

# EN

## SUMMARY

### The Multiannual Action Programme 2019 part II and 2020 Part I in favour of the Asia region

#### 1. Identification

Budget heading	21.020200
Total cost	Total estimated cost: EUR 106 000 000 Total amount of EU budget contribution: EUR 106 000 000
Basic act	Regulation (EU) No 233/2014 of 11 March 2014 Regulation (EU) No 236/2014 of 11 March 2014

#### 2. Regional background

The Asia regional multi-annual indicative programme (RIP) covers a politically and socio-economically diverse region, comprising least developed countries, as well as some of the world's most dynamic economies and societies, emerging global actors and regional integration structures. Asia still accounts for more than half of the world's poor, the regional disparities among the Asian countries are substantial and the fast pace of economic growth is often achieved at the cost of inadequate social, labour and environmental standards. Enhancing sustainable economic and trade integration and advancing connectivity in the Asia region is essential to achieving further poverty reduction and sustainable development.

This action programme is highly relevant to the implementation of the Agenda 2030 and the Paris Agreement on Climate Change. It is also responding to the objective of advancing Europe-Asia connectivity in line with the EU Connectivity Strategy for Asia, which outlined the EU's approach to promoting sustainable, comprehensive and rule-based connectivity. The proposed programme encompasses actions supporting trade facilitation and regional economic and trade integration in Southeast Asia as an important driver of growth and poverty reduction. It also targets the support and leveraging of 'green investments' in the areas of environment, energy, sustainable urban development, transport and social infrastructure in the broader Asia region, as an instrumental vehicle for the implementation of Sustainable Development Goals (SDGs).

#### 3. Summary of the Action Programme

This action programme has been designed specifically to implement the priorities of the European Consensus on Development and the subsequent Mid-Term Review of the Asia Regional Programme. In particular to promote prosperity through growth and jobs, support actions related to climate change and environment and strengthen partnerships and a wider use of investments, with a view of the implementation of the Agenda 2030 and the SDGs.

#### Action 1: ASEAN Regional Integration Support – Malaysia Trade-Related Assistance (ARISE Plus – Malaysia)

##### 1) Background:

Malaysia achieved sustained rapid and inclusive economic growth in the past 50 years. Real GDP growth has averaged 6.4% per year between 1970 and 2017, with GDP growth for 2018 estimated at 5.5-6%, outperforming most of its regional peers. The Malaysian economy has undergone a dramatic

transformation: from dependence on agriculture and commodity exports to a more diversified and open economy with strong links to global value chains. Although Malaysia almost entirely eradicated poverty, there are still vulnerable groups of people experiencing poverty, especially in rural areas. Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives. The World Economic Forum's (WEF) Global Competitiveness Report ranked Malaysia 25<sup>th</sup> out of 138 economies in 2016-17, down from 18<sup>th</sup> out of 140 economies in 2015-16. The most problematic factors involved in doing business in Malaysia, as identified in the Global Competitiveness Report 2017-2018, include access to financing, corruption, and inefficient government bureaucracy. Following the May 2018 elections and the appointment of a new government the political situation in Malaysia is evolving at a fast pace and the government has outlined its strategy for national policy reforms. The ARISE Plus – Malaysia programme would support this reform process in the areas of trade policy implementation and institutional capacities, quality standards and increasing sustainable exports in line with ASEAN, EU and WTO standards.

Malaysia was the EU's fourth largest trade partner in the South East Asia region in 2017, whilst the EU is Malaysia's third largest trading partner, after China and Singapore. Cooperation in trade and economic issues has been the driving force and an important part of EU-Malaysia relations. Negotiations for the EU-Malaysia Free Trade Agreement (FTA), which have been suspended in 2012, might be resumed under the new Malaysian government, in which case the ARISE Plus – Malaysia programme would also accompany and support this process and the implementation of the FTA provisions.

## 2) Cooperation related policy of beneficiary country:

Malaysia is a founding member of the Association of Southeast Asian Nations (ASEAN) and since 1995 a member of the World Trade Organization (WTO). Malaysia economic and trade policies have so far been aligned to commitments taken in these and other international fora.

Following the appointment of the new government the national strategies and policies are currently being reviewed. In October 2018 the government published the mid-term review of the 11<sup>th</sup> Malaysia Plan (MP11) (2016-2020). This review will guide the Malaysian government national policy for the period 2018-2020. The government will undertake efforts to ensure more inclusive and sustainable growth, to reduce the urban-rural imbalance and to promote more inclusive trade and investments. The 2019 budget law is structured along three pillars which focus on institutional reforms, socio-economic wellbeing and promoting entrepreneurship. The last pillar focuses on promoting new technologies, assisting SMEs to become more internationally oriented, encouraging green technology adoption, providing subsidies for environment preservation, special assistance to commodity producers and addressing special needs of racial minority groups and women.

## 3) Coherence with the programming documents:

ARISE Plus – Malaysia programme is aligned to the objectives of the DCI Regulation 2014-2020<sup>1</sup> and the *Multiannual Regional Indicative Programme (RIP) for Asia for the period 2014-2020*<sup>2</sup> which has undergone a MTR<sup>3</sup>.

Multiannual RIP for Asia includes a priority area of "*Prosperity – Jobs and Growth*" (heading 1.2.1), which underlines that, in line with the European Consensus on Development, the EU will promote trade and regional integration as key drivers of growth and poverty reduction in developing countries. It furthermore states that development cooperation will support partner countries in the region to

---

<sup>1</sup> Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation, for the period 2014-2020, OJ L 77, 15.3.2014.

<sup>2</sup> Decision C(2014) 6112

<sup>3</sup> Decision C(2018) 4741 of 20/07/2018

generate inclusive growth through their participation in world trade, including responsible management of supply chains and that the EU will support the creation of a more business-friendly environment and promote more sustainable policies and regulatory frameworks. The described priorities are institutional capacity-building to design and effectively implement sound trade and integration policies, as well as support for the private sector to take advantage of new trading opportunities. Specifically highlighted under this priority area is support to ASEAN regional integration, including the support to the completion of the ASEAN Economic Community through trade-related assistance, combining regional and bilateral activities.

The ARISE Plus – Malaysia programme will be part of the broader regional EU-ASEAN economic end trade connectivity support programme (ARISE Plus), which includes regional and national components. The ARISE Plus regional and national programmes are closely aligned with the ASEAN's own "ASEAN Economic Community (AEC) Blueprint 2025", which all the ASEAN Member States have committed to implement and which provides a solid basis for EU's trade-related assistance in the region.

#### 4) Identified actions:

The overall objective is to support inclusive and sustainable trade growth as well as poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

The specific objectives are:

1. Trade policy formulation and implementation aligned with regional (ASEAN) and international (WTO, EU) commitments;
2. Quality Infrastructure System (including standards, certification and metrology) aligned with ASEAN and EU standards;
3. Export standards of sustainable agriculture and fisheries production enhanced and disseminated to comply with ASEAN and EU requirements.

#### 5) Expected results:

- Result 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and global commitments;
- Result 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices;
- Result 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.

#### 6) Past EU assistance and lessons learnt:

While the EU has not had any specific country programmes in Malaysia for a number of years, the country has taken part in several regional programmes to support ASEAN regional integration. Lessons identified from regional programmes and other initiatives have been applied during the formulation and will be applied during the implementation. Previous projects showed the need for a flexible and demand-driven approach, to enhance the project's ownership and commitment from beneficiaries; a good access of the technical assistance teams to high level officials and policy makers; a strong engagement of business representatives. A consultation mechanism between donors is also essential to avoid overlapping and ensure better targeted capacity building programmes for the authorities. Sustainability can be achieved by strengthening the capacities of beneficiaries, for which reason most of the activities are devoted to capacity building. Provision of training should target senior and middle management and a "training the trainers" system should be promoted for future sustainability.

## 7) Complementary actions/donor coordination:

In terms of EU projects, the ARISE Plus – Malaysia programme complements the broader ARISE plus regional programme in supporting the ASEAN Economic Community Blueprint 2025. Activities will also be coordinated with the "*EU-Asia cooperation on SPS and Food Safety Regulation*" and "*Promoting biodiversity & sustainability in the agriculture and food sector through economic valuation*" (FPI-funded projects) as well as with other initiatives promoted by DGs ENV and SANTE. The EU-Malaysia Chamber of Commerce and Industry is implementing the project "Increasing EU's Trade and Investment Flows into Malaysia and ASEAN", aimed at promoting EU SMEs in Malaysia. The EU "*SWITCH-Asia sustainable consumption and production (SCP) policy support*" project, coordinated by the Environment and Natural Resource Economic Section in the Economic Planning Unit of the Prime Minister's Department, supports the scaling-up of SCP best practices among businesses, the consumers and in key economic sectors. Synergies can be made with the EU regional project "*Sustainable Use of Peatlands and Haze Mitigation in ASEAN*", to promote learning and methodology sharing with respect to rehabilitation and conservation of areas at risk.

Concerning other donor projects, with the exception of the UK and Japan's regional trade-related assistance programmes which have a limited focus on Malaysia, no other donor is currently providing country-level trade-related assistance to Malaysia. There is a UNDP regional project "*Promoting a Fair Business Environment in ASEAN*" and the Netherlands has just launched "*National Initiatives for Sustainable & Climate Smart Oil Palm Smallholders*".

Coordination with other EU-funded and other donors' projects has been discussed during the formulation phase to avoid overlap. Further coordination will be ensured during implementation.

## **Action 2: ASEAN Regional Integration Support – Thailand Trade-Related Assistance (ARISE Plus – Thailand)**

### 1) Background:

Thailand has been one of the most successful countries in the South-East Asia region in terms of social and economic development, having moved from a low-income economy to an upper-middle income economy in less than a generation. In the past years Thailand has greatly benefited from strong global and regional trade, a more resilient domestic market, and an improved business enabling environment. Exports have far outstripped imports. Thailand has also been an example of improved governance, as recorded by the World Bank's Doing Business Indicators and the country has seen a significant improvement in its ranking. Foreign direct investments are a major motor in building competitiveness in the economy. Thailand ratified the WTO's Trade Facilitation Agreement (TFA) in 2015 its overall TFA implementation rate of over 80% has been one of the highest in the ASEAN region.<sup>4</sup>

Still, to sustain growth rates in the future and to achieve tangible economic development, Thailand will have to address its structural constraints, such as an ageing population, vulnerability to environmental disasters and climate change, as well as the challenges of governance and corruption. Opportunities for inclusive and sustainable growth and poverty reduction are significant if, among other, the remaining bottlenecks in the business regulatory environment are addressed and if the country further strengthens its integration in the regional and global economy. The ARISE Plus – Thailand programme would support this process in the areas of competition policy, procurement and organic agriculture exports standards.

In terms of trade relations with the EU, the EU-Thailand FTA negotiations were put on hold in 2014 because of the political crisis. The Council conclusions on Thailand adopted in December 2017<sup>5</sup> invited the Commission to "explore with Thailand the possibilities for resuming talks on an EU-

---

<sup>4</sup> UNESCAP (2017). Trade Facilitation in Paperless Trade Implementation in ASEAN.

<sup>5</sup> <https://www.consilium.europa.eu/en/press/press-releases/2017/12/11/thailand-council-adopts-conclusions/>

Thailand Free Trade Agreement”, while the full resumption of negotiations may be pursued only with a democratically elected civilian government under the new Constitution. The ARISE Plus – Thailand programme would also be relevant in view of a possible resumption of the negotiations, as it would accompany this process through capacity-building in a number of policy areas directly relevant to the FTA negotiating chapters/provisions.

## 2) Cooperation related policy of beneficiary country:

Thailand is a founding member of ASEAN and since 1995 a member of the WTO. Thai economic and trade policies are aligned to commitments taken in these and other international fora. The Thai reform agenda focuses on economic stability, human capital development, equal economic opportunities, environmental sustainability, competitiveness, and effective government bureaucracies. Thailand has laid out its long-term economic goals in its 20-Year National Strategy (2017-2036) for attaining developed country status through broad reforms. It focuses on six key strategic areas, including competitiveness enhancement, environmentally friendly growth and improvement of the business environment.

In the areas of competition policy and procurement, which will be the core part of the ARISE Plus – Thailand programme support, two key pieces of national legislation have been enacted in 2017: the Government Procurement Law and the Competition Law. Both laws provide greater powers of autonomy and relevance to their competent authorities, and aim to reduce the unpredictability of the past legal frameworks and practices thereunder, which resulted in a contested application of laws. The new laws are more comprehensive in nature and have been modernised in line with international best practices.

## 3) Coherence with the programming documents:

Same as for ARISE Plus – Malaysia (see point 1.3 of the Summary above).

## 4) Identified actions:

The overall objective is to support inclusive and sustainable trade growth as well as poverty reduction in Thailand, while contributing to economic integration in the ASEAN region.

Three specific objectives are:

1. A more transparent, predictable and competitive business environment achieved;
2. Efficiency of public expenditure and service delivery improved;
3. Sustainable organic agriculture export standards enhanced and disseminated in Thailand and in selected ASEAN countries.

## 5) Expected results:

- Result 1: Strengthened capacity of the Office for Trade Competition Commission related to the competition regulatory framework.
- Result 2: Enhanced capacity of Comptroller General Department (CGD) related to ASEAN and EU standards in public procurement.
- Result 3: Enhanced understanding of trade and policy frameworks for organic agriculture, in compliance with EU standards, in Thailand and selected ASEAN countries.

By promoting the implementation of a rules-based system for public procurement and competition, incorporating the principles of transparency and due process, the programme will contribute to good governance in Thailand. It will help enhancing the investment climate, creating incentives for FDI and supporting job creation and competitiveness of SMEs. The promotion of good practices in the field of organic agriculture has the potential to improve the quantity and quality of exports of agri-food products and thereby contribute to poverty reduction in the rural areas of Thailand.

#### 6) Past EU assistance and lessons learnt:

While the EU has not had any specific country programmes in Thailand for a number of years, the country has taken part in several regional programmes to support ASEAN regional integration. Lessons identified from regional programmes and other initiatives have been applied during the formulation and will be applied during the implementation. Previous projects showed the need for a flexible and demand-driven approach, to enhance the project's ownership and commitment from beneficiaries; a good access of the technical assistance teams to high level officials and policy makers; a strong engagement of business representatives. A consultation mechanism between donors is also essential to avoid overlapping and ensure better targeted capacity building programmes for the authorities. Sustainability can be achieved by strengthening the capacities of beneficiaries, for which reason most of the activities are devoted to capacity building. Provision of training should target senior and middle management and a "training the trainers" system should be promoted for future sustainability.

