



MULTILATERAL
COOPERATION CENTER
FOR DEVELOPMENT FINANCE

Multilateral Cooperation Center for Development Finance Operations Manual of the Finance Facility

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Definitions

Accredited International Financial Institution (IFI) Standards	Standards that are well established and utilized by the IFIs who are accredited as MCDF Implementing Partners regarding: debt sustainability (consistent with the debt sustainability policy of the International Monetary Fund); environmental and social safeguards, including existing policies of the IFIs around international relations, such as disputed areas and international waters; standards on fossil fuel investments and promoting clean energy; preventing and combating fraud and corruption; procurement; and transparency and disclosure of information.
Administrator	The Asian Infrastructure Investment Bank, in its capacity as Administrator of the MCDF Finance Facility to provide administrative and financial services to the MCDF.
Beneficiary Countries	Low-and middle-income countries (as classified by the World Bank); or countries that have an active country program with an IFI Implementing Partner. For this purpose, an “active country program” means where an IFI Implementing Partner has a lending or grant program and/or ongoing policy dialogue with the country.
Collaboration Platform	A platform that provides opportunities for communication and collaboration among IFIs and other development partners about plans and activities relating to infrastructure and connectivity investments, for information sharing and for ongoing exchange of best practices.
Coordination Committee	The Coordination Committee oversees and directs the Collaboration Platform.
Governing Committee	The Governing Committee is responsible for policy guidance and operational oversight to the MCDF Finance Facility. The Governing Committee includes Members (representatives of the contributors to the Finance Facility) and Observers (representatives of IFI Implementing Partners, the Administrator, and the Chief Executive Officer of the MCDF Secretariat).
Implementing Partners	IFIs accredited by the MCDF to implement MCDF-financed activities.

Implementing Partner Agreement	Implementing Partner Agreement refers to an agreement entered into between an Implementing Partner and the Administrator.
New Partners	New Partners are financial institutions as well as investors, state-owned or private, which generally do not yet apply Accredited IFI standards, and are based in recipient countries of the IFI Implementing Partners.
MCDF Secretariat	The Secretariat to support the day-to-day operations of the MCDF.

A. INTRODUCTION

1. This Operations Manual provides guidance on the implementation of policies, rules and procedures related to activities conducted with funding from the Finance Facility of the Multilateral Cooperation Center for Development Finance (“MCDF Finance Facility”), in accordance with the objectives and core principles set out in the Governing Instrument of the MCDF Finance Facility.
2. The establishment of the Development Cooperation Fund for Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and China (“Central Asia Fund”) was approved during a special meeting of the MCDF Governing Committee held on 22 January 2026. The Central Asia Fund is a dedicated window under the MCDF Finance Facility to support (i) project preparation, (ii) capacity building, and (iii) information and knowledge sharing activities in a defined set of Beneficiary Countries, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, and China’s projects and activities with the aim to promote connectivity infrastructure in Central Asia and beyond.
3. The Central Asia Fund shall be governed by the MCDF policy framework, including the Governing Instrument of the MCDF Finance Facility, the Operations Manual, and other relevant MCDF governing documents and policies. The following specific provisions will apply to the Central Asia Fund:
 - a. Contributors may earmark funds specifically for the Central Asia Fund by stating in writing in the Letter of Commitment that the committed funds, or a defined portion of the committed funds, are being contributed to the Central Asia Fund; and
 - b. Funds so committed to the Central Asia Fund will be held in a separate bank account and not be co-mingled with the other resources of the Finance Facility.
4. Unless otherwise expressly provided in this Operations Manual, activities financed by the Central Asia Fund shall not be subject to the provisions otherwise applicable to non-contributor countries¹ relating to eligibility for project concept development support, project preparation bridge finance, direct capacity building support, or the applicable annual funding caps for project preparation support and capacity building support.
5. This Operations Manual, as amended on 27 September 2026, shall govern the second phase of MCDF Finance Facility operations for the period from 1 January 2027 to 31

¹ For purposes of this Operations Manual, a “contributor country” refers to a country that has submitted a Letter of Commitment to contribute to the MCDF Finance Facility in support of MCDF operations for the period from 1 January 2027 to 31 December 2031.

