior to the signature of this Delegation Agreement. Therefore, (i) the Grant Beneficiary to be named and described herein and (ii) no selection process by the Bank is required under this Delegation Agеement.]

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For discussion purposes and subject to review and approval by the Parties

Annex 1g: Communication Activities

[To be developed in line with the specific Communication Activities agreed.]

1. Budget for the Communication Activities

Category of Expenditure	EU Contribution
Eligible Expenditure	
[types of Communication Activities, such as marketing, conferences etc.]	

2. Description of the Communication Activities

[*Description as appropriate*]

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For discussion purposes and subject to review and approval by the Parties

Annex 2: Notifications concerning EU Contribution commitments and payments

Annex 3: Financial Identification Form

The account details should be notified by means of the standard bank account Financial Identification Form available in Budgweb:

http://ec.europa.eu/budget/contracts_grants/info_contracts/financial_id/financial_id_en.cfm

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For discussion purposes and subject to review and approval by the Parties

Annex 4: Remuneration of the Bank and reimbursement of Exceptional Unforeseen Expenditures in respect of the Financial Instruments Window]

[**NOTE: For the FI to be signed in 2015**, the Parties agree that the NIF Framework Arrangement remuneration of investment grants (2% of the EU Contribution, not less than 200,000 EUR and not more than 7% of the EU Contribution and 750,000 EUR) will be applied in analogy. For the avoidance of doubt, it is understood that this covers all administration fees and treasury management fees and no unforeseen exceptional expenses will be charged to the EU Contribution.

The Bank shall be remunerated for the services provided under this Delegation Agreement in accordance with Article 13 of the FAFA and [Article 9] (*Remuneration of the Bank*) of this Delegation Agreement and in accordance with the provisions set out below.

[*To be completed as necessary*]

1. Bank Fees for managing the Financial Instruments Window

2. Bank Fees for managing the Technical Assistance Window

3. Bank Fees for managing the Investment Grant Window

4. Bank Fees for managing the Interest Rate Subsidy Window

5. [Reimbursement of Exceptional Unforeseen Expenditures in respect of the Financial Instruments Window]

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For discussion purposes and subject to review and approval by the Parties

Annex 5: Operational Reporting

Annex 5a: Financial Instrument Window - Operational Reporting

This [Annex 5a] sets out the operational reporting obligations applicable to the Bank for data relating to the Financial Instruments Window.

It details the common operational reporting requirements stemming from Article 15 and Schedule II of the FAFA and from [Article 25.1] (*Operational and Financial Reporting*) of this Delegation Agreement. It also complements the common operational reporting requirements by specifying the specific operational reporting requirements linked to specific elements of the Financial Instruments Window.

1. Annual Operational Report

In accordance with Schedule II of the FAFA, the Bank shall provide the Designated Service with an annual operational report with information as at 31 December of the preceding year as set out below.

The annual operational report shall be provided annually by 31 March and until the last year of the duration of this Delegation Agreement. The report shall be provided in paper and in electronic format (pdf format).

[By exception from the provisions of the preceding paragraph, the first annual operational report to be provided by the Bank shall cover the period from the date of signature of this Delegation Agreement to 31 December 2016.]

The annual operational report shall include at least the following information, as at 31 December of the preceding year:

a) summary of all relevant activities carried out by country (if applicable) during the previous year (i.e. directly related to the description of the Financial Instruments Window and activities as foreseen in this Delegation Agreement) including where applicable any Communication Activities and visibility measures implemented;

b) achievements during the previous year, including Operations signed, (name of Financial Intermediaries and type of targeted final recipients or name of Final Recipients, as applicable, investments supported, number of Financial Intermediaries or Final Recipients, as applicable, and any other relevant outputs and results foreseen in this Delegation Agreement. Information should include operational difficulties encountered and measures taken to overcome them;

c) an assessment of the contribution of the Financial Instruments Window to the achievement of the objectives of the Action as measured by the agreed indicators, including - but not limited to - the target leverage and the achieved one, and geographical diversification, where applicable;

d) link to any ongoing sectoral policy reforms affecting the Project, where relevant;

e) review and results of the additionality / value added of the EU Contribution on the basis of the criteria listed in the relevant section of the Financial Instruments Window;

f) the dates of legal commitments under the Financial Instruments Window to individual Operations or portfolios of Operations;

g) an assessment of the contribution of Support Actions, if any, carried out to the achievement of objectives of the Financial Instruments Window;

h) action plan for the next 12 months of the Financial Instruments Window.

Values reported will include annual amounts concerning the preceding year and cumulative amounts since the beginning of the implementation of the Financial Instruments Window, until 31 December of the preceding year.

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For discussion purposes and subject to review and approval by the Parties

[The template of the annual operational report will be agreed between the Bank and the Designated Service no later than three (3) months after the signature of this Delegation Agreement by exchange of letters.]

The Commission shall treat the annual operational reports as confidential in accordance with Article 22 of the FAFA.

2. Semi-annual Report

In addition to the annual operational report, the Bank will provide the Designated Service with short and succinct semi-annual progress reports on the Financial Instruments Window which shall consist of (i) information on the Project implementation progress since the last reporting date and (ii) information on the amounts disbursed under the Financial Instruments Window since the last reporting date.

The Commission shall treat the semi-annual progress reports as confidential in accordance with Article 22 of the FAFA.

