ACKNOWLEDGEMENTS:

This 2022 MCDF annual report was written by a team from MCDF Secretariat: Strahan Spencer, Head of the Platform Team; Frederic Asseline, Head of the Program Team; Anastasia Rodina, Senior Governance Officer; Omar Ezzat, Senior Platform Officer, Linghui Cai, Program Officer; and Rui Mi, Governance Officer. The MCDF team was led by Ayumi Konishi, Senior Advisor to the Chief Executive Officer; Simon Pollock, Senior Communication Officer; and Victoria Goettlicher, Consultant. We are grateful to Elvis Anber (copy editing), Maria Guardia Marin (graphic designer) and Maria Guia S. de Guzman (proofreader).
MCDF 2022
ANNUAL REPORT
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2022 was a challenging year for multilateralism. Against the backdrop of nagging difficulties caused by COVID-19, the world was battered by other crises – geopolitical tensions, soaring oil and gas prices, high inflation and natural disasters. An enduring lesson from these global challenges is that collaborating to find solutions is the best way to tackle them. This includes strengthening ties between countries through connectivity infrastructure.

As we continued to evolve and mature, these global challenges acted as strong headwinds for a relatively new global initiative, like the Multilateral Cooperation Center for Development Finance (MCDF). However, thanks to the support of our ever-widening circle of partners and continued effective support by the Administrator, MCDF was able to capitalize on our nascent beginnings to strengthen our foundation and expand our ability to support investments in connectivity infrastructure through sharing information, building capacity and assisting with project preparation.

In financial support for connectivity infrastructure, we approved six grant proposals last year. This included support for our first project in Africa — the Egypt-Sudan Extra High Voltage Power System Interconnection Project, one of the priority projects in the second Priority Action Plan of the Program for Infrastructure Development in Africa. By the end of 2022, MCDF had financed nine projects with total mobilized financing valued at USD2.87 billion in Asia, Africa and South America.
We also made good progress in another essential part of our mission – ensuring connectivity infrastructure investments are of high quality. We do this by working with our partners to encourage the widespread adoption of international financial institutions (IFIs) standards. We held two ground-breaking workshop series. The series on sustainable financing for infrastructure and development provided a novel meeting ground to bring together borrowers and lenders. The other series on financing climate-smart connectivity infrastructure presented numerous case studies across the transport and energy sectors, culminating in a high-level event at COP27 in Egypt.

We also hosted a variety of business matching forums designed to bring financiers and project designers together, including two separate events covering Southeast Asia and Indonesia. Our online information-sharing platform, JIGSAW, also continued to develop new capabilities. This included improving its ability to facilitate the flow of information on unfunded connectivity projects and relevant knowledge to promote IFI standards. As a sign of our growing global outreach, the Latin American Development Bank (CAF) became an Implementing Partner, joining the African Development Bank (AfDB) and the Asian Infrastructure Investment Bank (AIIB).

In this, our second Annual Report, you will find more detailed information on MCDF’s achievements in 2022. These are still early years for MCDF, yet we are steadily growing and evolving into a mature organization promoting positive global cooperation. I am confident that with the unwavering support of our partners, we can continue to work together to develop high-quality connectivity infrastructure and pave the way for a brighter future.

Zhongjing Wang
Chief Executive Officer
2 2022 Snapshot
MCDF approved its Accreditation Framework to admit new Implementing Partners to the MCDF Finance Facility.

MCDF approved 6 new grants providing financial support for high-quality connectivity investments following IFI standards. These comprise 4 project preparation grants: Indonesia, Lao PDR, Egypt and Sudan. There are also 2 capacity-building grants enhancing connectivity between ASEAN countries.

MCDF’s emblem, logo and abbreviation were registered by the World Intellectual Property Organization (WIPO) under the Paris Convention for the Protection of Industrial Property.

MCDF Secretariat continued to strengthen its capacity.

2022 Snapshot

MCDF realized several milestones during its second year of operations.

These strengthened MCDF’s capacities as a multilateral initiative promoting:

- high-quality infrastructure
- connectivity investments
- in developing countries through partnerships

2,200 participants from 70 countries including 36 New Partners* attended MCDF’s knowledge-sharing events.

MCDF approved its Accreditation Framework to admit new Implementing Partners to the MCDF Finance Facility.

The Development Bank of Latin America (CAF) became an MCDF Implementing Partner, joining the Asian Infrastructure Investment Bank (AIIB) and the African Development Bank (AfDB) to implement MCDF-funded grants.

These comprise 4 project preparation grants: Indonesia, Lao PDR, Egypt and Sudan. MCDF’s first grant in Africa, a cross-country power system project connecting Egypt and Sudan.

There are also 2 capacity-building grants enhancing connectivity between ASEAN countries.

*Financial institutions and investors which generally do not yet apply Accredited IFI Standards and are based in recipient countries of the IFI Implementing Partners.
3 MCDF Collaboration Platform Knowledge Sharing

3.1 Information Sharing on Standards and Best Practices
3.2 Information Sharing on Projects
3.3 Cross-cutting Activities
The MCDF Collaboration Platform is where MCDF’s information and knowledge-sharing activities take place. It promotes communication and collaboration among IFIs and other development partners, covering plans and activities relating to infrastructure and connectivity investments. The Collaboration Platform not only enhances knowledge designed to encourage the adoption of IFI standards in connectivity infrastructure. Its outreach work also helps to avoid duplication in connectivity infrastructure investments and supports practical action to help guide investment flows to fill the financing gap for high-quality connectivity infrastructure in developing countries.

The global reach of MCDF Collaboration Platform activities continued to expand in 2022, both in terms of enlarging MCDF’s network of partners and in the depth and scope of knowledge-sharing topics.

Forging connections is at the core of the mission of the Multilateral Cooperation Center for Development Finance (MCDF). In addition to providing financial support for the promotion of high-quality connectivity infrastructure that drives growth and prosperity by linking countries, it also connects people and ideas through cooperation and knowledge sharing. The MCDF Collaboration Platform made great strides during 2022 in promoting international financial institution (IFI) standards through its climate-smart infrastructure, debt sustainability and procurement workshops. I am pleased the Coordination Committee itself also became a venue for knowledge sharing between IFIs and MCDF’s other stakeholders by hosting roundtable discussions on environmental and social safeguards, climate change and digital infrastructure. MCDF is now truly tapping its potential to bring together partners for a more connected and sustainable future through shared visions. An exciting path lies ahead.

Sir Danny Alexander
Vice President for Policy and Strategy
AIIB
2022 Chair of the MCDF Coordination Committee
3.1.1 Climate-Smart Connectivity Infrastructure

MCDF helped break new ground in helping make the nexus between connectivity infrastructure and climate more prominent. The crucial role of climate-smart connectivity infrastructure in reducing greenhouse gas emissions and enhancing climate resilience needs more attention if the world is to achieve the Paris Agreement goals. A climate-smart connectivity infrastructure approach involves exploring ways to mobilize finance for climate-smart ports, roads, railways and grid transmission systems which connect renewable energy generation and consumers.

MCDF joined with the Egyptian Ministry of Finance, AIIB, Islamic Development Bank (IsDB), World Bank, World Resources Institute and the Vulnerable 20 (V20) Group in co-hosting a series of four climate-smart connectivity workshops between June and October 2022, concluding with a high-level event at COP27 in Egypt.
The workshop series shared insights and experiences by climate and infrastructure experts representing Multilateral Development Banks (MDBs), developing country governments and global think tanks. It effectively harnessed the combined expertise of the Collaboration Platform’s IFI partners, including the Asian Development Bank (ADB), AIIB, International Fund for Agricultural Development (IFAD), Inter-American Development Bank (IDB), European Bank for Reconstruction and Development (EBRD), IsDB, New Development Bank (NDB) and the World Bank.