December 2031.

B. ELIGIBLE ACTIVITIES

6. The Finance Facility supports three types of activities:

- a. Information and knowledge sharing;
- b. Capacity building;
- c. Project preparation.

The instruments of project preparation bridge finance and direct capacity building support to national financial institutions will be implemented on a trial basis for five years. The associated financing criteria and procedures will be reviewed prior to the end of the trial period, and a decision will be taken by the MCDF Governing Committee, in concurrence with the Administrator, as to whether to continue the instruments and upon what terms. The first such review will be undertaken no later than five years from the commencement of implementation.

1. Information and Knowledge Sharing

7. The Collaboration Platform may provide support for information and knowledge sharing by stakeholders of the Finance Facility and other development partners that participate in the Collaboration Platform activities. The instruments of the Collaboration Platform mainly comprise a website (managed by the Secretariat) that hosts digital publications, data, and pertinent news and information, and events (including seminars, workshops, conferences), knowledge products, and communities of practice. The website will function as the data and information center of MCDF as a whole and be the core part of the “integrated e-Platform” of MCDF. Among other things, the MCDF website will support and facilitate information and knowledge sharing amongst stakeholders of Finance Facility. The Finance Facility may fund the development of the MCDF website (including the server, hardware, and software, if required) and its related operation and maintenance as well as those of any additional components of MCDF’s integrated e-Platform. This website (or integrated e-Platform) related costs as well as the administrative support that the Secretariat may provide for the organization of Collaboration Platform events will be allocated to the Secretariat as part of its annual administrative budget.

2. Capacity Building

8. **Capacity building activities requested by Implementing Partners (IPs):** The Finance Facility may provide grant finance for capacity building activities proposed by IPs in

collaboration with various stakeholders, including Beneficiary Countries and New Partners (NPs). The IPs will implement the approved capacity building activities for relevant stakeholders. The primary objective of such support is to strengthen institutional capacity related to the adoption and application of Accredited International Financial Institution (IFI) Standards by NPs, as well as by Beneficiary Countries, including the home countries of NPs.

9. **Direct capacity building support to national financial institutions in contributor countries:** The Finance Facility may also provide direct capacity building support, on a grant basis, in contributor countries requested by their national financial institutions. Each contributor country may nominate up to two well-established and experienced national financial institutions to qualify for this service. Activities financed under the Central Asia Fund may also provide such support to Beneficiary Countries regardless of their contributor country status. Direct capacity building support for national financial institutions may be provided subject to the following conditions:

- a. An agreement shall be entered into between the national financial institution nominated by the contributor country, and the Asian Infrastructure Investment Bank (AIIB) as Administrator of the MCDF Finance Facility, with the concurrence of the MCDF Secretariat on matters within its operational responsibilities. The agreement shall establish appropriate arrangements to ensure the proper use of the grant funding, including but not limited to procurement, monitoring and reporting mechanisms, and financial management in accordance with standards equivalent to Accredited IFI standards.
- b. In collaboration with the concerned national financial institutions, qualified experts or entities procured in accordance with the Administrator's procedures and policies shall design and manage the activities.

3. Project Preparation

10. **Project preparation activities requested by IPs:** The Finance Facility may finance, on a grant basis, either in full or in part, the cost of preparation work for cross-border connectivity infrastructure projects that may be funded by sovereign and non-sovereign financing and/or investment by IPs or by IPs in partnership with NPs. Project preparation support is expected to focus primarily on activities related to pre-feasibility and feasibility studies, as well as activities that are intended to help advance a project toward a high level of readiness for implementation. Project readiness refers to the extent to which an investment project is prepared to commence implementation once all required approvals have been obtained. Eligible activities must contribute directly to the development of a

specific investment project.

Activities that strengthen project readiness may include, but are not limited to:

- a. Pre-feasibility and feasibility studies;
- b. Environmental and social studies;
- c. Risk assessments; and
- d. Advisory services and/or other services to help structure a proposed investment.