#### 7) Complementary actions/donor coordination:

In terms of EU projects, the ARISE Plus – Thailand programme complements the broader ARISE plus regional programme in supporting the ASEAN Economic Community Blueprint 2025. Activities will also be coordinated with the "*EU-Asia cooperation on SPS and Food Safety Regulation*" (FPI-funded), the "*Cooperation on competition in Asia*" programme, (COMP/FPI) the "*Systematic Mechanism for Safer Trade*" programme on pesticides for Thailand and Laos (DEVCO) and the "*Better Training for Safer Food*" initiative (DG SANTE).

Concerning other donor projects, coordination will be set up with programmes including the "Competition Law Implementation Program" under the ASEAN-Australia-New Zealand Free Trade Area Economic Cooperation Support Program. The OECD-Thailand Country Programme (focus on competition policy), the UNDP's support to Thailand's Comptroller General Department under a regional governance and peacebuilding programme, extensive GIZ cooperation (including support to private sector in the field of agricultural standards; multi-country trade-facilitation on food safety and SPS and support to ASEAN regional integration in competition area and South-South learning). ITC work/survey on non-tariff barriers to trade will be taken into account, and coordination ensured with the ARISE Plus programmes implemented by the ITC in Myanmar and Laos, focusing on trade facilitation and private sector support.

Despite the presence of numerous international partners in Thailand, the support provided on trade-related issues remains limited. Strong coordination will be established to ensure complementarity with all relevant stakeholders.

### **Action 3: Asia Investment Facility (AIF)**

#### 1) Background:

Key investments are essential to implement reform strategies in line with the EU-Asia policy framework. Combining EU grants with other public and private sector resources as well as policy dialogues will be an important tool to address the investment needs in energy efficiency, environment, water, climate change mitigation and SME development.

#### 2) Cooperation related policy of beneficiary country:

The Asia Investment Facility (AIF) provides Asian countries and countries in the Middle East with the possibility to fund investments where funding cannot (yet) be obtained on the financial market. The mid-term review of the Asia Regional Indicative Programme increased the flexibility for the Facility, opening the new sector 'Investment and Partnerships' to contribute also to the priorities listed under the other sectors of the regional programme (prosperity, planet and people) as well as the focal sectors of the bilateral Multiannual Indicative Programmes when linked to the earmarked investment allocations. This will ensure country ownership and alignment of focal sectors with countries' priorities.

### 3) Coherence with the programming documents:

The AIF was created in 2010 under the DCI and the Regional Strategy – Asia Region; it was then aligned to the objectives of the DCI Regulation 2014-2020<sup>6</sup> and of the new Regional Strategy - Asia Region<sup>7</sup>. The Multiannual Regional Indicative Programme for Asia for the period 2014-2020<sup>8</sup> which has undergone a MTR<sup>9</sup> includes a priority area of "Investment and Partnership" (heading 1.2.4), under which support through the AIF is outlined.

### 4) Identified actions:

The AIF's main objective is the promotion of SDG related investments through the leverage of additional investments in key infrastructure with a priority focus on climate change relevant and "green" investments in areas of environment, energy, sustainable urban development, transport and social infrastructure as well as in SMEs development.

The Facility thus contributes to the realisation of projects aiming to improve connectivity, reduce unemployment and poverty and to advance the economy in a sustainable way.

The blending mechanism allows mitigating financial risks, and thus, funding of projects that without blending would not be possible or only possible at a higher price/interest rate, later stage, lower quality etc. The leverage effect of AIF is expected to mobilise additional financing amounts several times the amount of the AIF grant contribution.

### 5) Expected results:

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target(s) 13, but also promotes progress towards Goal(s) 7, 8 and 11. The expected results include inter alia contributions to better energy infrastructure; increased protection of the environment and better focus and control of climate changes impacts; creation and growth of SMEs and improvement of the employment situations, notably in the area of climate change relevant and "green" investments; improved social services and infrastructures, notably in the area of climate change relevant and "green" investments; better transport infrastructure, notably in the area of climate change relevant and "green" investments.

### 6) Past EU assistance and lessons learnt:

An overall evaluation on blending<sup>10</sup> was conducted between July 2015 and July 2016 incorporating all regional investment facilities active during the period 2007-2014. The outcome of the evaluation is positive and following recommendations are relevant for further follow-up under AIF, such as to focus strongly on the additionality of blending grants; to expand the number and specialisation of partners, to sharpen the alignment of the blending projects with national policies, to expand the use of risk sharing instruments to financial intermediaries and to achieve greater development impact by placing greater focus on job creation and poverty alleviation. The Court of Auditors also published a special report on blending in October 2014, with similar conclusions.

These recommendations have been incorporated in an improved project application form, as well as in a newly developed blending results measurement framework and will continue to be improved. The DCI blending facilities have been working since 2014 in context of a revised and harmonised governance framework that improves the accountability of the decision making process while reducing transaction costs.

---

<sup>6</sup> Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation, for the period 2014-2020, OJ L 77, 15.3.2014.

<sup>7</sup> Decision C(2014) 9382

<sup>8</sup> Decision C(2014) 6112

<sup>9</sup> Decision C(2018) 4741 of 20/07/2018

<sup>10</sup> Evaluation of Blending, final report, December 2016, ADE.

#### 7) Complementary actions/donor coordination:

AIF provides Asian countries with the possibility to fund investments where funding cannot not (yet) be obtained on the financial market. It is in line with priorities of the regional and national indicative programmes. Notably, the AIF, as it encourages green investments, is complementary and established close links to the SWITCH-Asia programme which pursues a similar objective.

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

By combining grant funds from the EU budget with financing from Financial Institutions, the Facility promotes coherence and enhanced coordination between donors.

#### **4. Communication and visibility**

##### **ARISE Plus – Malaysia, ARISE Plus – Thailand, Asia Investment Facility**

Communication and visibility measures will be based on a specific Communication and Visibility Plan of the actions, to be elaborated at the start of implementation. The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the actions and the appropriate contractual obligations.

#### **5. Cost and financing**

<b>Action</b>	<b>EU contribution (EUR)</b>
ARISE Plus – Malaysia	3 000 000
ARISE Plus – Thailand	3 000 000
Asia Investment Facility	100 000 000
<b>Total EU contribution to the measure</b>	<b>106 000 000</b>





EN

This action is funded by the European Union

**ANNEX I**

of the Commission Implementing Decision on the Multiannual Action Programme in favour of the Asia region for 2019 part II and 2020 Part I

**Action Document for the ASEAN Regional Integration Support – Malaysia Trade-Related Assistance (ARISE Plus – Malaysia)**

**ANNUAL PROGRAMME**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

<b>1. Title/basic act/ CRIS number</b>	<b>ASEAN Regional Integration Support – Malaysia Trade-Related Assistance (ARISE Plus – Malaysia)</b> CRIS number: ACA/2019/041-126 financed under the Development Cooperation Instrument	
<b>2. Zone benefiting from the action/location</b>	Malaysia The action shall be carried out at the following location: mainly Kuala Lumpur and Putrajaya for components 1 and 2 while activities under component 3 will be carried out mainly at state and provincial level.	
<b>3. Programming document</b>	Addendum to the Multiannual Regional Indicative Programme (RIP) for Asia for the period 2014 – 2020 <sup>1</sup>	
<b>4. SDGs</b>	Main SDG(s) – SDG 8 Other significant SDG(s) – 1,10, 12, 15, 17	
<b>5. Sector of intervention/ thematic area</b>	Prosperity - Jobs and Growth	DEV. Assistance: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 3 000 000 Total amount of EU budget contribution EUR 3 000 000	
<b>7. Aid modality(ies) and implementation modality(ies)</b>	Preferred option : Project Modality Indirect management with an International Organization (International Trade Centre - ITC)	
<b>8 a) DAC code(s)</b>	33110 Trade policy and administrative management 33120 Trade Facilitation 33130 Regional Trade Agreement	

<sup>1</sup> C(2018)4741 of 20 July 2018

	33140 Multilateral trade negotiations 33181 Trade education/training 32130 Small and medium-sized enterprises (SME) development 16062 Statistics			
<b>b) Main Delivery Channel</b>	45001 World Trade Organisation - International Trade Centre			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	<ul style="list-style-type: none"> <li>Trade integration for green and inclusive growth</li> </ul>			

## SUMMARY

The ARISE Plus Malaysia programme is aimed at supporting country-specific needs to complement the ARISE PLUS Regional programme and the overall ASEAN regional integration process. The project is in line with the strategy of the new Malaysian Government and would also support the EU-Malaysia Free Trade Agreement (FTA) negotiations process, once resumed.

The **overall objective** is to support inclusive and sustainable trade growth and poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

The **specific objectives** are:

1. Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments;
2. Quality infrastructure system (including standards, certification and metrology) aligned with ASEAN and EU standards;
3. Sustainable practices in the agri-food sector (agriculture and fisheries) enhanced in line with ASEAN, international and EU standards.

The project will be implemented in indirect management mode with the International Trade Centre (ITC).

## **1 CONTEXT ANALYSIS**

### **1.1 Context Description**

Malaysia achieved sustained rapid and inclusive economic growth in the past 50 years. Real GDP growth has averaged 6.4% per year between 1970 and 2017, with GDP growth for 2018 being estimated at 5.5-6%, outperforming most of its regional peers. The Malaysian economy has undergone a dramatic transformation: from dependence on agriculture and commodity exports to a more diversified and open economy with strong links to global value chains. Malaysia reached high middle-income country status in 1992 and set itself the target of achieving a high-income country status by 2020. Although Malaysia almost entirely eradicated poverty, there are still vulnerable groups of people experiencing poverty, especially in rural areas.

Following the May 2018 elections the political situation is evolving at a fast pace. The new government has released in October 2018 the Mid-Term review of the 11<sup>th</sup> development plan where it outlines its strategy for reforms. Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives. The World Economic Forum's (WEF) Global Competitiveness Report ranked Malaysia 25<sup>th</sup> out of 138 economies in 2016-17, down from 18<sup>th</sup> out of 140 economies in 2015-16. The most problematic factors involved in doing business in Malaysia, as identified in the Global Competitiveness Report 2017-2018, include access to financing, corruption, and inefficient government bureaucracy.

### **1.2 Policy Framework (Global, EU)**

Global Policy framework: Malaysia is a founding member of the Association of Southeast Asian Nations (ASEAN) and since 1995 a member of the World Trade Organization (WTO). Malaysia's economic and trade policies have so far been aligned to commitments taken in these and other international fora. Following the May 2018 elections the new government is currently reviewing its national strategies and the political situation is rapidly evolving.

Contribution to EU priorities in Malaysia and the ASEAN region: This ARISE Plus Malaysia programme contributes to the implementation of the Regional Multiannual Indicative Programme (RIP) Asia 2014-2020, the main framework for EU regional cooperation in Asia. In this context, EUR 85 million have been allocated to support ASEAN regional economic integration. The main EU support programme for ASEAN is the ARISE Plus regional programme. The latter is complemented by the ARISE Plus Malaysia country-level trade related assistance (TRA) programme and country-level ARISE Plus TRA programmes in other ASEAN Member States. The ARISE Plus regional and country programmes are closely aligned with the five characteristics of the ASEAN Economic Community (AEC) Blueprint 2025, which provides a solid basis for EU's trade related assistance in the region. The ARISE Plus - Malaysia programme will follow this common regional approach and will focus on selected elements of this Blueprint. Particularly in the areas of active participation and engagement in regional and global fora, through capacity building and support to sustainable agricultural practices. Furthermore, ARISE Plus – Malaysia is aligned to the EU Aid for Trade (AfT) policy and the Communication "Achieving Prosperity through Trade and

Investment", which are updating the 2007 Joint EU Strategy on Aid for Trade. Furthermore, this programme is aligned to the objectives of the 2018 "EU Strategy on Connecting Europe and Asia".

Malaysia was the EU's fourth largest trade partner in the Southeast Asia region in 2017, whilst the EU is Malaysia's third largest trading partner, after China and Singapore. Cooperation in trade and economic issues has been a driving force for closer ties between the EU and Malaysia. Two major EU-Malaysia bilateral initiatives were launched in October 2010, namely the negotiations for the Free Trade Agreement (FTA) and for the Partnership and Cooperation Agreement (PCA). These two initiatives are respectively aimed at boosting bilateral trade and investment and at creating a new strategic dimension for EU-Malaysia political dialogue and economic cooperation. Negotiations for the PCA concluded on 8 December 2015, whereas FTA negotiations have been put on hold by Malaysia in 2012. A stocktaking/mapping exercise to identify FTA issues and exploring the possibility of resuming the negotiations was completed end-2017.

Following the May 2018 elections, the Malaysian Government has not yet signed the PCA nor taken a decision on the resumption of negotiations of the FTA. The ARISE Plus programme for Malaysia will accompany the implementation of the PCA and the FTA negotiations process, should these initiatives be resumed and endorsed in the future.

### 1.3 Public Policy Analysis of the partner country/region

Following the May 2018 elections and the appointment of a new government, the national strategies and policies are currently being reviewed and the political situation is evolving.

In October 2018 the government published the mid-term review of the 11th Malaysia Plan (MP11) (2016-2020). This review will guide the Malaysian government national policy for the period 2018-2020. The government will undertake efforts to ensure a more inclusive and sustainable growth, to reduce the urban-rural imbalance and to promote more inclusive trade and investments. The 2019 budget law is structured along three pillars which focus on institutional reforms, socio-economic wellbeing and promoting entrepreneurship. The last pillar focuses on promoting new technologies, assisting SMEs to become more internationally oriented, encouraging green technology adoption, providing subsidies for environment preservation, special assistance to commodity producers and addressing special needs of racial minority groups and women.