Covering 20 different climate change mitigation and adaptation topics | 23 case studies

4 Workshops attracted 462 participants from 65 economies and 23 international organizations.
This innovative series comprised the following four workshop themes:

» **Introduction to Climate Change Challenges and Opportunities in Connectivity Infrastructure Projects** from 6 to 8 June addressed the general concepts of climate change mitigation and adaptation and how they should be considered in connectivity infrastructure projects.

» **Climate-Smart Coastal Connectivity Infrastructure** from 18 to 19 July focused on green ports and ancillary infrastructure, including special economic zones.

» **Climate-Smart Roads and Railways** from 19 to 20 September explored best practices in transforming roads and railways to become low carbon and resilient to climatic shocks.

» **Climate-Smart Connectivity Energy Infrastructure** from 18 to 19 October highlighted examples of how power transmission, regional energy pools and renewable energy sources can address the climate challenge.

The workshop series concluded with a high-level seminar on Finance Day of the UN Climate Change Conference (COP27) in Egypt on 9 November. This event was titled Mobilizing Finance for Climate-Smart Connectivity Infrastructure and featured a high-level panel of speakers. They comprised Egypt’s Minister of Finance, Dr. Mohamed Maait; Egypt’s Vice Finance Minister, Ahmed Kouchouk; China’s Special Envoy for Climate Change, Xie Zhenhua; President of IsDB, Dr. Muhammad Al Jasser; Liberia’s Minister of Public Works, Ruth Coker-Collins; President of AIIB, Jin Liqun; and World Bank Managing Director of Operations, Axel van Trotsenburg.

The panelists discussed key lessons learned, practical experiences, and effective policies for mobilizing finance to implement climate-smart connectivity infrastructure projects. Several speakers highlighted the unique role MCDF could play in this space. The event attracted 577 participants (491 virtually and 86 in person).
3.1.2 Debt Sustainability

Debt sustainability is a significant topic of interest among many MCDF partners, especially since the economic fallout from COVID-19 placed additional pressure on national economies. Responding to this interest, MCDF partnered with AIIB in organizing a workshop series on Sustainable Financing for Development and Infrastructure. Beginning at the end of 2021 and concluding in April 2022, this 10-module initiative brought together global experts from the World Bank, the International Monetary Fund and elsewhere. These experts shared their knowledge of international best practices designed to bolster the fiscal sustainability of infrastructure financing.

Over 300 participants from 61 economies, 13 international organizations and 16 New Partners (including bilateral and commercial financial institutions) attended the workshop series.

This workshop series was unique in two ways. First, it was attended by both borrowers and lenders. Participants included representatives from public debt management office, central banks, other government regulators, and multilateral, bilateral and commercial banks. Second, the workshops covered the entire debt process, from macroeconomic beginnings, medium-term strategies, and annual borrowing plans to accounting, reporting, legal and institutional arrangements. The workshop modules were:

- **Module 1**: Debt Sustainability and Debt Management – The Macro Framework
  8–10 November 2021
- **Module 2**: Formulating Medium-Term Debt Management Strategies
  6–8 December 2021
- **Module 3**: Annual Borrowing Plan and Issuance of Debt Instruments
  10–12 January 2022
- **Module 4**: Old and New Instruments for Public Financing
  24–26 January 2022
- **Module 5**: Old and New Instruments for Risk Management
  7–9 February 2022
- **Module 6**: Contingent Liabilities and “Hidden Debt”
  21–23 February 2022
MCDF was able to help share several key learnings from this workshop series. Borrowers valued the comprehensive nature of the series while recognizing that knowledge gaps in how to progress sustainable financing can lead to various systematic problems in national economies. Lenders gained an increased understanding of the context in which public debt managers operate and the basis of their financial decision-making. Participants indicated high satisfaction in post-workshop surveys, while half of those who responded said they would be interested in participating in similar training in the future.

3.1.3 Procurement Standards

IFIs have been providing considerable amounts of financing for infrastructure projects across the world. This creates a high demand from contractors, suppliers, consultants and potential project developers for information on how they can best optimize their business opportunities in supporting these projects. This demand provides an ideal opportunity to disseminate information about IFI procurement policies and standards to ensure that infrastructure investments are high quality and sustainable.
To seize this opportunity, MCDF and AIIB jointly kicked off a workshop series in 2022 on Multilateral Development Bank Procurement and Financing Business Opportunities and Policies. This series is designed to provide contractors, suppliers, consultants and potential project developers with a better understanding of how to participate in high-quality and sustainable MDB-financed projects successfully. The first workshop of the series, co-hosted with the China International Contractors Association, targeted Chinese companies and was held from 1 to 2 November at AIIB’s headquarters in Beijing.

Procurement specialists from AIIB, ADB, the International Finance Corporation and the World Bank briefed participants through five comprehensive and interactive sessions that covered: MDB roles and business opportunities; MDB procurement regulations and procedures; MDB standard procurement documents; the challenges for MDB project procurement and contractors under the current global economic and institutional sanction regimes; and opportunities and policies for private sector co-investment with MDBs.

The workshops attracted 229 participants (92 attending physically and 137 attending remotely), including 5 international organizations and 16 New Partners.

While addressing an ongoing demand by developers and contractors to seek MDB financing, the workshop also demonstrated how MDBs are increasingly integrating their procurement policies. Based on the success of this event, MCDF plans to work with its MDB partners to organize similar workshops for developers and contractors in other regions of the world.
3.2.1 Business Matching Events

MCDF’s knowledge-sharing work extends beyond exchanging information between partners about incorporating IFI standards in connectivity infrastructure. MCDF is also at the forefront of moves to generate practical action in driving new financial flows for high-quality connectivity infrastructure. This includes co-hosting business matching events that help nurture connections between financiers and project developers, resulting in new investments.

MCDF joined the Lead Implementing Body for Sustainable Infrastructure (LIB-SI), ASEAN Secretariat and AIIB to co-organize a virtual workshop titled *Post-COVID-19 Infrastructure and Connectivity in Southeast Asia: Challenges and Opportunities* on 26 April 2022.

The workshop convened officials and representatives from ASEAN Member States, MDBs and other official and commercial lenders to discuss potential infrastructure projects to promote regional connectivity. Indonesia, Lao PDR, Philippines and Thailand showcased their pipelines of energy and transport projects (totaling 15 projects) and identified their national development needs in connectivity infrastructure.

This business matching event attracted 142 participants from 11 countries, 6 international organizations, and 11 New Partners.
In addition, MCDF joined the Indonesia’s Ministry of Finance, IsDB and AIIB to co-organize a virtual workshop on 18 May called **Post-COVID-19 Infrastructure and Connectivity in Indonesia: Challenges and Opportunities**. Four of Indonesia’s ministries showcased their pipeline of 15 projects. Further, MDBs and official and commercial lenders presented their regional investment policies and strategies.

The workshop included 134 participants from 12 countries, 6 international organizations and 14 New Partners.

Both events led to follow-up discussions on specific infrastructure projects that could be funded by attending MDBs with MCDF support. In one particular case, the Southeast Asia business matching event resulted in a concrete funding proposal for MCDF grant assistance. This led to MCDF approving a USD2.7 million proposal by AIIB in October. The grant funding covers a joint three-year program between Association of Southeast Asian Nations (ASEAN), AIIB and MCDF to help enhance ASEAN countries’ capacity to prepare bankable cross-border infrastructure projects through technical advisory and training. MCDF will continue to explore ways in which knowledge sharing led by its Collaboration Platform can be translated into proposals for accessing MCDF grant support.
3.3.1 MCDF Brief

To consolidate its dissemination of information about high-quality connectivity infrastructure, MCDF aims to produce knowledge products based on the findings of its information-sharing events. In 2022, MCDF began work on knowledge products based on the climate-smart infrastructure and debt sustainability workshop series due for completion in 2023.