3. Final Implementation Report

In accordance with Schedule II of the FAFA, the Bank shall submit to the Designated Services, no later than 6 (six) months after the end of the Execution Period, the final implementation report on the Financial Instruments Window. The final implementation report shall cover the whole period of implementation of the Financial Instruments Window and shall contain: i) quantitative information corresponding to the form and content of the last annual operational report, and ii) qualitative information on the results achieved according to the objectives of the Financial Instruments Window.

The Commission shall treat the final implementation report as confidential in accordance with Article 22 of the FAFA.

4. Pipeline Report

As set out in the second paragraph of Schedule II of the FAFA, during the Implementation Period, the Bank shall provide the Designated Service once a year with pipeline reports on expected Operations, where applicable, as set out below.

The pipeline reports shall be provided by the Bank by 31 March of each year simultaneously with the annual operational report with information on the Operations expected under the [*Equity FI / Debt FI / Financial Instruments Window*] being considered by the Bank prepared respectively as of the end of December of each year.

The pipeline reports shall only include those proposals for Operations which have not been withdrawn by the [Financial Intermediary / Final Recipients] or refused by the Bank by the cut-off date of the report. Proposals which resulted in signed Operations during the previous reporting period shall not be included either.

The pipeline reports shall take account of confidentiality and sensitive market information.

The pipeline reports shall present the following information:

- The identification data and focus of a potential Operation:
  - name and type of the potential Operation (loan, guarantee, equity investment, etc),
  - sector,
  - name and location of the expected [Financial Intermediary / Final Recipient], if available,

- Nominal amount expected to be signed;
- Estimated Commitments from the EU Contribution;
- Expected signature date with the [Financial Intermediary / Final Recipient.

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For discussion purposes and subject to review and approval by the Parties

Annex 5b: Additional Tasks Window - Operational Reporting

This [Annex 5b] sets out the operational reporting obligations applicable to the Bank for data relating to the Additional Tasks Window.

It details the common operational reporting requirements stemming from Article 15 of the FAFA and from [Article 25.1] (Operational and Financial Reporting) of this Delegation Agreement. It also complements the common operational reporting requirements by specifying the specific operational reporting requirements linked to specific elements of the Additional Tasks Window.

1. Annual Operational Report

The Bank shall provide the Designated Services with an annual operational report with the information and in the form set out below.

The annual operational report shall cover the information on each 12 months period from signature of this Delegation Agreement. If the Execution Period starts before the signature of the Delegation Agreement, reporting will be included in the first annual operational report. The report should be provided annually within 60 days after the end of such period until the last year of the duration of this Delegation Agreement. The report shall be provided in paper and in electronic format (pdf format).

The annual operational report shall include at least the following information on the Action and, to the extent relevant for the Action, on the Project, as at the cut-off date of the preceding 12 months period. The Parties acknowledge that the obligations of the Bank are, in accordance with this Delegation Agreement, particularly Article [4.2] (*General Obligations and Objectives of the Action and its Windows*) and Article [31] (*Liability*), limited to the Action and do not extend to contributions or activities of third parties in connection with the Project and that therefore any data on the Project are provided for information purposes only:

a) Financing structure of the Project:

Financial information / financial plan (latest available);

b) Project implementation:

  - Summary of all relevant activities carried out (by country, if applicable) during the previous year (i.e. directly related to the description of the Additional Tasks Window and activities as foreseen in this Delegation Agreement) including where applicable major developments on the Project from the last annual operational report and any Communication Activities and visibility measures implemented, environmental and social aspects, particular operational challenges faced as well as measures taken to overcome them~~;~~
  - link to any ongoing sectoral policy reforms affecting the Project, where applicable;
  - an assessment of the contribution of the Additional Tasks Window to the achievement of the objectives of the Action as measured by the agreed indicators in the relevant section of the Financial Instruments Window (if applicable),
  - report on the progress made compared to the expected added value of the EU Contribution and an update on the foreseen financial leverage of the EU Contribution (if applicable),

- an overview of use of funds and a breakdown of use of the EU Contribution for each activity/component (to the extent possible), showing distinctly project activities, Communication Activities;
- Status of procurement activities,

c) Technical assistance, if any:

- scope,
- progress on activities,

d) Risks identified on the Project:

- Project-related risks (description, proposed mitigation action and follow-up date, status at the time of monitoring);,
- Financial risks (description, proposed mitigation action and follow-up date, status at the time of monitoring);

e) Work plan for the next 12 months of the Additional Tasks Window (if applicable)

•

The template of the annual operational report will be agreed between the Bank and the Designated Service no later than three (3) months after the signature of this Delegation Agreement by exchange of letters.

The template of the annual operational report will be agreed between the Bank and the Designated Service no later than three (3) months after the signature of this Delegation Agreement by exchange of letters.

As information is retrieved from the Bank's internal documentation, the reporting template cannot be disclosed to third parties, it is for the reporting purposes to the Commission only and shall be treated as confidential.

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The Commission shall treat the annual operational report as confidential.

2. Reporting on incurred expenditure

The Bank shall provide the Designated Services with externally audited reports on cumulative expenditure incurred in respect of the Additional Tasks Windows, and – if applicable – of the Communication Activities and Special Audits.