Specific trade and investment policies are formulated by the Ministry of International Trade and Industry (MITI). The WTO World Trade Review, May 2018, states that there had been no major changes to the institutions responsible for trade policy formulation since 2014. On the basis of these policy documents and following consultation with the Malaysian authorities three focus areas have been identified during the preparation phase of this project: **Capacity building to formulate and implement trade policies in line with international commitments, strengthened Quality Infrastructure System (including standards, certification and metrology) and sustainable practices in the agri-food sector (agriculture and fisheries).**

### 1.4 Stakeholder analysis

**The public sector:** primary direct beneficiaries include the Ministry of International Trade and Industry (MITI), the Ministry of Primary Industries, the Ministry of Agriculture, the

Ministry of Social Affairs and all other trade-related line ministries that are dealing or concerned with international trade regulations, or involved in trade negotiations at ASEAN, EU or WTO levels. Other beneficiaries include governmental agencies and parastatals: the Malaysian Palm Oil Council (MPOC), the Malaysian Palm Oil Certification Council (MPOCC), and the Malaysian Palm Oil Board (MPOB).

**Civil society organisations** will be important project partners for advocacy, especially in the areas of capacity building and sustainable agriculture, by monitoring social and environmental impacts of new policies and agreements. Among those we note the potential role of key Malaysian think tanks such as Asian Strategy and Leadership Institute (ASLI), Economic Research Institute for ASEAN & East Asia (ERIA), Institute for Democracy and Economic Affairs (IDEAS), Institute of Strategic and International Studies (ISIS) Malaysia.

The project will enhance the involvement of the **private sector and the business community** (including workers and employers representatives) to better participate in domestic and international trade. The private sector can have an active role in sustainable production and consumption in its investor/buyer roles, where it can lead to more sustainable business choices.

**Development partners:** since Malaysia is considered a developed country by most development partners, TRA at country level is very limited. Most international donors target the ASEAN countries from a regional perspective and Malaysian stakeholders benefit from these activities. During the inception phase, the project team will map existing regional and national initiatives.

The project will systematically liaise with the EU Commission Directorate Generals for TRADE, SANTE, ENV, MARE, AGRI, EMPL and with FPI, as well as the European External Action Service (EEAS) and the EU Delegation in Jakarta, due to its regional ASEAN mandate work.

## **1.5 Problem analysis/priority areas for support**

Malaysia has the aspiration of achieving a high-income nation status and moving towards a knowledge-intensive and services-driven economy while ensuring inclusive and sustainable growth. Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives. Malaysia attaches great importance to the multilateral trading system. Therefore it is crucial to support the upgrading of certain sectors of the economy and to promote the upskilling of government personnel to take active part in multilateral institutions. At the same time it is crucial to ensure sustainability and inclusiveness of the economy and of its trade oriented sectors. The findings of the sustainability Impact Assessment interim report will be taken in due consideration.

Malaysia should improve the business environment for foreign investments and enhance competition across all sectors. There are a number of issues hampering regional ASEAN integration and trade and investment with the EU and the rest of the world: limited transparency in rules and procedures, capacity gaps in setting and enforcing regulations and

standards, limited control at borders and lack of laboratories. Another major concern is unsustainable agricultural production.

In order to target these issues, consultations with stakeholders were organised and revealed a strong interest for technical assistance provided by the EU, in order to enhance the sharing of EU policies and best practices. The three priority areas identified are:

- 1) Institutional capacity building on trade policy formulation and implementation, aligned with international trade commitments: the project will support Malaysia to upgrade capacities in a number of policy areas that are likely to be covered by a future EU-Malaysia FTA. The requested technical assistance would also be relevant to improve better connectivity with ASEAN as well as to implement international commitments under the WTO. Exposure to international policies and practices should contribute to ASEAN regional economic integration and a more active and effective participation in the multilateral trading system.
- 2) Strengthening of the Quality Infrastructure System (including standards, accreditation and metrology): Malaysia's sustainable development will benefit from the upgrading of the quality infrastructure system, including the development of a national quality policy, enforcement of good regulatory practices and improvement of capacities to set, manage and enforce standards. It is essential to raise awareness amongst policy makers, regulators and the wider business community on the importance of quality infrastructure as an integral part of an enabling environment for effective participation in international trade. Those efforts will contribute to reinforce the country's and regional connectivity, in line with both the Masterplan on ASEAN Connectivity (MPAC) 2025 as well as the EU-Asia Connectivity Strategy (2018).
- 3) Sustainable practices in the agri-food sector (agriculture and fisheries): This component focuses on agricultural and fisheries products with a focus on the development of sustainable practices. In this context, institutional capacities of ministry personnel can be strengthened in particular to promote compliance of products with EU standards. Focus will be given to the agro-based certification processes as well as the need to raise awareness of farmers on the certification and compliance management processes.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk Level (H/M/L)	Proposed Mitigation Measure
Political instability may cause disruption in the TRA delivery or change orientation at higher political level.	<b>Medium</b>	<p>The EU will meet on a regular basis at technical level and will engage with potential new senior government officials.</p> <p>The governance system of the project will ensure country ownership</p> <p>Written confirmation of the willingness of the government to sign a financing agreement will be obtained before adoption of the action document</p>

The Authorities do not agree to sign a financing agreement	<b>Medium</b>	Although the signature of the financing agreement has not been secured yet the EU Delegation will continue to hold high-level discussion with the authorities to sign it.
Changes are possible in national strategies and policies as well as key ministries and agencies following the election of a new Government in May 2018	<b>Medium</b>	Possible changes are unlikely to affect selected priorities of this Action. The EU Delegation will engage in political and policy dialogue with Ministries/ agencies and analyse the revised systemic architecture of the relevant sectors
Adverse impact from the legal and regulatory environment	<b>High</b>	EU will sustain political dialogue with key ministries to address any issues
Lack of coordination between relevant stakeholders and beneficiaries impacts on the TA programme	<b>Low</b>	The EU will engage in high-level dialogue to agree a coordinative measure to resolve the issues  Programme will initiate and support coordination and involvement of key stakeholders
Low level of ownership and low absorption capacity of the institutions involved.	<b>Low</b>	By providing assistance in building up institutional structures and capacities ownership and absorption capacity will be strengthened.
Resistance from private sector and regional/state policy-makers against sustainable and inclusive growth due to long-term investments and reduced growth rates in the short-term	<b>Medium</b>	Increasing awareness-raising on long-term benefits of access to markets based on better certification and standards, increasing competitiveness, reducing social and environmental costs, long-term sustained and inclusive growth. Providing support for national R&D and innovation programmes for the private sector. Improving access to finance for SMEs.
<b>Assumptions</b> <ol style="list-style-type: none"> <li>1. The regional economic integration process (AEC 2025) maintains its current momentum to harmonise standards</li> <li>2. The Malaysian Government is committed to inclusive and sustainable trade growth and to increasing trade integration both regionally and internationally.</li> <li>3. The Malaysian Government is supportive of efforts to pursue and reach agreement on FTAs</li> <li>4. The Government is willing and able to enter into meaningful dialogue with key trade partners and to finding common solutions to trade and environmental impediments.</li> <li>5. Possible changes in the political environment will not affect the selected priorities of this action.</li> <li>6. Interest and demand of project stakeholders at technical level remains strong.</li> <li>7. Continued interest and demand by consumers for sustainable products and the need to apply sound quality, social and environmental standards</li> </ol>		

### 3 LESSONS LEARNT AND COMPLEMENTARITY

#### 3.1 Lessons learnt

Whilst the EU has not had any specific country programmes in Malaysia for a number of years, the country has taken part in several regional programmes to support ASEAN regional integration. Lessons have been identified from regional programmes and other initiatives:

- **Long standing partnership:** The EU Delegation established good working relations with the relevant stakeholders, which were involved during the different phases of programme preparation.
- **Project approach:** Previous projects showed the need for: 1) a flexible and demand-driven approach, which enhanced the project's ownership and commitment from beneficiaries; 2) a good access of the technical assistance teams to high level officials and key policy makers; 3) a strong engagement of business representatives, which facilitated policy dialogue. During the inception phase the implementor will be responsible, under the supervision of the EU Delegation, to adapt the work plans to the need of the stakeholders and to the recent evolution in the situation
- **Synergy and complementarity:** Attention should be given to activities fostering synergy and complementarity, optimum allocation of resources within and among components, avoidance of delays in project management as well as management of cross-cutting issues;. A consultation mechanism between donors is essential to avoid overlapping and ensure better targeted capacity building programmes for the authorities. Coordination with other EU funded projects as well as with projects funded by other donors has been discussed during the formulation phase to avoid overlap. This will be ensured during the implementation.
- **Sustainability:** Impact can be achieved by strengthening the capacities of beneficiaries. That is the reason why most activities are devoted to capacity building in order to promote self-sustainability of the initiative. Provision of training should target senior and middle management and a "training the trainers" system should be promoted for future sustainability.
- **Monitoring and evaluation:** Establishing a set of objectively verifiable indicators at the inception phase, as well as regularly measuring achievement and progress is imperative to ensure proper follow up and sound project implementation. An indicative set of indicators has been suggested during the formulation phase and it will be revised during the inception phase.

#### 3.2 Complementarity, synergy and donor coordination

Programmes funded by the European Commission: Programmes funded by the European Commission:

The ARISE Plus Malaysia programme complements the ARISE plus regional programme in pursuing the AEC Blueprint 2025. Cooperation will be ensured with the regional ARISE plus dimension of work and with other national ARISE Plus programmes. The activities of the ARISE Plus Malaysia programme will be coordinated with the "EU-Asia cooperation on SPS and Food Safety Regulation" and "Promoting biodiversity& sustainability in the agriculture and food sector through economic valuation" (FPI-funded projects) as well as with other related initiatives promoted by other EU Commission DGs (ENV and SANTE). Synergies will also be ensured with the FPI-funded project currently under identification, aiming to reinforce EU-Indonesia and EU-Malaysia partnerships by supporting dialogue on the



sustainable use of natural resources, with specific focus on palm oil in the overall regional context of the EU-ASEAN partnership.

The EU-Malaysia Chamber of Commerce and Industry (EUMCCI) is implementing the “Increasing EU’s Trade and Investment Flows into Malaysia and ASEAN” (SEBSEAM-M) project. The project is aimed at promoting EU SMEs in Malaysia, considered as a direct trade market and as an easy, cost-effective gateway to the ASEAN market of 600 million consumers. At the same time, Malaysian SMEs wanting to establish themselves regionally benefit from partnerships with reputed and innovative EU companies which can offer high standard quality and services.

The “SWITCH-Asia sustainable consumption and production (SCP) policy support” project, coordinated by the Environment and Natural Resource Economic Section (SEASSA) of the Economic Planning Unit (EPU), initiated a National Action Plan on SCP that supports up-scaling SCP best practices through strengthening the enabling policy environment (policy instruments mix), to address a change of behaviour and patterns in industry, of consumers, and in key economic sectors.

Synergies can also be sought with the “Sustainable Use of Peatlands and Haze Mitigation in ASEAN (SUPA)” project, to promote cross learning and methodology sharing (e.g. on soil degradation and on potential for rehabilitation and conservation of areas at risk).

#### Programmes funded by EU member states and other donors:

With the exception of the **UK and Japan** who are present with regional TRA programmes with a limited focus on Malaysia, no other donor is currently providing trade-related country-level assistance to Malaysia. The **UK** has a regional programme under the Prosperity fund. JICA has supported Malaysia’s trade facilitation since 2006 through cooperation with the Royal Malaysia Customs Department, mainly in the areas of risk management, trade facilitation and rules of origin and other elements of trade facilitation. The **UNDP**’s regional project “Promoting a Fair Business Environment in ASEAN” is being implemented until March 2021 and financed by the UK. It aims to promote a fair business environment in ASEAN by minimizing corruption risks and encouraging sustainable practices, improving transparency in government contracts and increasing compliance with international procurement and trade standards.

The **Dutch government** has just launched a National Initiatives for Sustainable & Climate Smart Oil Palm Smallholders.

Strong coordination will be established through the ARISE Plus Malaysia programme to ensure complementarity and synergies between all relevant stakeholders.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Overall objective, specific objective(s), expected outputs and indicative activities**

ARISE Plus Malaysia conforms to the progressive achievement of the ASEAN AEC Blueprint 2025 and to the realisation of the 1<sup>st</sup> and 5<sup>th</sup> pillars of the new policy priority of inclusive growth and sustainable development set by the Mid-Term Review of 11<sup>th</sup> Malaysia Plan (2016-2020). The action contributes to the objective of the "EU strategy on connecting Europe and Asia".

The **overall objective** is to support inclusive and sustainable trade growth and poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region

The **Specific objectives** are:

1. Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments
2. Quality Infrastructure System (including standards, certification and metrology) aligned with ASEAN and EU standards;
3. Sustainable practices in the agri-food sector (agriculture and fisheries) enhanced and disseminated, in line with ASEAN, international and EU standards;

The **expected results** (outputs) are:

- Result (Output) 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments.
- Result (Output) 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices.
- Result (Output) 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.

### **Indicative Activities**

The following represents an indicative and non-exhaustive list of activities for the three result areas, which may be revised and adjusted during inception and implementation in accordance with contingent conditions.

#### **Result 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments.**

- ***Capacity building to formulate and implement trade policies:*** Support to policy making skills and implementation capacities of ministries' personnel. Upskilling of key personnel of the target ministries to prepare policies and strategies for meaningful implementation of a possible EU-Malaysia FTA .
- ***Raise awareness on and build capacities to effectively participate in investment-related dispute settlement under bilateral and regional trade agreements:*** This activity would target jurists of MITI and other line ministries involved in the negotiations and enforcement of trade and investment agreements. It would cover the investment dispute settlements provisions (both State-to-State investment dispute settlement and Investor-to-State mechanisms) in relevant trade and investment agreements.
- ***Raise awareness of international trade commitments amongst the business community and wider public:*** Target the business community and the wider public to contribute to a better understanding of international trade commitments and their impact on private sector, workers and consumers.

#### **Result 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices.**

- ***Development of a national quality policy and harmonisation of Malaysian standards policies:*** Accompany the department of standards, under MITI, and other quality infrastructure institutions of Malaysia to develop a national quality policy (NQP) as part of the national effort to strengthen the quality infrastructure (standards; accreditation and conformity assessment; and metrology); Support to harmonise Malaysian standards' policies towards ASEAN and international standards, strategies and regulatory framework.
- ***Support the implementation of the National Standards Compliance Programme (NSCP):*** Support and accompany Malaysian Conformity assessment bodies, standard development agencies, the private sector and the wider public to acquire and enact a quality infrastructure culture. The department of standards of MITI will work closely with the relevant stakeholders to apply international standards to Malaysian products, goods and services, with the ultimate aim to improve export competitiveness. Enhance Malaysia's capacities to engage in international connectivity efforts, notably under EU Strategy on Connecting Europe and Asia. Promote the implementation of Malaysia's National Action Plan for Sustainable Consumption and Production in support of industry seeking compliance with international standards and certification and adaptation to greener technology.