In the meantime, MCDF continued to distribute its knowledge product, the MCDF Brief, to its partners throughout the year. This bi-weekly digest provides information about the key projects, news, studies, trends, policy recommendations and upcoming events related to high-quality connectivity infrastructure in developing countries. The MCDF Brief is divided into three sections based on MCDF’s principles. The three sections are:

» **Connectivity:** transport, energy, the digital sector and trade and regional integration;

» **Quality:** the standards and best practices of connectivity infrastructure that MCDF promotes, including environment, social and governance (ESG) factors, the climate and environment and debt sustainability; and

» **Partnership:** news and analysis about MCDF and its partners, including IFIs and bilateral and commercial financial institutions.

The MCDF Brief was improved in several ways in 2022. An Upcoming Events section was added to highlight the many global events covering high-quality connectivity infrastructure. Inputs into the Brief were increased by including a more comprehensive range of source materials, while a new design was adopted to match MCDF’s visual identity.

In its 26 editions in 2022, the MCDF Brief provided information on 126 connectivity projects and 427 other news items based on MCDF’s core principles of connectivity, quality and partnership.
3.3.2 MCDF Coordination Committee Roundtables

In 2022, the MCDF Coordination Committee meetings were increasingly used for information sharing. Three of the Coordination Committee meetings included roundtable discussions on topics that are considered crucial in promoting high-quality and sustainable connectivity infrastructure investments.

**Environmental and Social Policies (March)**

The Coordination Committee meeting in March included a roundtable addressing recent trends in MDB environmental and social (E&S) policies focusing on developing high-quality and sustainable connectivity infrastructure. The roundtable was briefed on recent AIIB and EIB E&S policy updates and information about related policy updates by AfDB and ADB, which remain under consultation. The discussions reflected converging trends in E&S standards among MDBs aimed at reducing compliance costs for client governments. Participants also considered the need to address the capacity gap in applying E&S standards, particularly in project preparation and implementation, and the need to consider the local context. The consideration of biodiversity was identified as an emerging trend in E&S that will require considerable MDB assistance, including financial support.

**Climate Change Policies (June)**

The June meeting included a roundtable discussion focusing on the recent developments of IFI climate strategies, with updates shared by ADB, AIIB, EBRD, IsDB and the World Bank, as well as the governments of China and the United Kingdom. The discussions aimed to understand recent trends in IFIs’ climate policies and strategies, including using new tools and instruments to address climate change and their preparatory plans for COP27. The discussion also focused on the Paris Alignment, increased climate finance targets and the enhanced focus on climate adaptation. Participants also touched on upstream analysis and incorporating climate change into broader development tools while focusing on implementation and innovative mechanisms such as those supporting energy transition.
Digital Infrastructure (October)

During the October Coordination Committee meeting, the World Bank, ADB, AIIB and the Global Infrastructure Facility shared their experiences in improving digital connectivity. These ranged from boosting the coverage and speed of the internet in remote areas through low-orbit satellite systems to helping countries better regulate the digital sector. There was broad agreement that improved regulations in different countries can accelerate the development of digital infrastructure through better connectivity while safeguarding data privacy and cyber security. Participants highlighted how the digital economy is not only the fastest-growing sector in many economies, creating the greatest number of new jobs: it also allows developing countries to ‘leapfrog’ to a higher stage of sustainable development.
3.3.3 JIGSAW – MCDF’s Digital Solution for Sustainable High-Quality Connectivity Infrastructure

JIGSAW, MCDF’s digital solution for sustainable, high-quality connectivity infrastructure, was launched in December 2021. It facilitates the flow of information on unfunded connectivity projects and relevant knowledge to promote “MDB standards” to enhance high-quality connectivity infrastructure investment in developing countries.

JIGSAW comprises two databases:

» the Project Database and

» the Knowledge Database.

The Project Database contains information about investment proposals seeking financing from MDBs and/or New Partners to facilitate communication between project owners and potential financiers. It also includes technical assistance for project proposals seeking grant support from the MCDF Finance Facility. The information on technical assistance project proposals will allow the MCDF Secretariat and MCDF Implementing Partners to see if the MCDF Finance Facility can support the requested technical assistance projects. The Project Database can present “organizational users” registered with JIGSAW an opportunity to provide New Partners with a platform to present themselves to other users of JIGSAW. By the end of 2022, the Project Database contained information about 50 projects.

The Knowledge Database incorporates materials from MCDF knowledge events. These comprise presentations, links to video clips and background reports. The JIGSAW Knowledge Database also contains MCDF knowledge products, including bi-weekly MCDF Briefs which summarize news and analysis related to high-quality and sustainable connectivity infrastructure; knowledge materials on MDB standards related to high-quality connectivity infrastructure; IFI’s historical projects; and best practices shared by users. By the end of 2022, JIGSAW featured 102 presentations and other materials uploaded from MCDF’s knowledge events, 34 knowledge products and information about 68,145 projects approved by seven IFIs.

The functionality of JIGSAW was improved by adding search functions to both databases. The design of JIGSAW was continually refined throughout 2022 to improve its utility, which included seeking user feedback from representatives of governments, IFIs and New Partners including bilateral and commercial financial institutions.
4 Supporting Project Preparation and Capacity Development with the MCDF Finance Facility

4.1 Accreditation Framework and Implementing Partners
4.2 MCDF Finance Facility Approved Grants in 2022
4.3 Portfolio Overview (2021–2022 Total)
The Finance Facility is a core element of MCDF’s operations as a multilateral initiative. It provides financial support through grant allocations to activities that increase high-quality connectivity investments while promoting Accredited IFI Standards. Finance Facility operations were further strengthened in 2022 with MCDF’s adoption of its Accreditation Framework, its accreditation of a new Implementing Partner in Latin America and the approval of MCDF’s first grant to support connectivity infrastructure in Africa.
4.1 Accreditation Framework and Implementing Partners

4.1.1 Accreditation Framework
MCDF-financed activities are implemented through MCDF Implementing Partners, who are IFIs accredited by MCDF. To access MCDF Finance Facility grant resources, IFIs must undergo an accreditation process that verifies their adherence to MCDF’s rules, procedures, processes, institutional structures and ability to implement connectivity infrastructure projects that meet MCDF’s objectives. The MCDF Governing Committee approved the MCDF Accreditation Framework on 13 December. The framework sets out modalities for accrediting IFIs as Implementing Partners.

4.1.2 CAF Accreditation
Under the Accreditation Framework, CAF was accredited as an MCDF Implementing Partner at the end of 2022. Joining AIIB and AfDB, CAF became MCDF’s third Implementing Partner, now providing MCDF with a solid base to support high-quality and sustainable connectivity infrastructure investments in Latin America.

CAF’s news update on 21 December stated:

“This strategic partnership is expected to result in project preparation, capacity building, and knowledge transfer in sectors of interest such as energy, water, transport and logistics, and information and communication technologies (ICTs).”
The MCDF Finance Facility approved a total of six grants in 2022.