For the purposes of such reporting, expenditure shall be considered as "incurred": (a) in the case of Service Contracts, when the services are delivered and accepted by the Bank and (b) in the case of Grant Agreements, when the activities financed under the grant (particularly the Procurement Contracts) are implemented and considered eligible by the Bank, after approval of relevant operational and financial reports submitted by the Grant Beneficiary on the implementation of the activities financed by the grant, thus excluding any pre-financing payments made under the Service Contracts, Grant Agreements or Procurement Contracts, as applicable.

The report on expenditure incurred shall be provided by the Bank every two years during the period of execution of the Additional Tasks Windows of the Action [and of the Communication Activities and Special Audits], from the date of entry into force of the Delegation Agreement to 31 December of each reporting year.

The information included in such reports shall be provided for the Commission's accounting purposes, by 30 April of the relevant reporting year, and shall not be used for determining the amount of the payments requested or made. The first such report is due by [*date*].

Subject to coverage of the relevant costs as Special Audit costs under the EU Contribution, the Bank shall request an external auditor to prepare the report on cumulative expenditure incurred.

3. Final Implementation Report

The Bank shall submit to the Designated Services, no later than 20 (twenty) months after the end of the Execution Period, the final implementation report on the Additional Tasks Window. The final implementation report shall cover the whole period of implementation of the Additional Tasks Window and shall contain: (i) information corresponding to the form and content of the last annual operational report, except for information on the work plan and (ii) information on the actual results (including achieved added value and actual leverage) according to the agreed indicators (iii) the exact link to the Bank's website where, in accordance with Article [24.1] (*Publication of information on support provided under the Additional Tasks*) the information on Grant Beneficiaries and Service Providers are available.

The Commission shall treat the final implementation report as confidential.

4. Lead Financial Institution Role

For Projects supported by the EU Contribution in the form of the Action in the framework of Blending Facilities and for which the Bank has been designated as Lead Financial Institution, the reporting obligations described above shall cover the entire Project. It is understood however that the detailed reporting relates only to the EU Contribution and the reporting in respect of the other contributions and co-financiers is provide on an "as received" basis and for information purposes only. The Bank makes no representations and assumes no liability in respect of the accuracy, correctness or completeness of such information, nor on its fitness for purpose.

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Annex 6: Financial Reporting

Reports to be submitted to the Designated Service shall be expressed in euro. These reports may be drawn from financial statements denominated in other currencies as per the Bank's requirements. Where necessary, amounts shall be converted into euro.

The Bank shall record all transactions in respect of the EU Contribution in the Action Account as defined in [Article 8.1] (*Action Account*), including the revenues generated and repayments received from the Financial Instruments attributable to the EU Contribution, Fees and Exceptional Unforeseen Expenses, as applicable.

The EIB shall provide the Designated Service with the financial reporting as stipulated in Schedule III of the FAFA, as detailed below. The reports shall be provided in electronic format (PDF) except for the standardised reporting package (EXCEL format). Upon receipt of the financial reporting documents, the Designated Service may request clarifications on the information provided in these documents and the EIB shall use its reasonable endeavours to reply to the Designated Service.

Annex 6a: Financial Instruments Window - Financial Reporting

1. Financial statements

In line with the Schedule III of the FAFA and [Article 25] (*Operational and Financial Reporting*), the Bank shall provide for the Financial Instruments Window:

- no later than 15 February of each year one complete set of unaudited financial statements of the previous calendar year comprising the information referred to below in letters (a) to (e);
- no later than 15 March of each year one complete set of externally audited financial statements of the previous calendar year in accordance with the accounting rules of the Union referred to in Article 14.2 of the FAFA, as may be amended from time to time and communicated in advance by the Commission to the Bank. The audited financial statements shall comprise the following information:
    (a) statement of financial performance;
    (b) balance sheet;
    (c) statement of changes of contributors' resources;
    (d) cash-flow statement; and
    (e) notes to the financial statements, including disclosures on financial risk management.

[By exception from the above, the financial reporting for 2015 will consist only of a standardised reporting package. No complete set of unaudited financial statements and no audited financial statements shall be prepared and provided for 2015.]

2. Standardised reporting package

[If applicable / requested and accepted to be provided by EIB, and only for the Financial Instruments Window]

A standardised reporting package is requested in addition to the (un)audited financial statements for the financial instruments. This reporting package shall provide all the information and disclosures required by the EU Accounting Rules adopted by the Commission's Accounting Officer. The

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Commission's Accounting Officer services will provide the EIB in time, at the latest on 1 November of each year, with the reporting package for the next closure of accounts. In accordance with Article 5.3 of the FAFA, the Parties shall agree on the format of the standardised reporting package, including updates from time to time.

3. Management declaration and summary report on audits and controls

The unaudited financial statements provided for the Financial Instruments Window shall be accompanied by:

- a management declaration of assurance in the form defined in Schedule III of the FAFA. If this management declaration of assurance is qualified due to the lack of availability of audited financial statements or with regard to additional controls to be carried out between 15 February and 15 March, the management declaration of assurance shall be updated or confirmed by 15 March of each year.
- a summary report on audits and controls carried out in the period in question, including an analysis of the nature and extent of errors and weaknesses in systems identified if any as well as any corrective actions taken or planned.