The Finance Facility will give priority to supporting joint project preparation activities undertaken through partnership between IPs and NPs. Such collaboration is expected to facilitate the adoption and application of Accredited IFI Standards by NPs in their future operations. Such a partnership may include a joint project preparation team led by the concerned IP to conduct the project preparation work, including feasibility study and due diligence work, in compliance with the Accredited IFI Standards.

In addition, as part of its project preparation support, the Finance Facility will provide grant financing in the form of “**project concept development support**” for contributor countries at the early stages of project preparation cycles. Activities financed under the Central Asia Fund may also provide such support to Beneficiary Countries regardless of their contributor country status. The objectives of the project concept development support are: (i) to facilitate the collection and analysis of basic project-related information as a precursor for the IPs to prepare a formal project concept paper, and (ii) to identify appropriate NPs for joint project preparation work. A concept paper provides a brief description and initial assessment of a potential investment project and serves as an important early step in advancing projects toward further preparation and financing. It shall outline the project rationale, scope, expected outcomes and outputs. It also includes preliminary cost estimates and an indicative financing plan, as well as an initial review of key technical considerations, and likely environmental and social safeguards issues.

11. Project preparation bridge finance: The Finance Facility may extend bridge finance to contributor countries to cover preparation costs of cross-border connectivity infrastructure projects expected to be financed by multilateral development banks (MDBs) that are members of the Heads of MDBs Group². By providing bridge funding on a grant basis, MCDF seeks to facilitate upstream project preparation by enabling

² The Heads of MDB Group includes the African Development Bank Group, Asian Development Bank, Asian Infrastructure Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank, and the World Bank Group.

contributor countries to secure loan financing from MDBs that are members of the Heads of MDBs Group. Activities financed under the Central Asia Fund may also provide such support to Beneficiary Countries regardless of their contributor country status. Such bridge finance will be extended under the following conditions:

- a. The contributor country should have entered into, after the effective date of this Operations Manual, a project preparation technical assistance agreement with an MDB that is a member of the Heads of MDBs Group and would have funded the associated costs without MCDF Finance Facility support.
- b. Project preparation bridge finance support may only be approved where evidence has been provided confirming approval of the corresponding project loan by the relevant MDB.
- c. Following approval by the Governing Committee, the contributor country, acting through its Ministry of Finance or any other ministry responsible for cooperation with MDBs, and the AIIB, as Administrator of the MCDF Finance Facility, shall enter into an agreement for the reimbursement or financing of project preparation costs incurred by the contributor country.

C. CROSS-BORDER CONNECTIVITY CONCEPT

12. Cross-border Infrastructure connectivity refers to the linkage of communities, economies and nations through transport and logistics, information and communication technology (ICT), energy, and transboundary water networks across countries. Cross-border connectivity projects eligible for the Finance Facility support include both “greenfield” and “brownfield” assets, as well as “hard” and “soft” infrastructure. The former includes physical investments, and the latter includes activities such as digitalization, trade facilitation, customs harmonization, and single window arrangements. The Finance Facility will give priority to supporting innovative and high-profile cross-border connectivity projects.
13. In addition to the traditional focus on transport and logistics, energy, information and communication technology (ICT), and transboundary water resource management, the cross-border connectivity focus may be broadened to include **climate adaptation content. Selected social sectors that have strong cross-border connectivity components**, such as smart health systems and digital education are also eligible for Finance Facility support. This expanded scope reflects the increasingly multisectoral nature of connectivity and the role of integrated infrastructure systems in supporting resilient and inclusive development. **The additional focus on social sectors will apply to activities in**

contributor countries.

D. ELIGIBLE COUNTRIES AND SECTORS

1. Eligible Countries

14. Low and middle-income countries (as classified by the World Bank), or the countries that have an active country program (i.e. a lending or grant program and/or ongoing policy dialogue) with an IP will be eligible to directly benefit from the Finance Facility funded activities for information and knowledge sharing, capacity building, and project preparation for the cross-border connectivity infrastructure projects that are to be implemented in their countries.