### Project Preparation:

<table>
<thead>
<tr>
<th>Approved Grants</th>
<th>Total Financing (USD)</th>
<th>Implementing Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia Batam-Bintan Bridge Project</td>
<td>525,000</td>
<td>AIIB</td>
</tr>
<tr>
<td>Road Development Program in Lao PDR</td>
<td>735,000</td>
<td>AIIB</td>
</tr>
<tr>
<td>Indonesia Trans-Sumatra Toll Road (Cinto Kenang to Sentjalang) Project</td>
<td>1,449,000</td>
<td>AIIB</td>
</tr>
<tr>
<td>Egypt and Sudan Extra High Voltage Power System Interconnector Project</td>
<td>2,835,000</td>
<td>AfDB</td>
</tr>
</tbody>
</table>

### Capacity Building:

<table>
<thead>
<tr>
<th>Approved Grants</th>
<th>Total Financing (USD)</th>
<th>Implementing Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building and Knowledge Sharing: Environmental and Social Safeguards</td>
<td>829,500</td>
<td>AIIB</td>
</tr>
<tr>
<td>Joint 3-Year Program with ASEAN Supporting Infrastructure Connectivity in the ASEAN Region</td>
<td>2,691,150</td>
<td>AIIB</td>
</tr>
</tbody>
</table>
Lao PDR is a land-locked but strategically located country between major economies, including China, Thailand and other ASEAN countries. Despite its land-locked constraints, Lao PDR strives to transform this traditional limitation by improving its infrastructure connectivity. The transformation from “land-locked” to “land-linked” can only be achieved by developing transport infrastructure.

This MCDF grant will assist Lao PDR’s Ministry of Public Works and Transportation in preparing for the National Road 13 South Extension (NR13SE) Project, which AIIB is considering financing, and capacity building for the Department of Roads in the MPWT. NR13SE is Lao PDR’s most important national highway, connecting the Lao PDR-China border in the north of the country to the Lao PDR-Cambodia border in the south.
This MCDF grant is instrumental in assisting the Government of Lao PDR to carry out high-quality project preparation activities and improve its capacity to implement projects in line with IFI standards. The grant will also facilitate the collaboration of the Government of Lao PDR and AIIB while promoting a partnership with the Abu Dhabi Fund for Development (ADFD) as a potential co-financier in the NR13SE Project.

The MCDF-financed activities include resettlement consultancy services for NR13SE and capacity building to improve the institutional know-how of the Department of Roads to better prepare and implement an output and performance-based road contract in line with IFI standards.

*Investments in cross-border transport connectivity are essential to transform Lao PDR from a land-locked to a land-linked economy. MCDF support is highly crucial in strengthening resilient, high-quality infrastructure development and connectivity for the country, including connections among partners.*

Phanomphone Keovongvichith
Deputy Director General, External Finance Department
Ministry of Finance, Lao PDR
Home to more than 620 million people, a fundamental way for the ASEAN to unlock growth potential in the region lies in improving infrastructure connectivity. ASEAN leaders adopted the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) at the 28th ASEAN Summit in 2016. The plan aims to achieve a seamlessly and comprehensively connected and integrated ASEAN region that will promote competitiveness, inclusiveness, and a greater sense of community.

This MCDF grant will support implementing a joint three-year program between the ASEAN Secretariat, AIIB and MCDF. The program is designed to enhance the capacity of the 10 ASEAN member states to prepare bankable cross-border connectivity infrastructure projects through technical advisory and training. This joint program is being carried out in conjunction with updating the Initial Rolling Priority Pipeline of ASEAN Infrastructure Projects (Rolling Priority Pipeline) under MPAC 2025.

Under MPAC 2025, ASEAN has developed a methodology to select regional connectivity projects for its rolling priority pipeline. However, more needs to be done in convening connectivity efforts and engaging partners with a more structured approach. To address key challenges related to regional connectivity, the joint program will support an integrated approach linking upstream technical assistance and capacity building to the structuring of bankable connectivity projects. It will also contribute directly to AIIB’s pipeline development in the ASEAN region by providing preferred access and visibility into potential investment opportunities at the early stages of project development.
The grant-financed activities include broad-based and project-specific capacity-building activities, updating the rolling priority pipeline and providing early project preparation support (pre-concept paper support)\(^1\) to help develop connectivity projects for AIIB’s prospective investment pipeline.

\[\text{“ASEAN is a vital regional cooperation partner for AIIB to achieve its core mandate, which is to foster sustainable economic development, improve infrastructure connectivity in Asia and promote regional cooperation and partnership in addressing development challenges. The joint three-year program aims to enhance the capacity of ASEAN Member States to develop high-quality, cross-border connectivity project pipelines and materialize bankable cross-border connectivity projects by providing dedicated upstream technical assistance, including early-stage project preparatory support, followed by AIIB’s financing. Through the implementation of the program, AIIB, in partnership with MCDF, aspires to become ‘the Bank of Choice’ for cross-border connectivity projects in the region.”}\]

Yuanjiang Sun  
Manager, Operational Partnership Department  
AIIB

\(^1\) MCDF provides pre-concept paper support (generally not exceeding USD150,000) at the early stages of project preparation cycles with a focus on: (i) facilitating project identification and concept development, and (ii) identifying appropriate New Partners on joint project preparation.
EGYPT AND SUDAN EXTRA HIGH VOLTAGE POWER SYSTEM INTERCONNECTOR PROJECT

Approved: December 2022
Implementing Partner: AfDB
MCDF Grant: USD2,835,000

Africa has a unique abundance of energy resources and urgently needs to accelerate universal access to modern energy services. Investment in cross-border energy connectivity infrastructure, such as regional power pools, can contribute to closing Africa’s long-standing energy gap. A lack of aligned national policies and regulations and inadequate funding and investment in infrastructure has hindered cross-border collaboration within African power pools. The scale of challenges bringing connected power to this vast continent now requires greater efforts than ever. MCDF’s first grant to support a project in Africa represents a significant milestone for the Finance Facility as it begins to direct its finances to address the massive demand for connectivity infrastructure investments on this continent.

AfDB will implement the MCDF grant to fund project preparation activities and help Egypt and Sudan integrate their electricity networks. The Egypt-Sudan interconnector will initially help transfer surplus power from Egypt to Sudan, where 40 percent of the population lacks access to electricity. It will be an important step in linking Egypt to the rest of the Eastern Africa Power Pool and the Southern African Power Pool. In the medium to long term, it is expected to contribute to a single electricity market in Africa, with the eventual goal of global power linkages tying Africa to the Middle East, Europe and other regions.
Project Highlights

The MCDF grant ensures that feasibility studies comply with IFI standards, including technical studies and design options; economic feasibility studies and due diligence; environmental and social assessments, including climate resiliency; and procurement and financial plans.

“The African Development Bank is very pleased to partner with the MCDF to support this regional interconnection project, a key link in the Continental Power System Masterplan and an important step in the attainment of the goal to establish the Africa Single Electricity Market.”