By way of exception to the requirements above, for the period between the date of signature of this Delegation Agreement and 31 December 2015, (i) a lighter declaration and reporting requirement will be sufficient (ii) the management declaration will be limited to an EIB confirmation that the EU Contribution Paid until 31 December 2015 remains on the Action Account at 31 December 2015, in line with the objective of safeguarding assets; and (iii) a summary report on audits and controls is not being required.

As provided in Schedule III, third paragraph of the FAFA, an independent audit opinion on the management declaration and the summary report on audits and controls shall be provided no later than 15 March of each year[, except in 2016 as no such audit shall be carried out for 2015.

The first summary report on audits and controls will cover the period from the signature of the Delegation Agreement to 31 December 2016.]

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Annex 6b: Additional Tasks Window - Financial Reporting

1. Financial statements

In line with the Schedule III Section 6 of the FAFA and [Article 25] (*Operational and Financial Reporting*), the Bank shall for the Additional Tasks Window, no later than 15 March of each year, provide an externally audited financial statement of expenditure of the previous calendar year.

The financial reporting for the Additional Tasks Window shall be made in the form set out in Appendix 1 to this Annex.

[By exception from the above, no audited financial statement of expenditure shall be prepared and provided for 2015. The first audited financial statement of expenditure will be prepared as at 31 December 2016 covering the period from the signature of the Delegation Agreement to 31 December 2016.]

[*To be noted that the financial reporting will be provided on a cash flow basis in accordance with FAFA*.]

2. Management declaration and summary report on audits and controls

The audited financial statement of expenditure provided for the Additional Tasks Window shall be accompanied by

- a management declaration of assurance in the form defined in Schedule III of the FAFA.
- a summary report on audits and controls carried out in the period in question, including an analysis of the nature and extent of errors and weaknesses in systems identified if any as well as any corrective actions taken or planned.

As provided in Schedule III, third paragraph of the FAFA, an independent audit opinion on the management declaration and the summary report on audits and controls shall be provided no later than 15 March of each year[, except in 2016 as no such audit shall be carried out for 2015.

The first management declaration of assurance and summary report on audits and controls will cover the period from the signature of the Delegation Agreement to 31 December 2016.]

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Appendix 1: Additional Tasks Window - Financial Reporting Template

[To be noted that the financial reporting will be provided on a cash flow basis in accordance with FAFA.]

Action NAME

Statement of expenditure*
for the period from 01 January 20xx to 31 December 20xx
(in EUR)

	Current Period 01/01/20xx to 31/12/20xx	Since inception of Action DD/MM/YY to 31/12/20xx
	Expenditures*	**Accumulated expenditures***
Technical Assistance		
Cost of procurement of services		
EIB Management Fees		
Investment Grant		
Cost of procurement of works or supplies		
EIB Management Fees		
Interest Rate Subsidy		
Interest Rate Subsidy		
EIB Management Fees		
Other		
Communication Activities		
[Special Audits]		
TOTAL	-	-

** Expenditures are recorded on a cash basis*

Contributions

	Current Period 01/01/20xx to 31/12/20xx	Since inception of Action DD/MM/YY to 31/12/20xx
	Contributions	**Accumulated contributions**
Technical Assistance		
Investment Grant		
Interest Rate Subsidy		
TOTAL	-	-

Account balances

	Account balances as at 31/12/20xx in EUR:
Technical Assistance Account Investment Grant Account Interest Rate Subsidy Account	
TOTAL	-

ANNEX 9

Budgetary treatment of reflows from financial instruments

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Budgetary Treatment of reflows from financial instruments

1. Legal and contractual framework

The purpose of this note is to explain the budgetary treatment of revenues and repayments from financial instruments.

While the treatment of revenues and repayments from financial instruments was dealt with on an ad hoc basis in the past, it is now subject to horizontal rules in Article 140(6) of the Financial Regulation (FR). Further, the issue of repayments and revenues cannot be considered in isolation from Article 140(7) FR, which prohibits excessive balances on fiduciary accounts.

Additionally, basic acts may contain specific rules derogating from Article 140(6) FR. In particular, the basic act may allow a broader reuse of revenues and repayments than Article 140(6) or on the contrary may limit the re-use of such amounts. Further, Article 140(6) refers only to the re-use of repayments and revenues by the same financial instrument. It does not cover the re-use of revenues and repayments of previous financial instruments by the new generation of financial instruments (2014 – 2020).

On these bases, detailed rules have been defined at contractual level in the specific delegation agreements. Annex II contains an overview of applicable legislative provisions and the contractual framework in the delegation agreements which are already signed or are close to being signed (COSME, H2020, LIFE, Common Provisions on SME Initiative Uncapped Guarantee Instrument).

2. Categories of revenues and repayments

Although the FR does not contain a definition for revenues and repayments generated by financial instruments, Article 140(6) FR provides some examples of revenues and repayments.

Paragraph 2 of Article 140(6) FR refers to revenues, "*including dividends, capital gains, guarantee fees and interest on loans and on amounts on fiduciary accounts paid back to the Commission or fiduciary accounts opened for financial instruments and attributable to the support from the budget under a financial instrument*".

Paragraph 3 of Article 140(6) FR refers to repayments, "*including capital repayments, guarantees released, and repayments of the principal of loans, paid back to the Commission or fiduciary accounts opened for financial instruments and attributable to the support from the budget under a financial instrument*".