**Result 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.**

- ***Capacity building for agriculture personnel to engage in international institutions and to promote a sustainable agricultural industry:*** Capacity building activities to enable the Malaysian institutions to gain knowledge, plan for and develop appropriate and effective policies and responses thus enabling meaningful dialogue with international partners.
- Support Malaysian agriculture sector public institutions to develop awareness and understanding of the EU's regulatory / law-making processes with respect to agriculture.
- Develop awareness and understanding of the positions, legal expectations, environmental compliance and key drivers of international customers, including the EU, with regard to agriculture and its production.
- ***Institutional capacity building to Malaysian certification bodies for agricultural and fisheries products:*** This capacity building activity will assist the Malaysian authorities to develop the systemic architecture and processes to certify agricultural and fisheries products, including for export, in line with international standards.
- ***Raising awareness on sustainable agricultural and fisheries products:*** Target the business community and the wider public to raise awareness about sustainable and responsible production and consumption of agricultural and fisheries products.

## **4.2 Intervention Logic**

The overall objective of the action is to support inclusive and sustainable trade growth as well as poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region. This is based on the following assumptions:

1. Malaysian trade policy making and policy implementation is aligned to international commitments. Therefore trade between Malaysia and the rest of the ASEAN region and between Malaysia and the EU should be facilitated.

2. The national quality infrastructure system is compliant with international criteria and stakeholders apply international standards. As a result, export competitiveness is increased.
3. Sustainable production practices are more widely promoted, applied and certified, translating into more sustainable and inclusive business environment..

*The programme consists of three components:*

- Component 1 seeks to strengthen institutional capacities of key trade-related and economic ministries that are involved in policy making and implementation.
- Component 2 concerns the strengthening and implementation of a quality infrastructure system (including standards, certification and metrology) to comply with ASEAN, EU and international commitments and practices. The indicative activities cover ASEAN, WTO and EU Acquis aspects of standards and will assist with improving the legal and regulatory environment with regard to Malaysia's quality infrastructure system.
- Component 3 deals with sustainable agriculture and fisheries with the aim to increase the export potential, of paramount interest for Malaysia. The component will cover a range of change management and capacity building activities which will include public institutions in the agriculture sector. This capacity building will also assist the Ministry and the certification bodies to develop the required systemic architecture and processes to implement certification schemes successfully, to comply with international best practices.

### 4.3 Mainstreaming

There are no adverse implications for **human rights**, as the intended results of the action are to support increased and inclusive economic development and employment thereby improving the lives of the people of Malaysia without prejudice to rights and preserving the environment. Furthermore, some activities will be dedicated to the **trade and sustainable development** chapter of the new generation of FTAs, thus supporting the promotion of labour rights and socio-economic rights.

Trade liberalisation brings many changes and can have both positive and negative socio-economic impact for both women and men, depending on the current distribution of economic power and the changes and opportunities introduced. Efforts will be made towards **dedicated gender activities** to compensate for gender inequalities in Malaysia. The project team will follow up on those issues to promote a positive impact for all beneficiaries and for women in particular. **Gender disaggregated data** will be collected to monitor women's participation and involvement.

The action is intended to have a **positive impact on the environment** by supporting the efforts of the Government to limit environmental damage through improved use and management of agricultural practices and commodities, in particular with regard to palm oil production, and to promote sustainable fisheries management and seafood production. The action is in line with efforts to mitigate the effects of climate change, e.g. through climate-smart agriculture.

## **4.4 Contribution to SDGs**

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 8 (Promote inclusive and sustainable economic growth, employment and decent work for all). The action contributes also to SDG 1 (End poverty) by helping trade, growth and focusing on agriculture sector which harbour the largest population of poor people in Malaysia, SDG 10 (Reduce inequality within and among countries), SDG 12 (Ensure sustainable consumption and production patterns), SDG 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss), and SDG 17 (Strengthen global partnerships for sustainable development) – targets on trade and promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen that a financing agreement with the partner country will be concluded.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 42 months from the date of entry into force of the financing agreement. The indicative start date is January 2020. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>2</sup>.

#### *5.3.1 Indirect management with an international organisation*

This action may be implemented in indirect management with the International Trade Centre. This implementation entails the provision of technical assistance for the project as outlined above. The envisaged entity has been selected using the following criteria:

- The International Trade Centre (ITC) is an international organisation specialising in providing trade-related technical assistance and has all the expertise required for the delivery of the results expected under this project. ITC has implemented a large number of EU-funded projects in the past. In particular, ITC is implementing the national TRA programmes under ARISE plus in Laos and Myanmar and has been chosen recently by the

---

<sup>2</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

EU as the implementing agency for similar projects in Afghanistan, Sri Lanka and Bhutan;

- ITC has specific expertise in the sectors covered by this Action and can ensure coordination with other UN agencies dealing with these topics;
- As a joint UN/WTO agency, ITC's mandate combines a focus on expanding trade opportunities with the aim of fostering sustainable development and has strong experience in delivering gender and inclusiveness trade programmes;
- ITC has developed a depth of experience operating coherently at all levels from trade policy to practice and has a strong track record of connecting the public and private sectors;
- ITC's distinctive feature is to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels;
- ITC has expressed interest to manage and implement the project and the implementation by ITC would ensure coherence with other ongoing programmes in the ASEAN regions and would favour trilateral cooperation.

The entrusted entity would carry out the following budget implementation tasks: procurement, notably signature and execution of the resulting procurement contracts, including the acceptance of deliverables, carrying out payments and recovering funds unduly paid.

The international organisation identified above, is currently undergoing an ex-ante assessment of its systems and procedures. Based on its compliance with the conditions in force at the time previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free cooperation, the international organisation can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment and where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation. The assessment is expected to be finalized in an estimated 6 months.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2 below.

### 5.3.2 *Procurement (direct management)*

Should negotiations with the international organisation identified above (5.3.1) fail then the entirety of this action may be implemented in direct management through a call for services.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance (Specific objectives 1,2,3)	Service	1	Q1 of 2021

### 5.3.3 *Changes from indirect to direct management mode due to exceptional circumstances*

If indirect management with ITC is not possible due to circumstances outside of the Commission's control, the alternative implementation modality is direct management through

a call for tenders to award one technical assistance contract, as was the case for the regional and other national ARISE plus projects

#### **5.4 Scope of geographical eligibility for procurement and grants**

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

- a) With regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.
- b) The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### **5.5 Indicative budget**

	EU contribution (amount in EUR)	Indicative third party contribution
Indirect management with an international organisation (ITC) (cf. paragraph 5.3.1 )	2 850 000	0
Evaluation (cf. 5.8) <sup>3</sup> Audit (cf. 5.9) <sup>4</sup>	150 000	0
Total	3 000 000	0

#### **5.6 Organisational set-up and responsibilities**

A project steering committee (PSC) will be established with responsibility for guiding the project and for approving work plans at the technical level. The PSC will meet twice a year and ad hoc, as required. The secretariat of the PSC will be the responsibility of the ITC project team.

The PSC shall be made up of at least:

- A representative from the EU Delegation to Thailand at Head of Cooperation level and/or from the EU delegation to Malaysia at Head of Sector level
- Ministry of international trade and industry (MITI)
- the Ministry of Agriculture (MoA)
- the ministry of Primary industries (MPI)

---

<sup>3</sup> Evaluation services may be contracted under a framework contract

<sup>4</sup> Audit services may be contracted under a framework contract

Other relevant stakeholders, including business associations, as well as EU Member States or other donors may be invited.

Detailed Terms of Reference (TORs) of the PSC, including set up and frequency of meetings, shall be elaborated at the outset of the project by ITC in full coordination with the EU and MoC.

## **5.7 Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. A baseline survey/data collection exercise will be conducted by the implementing partner during the inception phase. A final survey/data collection exercise will be conducted at the end of the project. During the implementation of the project the implementing partner will be responsible to collect data and every report shall provide an accurate account of implementation of the action, detailing difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix. SDGs indicators and, if applicable, any jointly agreed indicators as for instance per joint Programming documents should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. A mid-term evaluation will be carried out for learning purposes, in particular with respect to the broader regional framework of the action to promote exchange of experiences among ASEAN countries. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action has to be inserted in the broader ASEAN framework.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the



partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

It is foreseen that evaluation services may be contracted under a framework contract.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

## **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant

	Results chain: Main expected results (maximum 10)	Indicators	Sources of data	Assumptions
<b>Impact (Overall Objective)</b>	Support inclusive and sustainable trade growth as well as poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region	1. GDP Growth (EURF L1, I3) 2. Trade with ASEAN to GDP ratio 3. Doing business ranking	1. Malaysian government reports 2. ITC TradeMap 3. World Bank Doing business	<i>Not applicable</i>
<b>Outcome(s) (Specific Objective(s))</b>	1) Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments	1.1 Malaysian share of international trade 1.2 Malaysian share of ASEAN Trade 1.3 Malaysian position in world business ranking 1.4 Malaysian Global Competitiveness Score	1.1 WTO World Trade Stats 1.2 Department of Statistics, Malaysia MATRADE/MITI 1.3 World Bank Doing Business 1.4 World Economic Forum	<ul style="list-style-type: none"> <li>The Malaysian gov't is committed to inclusive and sustainable trade growth and to increasing trade integration both regionally and internationally.</li> <li>The Malaysian Government is supportive of efforts to pursue and reach agreement on FTAs</li> </ul>
	2) Quality Infrastructure System (including standards, certification and metrology) aligned with ASEAN and EU standards;	2.1 Status of Malaysian policy documents on quality infrastructure 2.2 Number of public authority officials participating in Technical Committees (disaggregated by sex and age)	2.1 Government reports and annual reviews on quality infrastructure 2.2 Government reports and registration sheets	

	<b>Results chain: Main expected results (maximum 10)</b>	<b>Indicators</b>	<b>Sources of data</b>	<b>Assumptions</b>
	3) Sustainable practices in the agri-food sector ( agriculture and fisheries) enhanced and disseminated in line with ASEAN and EU standards;	3.1 Status of Malaysian policy documents on sustainable agriculture, fisheries and trade	3.1 Government reports and annual reviews	<ul style="list-style-type: none"> <li>The Government is willing and able to enter into meaningful dialogue with key trade partners and to finding common solutions to trade and environmental impediments.</li> </ul>
<b>Outputs</b>	Result 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and global commitments.	1.1. Number of ministry personnel trained on new regulatory areas of trade agreements (disaggregated by sex and age)	1.1. Project database of training participants	<ul style="list-style-type: none"> <li>The Government implements and sustains its stated policies</li> <li>High-level adoption and consistent buy-in by all beneficiaries</li> </ul>
	Result 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices.	2.1. Number of quality infrastructure institutions (laboratories, accreditation bodies etc) supported by the Action to comply with ASEAN and international commitments and practices	2.1. Project progress reports	
	Result 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.	3.1. Number of ministry personnel and extension services trained on sustainable production in the agriculture sector (disaggregated by sex and age)	3.1. Project database of training participants	



**EN**

This action is funded by the European Union

**ANNEX II**

of the Commission Implementing Decision on the Multiannual Action Programme in favour of the Asia region for 2019 part II and 2020 Part I

**Action Document for the ASEAN Regional Integration Support – Thailand Trade-Related Assistance (ARISE Plus Thailand)**

<p align="center"><b><u>ANNUAL PROGRAMME</u></b></p> <p>This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.</p>	
---	--

<b>1. Title/basic act/ CRIS number</b>	<b>ASEAN Regional Integration Support – Thailand Trade-Related Assistance (ARISE Plus – Thailand)</b> CRIS number: ACA/2019/041-127 financed under the Development Cooperation Instrument	
<b>2. Zone benefiting from the action/location</b>	Thailand Some activities will target neighbouring ASEAN countries to promote trilateral cooperation.	
<b>3. Programming document</b>	Addendum to the Multiannual Regional Indicative Programme (RIP) for Asia for the period 2014 – 2020 <sup>1</sup>	
<b>4. SDGs</b>	Main SDG(s) – SDG 8 Other significant SDG(s) – 1, 10, 12, 16, 17	
<b>5. Sector of intervention/ thematic area</b>	Prosperity - Jobs and Growth	DEV. Assistance: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 3 000 000 Total amount of EU budget contribution EUR 3 000 000	
<b>7. Aid modality(ies) and implementation modality(ies)</b>	Preferred option : Project Modality Indirect management with an International Organization (International Trade Centre - ITC)	
<b>8 a) DAC code(s)</b>	33110 Trade policy and administrative management 33120 Trade Facilitation 33130 Regional Trade Agreement 33140 Multilateral trade negotiations	

<sup>1</sup> C(2018)4741 of 20 July 2018

	33181 Trade education/training 16062 Statistics			
<b>b) Main Delivery Channel</b>	45001 World Trade Organisation - International Trade Centre			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	<ul style="list-style-type: none"> <li>Trade integration for green and inclusive growth</li> </ul>			

## SUMMARY

The ARISE Plus – Thailand programme is aimed at supporting country-specific interventions to complement the ARISE PLUS Regional programme and the overall ASEAN regional integration process.

The programme will focus on the topics of Competition, Public procurement and trade-oriented organic agriculture, which were identified following extensive consultation with the authorities.

The **overall objective** is to support inclusive and sustainable trade growth and poverty reduction in Thailand, while contributing to economic integration in the ASEAN region.

Three **specific objectives** are:

1. A more transparent, predictable and competitive business environment achieved;
2. Efficiency of public expenditure and service delivery improved;
3. Organic agriculture practices enhanced and disseminated in Thailand and in selected ASEAN countries.

The project will be implemented in indirect management mode by the International Trade Centre (ITC).