Angela Nalikka
Manager, Power Systems Solutions
African Development Bank
Fast Facts

- **USD11 million total grants approved**
- **9 approved funding proposals**
- **3 accredited Implementing Partners**
- **USD2.87 billion potential financing mobilized**
- **3 New Partners**

Total Approved Grants by Type of Support

- **2021**
  - Capacity Building: USD 1.8 million
  - Project Preparation: USD 0.15 million
  - **Total (2021):** USD 1.95 million

- **2022**
  - Capacity Building: USD 5.5 million
  - Project Preparation: USD 3.5 million
  - **Total (2022):** USD 9 million

**Total (2021-2022):**
- **USD 3.7 million on Capacity Building**
- **USD 7.3 million on Project Preparation**

**Total Approved Grants by Region**

- **Latin American and Caribbean:** USD 1.05 million
- **Africa:** USD 2.84 million
- **East Asia Pacific:** USD 7.1 million

**Approved Project Preparation Grants by Sector**

- **Energy:** USD 2.84 million (37%)
- **Transport:** USD 2.7 million (24%)
- **Other (multi-sector):** USD 1.76 million (29%)
Total Approved Grants by Region

- **East Asia Pacific**
  - USD 7.1 million
- **Africa**
  - USD 2.84 million
- **Latin American and Caribbean**
  - USD 1.05 million

Approved Project Preparation Grants by Sector

- **2021-2022**
  - **39% Energy** USD 2.84 million
  - **37% Transport** USD 2.7 million
  - **24% Other (multi-sector)** USD 1.76 million
5 Strengthening MCDF Governance, Transparency and Accountability

5.1 MCDF Governing Committee — Supporting Informed and Accountable Decision-Making by MCDF Contributors

5.2 MCDF Coordination Committee — Strengthening Governance of the MCDF Collaboration Platform

5.3 Continued Effective Support by the Administrator

5.4 Strengthening the Capacity of the MCDF Secretariat

5.5 Registering MCDF’s Emblem, Logo and Abbreviation with WIPO

5.6 Reaching Out to Our Partners
In 2022, the two governance bodies overseeing MCDF operations—the Governing Committee and the Coordination Committee—continued to meet regularly.

“MCDF has made rapid progress as a new mechanism nurturing multilateral cooperation through its promotion of high-quality connectivity and infrastructure investment. This is evident in its ground-breaking cooperative promotion of climate-smart connectivity infrastructure. MCDF’s collaboration with Egypt’s Ministry of Finance, along with a number of high-level global partners, generated a series of climate-smart connectivity workshops in 2022 which placed new emphasis on the need to put climate considerations at the center of connectivity infrastructure investment. As COP27 host, Egypt benefited from its partnerships with key global players, such as MCDF, in presenting practical and innovative solutions to address climate challenges. I am proud that Egypt’s role as Chair of the MCDF Governing Committee has strengthened MCDF’s ability to support global and regional efforts in helping developing countries in partnership with development finance institutions to realize the dual vision of sustainability and development.”

Ahmed Kouchouk
Vice Minister of Finance for Fiscal Policies and Institutional Reforms,
Ministry of Finance, Egypt
2022 Chair of the MCDF Governing Committee
In 2022, The MCDF Governing Committee (GC) met five times under its rules of procedure. During these five meetings, the GC approved six projects worth USD9.1 million, including MCDF’s first project in Africa. In another major step, the GC approved the framework for accrediting Implementing Partners for the MCDF Finance Facility and accredited CAF. The GC’s rules of procedure were also updated. All five GC meetings were held in a hybrid format, allowing for physical and virtual participation. Three GC members attended an October meeting held in Washington, DC, in person, on the sidelines of the Annual Meetings of the International Monetary Fund and the World Bank Group.

In 2022, the MCDF Secretariat organized four quarterly Coordination Committee meetings per the Committee’s rules of procedures. It heard presentations by a number of New Partners to explore enhancing future cooperation with MCDF. It also reviewed the Collaboration Platform’s activities in 2022 and approved the Collaboration Platform’s work plan and budget for 2023. Several committee members attended a meeting held in October in Washington, DC, during the Annual Meetings of the International Monetary Fund and the World Bank Group.

Three Coordination Committee meetings also hosted roundtables on the key topics of high-quality sustainable infrastructure. Specifically, the March 2022 meeting hosted a discussion on recent trends in the E&S policies of MDBs, the June 2022 meeting included a roundtable discussion on the recent developments in the IFI climate change policies, and the October 2022 meeting focused on the approaches toward digital infrastructure.
AIIB has been the Administrator of MCDF since June 2020. Throughout 2022, AIIB continued to provide high-quality services to MCDF, including administrator coordination and planning around its hosting of the MCDF Secretariat, as well as general administrative, financial, and legal services. The MCDF Secretariat carried out its daily work smoothly, thanks to its collaboration with different functional departments of the AIIB.

In administrative services, the Administrator assisted MCDF in recruiting staff, supporting the Secretariat’s records management system, contracting consulting services and procurement. The Administrator also provided IT services, including support to developing JIGSAW and general administrative support, including organizing events at AIIB Headquarters.

MCDF was also supported by the Administrator’s financial services in managing AIIB-MCDF accounts such as contribution management; funds management including funds commitment, cash transfer and investment of unused funds; monitoring of financial flows and maintaining appropriate records; preparing financial statements of the AIIB-MCDF Account; and arranging an external audit. The MCDF Secretariat also received legal services such as in the drafting of the Accreditation Framework, Memorandum and Policy Recommendation of the Secretariat on Accepting Approved Accreditation with the Green Climate Fund (under certain conditions) for the Purpose of MCDF Accreditation, and efficiently and effectively providing advice to MCDF’s governing bodies and the Secretariat on other legal matters.
During the second year of MCDF’s operation, the Secretariat strengthened its institutional governance and capacity to ensure it works efficiently and effectively as a robust, diversified and dedicated team. This included developing a team training plan with the support of MCDF’s Administrator and carrying out many capacity-building activities throughout the year. MCDF recruited three new staff members in 2022 to fill the roles of Senior Adviser to the CEO, Senior Communications Officer and Senior Environment and Social Development Officer. The Secretariat initiated the development of internal rules of procedure to provide further clarity about its daily work, while the first periodic audit of MCDF was carried out and presented to MCDF’s Governing Committee. Meanwhile, MCDF’s Administrator assisted MCDF in introducing an information management system to improve document filing and recording.

MCDF’s emblem, logo and abbreviation are now protected under international law. This followed an earlier decision by the MCDF Governing Committee, the MCDF Secretariat, in cooperation with MCDF’s Administrator, to apply to register the MCDF emblem, logo and abbreviation under Article 6ter of the Paris Convention for the Protection of Industrial Property. A WIPO official notice confirming this was released on 30 September.
Between October and November 2022, the MCDF Secretariat held its first overseas outreach mission to provide updates on MCDF activities to current and potential future partners and explore avenues of further collaboration. The Secretariat delegation, led by MCDF CEO Zhongjing Wang, met members of the World Bank’s Executive Board and several World Bank senior staff during the annual meetings of the International Monetary Fund and the World Bank Group held in Washington, DC, in October. The MCDF delegation also met a wide range of partners, including representatives of Cambodia and Lao PDR, which are members of the MCDF Governing Committee; CAF, which is a member of the MCDF Coordination Committee; and the World Resources Institute, which collaborated with MCDF on the climate-smart workshop series.

In Hungary, which in 2023 is due to assume the rotating chair of the MCDF Governing Committee from 2022 Chair Egypt, the MCDF delegation members met several senior Hungarian government officials before meeting with the Director General of the OPEC Fund in Austria. While visiting COP27 host Egypt, the delegation met several Egyptian government ministers, representatives of Afreximbank, and chairpersons of two leading banks based in the Egyptian capital investing in connectivity infrastructure in Egypt and neighboring African countries.