However, the negotiations of the delegation agreements have shown that in certain specific cases revenues and repayments may fall outside the scope of Article 140(6) FR. This is because both revenues and repayments under Article 140(6) have to be recovered, either as general revenue (in the case of revenues, unless a derogation applies) or reused as assigned revenues (in the case of repayments, or revenues where a reuse is allowed by the basic act.)

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However, only amounts established as receivable can be recovered, i.e. amounts which are certain of a fixed nature and due (see Article 78(1) FR and Article 81(1) RAP). Where revenues and repayments are conditional, these conditions are not fulfilled.

It is essential that only revenues and repayments which are conditional for clearly demonstrated reasons, in particular of a regulatory or contractual nature, fall outside the scope of Article 140(6) FR. The conditionality must be included in the agreements concluded with third parties (for example a fund or guarantee agreement concluded between the entrusted entity and a financial intermediary), and must be indispensable in the light of market practice of the uptake of the instrument. It is not possible to establish conditionality in the agreements between the Commission and the entrusted entity.

1. In the case of equity instruments, it is for instance common in distributions by Venture Capital (VC) Funds that investors in a VC Fund receive capital repayments (plus capital gains) after a fund sells a portfolio company, but often on a recallable basis. The period of recallability varies according to the specific fund and jurisdiction of establishment and could range from 2 to 5 years. This stems from the fact that when a VC Fund sells a stake in a portfolio company, the transaction is often quite complex and may involve a right for the buyer to be compensated for hidden liabilities or unmet profit expectations for a certain period of time. To be able to cover such compensation, the VC fund retains the right to claim back some of the distributions it made to its investors.

2. In the case of guarantee instruments, recoveries may be recallable. After an entrusted entity honours a guarantee call of a financial intermediary following a default, it is possible that such intermediary manages to recover parts of the defaulted loan through litigation. The corresponding amounts are returned to the entrusted entity and constitute a repayment. Such repayment may be recallable in the following cases:

- where the judgment or decision concerning the recovery can still be overruled; or
- if, in line with market practice, the recovery forms part of an irrevocable commitment towards the financial intermediary.

Since the nature of recallable revenues and repayments varies from instrument to instrument and even within the same instrument there are differences between national law, the quantification of these amounts should be carried out by the relevant entrusted entity.

For the avoidance of doubt, amounts paid from the Union budget to fiduciary accounts which have not been used and are not required, are not considered as revenues or repayments "paid back to the fiduciary account". Such amounts may have to be recovered if they lead to an excessive balance on the fiduciary account, which is prohibited by Article 140(7) of the FR.

Amounts paid to a dedicated investment vehicle in which the Commission has invested together with other investors should also not be considered revenues or repayments within the meaning of Article 140(6) FR, as they are not amounts paid back to a fiduciary account or the Commission.

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3. Procedure for recovery and reuse

The procedure for the recovery/reuse depends on the revenues and repayments in question.

3.1. Recovery to the general budget

The recovery of amounts to the general budget as general revenue (e.g. revenue under Article 140(6) FR which exceeds management costs and fees and for which no specific derogation exists) is by definition cash based.

3.2. Reuse of repayments

Where amounts have to be reused as assigned revenues (e.g. annual repayments under Article 140(6) FR paid back to the same fiduciary account), the following applies.

a) Cash procedure:

Contrary to the principles of accrual accounting, budgetary revenue is normally recognised on a cash basis. This means that the repayments first have to be recovered and paid into the Commission's bank account to be registered as budgetary revenue. Subsequently the revenue can be assigned to the relevant budget line and paid back to the fiduciary account (financial instrument account).

The standard operations in the ABAC system are used to recover and assign the cashed revenue:

1) Establishment of recovery order (RO)
2) Clearing of RO after collection of funds
3) Inscription of assigned revenue
4) Creation of commitment
5) Payment to fiduciary account.

b) Virtual method:

Given the wording of article 140(6) FR, an exception to the cash principle can be justified where identical budgetary results are achieved without any cash movement.

Using this virtual method, amounts remain on the fiduciary account and registration in the Commission's budgetary accounts is made as if cash has been received and paid. A more detailed description of this virtual recycling procedure is enclosed in Annex III. In case there is an excessive balance on the fiduciary account as mentioned in article 140(7), the virtual method cannot be used and the funds have to be recovered into the Commission's banks accounts.

c) Cash procedure versus virtual procedure

When using the cash method, the funds are unavailable both for the Financial Instrument and the Commission during their transfer between accounts. However, 2 main advantages are identified:

i. Their registration is closely linked to the cash flow movements. They can only be repaid to the fiduciary account after assignment of the revenue and registration of the expenditure what guarantees a complete and accurate registration in the Commission's accounts.
ii. Before sending back the funds to the fiduciary accounts, the conditions for reuse can be verified and if not met, the funds will not be sent back to the fiduciary account but remain at least partly at the Commission to receive a different treatment. The Commission will thus be in a better position to avoid excessive balances on the fiduciary accounts (see Art. 140(7) FR).

Obviously, the virtual method does not benefit from the tangible link with real cash transactions and related advantages. To mitigate its inherent risks, it is therefore recommended to condition the reuse of the funds by the entrusted entity by an a priori notification of the registered budgetary expenditure. In other words, after having checked the conditions for reuse (including excessive balances) and finalised the budgetary transactions, the Authorising Officer by delegation (AOD) communicates its reuse approval to the entrusted entity. If the conditions are not met, the reuse is not granted and the funds are recovered.