2. Eligible Sectors

15. Eligible sectors include the following:
 - a. **Transport and Logistics:** highways and inter-state roads; inland waterways; ports; airports; railway networks; and logistics centers and networks.
 - b. **Energy:** clean technology-based electricity generation, transmission and distribution; natural gas transmission and distribution; liquefied natural gas (LNG); and various forms of renewable and clean energy with regional content.
 - c. **Information and communication technology (ICT):** telecommunications networks, fiber-optic and submarine cable systems, data centers, satellite communications, internet exchange points, and related digital platforms and services that facilitate international connectivity and the seamless flow of data between countries and regions.
 - d. **Water:** support may be provided for transboundary water projects, in selected cases, in accordance with the applicable policies and procedures of the relevant IP. Given that such projects often involve complex and sensitive cross-border issues, including institutional, legal, and resource management considerations, their preparation may require specialized expertise and resources that could exceed the capacity of the Finance Facility. Accordingly, support for transboundary water projects will be considered on a selective basis.

E. RESULTS

16. Finance Facility funded information and knowledge sharing, capacity building and project preparation support activities will be evaluated against a set of targets and indicators included in the Results Framework of MCDF Finance Facility.

F. PORTFOLIO TARGETS

1. Approach

17. Allocations of funding resources will be made for (i) specific proposals for technical assistance grants, and (ii) annual administrative budget proposals for the Secretariat and Administrator-related expenses.

2. Allocations

18. For planning and budgeting purposes, resources of the Finance Facility will be apportioned: (i) for technical assistance grants to support capacity building, and project preparation activities, and (ii) for administrative budgets to cover the Collaboration Platform information and knowledge sharing events, and financing requirements for operations of the Secretariat and the Administrator. **A multi-year contingency of up to 10% of the Finance Facility resources** will be established throughout the years to ensure the Finance Facility has sufficient grant resources available within any given period to meet any unexpected grant finance requests from IPs and others. This contingency can also be used to respond to changes in the scope and/or eligible extra costs associated with approved activities.
19. The Finance Facility's financial year will be from 1 January to 31 December. The Finance Facility will be flexible and responsive to funding proposals submitted throughout the year.
20. Due to the limited availability of grant resources, the **annual allocation of funding to non-contributor countries** will generally be capped at **USD1 million per country for project preparation** activities and **USD500,000 per country for capacity building activities**. **This limitation shall not apply to the Central Asia Fund or to activities implemented in contributor countries.**

3. Indicative allocation among activities

21. For planning purposes, the Finance Facility will set indicative allocations as follows:
- a. Capacity building: the allocation for capacity building activities will be around **15%** of total resources.
 - b. Project preparation: the allocation for project preparation activities will be around **85%** of total resources.
 - c. Within the resources allocated for project preparation, the cumulative approvals of project concept development support for contributor countries may not exceed **USD2 million**. This ceiling may be adjusted, as necessary, by the Governing Committee. For each potential investment project, project concept development support is generally expected not to exceed **USD150,000**.

- d. **Project preparation bridge finance** will be capped at **5%** of the total resources allocated for project preparation activities.
 - e. **Direct capacity building support to national financial institutions** will be capped at **5%** of the total resources allocated for capacity building activities. Each funding proposal shall not exceed **USD1 million** per financial institution.
22. The above indicative allocation limits are established to facilitate operational planning. They will be monitored by the Secretariat and may be modified by the Governing Committee as needed from time to time. For the avoidance of doubt, all allocation limits set out in this Operations Manual apply according to their stated scope. Where more than one allocation limit applies to a proposed activity, the most specific applicable limit governs, unless the Governing Committee approves otherwise.

4. Partner allocations

23. Resources of the Finance Facility will be allocated in a demand-driven manner. IPs and other stakeholders are welcome to provide counterpart financing in the form of cash or in-kind contributions to their proposals for funding support from the Finance Facility.