In tandem with MCDF’s expanded outreach in 2022, MCDF began to enhance its outward-facing presence through expanded communications. This included publishing news updates on the MCDF website (www.themcdf.org) covering approved grant proposals and MCDF information and knowledge-sharing events, including extensive coverage of the climate-smart connectivity workshop series MCDF co-hosted with partners. MCDF also produced a short video shown at the high-level COP27 event culminating the workshop series, emphasizing the importance of climate-smart infrastructure in tackling global warming. Reflecting on the strengthening of MCDF’s external communications, an internal guiding document for communication—the 2023 MCDF Communication Action Plan—was initiated towards the end of the year for finalization in early 2023.
The Multilateral Cooperation Center for Development Finance (MCDF) is a multilateral initiative designed to increase high-quality infrastructure and connectivity investments in developing countries through partnerships. With a central goal of encouraging the adoption of IFI standards, it is designed to reinforce the numerous existing global, regional and sectoral initiatives established in response to the worldwide need for more connectivity infrastructure. This includes supporting the implementation of the G20 Quality Infrastructure Principles, the UN Agenda 2030 and its Sustainable Development Goals, and the Paris Climate Agreement.

MCDF was established in 2020 when 11 IFIs and seven countries came together to address the shortage of high-quality infrastructure investments in developing countries. The 11 IFIs are the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), African Development Bank (AfDB), Development Bank of Latin America (CAF), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD), Islamic Development Bank (IsDB), New Development Bank (NDB) and the World Bank. The seven countries are Cambodia, China, Egypt, Hungary, Lao PDR, Philippines, and Saudi Arabia.

MCDF is unique in the way it pursues its goals by acting as a ‘one-stop shop’ – sharing information, building capacity and assisting with project preparation.

MCDF consists of:

» The **MCDF Collaboration Platform**, which promotes communication and collaboration among IFIs and other development partners about their plans and activities relating to infrastructure and connectivity investment. The Collaboration Platform, led by the **MCDF Coordination Committee**, promotes information sharing and the exchange of best practices through information-sharing events, and a suite of collaborative tools and data.

» The **MCDF Finance Facility**, which is supported by grants from contributors to support MCDF activities. The **MCDF Governing Committee** is the MCDF Finance Facility’s key decision-making authority. Activities funded by the Finance Facility are carried out by IFIs that MCDF accredits as Implementing Partners.

» The **MCDF Secretariat**, which supports MCDF’s day-to-day operations.

» An Administrator to provide other, mainly financial, services to the MCDF, including establishing and hosting the MCDF Secretariat and establishing and managing an MCDF Account to hold the funds contributed to the MCDF Finance Facility. MCDF’s current Administrator is AIIB.
MCDF’s mission is based on three principles:

» **Connectivity:** Linking communities, economies and nations through energy, transport, information and communication technologies and water networks across countries through both ‘hard’ and ‘soft’ infrastructure.

» **Quality:** Promoting Accredited IFI Standards for infrastructure on debt sustainability; environmental and social safeguards; standards on fossil fuel investments and promoting clean energy; fraud and corruption, procurement; and transparency and disclosure of information.

» **Partnership:** Facilitating new partnerships between developing country governments, IFIs and New Partners (including bilateral and commercial financial institutions) that can drive quality infrastructure investments for connectivity.

Two independent bodies oversee MCDF’s operations. The Governing Committee makes key decisions about MCDF’s Finance Facility. Its members comprise the seven founding country contributors to the Finance Facility. The MCDF Coordination Committee oversees and directs MCDF’s Collaboration Platform. Its members include the seven founding contributors to the MCDF Finance Facility and 11 IFIs.
The MCDF Governing Committee approved the Audited Financial Statements of the MCDF Finance Facility for the Year ended 31 December 2022 at the GC meeting held on 19 April 2023.

Annex 2
Auditor's Report and Financial Statements

Independent Auditor's Report

To the Governing Committee of the Finance Facility of the Multilateral Cooperation Center for Development Finance:

Opinion

What we have audited

The financial statements of the Finance Facility of the Multilateral Cooperation Center for Development Finance (the "MCDF FF"), which are set out on pages 1 to 14, comprise:

- the statements of comprehensive income for the year ended December 31, 2022;
- the statements of financial position as at December 31, 2022;
- the statements of changes in contributors' resources for the year ended December 31, 2022;
- the statements of cash flows for the year ended December 31, 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the MCDF FF as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the MCDF FF in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
Responsibilities of Management and Those Charged with Governance for the
Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair
view in accordance with IFRSs, and for such internal control as management determine is
necessary to enable the preparation of financial statements that are free from material
misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the MCDF’s ability
to continue as a going concern, disclosing, as applicable, matters related to going concern and using
the going concern basis of accounting unless management either intend to liquidate the MCDF or
to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the MCDF FF’s financial reporting
process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a
whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s
report that includes our opinion. We report our opinion solely to you, as a body, in accordance with
our agreed terms of engagement and for no other purpose. We do not assume responsibility
towards or accept liability to any other person for the contents of this report. Reasonable assurance
is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs
will always detect a material misstatement when it exists. Misstatements can arise from fraud or
error and are considered material if, individually or in the aggregate, they could reasonably be
expected to influence the economic decisions of users taken on the basis of these financial
statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain
professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether
due to fraud or error, design and perform audit procedures responsive to those risks, and
obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for
one resulting from error, as fraud may involve collusion, forgery, intentional omissions,
misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit
procedures that are appropriate in the circumstances, but not for the purpose of expressing
an opinion on the effectiveness of the MCDF FF’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of
accounting estimates and related disclosures made by management.
• Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MCDF FF’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the MCDF FF to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, China, April 19, 2023
Finance Facility of the Multilateral Cooperation Center for Development Finance  
Statement of Comprehensive Income  
For the year ended Dec. 31, 2022

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>Note</th>
<th>For the year ended Dec. 31, 2022</th>
<th>For the year ended Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td></td>
<td>872</td>
<td>18</td>
</tr>
<tr>
<td>Disbursements C1</td>
<td></td>
<td>(5,455)</td>
<td>-</td>
</tr>
<tr>
<td>General and administrative expense C2</td>
<td></td>
<td>(6,614)</td>
<td>(3,381)</td>
</tr>
<tr>
<td>Net foreign exchange gain/ (loss)</td>
<td></td>
<td>24</td>
<td>(1)</td>
</tr>
<tr>
<td>Net loss and total comprehensive loss for the year</td>
<td></td>
<td>(11,173)</td>
<td>(3,364)</td>
</tr>
</tbody>
</table>

Attributable to: **Contributors**  
(11,173)  
(3,364)

The accompanying notes are an integral part of these financial statements.
## Statement of Financial Position

For the year ended Dec. 31, 2022

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>Note</th>
<th>Dec. 31, 2022</th>
<th>Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>C3</td>
<td>50,397</td>
<td>46,006</td>
</tr>
<tr>
<td>Term deposits</td>
<td>C3</td>
<td>15,206</td>
<td>25,007</td>
</tr>
<tr>
<td>Other assets</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>65,613</td>
<td>71,013</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>C4</td>
<td>2,508</td>
<td>1,775</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>2,508</td>
<td>1,775</td>
</tr>
<tr>
<td><strong>Contributors’ resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>C5</td>
<td>78,251</td>
<td>73,211</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td></td>
<td>(15,146)</td>
<td>(3,973)</td>
</tr>
<tr>
<td><strong>Total contributors’ resources</strong></td>
<td></td>
<td>63,105</td>
<td>69,238</td>
</tr>
<tr>
<td><strong>Total liabilities and contributors’ resources</strong></td>
<td></td>
<td>65,613</td>
<td>71,013</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

Mr. ZHONGJING WANG  
Chief Executive Officer
Finance Facility of the Multilateral Cooperation Center for Development Finance
Statement of Change in Contributors’ Resources
For the year ended Dec. 31, 2022