The cash method is best at ensuring transparency and traceability. However, given the wide diversity of financial instruments and to avoid undermining their operational functioning, the choice between cash and virtual procedures is left to the competent AOD. In case he chooses the virtual method, he will foresee the necessary provisions related to the a priori notification in the relevant delegation agreement.

3.3. Reuse of amounts from previous instruments

For amounts to be reused, i.e. repaid from fiduciary accounts opened for the previous generation of financial instruments to the fiduciary accounts established for the Horizon 2020 financial instruments, a cash based recovery procedure is necessary.

3.4. Treatment of recallable amounts

Recallable amounts need to be included in the operational reporting in order to ensure full traceability. Recallable amounts should be maintained on the fiduciary account until they are called by the relevant intermediary or until the end of their recallability period.

Finally, the reuse of a repayment, and of revenues, if allowed by the basic act, implies a new commitment, which needs to be preceded by a financing decision according to Article 84 FR. Normally, the work programme including the relevant instruments may constitute such financing decision, if the increase is covered by the flexibility clause. Eventually, it may be necessary to adapt the flexibility clauses in the future to cover the specific case of repayments and revenues under financial instruments.

4. Period of reuse and timing of recovery to the budget

The detailed timeline for the recovery procedure and reuse are defined in specific delegation agreements. It is recalled that a reuse of repayments (or revenues, where a derogation exists) is normally only possible after accomplishing the notification procedure, within the period defined in Article 140(6) FR (i.e. commitment period + 2 years). A reuse before the notification procedure is acceptable only in specific cases, if it is demonstrated that this is indispensable for the proper functioning of the instrument.

It needs to be decided what the term commitment period means. For external actions, financial instruments within blending facilities are of a smaller scale and normally do not involve commitments throughout several years. However, the commitments are based on legal acts which cover programmes for the period 2014 – 2020. The term "period of commitment" therefore is understood as covering the period up to 2020 also for external instruments. This should also be the case for intra-EU financial instruments.

However, there could be exceptions in duly justified cases. For instance, in risk-sharing instruments where the Commission shares the risk of a financial instrument with other financing partners beyond the MFF, it may be indispensable that the commitment period for the re-use of repayments corresponds to the duration of such risk-sharing. This is the case of the risk-sharing debt instruments under Horizon 2020.

5. Indicative Overview table

As the list of examples for revenues and repayments provided for in Article 140(6) FR is not exhaustive, it is useful to provide an indicative overview of the different types of revenues and repayments and their treatment in Annex I.

6. Conclusions

A transparent treatment of repayments and revenues is of utmost importance for the efficient implementation of financial instruments. While the correct application of the procedures described in this document is ultimately the responsibility of the authorising officer by delegation, the Commission needs to ensure a coherent approach. This concerns, in particular, the requirement to avoid excessive balances on fiduciary accounts, created through high EU contributions exceeding the needs of the instrument, in conjunction with a reuse of repayments (and revenues, where allowed by the basic act) without a proper analysis of disbursement forecasts.

It is therefore recommended putting a system of peer review of disbursement forecasts into place. Additional guidance could be provided by FIIEG.

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Annex I: Overview on the types of reflows and their treatment

Type of reflows	Category	Recovery/Reuse procedure
Interests on amounts on fiduciary accounts	Revenue	Cash based recovery, following deductions of management costs and fees Cash based or exceptionally virtual procedure may be carried out for reuse of revenues exceeding management costs and fees, if derogation
Realized capital gains (i.e. increase in the value of a capital asset that gives it a higher worth than the purchase price.)	Revenue Capital gains may be recallable according to market practice in line with regulatory requirements	Cash based recovery, following deductions of management costs and fees A cash based or, exceptionally, a virtual procedure may be carried out for reuse of revenues exceeding management costs and fees, if derogation No regularisation or recovery if capital gain is recallable
Dividends	Revenue Dividends may be recallable according to market practice in line with regulatory requirements	Cash based recovery, following deductions of management costs and fees A cash based or, exceptionally, a virtual procedure may be carried out for reuse of revenues exceeding management costs and fees, if derogation No regularisation or recovery if dividend is recallable
Guarantee Fees and Risk Cover Fees	Revenue	Cash based recovery, following deductions of management costs and fees A cash based or, exceptionally, a virtual procedure may be carried out for reuse of revenues exceeding management costs and fees, if derogation
Penalties	Revenue	Cash based recovery, following deductions of management costs and fees A cash based or, exceptionally, a virtual procedure may be carried out for reuse of revenues exceeding management costs and fees, if derogation
Claw back amounts: Any amount that may be due by a Financial Intermediary as a result of, inter alia, fraudulent actions of Final Recipients or (Sub-) intermediaries , or the exclusion of Final Recipient Transaction from a Individual Portfolio	Repayment: the amount clawed back normally corresponds to the principal. In many cases, such reimbursements are recallable repayments according to market practice in line with regulatory requirements	A cash based or, exceptionally, a virtual procedure may be carried out for reuse, if the repayments are not recallable No regularisation or recovery to the general budget if the amounts are recallable Cash based recovery to the general budget after the Commitment period +2 years (2.b.i))