## **1 CONTEXT ANALYSIS**

### **1.1 Context Description**

Thailand has been one of the most successful countries in the Southeast Asia region in terms of social and economic development, having moved from a low-income economy to an upper-middle income economy in less than a generation. The real Gross Domestic Product (GDP) growth rate for 2018 is expected to be 3.5 %. In the past years Thailand has greatly benefited from strong global and regional trade, a more resilient domestic market, and an improved business enabling environment. Exports have far outstripped imports. Thailand has also been an example of improved governance, as recorded by the World Bank's Doing Business Indicators. In this sense, Thailand has experienced a significant improvement in its ranking. Foreign Direct Investment (FDI) brought in USD 8 billion of external financing in 2017 and is a major motor in building competitiveness in the economy. Thailand ratified the WTO's Trade Facilitation Agreement (TFA) in 2015. In this area, Thailand, together with Malaysia and Singapore, has achieved overall implementation rates of the TFA of over 80%, one of the highest in the ASEAN region.<sup>2</sup> To sustain growth rates above 4 percent in the future and to further tangible economic development, Thailand will have to address its structural constraints, such as: an ageing population; environmental disasters and exposure to climate change risks, as well as challenges of governance and perception of corruption. Opportunities will be significant if the remaining bottlenecks in the business regulatory environment are addressed and the country continues its integration into the regional and global economy. A more balanced, inclusive and sustainable growth trajectory will contribute to the country's efforts of eliminating poverty and boosting prosperity for all. This will be particularly important to support the transition of Thailand from middle to high income status.

### **1.2 Policy Framework (Global, EU)**

#### Global Policy framework

Thailand is a founding member of the Association of Southeast Asian Nations (ASEAN) and since 1995 a member of the World Trade Organization (WTO). Thai economic and trade policies are aligned to commitments taken in these and other international fora. Thailand has laid out its long-term economic goals in its 20-Year National Strategy (2017-2036) for attaining developed country status through broad reforms. The Thai reform agenda focuses on economic stability, human capital development, equal economic opportunities, environmental sustainability, competitiveness, and effective government bureaucracies.

#### Contribution to EU priorities in Thailand and the ASEAN region

The ARISE plus – Thailand is a trade related assistance (TRA) programme contributes to the implementation of the Regional Multiannual Indicative Programme (MIP) Asia 2014-2020, which is the main framework for EU regional cooperation in Asia. In this context, EUR 85 million have been allocated to support ASEAN regional economic and trade integration. The main EU-funded initiative to support ASEAN is the ARISE Plus regional programme, which is complemented by ARISE plus - Thailand and other country-level ARISE Plus TRA programmes. The ARISE Plus regional and national programmes are closely aligned with the five pillars of the ASEAN economic community (AEC) Blueprint 2025 which provides a solid

---

<sup>2</sup> UNESCAP (2017). Trade Facilitation in Paperless Trade Implementation in ASEAN.

basis for trade related technical assistance in the region. The TRA programme for Thailand will focus on selected elements of this Blueprint, particularly in the areas of competition policy, government procurement and agricultural practices. The TRA programme for Thailand conforms to the EU Aid for Trade (Aft) policy and the Communication "Achieving Prosperity through Trade and Investment", which is updating the 2007 Joint EU Strategy on Aid for Trade. Furthermore, this action is aligned to the objectives of the 2018 "EU Strategy on Connecting Europe and Asia".

The Thailand TRA programme is also relevant in view of a possible resumption of the negotiations on a Free Trade Agreement between the EU and Thailand. The negotiations were put on hold in 2014 as a consequence of the political crisis, and the Council conclusions on Thailand issued in December 2017<sup>3</sup> invited the Commission to “explore with Thailand the possibilities for resuming talks on an EU-Thailand Free Trade Agreement”, while the full resumption of negotiations may be pursued only with a democratically elected civilian government under the new Constitution. By promoting the implementation of a rules-based system for public procurement and competition, incorporating the principles of transparency and due process, the ARISE Plus – Thailand programme will contribute to good governance in Thailand, with positive impacts on public interest. This will also enhance the investment climate, creating incentives for European FDIs and supporting the creation of jobs and the sharing of best practices and know-how. The implementation of the new public procurement and competition frameworks recently adopted by Thailand are also likely to contribute to the country’s efforts on inclusive growth, allowing small and medium enterprises to be more competitive. The promotion of good practices in the field of organic agriculture has the potential to improve the quantity and quality of exports of agri-food products and thereby contribute to poverty reduction in the rural areas of Thailand.

### 1.3 Public Policy Analysis of the partner country/region

The reforms that Thailand is implementing are part of the 20-year national strategy (2017-2036) that focuses on six key strategic areas, including competitiveness enhancement, environmentally friendly growth and improvement of the business environment. Three focal areas have been identified for support through this action: **competition, public procurement and trade-oriented organic agriculture**. Two key related pieces of national legislation have been enacted in 2017: the Government Procurement Law and the Competition Law<sup>4</sup>. Both laws provide greater powers of autonomy and relevance to their competent authorities, and aim to reduce the unpredictability of the past legal frameworks and practices thereunder, which resulted in a contested application of laws. The new laws are more comprehensive in nature and have been modernised in line with international best practices. This programme will be an essential tool to accompany Thailand in the enactment of secondary regulations and rules, yet to be issued. As a global major player in the export of agricultural products, Thailand enjoys a robust institutional framework to ensure that the trading of agricultural products complies with international standards. This programme will tackle some of the bottlenecks still faced by local SMEs in exporting to regional and EU markets, with a focus

---

<sup>3</sup> <https://www.consilium.europa.eu/en/press/press-releases/2017/12/11/thailand-council-adopts-conclusions/>

<sup>4</sup> On 24 February 2017, the new Government Procurement Act, B.E. 2560 (2017)) was promulgated. It became effective on 23 August 2017. On 5 October 2017, the Thailand’s Trade Competition (TTC) Act B.E. 2560 (2017) came into force.

on organic agricultural products, therefore contributing to the country's efforts towards poverty reduction.

#### 1.4 Stakeholder analysis

In the **public sector**, the project's primary direct beneficiaries will include the Ministry of Commerce (which will have a coordinating role between the different components), the Office of Trade Competition Commission (OTCC), the Comptroller General Department (CGD), the Ministry of Agriculture (MoA) and the National Bureau of Agricultural Commodity and Food Standards (ACFS). Some activities will target the State Enterprise Policy Office (SEPO). All these organisations face important capacity challenges and may need assistance for the implementation of regulations in line with best practices, as well as institutional support for their proper functioning. The Thailand International Cooperation Agency (TICA), a specialised agency under the Ministry of Foreign Affairs, will be instrumental in supporting trilateral cooperation activities (for component 3).

The project will enhance the involvement of the **private sector** and the business community<sup>5</sup> in domestic and international trade, strengthen national-level mechanisms for consultations between the government and the private sector and raise awareness about the benefits and compliance obligations of the new laws and about sustainability practices. Support to on-going policy dialogue from international business chambers, such as the European Association for Business and Commerce (EABC) will also be ensured in the framework of the project.

Furthermore, the project team will coordinate with other relevant **development partners** : the Asian Development Bank (ADB), World Bank, OECD, UNCTAD, UNESCAP, UNDP, ILO., Germany (GIZ), Korea (KOICA), the Netherlands (CBI), Australia (Department of Foreign Affairs and Trade - DFAT), Japan (JICA), the United Kingdom (DFID and FCO), and the U.S. (USAID).

Finally, the project will liaise with other relevant Directorates General of the **European Commission**, (namely with TRADE, AGRI, COMP, SANTE and FPI), the **EEAS** as well as the EU Delegation in Jakarta (with ASEAN regional work mandate).

#### 1.5 Problem analysis/priority areas for support

Despite all the efforts and progress, Thailand still faces structural constraints which need to be addressed to ensure full participation of the country in the global economy and in the ASEAN economic space. Thailand embarked on a series of substantial reforms aimed at reducing corruption and improving good governance but there are still bottlenecks in the business regulatory environment which limit transparency and effectiveness of the public sector and erode competitiveness. Reducing or eliminating these constraints should boost Foreign Direct Investment (FDI) and increase economic integration. Another issue that Thailand is facing is the impact of climate change and pollution. Thailand's growth trajectory needs to be

---

<sup>5</sup> The business community includes trade associations, Thai Chamber of Commerce, Board of Trade, Federation of Thai Industries (FTI) uniting different industry groups and SMEs, educational institutes, law firms, sector regulators, domestic consultancies.



sustainable and inclusive. More sustainable production and consumption methods have to be promoted, including more environmentally friendly practices.

For these reasons and following the discussions with the national authorities, three main areas for support have been identified to help tackling some of the problems faced by Thailand. The choice of priority areas for support has a rather precise focus with the aim to optimise funds and avoid overlap with national programmes or other ongoing activities funded by donors. In addition, these areas have been chosen because of the added value of the EU experience therein.

1<sup>st</sup> priority area: Competition:

On 5 October 2017, **Thailand's Trade Competition (TTC) Act** B.E. 2560 (2017) came into force, replacing the previous competition regulatory framework. The new Act stipulates the inclusion of state-owned enterprises, a principle for consideration of businesses as a single economic entity, the introduction of administrative sanctions, and the establishment of the Office of Trade Competition Commission (OTCC) as an independent government agency with its own budget, personnel, and operation. The OTCC is preparing the administrative and the implementing regulations while the office is still being set up (several positions still have to be filled and commissioners are yet to be appointed). The OTCC will require intensive institutional strengthening, including its operational efficiency, human resource programme, capacity building for OTCC officers on evaluation, improving quality of industry statistics and PPP consultation mechanisms. A wide awareness campaign for the private sector needs to be launched both at national and provincial levels to prevent wrong interpretation, non-constructive disputes, and reputation loss. There is a strong interest in Thailand for exposure to EU and international experience in order to improve the application of the Competition Act.

2<sup>nd</sup> priority are: Procurement:

In August 2017 the Government of Thailand promulgated the **Government Procurement (GP) and Supplies Management Act**, B.E. 2560 (2017) with the aim to promote a more efficient public expenditure and reduce corrupt practices. A number of implementing regulations will accompany the application of the Act, to enhance transparency and accessibility to public procurement markets, and lead to more efficient use of funds. A mix of price and quality criteria (e.g. environmental aspects) has now been introduced into procurement requirements. Procurement in Thailand is decentralised, involving a wide range of government bodies and State Owned Enterprises. The Comptroller General's Department (CGD) of the Ministry of Finance is responsible for the implementation, the regulation and the budget disbursement of the central government. The CGD also manages the e-procurement platform, which is a centralised platform of all procurement notices throughout the country. The Department of Provincial Administration of the Ministry of the Interior is overseeing procurement by local government organisations, and the State Enterprises Policy Office (SEPO) of the Ministry of Finance is in charge of overseeing procurement by State-Owned Enterprises.

3<sup>rd</sup> priority area: Agriculture:

**Organic agricultural practices** have to be implemented and promoted. Thailand has taken the lead within ASEAN on organic standards and has requested support on certification. While organic farming is increasingly promoted by the Government of Thailand, accreditation of organic labelling, recognition and building local consumer awareness of the benefits of

organic products remain low. Nonetheless, Thailand is more advanced than other neighbouring countries in the region with regards to good agricultural practices and exports of agro-food products. The proposed action will thus aim to benefit Thailand to further improve its organic standards and will also seek to promote trilateral cooperation in the region which would showcase Thailand's experiences and lessons learnt to other least developed ASEAN Member States (Cambodia, Laos and Myanmar). The ARISE Plus programme will support Thailand to promote organic standards for agricultural products and making production more sustainable.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Political instability may cause disruption in the TRA delivery or change orientation of requests at higher political level	<b>Medium</b>	The EU will meet and engage on a regular basis at technical level with senior government officials. Project governance system will involve high level official to ensure country ownership all along.
The authorities do not agree to sign a financing agreement	<b>Medium</b>	Although the signature of the financing agreement has not been secured yet, the Delegation will continue to hold high-level discussions with the authorities to this aim.
Institutional and policy changes may take place after the general elections that took place in March 2019. While orientation of policy is not expected to change dramatically, there could be delays in project implementation	<b>Low</b>	Dialogue with ministries during inception (2019-2020) will help re-align the project as needed. Working not only with public institutions, but also with private organisations will also mitigate this risk.
Low interest by government officials in being trained in the areas identified by the TRA	<b>Low</b>	Generally, there is a strong demand for TRA programmes and for exchange of practices with the EU. These issues were pre-identified as important by all parties. During the inception phase a careful selection of training beneficiaries will be ensured.
Overlapping programmes with international donors in Thailand	<b>Low</b>	Coordination between international donors, and between the different programmes will avoid duplication risks. The volume of other ongoing or upcoming programmes is limited and this will reduce the risk of overlap and duplication.
<b>Assumptions</b>		
Commitment of the different Government agencies and departments to work with the project team is maintained throughout the entire duration of the Action.		
The momentum in Thailand and ASEAN for regional economic integration process and to harmonise standards is maintained.		

Political commitment to foster implementation of the new competition and procurement regulations is in place.
There is buy-in and willingness by relevant key partners to develop new cooperation and standardisation alignment mechanisms.
Willingness of authorities as well as farmers and processors to invest in certification is maintained.
There is a growing interest and demand by consumers for sustainable products.

### 3 LESSONS LEARNT AND COMPLEMENTARITY

#### 3.1 Lessons learnt

Whilst the EU has not had any specific country programmes in Thailand for a number of years, the country has taken part in several regional programmes to support ASEAN regional integration. Lessons have been identified from regional programmes and other initiatives and have either been applied during the formulation or will be applied during the implementation.

- **Long standing partnership:** The EU Delegation established good working relations with the relevant stakeholders, which were involved during the different phases of programme preparation.
- **Project approach:** Previous projects showed the need for: 1) a flexible and demand-driven approach, which enhanced the project's ownership and commitment from beneficiaries; 2) a good access of the technical assistance teams to high level officials and key policy makers; 3) a strong engagement of business representatives, which facilitated policy dialogue. During the inception phase the implementer will be responsible, under the supervision of the EU Delegation, to adapt the work plans to the need of the stakeholders and to the recent evolution in the situation
- **Synergy and Complementarity:** Attention should be given to activities fostering synergy and complementarity, optimum allocation of resources within and among components, avoidance of delays in project management as well as management of cross-cutting issues. A consultation mechanism between donors is essential to avoid overlapping and ensure better targeted capacity building programmes for the authorities. Coordination with other EU funded projects as well as with projects funded by other donors has been discussed during the formulation phase to avoid overlap. This will be ensured during the implementation.
- **Sustainability:** Impact can be achieved by strengthening the capacities of beneficiaries. That is the reason why most activities are devoted to capacity building in order to promote self-sustainability of the initiative. Provision of training should target senior and middle management and a "training the trainers" system should be promoted for future sustainability.
- **Monitoring and evaluation:** Establishing a set of objectively verifiable indicators at the inception phase, as well as regularly measuring achievement and progress is imperative to ensure proper follow up and sound project implementation. An indicative set of indicators has been suggested during the formulation phase and will be revised during the inception phase.