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>Note</th>
<th>Contributions</th>
<th>Accumulated losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1, 2021</td>
<td></td>
<td>39,071</td>
<td>(609)</td>
<td>38,462</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>34,140</td>
<td>-</td>
<td>34,140</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td></td>
<td>-</td>
<td>(3,364)</td>
<td>(3,364)</td>
</tr>
<tr>
<td>Dec. 31, 2021</td>
<td>C5</td>
<td>73,211</td>
<td>(3,973)</td>
<td>69,238</td>
</tr>
<tr>
<td>Jan. 1, 2022</td>
<td></td>
<td>73,211</td>
<td>(3,973)</td>
<td>69,238</td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>5,040</td>
<td>-</td>
<td>5,040</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td></td>
<td>-</td>
<td>(11,173)</td>
<td>(11,173)</td>
</tr>
<tr>
<td>Dec. 31, 2022</td>
<td>C5</td>
<td>78,251</td>
<td>(15,146)</td>
<td>63,105</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Finance Facility of the Multilateral Cooperation Center for Development Finance
Statement of Cash Flows
For the year ended Dec. 31, 2022

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>Note</th>
<th>For the year ended Dec. 31, 2022</th>
<th>For the year ended Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net losses for the year</td>
<td></td>
<td>(11,173)</td>
<td>(3,364)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income from term deposits</td>
<td></td>
<td>(575)</td>
<td>(7)</td>
</tr>
<tr>
<td>Increase in other assets</td>
<td></td>
<td>(10)</td>
<td>-</td>
</tr>
<tr>
<td>Increase in other liabilities</td>
<td></td>
<td>733</td>
<td>1,775</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td></td>
<td>(11,025)</td>
<td>(1,596)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease/(increase) in term deposits</td>
<td></td>
<td>10,000</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Interest received from term deposits</td>
<td></td>
<td>376</td>
<td>-</td>
</tr>
<tr>
<td>Net cash from/(used in) investing activities</td>
<td></td>
<td>10,376</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions received</td>
<td>C5</td>
<td>5,040</td>
<td>34,140</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td></td>
<td>5,040</td>
<td>34,140</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td></td>
<td>4,391</td>
<td>7,544</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td></td>
<td>46,006</td>
<td>38,462</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>C3</td>
<td>50,397</td>
<td>46,006</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
A General Information

The Multilateral Cooperation Center for Development Finance ("MCDF") is a multilateral financial mechanism designed to promote high-quality infrastructure and connectivity investments in developing countries through partnerships. Together with its implementing partners, MCDF supports projects which meet the standards of accredited international financial institutions ("IFI").

The MCDF Finance Facility ("MCDF FF") was established on May 15, 2020, to provide financial support to activities whose objectives are to increase high quality connectivity investments that follow the accredited IFI standards, through:

(i) Wider application of the accredited IFI standards by New Partners (as defined in the Governing Instrument of the MCDF FF) of the IFIs, through partnership, capacity building and information sharing by, co-financing with, and technical assistance from, the accredited IFI implementing partners;

(ii) Increased country-level application and enforcement of the accredited IFI standards through capacity building supported by the accredited IFI implementing partners; and

(iii) Increased financing of connectivity projects from, and mobilized by, the accredited IFI implementing partners.

The following table sets out the total commitments and paid contributions as at Dec. 31, 2022.

<table>
<thead>
<tr>
<th>Contributors</th>
<th>Commitments</th>
<th>Paid Contributions in MCDF FF(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>150,000</td>
<td>69,071</td>
</tr>
<tr>
<td>Egypt</td>
<td>10,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Hungary</td>
<td>10,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>10,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Cambodia</td>
<td>100</td>
<td>40</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>100</td>
<td>40</td>
</tr>
<tr>
<td>Philippines</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180,300</strong></td>
<td><strong>78,251</strong></td>
</tr>
</tbody>
</table>

(1) On Dec. 18, 2019, People’s Republic of China ("China") made an advance contribution of USD20 million to MCDF holding account for the preparation of establishment of MCDF FF. Due to the administration fee charged by AIIB and fund investment interests occurred in MCDF holding account, USD19,071 thousand was transferred from MCDF holding account to the AIIB-MCDF account of the MCDF FF. On Dec. 18, 2020, China made USD20 million contributions to MCDF FF. On Nov. 29, 2021, China made USD30 million contributions to MCDF FF.

These financial statements were signed by the Chief Executive Officer on April 19, 2023.
B1 Basis of preparation

These financial statements for MCDF FF have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial year of MCDF FF begins on Jan. 1 and ends on Dec. 31 of each year.

MCDF FF has adopted all of the IFRS standards and interpretations effective for the periods beginning on Jan. 1, 2022.

The financial statements have been prepared under the historical cost convention, except for those financial instruments measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in its process of applying the accounting policies. The area involving a higher degree of judgment or complexity is the determination and recognition for the Asian Infrastructure Investment Bank (the “Bank” or “AIIB”) administration fee.

The financial statements have been prepared on a going concern basis.

B2 New accounting pronouncements

The new accounting pronouncements, amendments and interpretations issued in 2022 do not have any significant impact on the operating results, financial position and comprehensive income of MCDF FF.

B3 Summary of significant accounting policies

B3.1 Functional currency and foreign currency transactions

The functional currency and the presentation currency of MCDF FF are United States Dollar (“USD” or “US Dollar”).

Foreign currency transactions are initially translated into USD using exchange rates prevailing at the dates of the related transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Foreign exchange differences arising on the settlement of monetary items, and on the retranslation monetary items, are recognized in profit or loss during the period in which they arise.
MCDF FF’s financial assets are classified into three categories:
(a) Amortized cost,
(b) Fair value through other comprehensive income (FVOCI), or
(c) Fair value through profit or loss (FVPL).

The basis of classification depends on the relevant business model and the contractual cash flow characteristics of the underlying financial asset.

(a) **Classification of financial assets at amortized cost**

MCDF FF classifies its financial assets at amortized cost only if both of the following criteria are met:

(i) The financial asset is held within a business model having the objective of collecting the contractual cash flows, and

(ii) The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

MCDF FF applies the effective interest method to the amortized cost of a financial asset.

(b) **Classification of financial assets at FVOCI**

Financial assets at FVOCI comprise:

(i) Financial assets having contractual cash flows which reflect solely payments of principal and interest on outstanding principal, and for which the objective of the related business model is achieved both by collecting contractual cash flows and selling financial assets, and

(ii) Investments in equity instruments which are neither held for trading nor contingent consideration, and for which MCDF FF has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income (OCI) rather than profit or loss.

For (i) above, interest is calculated using the effective interest method and recognized in profit or loss. Except for gains or losses from impairment and foreign exchange, the financial asset is measured at FVOCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss.
B3.2.1 Financial assets (Continued)

For (ii) above, the accumulated fair value changes in OCI will not be reclassified to profit or loss in the future. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

(c) Classification of financial assets at FVPL

MCDF FF classifies the following financial assets at FVPL:

(i) Financial assets that do not qualify for measurement at either amortized cost or FVOCI,

(ii) Financial assets that are designated at initial recognition as FVPL irrevocably, when such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,

(iii) Investment in equity instruments that are held for trading, and

(iv) Investment in equity instruments for which MCDF FF has not elected to recognize fair value gains or losses though OCI.

B3.2.2 Financial liabilities

MCDF FF’s financial liabilities are measured at amortized cost, using the effective interest method. The interest expenses are recognized in profit or loss.

MCDF FF recognizes contributions received from Contributors as equity on the basis that a contributor cannot choose to withdraw contributions from MCDF FF. Contributors are only entitled to a distribution of net assets on termination of MCDF FF in proportion to the contributions made available by them to MCDF FF.