Loss Recoveries Recoveries (at the level of Financial Intermediaries) in the case of guarantee instruments; related to defaulted loans).	Repayment: the amount recovered following a guarantee call is mainly the principal. While a guarantee call also includes 90 days of interest, this will normally be negligible with regard to the overall amount.[1] In the case of guarantee instruments, loss recoveries (within this definition) are recallable repayments according to market practice in line with regulatory requirements	A cash based or, exceptionally, a virtual procedure may be carried out if recoveries are not recallable No regularisation or recovery to the general budget if the amounts are recallable Cash based recovery to the general budget after the Commitment period +2 years
Capital repayments	Repayments	A cash based or, exceptionally, a virtual procedure may be carried out for reuse No regularisation or recovery to the general budget if the amounts are recallable. Cash based recovery to the general budget after the Commitment period +2 years
Guarantees released (e.g. if a financial intermediary does not reach a specific portfolio volume and as a result the EU guarantee is reduced and any amounts paid in excess are returned to the Commission.	Repayments	A cash based or, exceptionally, a virtual procedure may be carried out for reuse No regularisation or recovery to the general budget if the amounts are recallable Cash based recovery to the general budget after the Commitment period + 2years
Repayment of the principal of a loan (in the case of loan instruments directly from the EU to Final Recipients)	Repayments	A cash based or, exceptionally, a virtual procedure may be carried out for reuse Cash based recovery to the general budget after the Commitment period + 2years
Revenues and repayments from existing instruments to new generation of instruments (2014 – 2020)	To be decided on a case-by-case basis. In the case of COSME, only repayments may be reused (see Article 17(9) of Regulation 1287/2013). In the case of H2020, both revenues and repayments may be reused (see Article 52(3) of the Rules of participation.	Cash based procedure for transfer between different instruments

[1] The H2020 Delegation agreement treats them as revenues and should therefore be adapted.

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Annex II: legal framework

Funding programme	Reflows from FIS established under the MFF 2014-2020		Reflows from FIs established under the MFF 2007-2013	
	Revenues	**Repayments**	**Revenues**	**Repayments**
COSME (Reg. 1287/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+2 years	Entered in the general budget after deduction of management costs and fees	From the High Growth and Innovative SME Facility – assigned to the Equity Facility for Growth
relevant provisions	Art.140.6 FR + Art.9.15 of the COSME DA	Art.140.6 FR + Art.9.12 of the COSME DA	Art.140.6 FR + Art.9.15 of the COSME DA	Art.17.9 COSME Regulation + Art.9.12 of the COSME DA
Horizon 2020 (Reg. 1291/2013)	Assigned to the financial instrument	Assigned to the financial instrument	From the Risk Sharing Finance Facility and the High Growth and Innovative SME Facility - Assigned to the succeeding financial instruments under Regulation (EU) No 1291/2013	From the Risk Sharing Finance Facility and the High Growth and Innovative SME Facility - Assigned to the succeeding financial instruments under Regulation (EU) No 1291/2013
relevant provisions	Art.52.2 of the Rules for Participation and Dissemination in Horizon 2020 (Reg. 1290/2013) + Art.9.13 H2020 DA	Art.52.2 of the Rules for participation and dissemination in Horizon 2020 + Art.9.12 H2020 DA	Art.52.3 of the Rules for participation and dissemination in Horizon 2020 + Art.9.13 H2020 DA	Art.52.3 of the Rules for participation and dissemination in Horizon 2020 + Art.9.12 H2020 DA
Employment and Social Innovation (EaSI – Reg. 1296/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+2 years	Assigned to the financial instrument in the current period	Assigned to the financial instrument in the current period
relevant provisions	Art.140.6 FR	Art.140.6 FR	Art.30.4 EaSI Reg.	Art.30.4 EaSI Reg.
LIFE (Reg. 1293/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+2 years	n/a	n/a
relevant provisions	Art.140.6 FR +	Art.140.6 FR +		

	Art.9.13 NCFF DA + Art.9.13 PF4EE DA	Art.9.12 NCFF DA + Art.9.13 PF4EE DA		
Connecting Europe Facility (Reg. 1316/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+2 years	All financial instruments established under Regulation (EC) No 680/2007 and the risk-sharing instrument for project bonds established under Decision No 1639/2006/EC may, if applicable and subject to a prior evaluation, be merged together with those under the CEF Regulation and managed in accordance with the FR	All financial instruments established under Regulation (EC) No 680/2007 and the risk-sharing instrument for project bonds established under Decision No 1639/2006/EC may, if applicable and subject to a prior evaluation, be merged together with those under the CEF Regulation and managed in accordance with the FR
relevant provisions	Art.140.6 FR	Art.140.6 FR	Art.14.3 CEF Reg. + Annex I, part III CEF Reg.	Art.14.3 CEF Reg. + Annex I, part III CEF Reg.
Erasmus + (Reg. 1288/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+2 years	n/a	n/a
relevant provisions	Art.140.6 FR	Art.140.6 FR		
Creative Europe (Reg.1295/2013)	Entered in the general budget after deduction of management costs and fees	Assigned to the financial instrument for n+10 years	n/a	n/a
relevant provisions	Art.140.6 FR	Annex I, Creative Europe Reg.		
SME initiative	- ESI Funds contribution=reused for the purposes indicated in art.44 of the CPR; - COSME contribution= in accordance with art.140.6 FR;	- ESI Funds contribution=reused for the purposes indicated in art.44 of the CPR; - COSME contribution= in accordance with art.140.6 FR;	n/a	n/a