#### 3.2 Complementarity, synergy and donor coordination

Programmes funded by the European Commission: The ARISE Plus Thailand programme complements the ARISE plus regional programme in supporting the implementation of the AEC Blueprint 2025. Cooperation will be ensured with the regional ARISE plus dimension and with other national TRA programmes in ASEAN. The activities of the ARISE Plus Thailand programme will also be coordinated with the regional programme "EU-Asia cooperation on SPS and Food Safety Regulation" (FPI), the "Cooperation on competition in Asia" programme (COMP/FPI), "Promoting biodiversity and sustainability in the agriculture and food sector through economic valuation" programme (FPI), the "Systematic Mechanism for Safer Trade (SYMST)" programme on pesticides for Thailand and Laos (DEVCO) and DG SANTE's "Better Training for Safer Food (BTSF)" initiative.

Programmes funded by EU Member States and other donors: Coordination will be set up with other ongoing programmes such as the Competition Law Implementation Program (CLIP) under the *ASEAN-Australia-New Zealand* Free Trade Area Economic Cooperation Support Program (Phase III, 2018 –19). The *OECD*-Thailand Country Programme (2018-20) will focus on 16 areas of cooperation, including Competition, and notably plans to provide assistance in capacity building, training of new commissioners and raising awareness of competition. The *UNDP* supports Thailand's Comptroller General Department through a regional governance and peacebuilding programme (2018-21), under funding from the UK Prosperity Fund. *GIZ* has a large cooperation programme with support given to the private sector in the field of agricultural standards, and a trade facilitation project (multi-country programme) on food safety and SPS. *GIZ* also engages with the ASEAN Secretariat in its work programmes. In the field of competition, *GIZ* has a regional programmes on competition law, to facilitate South-South learning and strengthen competition authorities in ASEAN member States. *GIZ* is implementing the country level ARISE Plus programme in Cambodia, focusing in part on rural development and the development of sustainable agricultural practices. *ITC* carried out a non-tariff measures survey in Thailand in 2016, to identify trade obstacles related to trade procedures and cross-border operations. In the region, *ITC* is implementing the country level ARISE Plus in Myanmar and Laos, focusing on trade policy, trade facilitation and private sector support, including in standards.

Despite the presence in Thailand of numerous international partners, the support provided to Thailand on trade-related issues remains limited. Strong coordination will be established to ensure complementarity with all relevant stakeholders.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Overall objective, specific objectives, expected outputs and indicative activities**

The **overall objective** is to support inclusive and sustainable trade growth and poverty reduction in Thailand, while contributing to economic integration in the ASEAN region.

Three **specific objectives** are identified:

1. A more transparent, predictable and competitive business environment achieved.
2. Efficiency of public expenditure and service delivery improved.
3. Organic agriculture practices enhanced and disseminated in Thailand and in selected ASEAN countries.

The **expected results** of the proposed Action are directly aligned with the above specific objectives:

1. Result (Output) 1: Strengthened capacity of the Office for Trade Competition Commission (OTCC) for the application of the competition regulatory framework is in accordance with international best practices.
2. Result (Output) 2: Enhanced capacity of Comptroller General Department (CGD) for the application of the public procurement framework is in accordance with international standards.
3. Result (Output) 3: Enhanced understanding of policy frameworks for organic agriculture, in line with EU standards, in Thailand and in selected ASEAN countries.

### **Indicative Activities**

The following represents an indicative and non-exhaustive list of activities for the three result areas, which may be revised and adjusted during inception and implementation in accordance with contingent conditions:

#### **Result 1: Strengthened capacity of the Office for Trade Competition Commission (OTCC) for the application of the competition regulatory framework in accordance with international best practices.**

- ***Strengthening the OTCC operational capacity:*** Activities should combine Training of Trainers (ToT) modules and direct learning programmes for OTCC staff and other stakeholders, including sectoral associations and relevant domestic consultancies. Areas covered may include (but should not be limited to) the new law implementation modalities, market definition, technical tools to gather evidence (i.e. big data, social media markets, e-commerce), investigation techniques, analysis of market dominance, mergers and acquisitions, State Owned Enterprises, as well as more general issues such as market studies, and awareness promotion techniques. On the job training will also be considered, especially in areas such as investigations, data collection and information management systems.

- ***Ensuring compliance with competition rules amongst the business community:*** Dedicated activities shall support the implementation of the law and raise awareness. The following subjects, among others, will be considered for investigation: Finding balance between law enforcement and advocacy; setting priorities in the efforts to reach out to specific business sectors and/or actors; ‘competitive neutrality’ framework as practiced by OECD countries. OTCC should mainly target Small and Medium Enterprises (SMEs) for advocacy measures, to improve knowledge and awareness on competition compliance among SMEs. The Action will support the development of specific awareness raising measures and toolkits to provide the focal groups with information on the basic principles of competition law, benefits of competition compliance, as well as guidelines on implementing an internal Competition Compliance Programme (CCP) in the ASEAN context.

#### **Result (Output) 2: Enhanced capacity of Comptroller General Department (CGD) for the application of the public procurement framework in accordance with international standards.**

- ***Strengthening operational and technical capacity:*** Activities will strengthen the CGD and provincial office’s institutional capacity to implement the regulations related to the government procurement Act. At provincial level, training workshops, on the job training, and technical assistance will be provided to procurement officers, to focus on best practices for competitive evaluations based on price, quality and sustainability criteria, as well as reference pricing data gathering. A “Train-the-Trainers” approach will be adopted. Dedicated activities

will target the private sector and the operational constraints related to the procurement criteria. Best practices will be showcased for obtaining reference prices, and collecting information in overseas comparable markets. Adoption of the use of framework agreements in the EU procurement system will be used as a best practice for rapid procurement deployment. Focus on inter-institutional cooperation, as well as support to decentralised operational structures, will be provided.

- ***Communication and accessibility improvement:*** Open procurement data could be extended to relevant sectors such as the pharmaceuticals and health sector. Specific activities will support SMEs in accessing government procurement markets (at the enterprise level but also at the CGD level to lower the barriers to entry). Support will be provided to balancing the system of registration of companies under privileged categories and the potentially negative competition consequences arising from this.

### **Result (Output) 3: Enhanced understanding of policy frameworks for organic agriculture, in line with EU standards, in Thailand and selected ASEAN countries.**

- ***Support to the Ministry of agriculture and relevant departments*** on organic agriculture. Thailand has the objective of doubling organic food production between 2017 and 2022. The Action will facilitate ASEAN-wide consultations and provide technical support to strengthen alignment with EU organic standards.

- ***Support to the private sector*** (including support to rural SMEs) to enhance organic agricultural practices. Training to improve compliance of products and to raise awareness of new regulations will be incorporated in the activities, in complementarity with the regional SPS programme "EU-Asia cooperation on SPS and Food Safety Regulation" (funded by FPI).

- ***Trilateral cooperation*** between the EU, Thailand and other ASEAN countries: As Thailand is advanced vis-à-vis other countries in terms of research, adoption and certification of organic agricultural policies and practices, it can help promote the international and EU standards for organic agriculture and disseminate its own lessons learnt with other ASEAN countries. The Thailand International Cooperation Agency is expected to play an important role in coordinating the demand for trilateral cooperation. Finally, other areas can benefit from trilateral cooperation within organic agricultural standards.

## **4.2 Intervention Logic**

The overall objective is to support inclusive and sustainable trade growth as well as poverty reduction in Thailand, while contributing to economic integration in the ASEAN region. This is based on the following assumptions:

1. By strengthening the capacities of the Office for Trade Competition Commission a more transparent, predictable and competitive business environment will be achieved, thus contributing to boosting the economy, reducing prices and improving quality. Thai companies will be better equipped in the global economy and EU businesses will also have more business opportunities in Thailand.
2. By enhancing the capacity of Comptroller General Department (CGD) the efficiency of public expenditure and service delivery will improve. Transparency and

accessibility to public procurement markets should increase whereas corruption is expected to decrease.

3. By developing policy frameworks for organic agriculture in line with EU standards, export opportunities for Thai and ASEAN producers will increase, thus ensuring a more inclusive and sustainable trade growth and contributing to poverty reduction.

The first two result areas are highly complementary and aim at developing transparency, predictability and efficiency in the business, investment and trade environment, while the third area seeks to improving private sector competitiveness and promoting good practices for organic agriculture, with the aim to export globally. The Action will also significantly contribute to strengthen capacities within national institutions, to promote rule of law and improve good governance practices. Awareness promotion and an outreach Communication Plan should be envisaged in order to build credibility and share knowledge.

This regulatory framework benchmarking will be based on internationally accepted standards and best practices, as also reflected in the EU and ASEAN relevant frameworks, and it will include a comprehensive support to the institutions in charge of implementing the law. The Action will support the broader business and trade environment (macro level), intermediary bodies (meso level) and private sector engagement and development (micro level).

### 4.3 Mainstreaming

As **competition policy and government procurement are cross-sectoral in nature**, efforts to strengthen the interface between competition policy issues and other economic areas should be on the agenda, to better develop the competition and **transparency culture** across the wider community. As anti-competitive behaviour is a barrier to entry and growth for groups at the fringe of the business community, it is essential to prevent anti-competitive practices from occurring in the first place, and **provide equal opportunities** to specific business entities (such as SMEs) and/or actors (such as women and youth entrepreneurs) to achieve inclusive and broad based growth in the country. **Dedicated activities** of the TRTA programme **will target women** (from the public and the private sector) and **gender disaggregated data** will be collected to monitor participation and involvement.

Constrained access to markets, particularly the public sector procurement market, is a limit to opportunities for certain groups of the business community. The programme directly addresses the issue of **sustainable development and environmental protection**, through targeted activities aimed at increasing the range of environmentally-friendly exports (organic agriculture) and at improving the domestic market base towards long-term sustainable and equitable structures. Protection of consumers through tighter control of anti-competitive behaviours, and improvement in government procurement efficiency and transparency are expected to have a clear, positive impact, on consumer welfare. More details are available in Appendix III.

### 4. 4 Contribution to SDGs

This Action is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8 (Promote strong, inclusive and sustainable economic growth and decent work for all). The Action also promotes progress towards: SDG 1 (End poverty), by focusing on small-scale agriculture where poverty is still very much present; SDG Goals 10 (Reduce inequality within and among countries), SDG 12 (Promote sustainable consumption

and production patterns), SDG 16 (Achieve peaceful and inclusive societies, rule of law, effective and capable institutions) and SDG 17 (Strengthen global partnerships for sustainable development) – its targets on trade and promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen that a financing agreement with the partner country will be concluded.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 42 months from the date of entry into force of the financing agreement. The indicative start date is January 2020. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>6</sup>.

#### *5.3.1 Indirect management with an international organisation*

This action may be implemented in indirect management with the International Trade Centre (ITC). This implementation entails the provision of technical assistance for the project as outlined above.

The envisaged entity has been selected using the following criteria:

- The ITC is an international organisation specialising in providing trade-related technical assistance and has all the expertise required for the delivery of the results expected under this project. ITC has implemented a large number of EU-funded projects in the past. In particular, ITC is implementing the country level ARISE Plus programmes in Laos and Myanmar and is also the chosen EU's implementing agency for similar projects in Afghanistan, Sri Lanka and Bhutan.
- ITC has specific expertise in the sectors covered by this Action and can ensure coordination with other UN agencies dealing with these topics.

---

<sup>6</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.



- As a joint UN/WTO agency, ITC's mandate combines a focus on expanding trade opportunities with the aim of fostering sustainable development and has strong experience in delivering gender and inclusiveness trade programmes.
- ITC has developed a depth of experience operating coherently at all levels from trade policy to practice and has a strong track record of connecting the public and private sectors.
- ITC's distinctive feature is to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels.
- ITC has expressed interest to manage and implement the project and the implementation by ITC would ensure coherence with other ongoing programmes in the ASEAN regions and would favour trilateral cooperation.

The international organisation identified above, is currently undergoing an ex-ante assessment of its systems and procedures. Based on its compliance with the conditions in force at the time previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free cooperation, the international organisation can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment and where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation. The assessment is expected to be finalized in an estimated 6 months.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2 below.

#### 5.3.2 *Procurement (direct management)*

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance (Specific objectives 1,2,3)	Service	1	Q1 of 2021

#### 5.3.3 *Changes from indirect to direct management mode due to exceptional circumstances*

If indirect management with ITC is not possible due to circumstances outside of the Commission's control, the alternative implementation modality is direct management through a call for tenders to award one technical assistance contract as was the case for the regional and other national ARISE plus projects

### 5.4 **Scope of geographical eligibility for procurement and grants**

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

- a) With regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.
- b) The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution
Indirect management with an international organization (ITC) (cf. 5.3.1 )	2 850 000	0
Evaluation (cf. 5.8) <sup>7</sup> Audit (cf. 5.9) <sup>8</sup>	150 000	0
Total	3 000 000	0

## 5.6 Organisational set-up and responsibilities

A project steering committee (PSC) will be established with responsibility for guiding the project and for approving work plans at the technical level. The PSC will meet twice a year and ad hoc, as required. The secretariat of the PSC will be the responsibility of the ITC project team.

The PSC shall be made up of at least:

- A representative from the EU Delegation to Thailand at Head of Cooperation level
- Ministry of Commerce (MoC)
- the Office of Trade Competition Commission (OTCC),
- the Comptroller General Department (CGD),
- the Ministry of Agriculture (MoA) and its department of Agriculture
- the National Bureau of Agricultural Commodity and Food Standards (ACFS)

Other relevant stakeholders, including business associations, as well as EU Member States or other donors may be invited.

Detailed Terms of Reference (TORs) of the PSC shall be elaborated at the outset of the project by ITC in full coordination with the EU and MoC.