B3.2.3 Recognition and derecognition

MCDF FF recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, MCDF FF becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

At initial recognition, MCDF FF measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability.
Finance Facility of the Multilateral Cooperation Center for Development
Notes to the Financial Statements
For the year ended Dec. 31, 2022 (All amounts in thousands of US Dollars unless otherwise stated)

B  Accounting Policies
B3.2  Financial instruments (Continued)
B3.2.3  Recognition and derecognition (Continued)

Before evaluating whether, and to what extent, derecognition is appropriate, MCDF FF determines whether the derecognition analysis should be applied to a part of a financial asset or a financial asset in its entirety. MCDF FF derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If MCDF FF neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred financial asset, MCDF FF derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer.

B3.2.4  Impairment of financial instruments

Financial assets of MCDF FF that are measured at amortized cost and FVOCI are subject to credit loss estimated through an expected credit loss (“ECL”) model, assessed on a forward-looking basis.

B3.2.5  Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

B3.3  Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Deposits with an original maturity of three months or less are classified as cash and cash equivalents.

B3.4  Interest income

Interest is recorded on an accrual basis. All interest income is recognized within “interest income” in the Statement of Comprehensive Income.
B Accounting Policies

B3.5 Administration fees and expenses

According to the Governing Instrument of the Finance Facility of the Multilateral Cooperation Center for Development Finance and the agreement on the terms and conditions of service as the Administrator of the MCDF FF, AIIB provides administrative and financial services to the MCDF FF. Therefore, AIIB charges an administration fee for costs associated with the work carried out in relation to the MCDF FF.

Administration fees and expenses are recognized throughout the period to the satisfaction of the relevant services received.

B3.6 Current and noncurrent presentation

All assets and liabilities in the Statement of Financial Position are classified as current as at Dec. 31, 2022.
C Disclosure Notes

C1 Disbursements

<table>
<thead>
<tr>
<th></th>
<th>Commitments approved*</th>
<th>Disbursements</th>
<th>Undrawn commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>At Jan. 1, 2021</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movement in the year of 2021</td>
<td>1,916</td>
<td>-</td>
<td>1,916</td>
</tr>
<tr>
<td>At Dec. 31, 2021</td>
<td>1,916</td>
<td>-</td>
<td>1,916</td>
</tr>
<tr>
<td>Movement in the year of 2022</td>
<td>7,821</td>
<td>5,455</td>
<td>2,366</td>
</tr>
<tr>
<td>At Dec. 31, 2022</td>
<td>9,737</td>
<td>5,455</td>
<td>4,282</td>
</tr>
</tbody>
</table>

*Commitments include 5% administrative fee paid to implementing partner of the MCDF FF.

C2 General and administrative expenses

<table>
<thead>
<tr>
<th></th>
<th>For the year ended Dec. 31, 2022</th>
<th>For the year ended Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff cost</td>
<td>2,626</td>
<td>948</td>
</tr>
<tr>
<td>AIIB administration fee</td>
<td>2,218</td>
<td>1,381</td>
</tr>
<tr>
<td>Professional service expenses</td>
<td>1,175</td>
<td>544</td>
</tr>
<tr>
<td>IT equipment and services</td>
<td>271</td>
<td>401</td>
</tr>
<tr>
<td>Travelling expenses</td>
<td>232</td>
<td>62</td>
</tr>
<tr>
<td>Annual audit fee</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Others</td>
<td>59</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total general and administrative expenses</strong></td>
<td><strong>6,614</strong></td>
<td><strong>3,381</strong></td>
</tr>
</tbody>
</table>

C3 Cash, cash equivalents, and deposits with banks

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31, 2022</th>
<th>Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits with banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Demand deposits</td>
<td>20,132</td>
<td>46,006</td>
</tr>
<tr>
<td>- Term deposits with initial maturity of three months or less</td>
<td>30,265</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>50,397</strong></td>
<td><strong>46,006</strong></td>
</tr>
</tbody>
</table>

Add: term deposits with initial maturity more than three months⁽¹⁾ | 15,206 | 25,007 |

**Total cash, cash equivalents, and deposits with banks** | **65,603** | **71,013** |

Interest income presented in the Statement of Comprehensive Income is generated from bank deposits held by MCDF FF.

⁽¹⁾ Term deposits with initial maturity of more than three months have maturities of up to 12 months.
C4 Disclosure Notes

Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31, 2022</th>
<th>Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIIB administration fee payable</td>
<td>2,218</td>
<td>1,381</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>137</td>
<td>342</td>
</tr>
<tr>
<td>Staff costs payable</td>
<td>120</td>
<td>19</td>
</tr>
<tr>
<td>Auditor’s fee payable</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td><strong>2,508</strong></td>
<td><strong>1,775</strong></td>
</tr>
</tbody>
</table>

C5 Contributions in MCDF FF

The following table sets out the total paid contributions for the years ended Dec. 31, 2022, and Dec. 31, 2021.

<table>
<thead>
<tr>
<th></th>
<th>Year ended Dec. 31, 2022</th>
<th>Year ended Dec. 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at Jan. 1</strong></td>
<td>73,211</td>
<td>39,071</td>
</tr>
<tr>
<td>Contribution received from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China(1)</td>
<td>-</td>
<td>30,000</td>
</tr>
<tr>
<td>Egypt</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Hungary</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Cambodia</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Philippines</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td><strong>As at Dec. 31</strong></td>
<td><strong>78,251</strong></td>
<td><strong>73,211</strong></td>
</tr>
</tbody>
</table>

(1) Refer to Note A General Information for paid contributions in MCDF FF.
MCDF FF’s related parties include the Contributors, and the key management personnel.

The contributions received from Contributors are outlined in Note C5.

Transactions between MCDF FF and related parties mainly include deposits and financing activities. MCDF FF has deposits with bank ultimately controlled by the People’s Republic of China (PRC) Government, and approved grants to MCDF Implementing Partners for projects related to Egypt Government and a China state-owned entity with project commitments of USD2,835 thousand and USD714 thousand, respectively, as at Dec 31, 2022. MCDF FF considers the transactions with Egypt Government and PRC state-owned entities are activities conducted in MCDF FF’s ordinary course of business, and the dealings of MCDF FF have not been significantly or unduly affected by the fact that the related parties are government or entities ultimately controlled by government.

Key management personnel are those persons who have the authority and responsibility to plan, direct, and control the activities of MCDF FF. Key management personnel of MCDF FF are the Chief Executive Officer, the Senior Advisor to the Chief Executive Officer, the Head of Program Team, and the Head of Platform Team.

The compensation of key management personnel for the year comprises short-term employee benefits of USD899 thousand (2021: USD479 thousand) and defined contribution plans of USD179 thousand (2021: USD96 thousand).

There have been no other material events since the reporting date that would require disclosure or adjustment to these financial statements.
MCDF FF adopts a proactive and comprehensive approach to risk management that is instrumental to its financial viability and success in achieving its mandate. The ability to identify, mitigate, and manage risk begins with its policies established with a strong risk culture. In addition to establishing appropriate risk parameters and a thorough and robust project review and monitoring process, the risk management function provides independent oversight of credit and other investment risk, market risk, liquidity risk, counterparty credit risk, model risk, operational risk, and compliance risk in its activities. It is also designed to manage asset and liability to minimize the volatility of equity value and to maintain sufficient liquidity.

Credit risk

MCDF FF takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

MCDF FF manages the credit exposure to financial institutions. The credit ratings of the financial institution counterparties are single A minus or higher.

The carrying amount of cash and cash equivalents presented on the Statement of Financial Position represents MCDF FF’s maximum exposure to credit risk as at Dec. 31, 2022.