G. APPLICATION, REVIEW AND APPROVAL

1. Submission of Applications

24. Applications will follow the templates provided by the Secretariat for the respective types of activities. For applications related to Project Preparation Bridge Finance, a standard application template may not be required. In such cases, the relevant contributor country shall submit appropriate supporting documentation and evidence sufficient to justify a recommendation for approval. Applications shall include the following key information as relevant:

a. For capacity building activities requested by IPs:

- Background information on the core issues to be addressed;
- Planned capacity building activities and timeline.

b. For direct capacity building support to national financial institutions:

- **Nomination:** Each contributor country may nominate one or two well-established and experienced national financial institutions. Such nominations shall be submitted through written communication to the Secretariat.
- **Submission:** A national financial institution nominated by a contributor country may submit funding proposals directly to the Secretariat. Such proposals shall

follow the standard capacity building support template provided by the Secretariat.

c. For project preparation activities requested by IPs:

- Description of the underlying investment project including its indicative timeline for approval and proposed financing plan.
- Identity and role of the NPs and the joint teams, where applicable.
- Description of the project preparation tasks covering technical, financial, legal, commercial, environmental and social safeguards, financial management, institutional aspects, implementation readiness and arrangements, procurement, etc.
- Terms of reference for the engagement of consultants (firms and/or individuals).
- Process and timeline for the engagement of consultants.
- Design and monitoring framework for the proposed project preparation support.
- **Pre-submission consultation with Beneficiary Country.** The IP shall, at least thirty (30) calendar days prior to submission of an application to the Secretariat, facilitate a meeting between the Secretariat and the Ministry of Finance of the Beneficiary Country, or any other ministry responsible for cooperation with IFIs. The meeting shall provide an opportunity for the Secretariat to confirm the Beneficiary Country's awareness of, and preliminary support for, the proposed request for Finance Facility support. Completion of such meeting shall be a condition for the IP to proceed with submission of the application. The requirement for this meeting shall be in addition to the requirement to provide a no-objection letter, where applicable.
- **No-objection letter:** A "no-objection letter" shall be required for all project preparation funding proposals submitted by IPs. The letter shall explicitly state that the Beneficiary Country has no objection to the IP seeking funding support from the MCDF Finance Facility to support the project preparation work. The no-objection letter shall be issued by the Ministry of Finance or any other Ministry responsible for cooperation with IFIs, provided that the Ministry has the authority to make such a statement on behalf of the government.

d. For project concept development support requested by IPs:

- Description of the project concept and the main areas with information gaps;

- Description of the proposed concept development activities.

e. For project preparation bridge finance:

- **Application process:** As set forth in Paragraph 11 (a), contributor countries within the scope of Article 3 (2) of the Governing Instrument of the MCDF Finance Facility may initiate the application process by submitting to the Secretariat: (i) a project preparation technical assistance agreement, signed after the effective date of this Operations Manual, with an MDB that is a member of the Heads of MDBs Group for the provision of technical assistance to prepare a cross-border connectivity infrastructure project; and (ii) evidence that the corresponding project loan has been approved by the relevant MDB.
- **Submission:** Once the application is determined to be complete, the Secretariat will submit recommendations to the Governing Committee for approval.

25. For applications submitted by IPs, funding proposals shall have been approved internally by the IPs for implementation and cleared within the IPs as the basis for seeking funding support from the Finance Facility. IPs will be responsible for the quality and accuracy of the facts, data, and analyses presented in their funding proposals in accordance with their own internal quality control standards, and will be accountable for delivery of the outputs, outcomes and impact stated in their funding proposals.

2. Review of Proposals

26. The Secretariat will conduct a review and screening of each application **within ten (10) working days** to assess its consistency with the requirements of the Finance Facility and the level of completeness as provided in this Operations Manual. If an application is found to be materially inconsistent with the requirements of the Finance Facility, the Secretariat shall inform the submitting entity of the identified gaps. The submitting entity may revise and resubmit the proposal in response to the issues raised. Once a proposal is deemed consistent with the requirements of the Finance Facility and complete, the Secretariat will forward the proposal to the Governing Committee for review and approval. As part of the proposal review process, consultation meetings may be convened by the Secretariat involving the relevant IP or submitting entity, the Secretariat and members of the Governing Committee, where appropriate, to facilitate clarification and discussion of funding proposals prior to formal consideration by the Governing Committee.