## 5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring

<sup>7</sup> Evaluation services may be contracted under a framework contract

<sup>8</sup> Audit services may be contracted under a framework contract

system for the action and elaborate regular progress reports (not less than annual) and final reports.

A baseline survey/data collection exercise will be conducted by the implementing partner during the inception phase and a final survey/data collection exercise will be conducted at the end of the project.

During the implementation of the project the implementing partner will be responsible to collect data and every report shall provide an accurate account of the implementation of the action, detailing difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix.

SDGs indicators and, if applicable, any jointly agreed indicators, as for instance per joint programming documents, should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

A mid-term evaluation will be carried out for learning purposes, in particular with respect to the broader regional framework of the action to promote exchange of experiences among ASEAN countries. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action has to be inserted in the broader ASEAN framework.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

It is foreseen that evaluation services may be contracted under a framework contract.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

#### **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

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

The Communication and Visibility Requirements for the European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Sources and means of verification	Assumptions
Overall objective (Impact)	To support inclusive and sustainable trade growth as well as poverty reduction in Thailand, while contributing to economic integration in the ASEAN region.	1. GDP  2. Trade with ASEAN to GDP ratio  3. Global competitiveness ranking	1. Thai government reports  2. ITC TradeMap  3. World Bank Doing business	
Specific objectives (outcomes)	1. A more transparent, predictable and competitive business environment achieved;	1.1 Number of company disputes solved  1.2 Number of Complaints received from operators  1.3 Number of anti-competitive investigations concluded	1.1 Feedback from Chambers of Commerce, Sectoral Associations and other relevant bodies 1.2 Reports of the OTCC  1.3 Reports of the OTCC	<ul style="list-style-type: none"> <li>• OTCC is fully staffed at start of project</li> <li>• Willingness of the concerned Authorities and other GoT bodies to promote competition framework nationwide and to strengthen links with the private sector</li> <li>• National and regional business environment and trade remain positive.</li> </ul>
	2. Efficiency of public expenditure and service delivery improved;	2.1 Number of SMEs submitting tenders and awarded tenders  2.2 Efficiency of public spending	2.1 Annual Reports of CGD  2.2 WEF World Competitiveness Report Government efficiency pillar 2.3 Annual reports of CGD	<ul style="list-style-type: none"> <li>• Willingness of the concerned Authorities and other GoT bodies to promote procurement framework nationwide and to strengthen links with the private sector</li> <li>• Availability of beneficiary staff to participate in the programme.</li> <li>• Synergy effect of coordinated and targeted TA provided by different international donors and development partners</li> </ul>

	Results chain	Indicators	Sources and means of verification	Assumptions
	3. Organic agriculture practices enhanced and disseminated in Thailand and in selected ASEAN countries..	3.1 volume of certified organic agricultural export products (agriculture and agro-food sectors) 3.2 Number of companies obtaining organic certification in the product sectors targeted by the Action	3.1 AFCS report 3.2 Survey of the private sector	<ul style="list-style-type: none"> <li>• Commitment of AFCS to work with the project team</li> <li>• High-level adoption and consistent buy-in by all beneficiaries</li> </ul>
Outputs (Results)	<b>Output 1.1</b> <b>Strengthened capacity of the Office for Trade Competition Commission related to the competition regulatory framework.</b>	1.1.1 Number of staff trained in competition law, investigation and data analysis (disaggregated by sex) 1.1. 2 Number of studies, assessments conducted...	1.1.1 OTCC annual reports  1.1.2 TRTA Progress reports	<ul style="list-style-type: none"> <li>• Political commitment to foster implementation of the new competition regulations.</li> <li>• Fruitful cooperation of international donors providing TA to OTCC</li> </ul>
	<b>Output 2.1</b> <b>Enhanced capacity of Comptroller General Department (CGD) related to international standards in public procurement.</b>	2.1.1 Number of CGD employees at national and provincial level with improved technical skills (data split by gender) 2.1.2 Improved communication and accessibility framework in the pharmaceuticals, health sector, and for SMEs	2.1.1 CGD annual reports  2.1.2 TRTA Progress reports	<ul style="list-style-type: none"> <li>• Political commitment to improve procurement regulations</li> <li>• Fruitful cooperation of international donors in this area</li> </ul>
	<b>Output 3.1</b> <b>Enhanced understanding of policy frameworks for organic agriculture, in line with EU standards, in Thailand and selected ASEAN countries.</b>	3.1.1 Number of farmers and processors complying with organic standards (disaggregated by sex) 3.1.2 surface of land devoted to organic farming	3.1.1. EU DG Sante and AGRI feedback  3.1.2 National/Global GAP records and annual Reports of ACFS	<ul style="list-style-type: none"> <li>• Continued growth in demand for certified products</li> <li>• ACFS commitment to pursue recognition process</li> <li>• Willingness by farmers and processors to invest in certification.</li> </ul>



**EN**

This action is funded by the European Union

**ANNEX III**

of the Commission Implementing Decision on the Multiannual Action Programme in favour of the Asia region for 2019 part II and 2020 Part I

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

**2019 (MA-part 2) and 2020 (MA-part 1)**

**MULTIANNUAL PROGRAMME**

This document constitutes multiannual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

<b>1. Title/basic act/ CRIS number</b>	<b>Asia Investment Facility (AIF)</b> CRIS number: ACA/2019/041-932 (MA-part 2) and ACA/2020/ 041-933 (MA-part 1) financed under Development Cooperation Instrument	
<b>2. Zone benefiting from the action/location</b>	DCI region Asia and Middle East  The action shall be carried out at the following location: all countries of Asia eligible under the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 and DCI-eligible countries of the Middle East region	
<b>3. Programming document</b>	Addendum No 1 to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 <sup>1</sup> (RIP)	
<b>4. SDGs</b>	Main SDG Goal: 13 Climate Action Secondary SDG Goal(s): 7 Affordable and Clean Energy; 8 Decent work and economic growth, 11 Sustainable cities and communities	
<b>5. Sector of intervention/ thematic area</b>	Investment and Partnerships	DEV. Aid: YES
<b>6. Amounts concerned</b>	Total estimated cost: EUR 100 000 000 Total amount of EU budget contribution EUR 100 000 000 The contribution is for an amount of EUR 30 000 000 from the general	

<sup>1</sup> Decision C(2018) 4741.

	budget of the European Union for 2019 and for an amount of EUR 70 000 000 from the general budget of the European Union for 2020, subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget or as provided for in the system of provisional twelfths.			
<b>7. Aid modality(ies) and implementation modality(ies)</b>	<p>Project Modality</p> <p>This contribution to the Regional Blending Facility shall be implemented in indirect management by entities indicated in the Appendix I to this action document, in accordance with Regional Blending award procedure.</p>			
<b>8 a) DAC code(s)</b>	<p>23010 - Energy Policy and administrative management</p> <p>41010 - Environmental policy and administrative management</p> <p>32130 - SME Development</p> <p>21010 - Transport policy and administrative management</p> <p>16050 - Multi-sector aid for basic social services</p>			
<b>b) Main Delivery Channel</b>	<p>42000 - European Investment Bank</p> <p>44000 – World Bank Group</p> <p>46000 - Regional Development Banks</p> <p>10000 – PUBLIC SECTOR INSTITUTIONS</p>			
<b>9. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	X
<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A			

#### SUMMARY

The Asia Investment Facility ("AIF" or "the Facility") was created in 2010 under the Development Cooperation Instrument (DCI) and the Regional Strategy – Asia Region - and



then aligned to the objectives of the new DCI Regulation<sup>2</sup> and of the new Regional Strategy - Asia Region<sup>3</sup>, the Multiannual Regional Indicative Programme for Asia for the period 2014-2020<sup>4</sup> which has recently undergone a Mid Term Review (MTR)<sup>5</sup>. One of the key changes under the MTR is the creation of earmarked investment allocations within the RIP in view of ensuring country ownership and alignment of focal sectors with countries' priorities (RIP and bilateral focal sectors can be covered). These allocations will remain earmarked until June 2019 and complement regional investment funds. Their main purpose is to promote additional SDG relevant investments and key infrastructure with a focus on climate change relevant and "green" investments in the areas of energy, environment including water, and transport. In addition, the investment allocations may help to improve access to finance for small and medium sized enterprises (SMEs) and to promote social sector investments. The Facility is the preferred implementation modality for the earmarked investment allocations which fund the 2020 allocation to the AIF.

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

In order to facilitate blending operations in the Middle East region, the regional facility for ASIA benefitting from this action will be enlarged to the DCI-eligible countries of the Middle East region, notably Iraq. If suitable actions are identified, funds will be allocated from the respective budget line and be subject to another Financing Decision or a substantial modification of the present one<sup>6</sup>.

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

---

<sup>2</sup> Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation, for the period 2014-2020, OJ L 77, 15.3.2014.

<sup>3</sup> Decision C(2014) 9382

<sup>4</sup> Decision C(2014) 6112

<sup>5</sup> Decision C(2018) 4741

<sup>6</sup> An ex ante assessment of the market in the Middle East region will be done to ascertain the need for blending and to indicate potential market distorting elements when using financial instruments.

The present Action Document is a continuation of Commission decision C(2011)9053, decision C(2013)8672, decision C(2014)878, decision C(2015)5830, decision C(2016)7768, decision C(2017)6311 and C(2018)8635 on AIF.

## **1 CONTEXT ANALYSIS**

### **1.1 Context Description**

The Asia region covers a very large geographic area having the highest growth rates in the world and ASEAN remains one of the most important trading partners of the EU. The economic development in the region has led to a remarkable progress in fighting poverty. A number of countries have "graduated" from our bilateral assistance as a result, but not of our interest to remain fully engaged with them through other means of cooperation. There are also new emerging donors/players (Russia, China, India, etc.) which increasingly seek to enhance their influence in the region, putting pressure on the EU to "position itself" more strategically to stay relevant. However, economic and social development is diverse and Asia still encompasses very poor LDC and significant "poverty pockets" in many of the middle-income countries. There is widening inequalities and the region remains vulnerable to shocks — whether economic or environmental. Climate change, population density and rapid urbanisation contribute to increased fragility. Climate change, natural disasters and environmental degradation are interlinked and have a far-reaching impact on the resilience of communities and the ecological support systems upon which life depends. They are cause or contributing factors to many conflicts also in Asia. Economic resilience requires ensuring adequate financing of the infrastructure necessary to provide essential public services, ensuring a more diversified economy with efficient water, sanitation and secure energy supply, the necessary financial contingency measures, and measures to ensure continuity of business and the protection of vital services and key facilities in the face of shocks. The Asian Development Bank (ADB) estimates that Asia infrastructure needs exceed USD 1.7 trillion per year.<sup>7</sup> In line with the New Consensus<sup>8</sup>, a higher share of EU aid will be allocated to boost investments. Large infrastructure projects, such as road and bridge building, drinking water supply and sanitation, sustainable hydro-power constructions, which aim to address connectivity while considering the environmental protection, resource challenges and climate resilience, cannot be financed by grants alone but the grants can be used to leverage loans.

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

---

<sup>7</sup> Asian Development Bank: Meeting Asia's Infrastructure Needs, February 2017.

<sup>8</sup> OJ C 210, 30.06.2017, p.1

renewable energy, sustainable natural resource management and the promotion of good governance, the rule of law and human rights.

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

Today, Iraq is entering into a new political cycle and a phase of state-building that is redrawing political and social dynamics, more so resulting from the latest elections of May 2018 and the subsequent formation of a new Government. In this fragile context, the Government of Iraq is undergoing a process of state re-building, struggling to consolidate stabilization gains and economic development, as lack of administrative capacity, political fragmentation and limited financial spare capacity continue to hamper reconstruction efforts.

## **1.2 Policy Framework (Global, EU)**

The Rio+20 Outcome, strongly supported by the EU, identify the transition to a green economy as a key goal of sustainable development. Under the Regional Asia programme green economy is addressed in two areas. The first area is the adoption of sustainable consumption and production techniques by Asian manufacturers and service providers, in order to decouple economic growth from environmental degradation and natural resource depletion that so often accompany it. The second area is the leveraging of investment funding in green infrastructure that will limit the emission of CO<sub>2</sub> and equivalents and increase resilience to climate change in vulnerable countries. The AIF is the vehicle for leveraging this investment funding. These regional programmes will contribute to achieving the EU's target of at least 20% of spending on climate change adaptation and mitigation.

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

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

In accordance with the Regulation (EU) No 236/2014<sup>9</sup>, the Union should seek the most efficient use of available resources in order to optimise the impact of its external action. That

---

<sup>9</sup> Regulation of the European Parliament and of the Council (EU) No 236/2014 of 11 March 2014 establishing common implementing rules and procedures for the implementation of the Union's instruments for external action

should be achieved through coherence and complementarity between the Union's instruments for external action, as well as the creation of synergies between the Instruments and other policies of the Union. This should further entail mutual reinforcement of the programmes devised under the Instruments, and, where appropriate, the use of financial instruments that have a leverage effect.

### 1.3 Public Policy Analysis of the partner country/region

See 1.1 Context description

### 1.4 Stakeholder analysis

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

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

In accordance with Article 4 e) the Regulation (EU) No 236/2014 , financial instruments shall be implemented whenever possible under the lead of the European Investment Bank (EIB), a multilateral European financial institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European financial institution. The Agence Française de Développement (AFD) has so far been the main financial institution partner in Asia followed by Kreditanstalt für Wiederaufbau (KfW). The main focus has been on projects relevant to climate change objectives and "green" investments in areas of environment and energy, as well as in SME's and social infrastructure.

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

### 1.5 Problem analysis/priority areas for support

See point 1.1. and 1.2 above.