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	-H2020 Contribution=in accordance with H2020 RPD	-H2020 Contribution=in accordance with H2020 RPD		
relevant provisions	-Art.44 of Reg. 1303/2013 (CPR); - Art.140.6 FR; - Art.52.2 of the Rules for Participation and Dissemination in Horizon 2020 (Reg. 1290/2013) + Detailed rules are currently being discussed in the framework of the draft common provisions on SIUGI (SME Initiative Uncapped Guarantee Instrument)	-Art.44 of Reg. 1303/2013 (CPR); - Art.140.6 FR; - Art.52.2 of the Rules for Participation and Dissemination in Horizon 2020 (Reg. 1290/2013) + Detailed rules are currently being discussed in the framework of the draft common provisions on SIUGI (SME Initiative Uncapped Guarantee Instrument)		
ESI Funds	Reused by MS for the purposed indicated in art.44 and 45 CPR	Reused by MS for the purposed indicated in art.44 and 45 CPR	Reused by MS in accordance with Article 78(7) Reg. 1083/2006 and Article 43(5) of Regulation 1828/2006	Reused by MS in accordance with Article 78(7) Reg. 1083/2006
relevant provisions	Art.44 Reg.1303/2013 (CPR)	Art.44 Reg.1303/2013 (CPR)	Second paragraph of Article 78(7) Reg. 1083/2006 and Article 43(5) of Regulation 1828/2006	Second paragraph of Article 78(7) Reg. 1083/2006

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Annex III: Description of the accounting procedure for virtual reflows

The objective of this procedure is to register per financial instrument the concerned budgetary (assigned) revenue and expenditure for the amount to reuse without involving any cash flow movement.

It is recalled that for accounting purposes the cash procedure gives the best guarantees and that the virtual procedure is the exception to be applied rigorously only for reuse on the same fiduciary account. In case the conditions for reuse (including excessive balances) are not met, the virtual procedure cannot be used and the funds have to be recovered into the Commission's bank account.

As regards the general (accrual) accounts, the described procedure produces no net effects. The accrual postings will be made during the year end operations on the basis of the annual financial statements and the reporting package of the financial instrument. Obviously, full reconciliation between accrual and budgetary flows has to be made during year end operations.

Based on the information received from the entrusted entity of the repayments[2] on the fiduciary account, the following steps have to be executed by the responsible AOD:

1. ESTABLISH (REGULARISATION) RECOVERY ORDER

⇒ A regularisation recovery order (IA) is established. The name of the financial instrument should be clearly stated in the header text.

⇒ GL account 49280000 "Reflows transit account" is debited (to act as a virtual bank account)

⇒ The appropriate budgetary income line is credited with the concerned amount using the fund source for internal assigned revenue (IC4).

⇒ The RIB address indicates the expense budget line (fund source C4) on which the appropriations will be opened[3].

⇒ Nature/Subnature of Receivables (NOR/SNOR) is encoded: Financial operations revenue/ 11210 (principal)

⇒ GL account 40810000 "Receivable from entrusted entities" is credited.

⇒ In case one of the accounts had not been opened for your service, please contact the LPM of your DG.

[2] In principle, this notification is made on an annual basis. In case intermediate notifications are made and registered, they have to be taken into account to avoid double booking and reconciled with the annual financial statements of the instrument.

[3] In case the budget line at the origin of the reflows is different from the budget line on which the funds are reused, 2 techniques can be used: direct assignment to the new budget line or assignment to initial budget line followed by a transfer of appropriations (FR 26 to 29). The formal context will determine this choice.

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RESERVE INSCRIBED APPROPRIATIONS

⇒ Upon finalisation of the workflow of the recovery order, the appropriations corresponding to the assigned revenue will be automatically inscribed.

⇒ This inscription is made by unit Budg/C3 twice a week. If necessary, a request for urgent inscription can be made to HoU/C3.

⇒ The inscribed appropriations have to be reserved for the registration of the related expenditure operations as described further.

⇒ No impact on the general accounting.

CREATE THE BUDGETARY COMMITMENT

⇒ A budgetary commitment is made for the same amount that will fully consume the inscribed appropriations (C4).

⇒ The name of the financial instrument should be clearly stated in the header text.

⇒ No impact on general accounting.

CREATE THE REGULARISATION PAYMENT REQUEST

⇒ A regularisation payment request (PA) is made that consumes both the commitment and the payment appropriations.

⇒ The following general accounts are used:

- GL 40810000 "Receivable from entrusted entities" is debited
- GL 49280000 "Reflows transit account" is credited

This will clear the entries previously made under step 1 (recovery order).

QUALITY CHECK

When the procedure is successfully finalised, the following net results are achieved:

✓ Recovery order = inscribed appropriations = commitment = payment
✓ Residual appropriations, outstanding commitments (RAL) = 0
✓ Both GL accounts show zero balance

NOTIFICATION TO ENTRUSTED ENTITY

In function of the applicable dispositions of the Delegation Agreement, a notification of the registered amounts is made to the entrusted entity granting approval for their reuse.

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