## 2 RISKS AND ASSUMPTIONS

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

Worsening of security situation in conflict-prone areas in Asia (e.g. Pakistan, Myanmar, Iraq, ...)	M	Regular monitoring of the security situation and assessment of the changing context and politico-economic vulnerabilities conducted by EU, UN and other international stakeholders.
<b>Assumptions</b>		
<ul style="list-style-type: none"> <li>• The political and security climate at the regional as well as country level in Asia will remain sufficiently stable to promote and secure investments.</li> <li>• Partner countries have identified priority investments and are ready to finance them through their own resources as well as through loans.</li> <li>• The Financial Institutions' pipeline of projects is of sufficient volume and quality to consume the present allocation to the Asia Investment Facility within the period n+1.</li> <li>• Financial Institutions' capability to provide sufficient loan amounts also depends on the availability/accessibility of financial guarantees/grant resources in countries with a concessionality requirement.</li> <li>• Partner countries and other local beneficiaries are engaged since the early stage and have full ownership of the project prepared by the eligible European Financial Institutions.</li> </ul>		

### 3 LESSONS LEARNT AND COMPLEMENTARITY

#### 3.1 Lessons learnt

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

An overall evaluation on blending<sup>10</sup> was conducted between July 2015 and July 2016 incorporating all regional investment facilities<sup>11</sup> active during the period 2007-2014. The outcome of the evaluation is positive and following recommendations are relevant for further follow-up under AIF:

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

These findings have been used, with other reports, by the EU Platform for Blending in External Cooperation, set-up in December 2012, to make concrete recommendations for further increasing the effectiveness of aid delivered by the European Union through blending.

<sup>10</sup> Evaluation of Blending, final report, December 2016, ADE

<sup>11</sup> ITF, NIF, LAIF, CIF, IFCA, AIF and IFP

At the same time, the Court of Auditors published a special report on blending in October 2014. The conclusions were very much in line with the above: blending the regional investment facility grants with loans from FIs to support EU external policies was found generally effective, and projects were relevant. The recommendations covered the following aspects: need to improve the documentation on additionality of the grant, ensure the maturity of projects submitted to the facilities' Boards, produce guidelines, ensure a more pro-active role of Delegations, simplify the decision making process, improve the Commission's monitoring of the projects, and ensure appropriate visibility for EU funding.

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

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

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

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

Notably, AIF, as it encourages green investments<sup>12</sup>, is complementary to the SWITCH-Asia programme which pursues a similar objective and has been tentatively allocated EUR 120 million over the programming period 2014-2020. The former, however, by combining grant resources with other type of financing could even support larger scale projects, while the latter targets SMEs' small scale projects. Furthermore, in terms of access to finance for SMEs, SWITCH-Asia's interventions are limited to capacity building measures while AIF can intervene in risk sharing activities. Links between AIF and SWITCH-Asia have already been established via the SWITCH-Asia magazine<sup>13</sup>, highlighting relevant projects. Furthermore, links between the two programmes will be encouraged during SWITCH networking events and through webinars organised under SWITCH ASIA on Access to green finance for SMEs and MSMEs.

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

---

<sup>12</sup> A green investment is to be understood as an investment that promotes green economy

<sup>13</sup> <http://www.switch-asia.eu/publications/switch-asia-magazine/>

approach while other countries like Sri Lanka, Pakistan and Myanmar are planning to follow within the next year..

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

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Overall objective, specific objective(s), expected outputs and indicative activities**

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

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

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

The blending mechanism allows mitigating financial risks, and thus, funding of projects that without blending would not be possible or only possible at a higher price/interest rate, later stage, lower quality etc. The leverage effect of AIF is expected to mobilise additional financing amounts several times the amount of the AIF grant contribution.

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

The expected results of AIF include inter alia contributions to:<sup>14</sup>

---

<sup>14</sup> At project level these expected results will be further detailed taking into account the necessary gender disaggregation and gender sensitive issues.

- (1) *Better energy infrastructure, notably:*
  - Improved sustainable transit connections between Asian countries, thus increasing security of energy supply for Asian countries;
  - Improved safety and security of sustainable energy infrastructure;
  - Improved energy efficiency and energy savings;
  - Increased production and use of renewable energy (e.g. wind, solar energy, bio-mass).
- (2) *Increased protection of the environment and sustainable use of natural resources and better focus and control of climate changes impacts, notably:*
  - Introduction of integrated water management at basin level, improving drinking water access and sanitation, including necessary related infrastructure;
  - Reduction of air, soil and water pollution including monitoring infrastructure when needed;
  - Increased forest protection including by strengthening forest governance
  - Promotion of climate change related investments, i.e. renewable energy, energy saving and cleaner production and other environment friendly techniques;
  - Promotion of sustainable integrated waste management (household, municipal and industrial) waste reduction, recycling, and necessary related infrastructures.
- (3) *Creation and growth of SMEs and improvement of the employment situations, notably in the area of climate change relevant and "green" investments:*
  - Better access to financing for SMEs (availability of a larger range of financial products than currently available) at the different stages of enterprise creation, restructuring and modernisation, favouring cleaner and low carbon production focused projects;
  - Creation of technological poles, enterprise incubators, etc.
- (4) *Improved social services and infrastructures, notably in the area of climate change relevant and "green" investments:*
  - Better access to health care and improved health services installations in urban and rural areas;
  - Better education facilities, increased access to education in urban and rural areas;
  - Improve vocational training facilities.
- (5) *Better transport infrastructure, notably in the area of climate change relevant and "green" investments:*
  - Sustainable urban transport
  - Better (faster, cheaper and safer, environmental friendly and low carbon) transport infrastructure within beneficiary countries and between them;
  - Better interconnection between Asian countries;
  - Faster and cheaper movement of people and goods within Asia.



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

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

## **4.2 Intervention Logic**

To be developed at project level.

## **4.3 Mainstreaming**

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

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

## **4.4 Contribution to SDGs**

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 13 Climate Action as well as SDG Goal 7 Affordable and Clean Energy, SDG Goal 8 Decent work and economic growth and SDG Goal 11 Sustainable cities and communities.

# **5 IMPLEMENTATION**

## **5.1 Financing agreement**

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

## **5.2 Indicative implementation period**

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

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

### 5.3 Contribution to Asian Investment Facility (AIF)

This contribution may be implemented under indirect management with the entities, called Lead Financial Institutions identified in the appendix I to this action document.

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

Also in accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), the involvement of non-European FIs as lead financiers should be examined by the Board of the DCI Blending Framework on a case by case basis following a **targeted approach**, based on the **specific added value** as a lead financier brought in a particular project or region. This would include those aspects in which non-European FIs might contribute to fill the gap left by European FIs, in particular regarding their :

- a) specific thorough knowledge of local conditions and presence in the region,
- b) specific analytical capacities and specific expertise and know-how, notably on private sector financing and the promotion of financial instruments and /or of innovative financing tools that attract private funding,
- c) specific know-how and experience in relevant sectors,
- d) additional technical and/or financial capacity to substantially leverage further resources.

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

Certain entrusted entities are currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation, they can be entrusted with budget-implementation tasks under indirect management.

### 5.4 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.5 Indicative budget

Facility	EU contribution (Amount in EUR)
1. RIP contribution to AIF	100 000 000

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

## 5.6 Organisational set-up and responsibilities

### *DCI Blending Framework*

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

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

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

**The Board** is chaired by the Commission. The EEAS and the EU Member states are members who provide an opinion. FIs<sup>15</sup> participate as observers. The opinion of the Board can be positive, negative or recommend re-submission of project proposals. FIs will be present for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted. The conclusions – reached according to DCI rules - of the meetings including their justifications will subsequently be communicated to the Financial Institutions in writing.

The Board will also be responsible for:

- providing guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the programming process and further discussed in the strategic meetings - see hereunder), monitor and review the pipeline of projects, based on the results of the discussions at the technical level;
- 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;

---

<sup>15</sup> Financial Institutions for the purposes of this document comprise European Financial Institutions participating in AIF and invited non-European Financial Institutions.

- examining the involvement of non-European FIs as lead financiers on a case by case basis following a targeted approach, based on the specific added value as a lead financier brought in a particular project or region.

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

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

- review and discuss the pipeline to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political objectives. Results of the pipeline discussion shall be transmitted to the Boards.
- assess project proposals submitted by a so called Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other Financial Institutions for peer review and possible written comments. In particular, such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability.
- facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FI's, the Commission and the EEAS. If appropriate such meetings may include or be complemented by virtual meetings and/or written exchanges facilitated by the Secretariat. The Lead Financial Institution, on the basis of and depending on the comments made, will then be able to submit a revised proposal for further technical discussions at a later technical meeting or a final revised application form in view of the submission to the Board. In accordance with the recommendations made under the EU Platform for Blending in External Cooperation, non-European Finance Institutions active in a particular region should be invited to attend relevant technical and Board meetings as observers.

**Strategic orientations** will be discussed with beneficiary countries in dedicated strategic meetings when appropriate, under the ownership principle of EU development cooperation. The Commission and the EEAS will conduct and co-chair strategic discussions at the appropriate level with Member States, beneficiary countries and relevant regional organisations. Financial Institutions will participate in the discussions as observers. These strategic discussions will cover regional investment plans and priorities, provide strategic and policy guidance and advice for identification and preparation of the most relevant proposals for blending and for the Board to review the pipeline and approve the most relevant projects for achieving the objectives of the EU-Central Asia Strategy.

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

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

## **5.7 Performance and Results monitoring and reporting**

In accordance with Regulation (EU) No 236/2014, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the Asia Investment Facility, including the details laid down in Article 209 of Regulation (EU, Euratom) 2018/1046. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities.

The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the European Commission to carry out the required follow up of the actions. As per the recommendation of the EU Platform for Blending and External Cooperation (EUBEC), the Commission will monitor the performance of the projects benefiting from AIF grants based on the minimum set of results indicators listed in Appendix II, as may be adapted from time to time following the EU Platform on Blending in External Cooperation discussions and considering the relevant EU Result Framework, or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the Regional Indicative Programme and – where applicable – the relevant bilateral Multi-annual Indicative Programme

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

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

## Evaluation

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

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

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

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

## **5.8 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

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

## **5.9 Communication and visibility**

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

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

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

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

## **APPENDIX I: INDICATIVE LIST OF LEAD FINANCE INSTITUTIONS**

### **ASIA INVESTMENT FACILITY EU CONTRIBUTION 100 000 000 EUR**

European Investment Bank (EIB)

European Bank for Reconstruction and Development (EBRD)

World Bank Group;

- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)

Agence Française de Développement (AFD)

Kreditanstalt für Wiederaufbau (KfW)

Consiglio Nazionale delle Ricerche (CNR)

Cassa depositi e prestiti (CDP)

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)

Promotion et Participation pour la Coopération Économique (PROPARCO)

Asian Development Bank (ADB)

## APPENDIX II: STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS

### APPENDIX II: STANDARD OUTPUT AND OUTCOME INDICATORS FOR BLENDING PROJECTS

#### ENERGY

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



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

### **TRANSPORT**

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

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

#### **ENVIRONMENT (WATER AND SANITATION)**

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

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

#### **PRIVATE SECTOR DEVELOPMENT**

	OUTPUT INDICATORS	UNIT	DEFINITION
4.1	<i>For direct operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/ at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.2	<i>For direct operations:</i> Access to finance: Amount of outstanding loans to relevant target group	Currency	Amount of outstanding loans/investments at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.3	<i>For indirect operations:</i> New financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	Currency	Volume of credit lines/guarantees / capital investment extended to financial intermediaries for on lending to target groups (target groups being understood as Microfinance/MSME/Agribusiness/Energy Efficiency/Renewable Energy/Student Loans/Housing Finance/Retail Finance/Total Portfolio/Other to be specified in each instance).
	OUTCOME INDICATORS	UNIT	DEFINITION

4.4	<i>For indirect operations:</i> Access to finance: number of units served among relevant target group	Nr.	Number of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual number of new loans/investments disbursed/made during the year.
4.5	<i>For indirect operations:</i> Access to finance: Amount of Outstanding Loans and other sources of financing to relevant target group	Currency	Amount of outstanding loans/investments in the portfolio of relevant financial intermediaries at the end of their fiscal year and annual volume of new loans/investments disbursed/made during the year.
4.6	<i>For direct operations:</i> Number of MSMEs reporting increased turnover (as a result of 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	<i>For both direct and, where feasible, indirect operations:</i> Number of jobs sustained (resulting from the project)	FTE	Number of full-time equivalent employees at the end of the reporting period. Includes full-time equivalent worked by seasonal, contractual and part time employees. Part-time jobs are converted to full-time equivalent jobs on a prorata basis.

**SOCIAL (SOCIAL HOUSING, HEALTH AND EDUCATION)**

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

5.8	Students benefitting from new and/or refurbished educational facility	Nr. per year	Students per year benefitting from new and/or refurbished educational facility by gender and age group.
5.9	Students enrolled	Nr. per year	Total aggregate of pre-primary, primary, secondary, tertiary, further, vocational as required by gender.

### **AGRICULTURE, FOOD AND NUTRITION SECURITY**

	OUTPUT INDICATORS	UNIT	DEFINITION
6.1	Agricultural production	Tons per yr	For the main productions impacted by the project, measured yearly
6.2	Area under cultivation	Ha per yr	For the main productions impacted by the project, measured yearly
6.3	Due diligence report of projects that affect land and property rights	Yes/No	Based on the guidelines developed by the Agence Française de Développement (AFD) and in line with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)
	OUTCOME INDICATORS	UNIT	DEFINITION
6.4	Additional added value created	Euro (constant value) per yr	For the main productions impacted by the project, measured yearly
6.5	Added value going to farmers	Euro (constant value) per yr	For the main productions impacted by the project, measured yearly
6.6	Net employment creation (gender differentiated)	Nr. per yr	Informal and formal jobs, measured yearly
6.7	Minimum Dietary Diversity Score	Score	Minimum number of food groups consumed by an individual over a reference period. Ref.: FAO Manual Minimum Dietary Diversity in Women (in preparation).

### **CROSS SECTOR INDICATORS**

	INDICATORS	UNIT	DEFINITION
7.1	Total number of beneficiaries	#	Estimated number of people with improved access to services (financial services, social and economic infrastructure, etc.)
7.2	Number of beneficiaries living below the poverty line	# (and/or %)	Sub-group of total beneficiaries above (if applicable). Reference point used, e.g. national or international definitions of poverty, should be made transparent)
7.3	Relative (net) Greenhouse gas emissions impact <sup>16</sup>	CO <sub>2</sub> ktons eq / year	Average amount of GHG emissions induced, avoided, reduced or sequestered per year by the project during its lifetime or for a typical year of operation: net balance between gross emissions and emissions that would occur in a baseline scenario.
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.

---

<sup>16</sup> Enter baseline according to point (2), expected value with the project according to gross emissions calculation in point (3) and expected result according to net emissions impact calculation in point (4). Indicate in the comments box the project impact category as outlined in point (1). The indicator should be assessed for a 'typical year of operation': there is no need to 'indicate the year'.