3. Approval Process

a. Approval of Funding Proposals

27. Funding proposals will be approved by the Governing Committee through one of the following procedures: approval in accordance with no-objection procedures, approval at a meeting (to be held in person or virtually as the Governing Committee may determine) or approval by the Secretariat pursuant to the delegation of the approval authority made to the Secretariat under this Operations Manual. Decisions of the Governing Committee may be taken by consensus at the meeting or through voting if voting is requested in accordance with the voting procedures set forth in the Rules of Procedures of the Governing Committee.
28. Under the no-objection procedure, the Governing Committee will have a review period of **ten (10) working days**. Upon completion of this period, if no voting member of the Governing Committee objects to approving a proposal or requests that the matter be considered through a meeting or formal vote, the proposal will be deemed to have been approved by the Governing Committee on a no-objection basis.
29. In the case where a member of the Governing Committee requests additional information prior to making a decision on a proposal, the review for that proposal would need to be put on hold while the concerned submitting entity prepares the requested information. The review period may be extended as necessary to allow sufficient time for the preparation and submission of the requested information for the Governing Committee's consideration.
30. The Secretariat will communicate with the Chair of the Governing Committee to schedule a meeting if an application requires approval at a meeting or through voting by the Governing Committee.
31. **Approval by the Governing Committee at a meeting:** Applications for the first activity in a given country, in a specific sector, or involving an NP shall be submitted for approval by the Governing Committee at a meeting, regardless of the size or nature of the proposed funding support.
32. **Approval by the Governing Committee on a no-objection basis:** Additional applications in the same country and within the same sector may be approved through the no-objection procedures.
33. **Delegated Approval by the Secretariat:** Applications for capacity building activities with a value of **USD100,000 or less** may be approved by the Secretariat. Where approval authority has been delegated to the Secretariat, the Secretariat will review and approve proposals as authorized **within ten (10) working days**. The Secretariat will inform the Governing Committee of any approvals granted under this procedure. This approval

procedure excludes the approval of any matter related to administrative budgets for the Secretariat or the Administrator.

b. Approval of Administrative Budgets

34. The Secretariat, in coordination with the Administrator, will prepare and submit a proposed annual work plan and the Finance Facility's administrative budget for approval by the Governing Committee **at a meeting**. The administrative budget of the Finance Facility comprises: (i) the administrative budget for the Secretariat, and (ii) the administrative budget for the Administrator.
35. The administrative budget of the Secretariat covers the budget for day-to-day operation of the Secretariat and the budget for Secretariat support for the Coordination Committee and related activities of the Collaboration Platform (including development and maintenance of the MCDF website). The proposed work plan and the related budget for support of the Coordination Committee and the related activities of the Collaboration Platform are to be reviewed and agreed by the Coordination Committee prior to their inclusion in the proposed annual work plan and administrative budget of the Finance Facility for approval by the Governing Committee.
36. The budget of the MCDF Secretariat and the Administrator to support the Central Asia Fund shall be approved by the Governing Committee as part of the administrative budget approval process. Costs incurred by the MCDF Secretariat and the Administrator in supporting the Central Asia Fund shall be financed by the Central Asia Fund on a cost recovery basis.

4. Activity Scope Changes

37. Governing Committee approval shall be sought for any increase in the total approved funding amount or any other material modification or adjustment to an approved activity. Notwithstanding the approval procedures set out in Paragraph 32, any proposed post-approval modification or adjustment to an approved activity that involves a material change to the approved scope of work or results in an increase in the total approved funding amount shall be submitted to the Governing Committee for approval **at a meeting**. Requests for modification or adjustment to an approved activity shall be submitted to the Secretariat as soon as the need is identified and **no later than ninety (90) calendar days before the expected completion date**, unless otherwise agreed by the Governing Committee in exceptional circumstances.
38. If the approved allocation is decreased as a result of a proposed modification or adjustment, the corresponding portion of the approved allocation shall be cancelled.

39. Any request for increase in the approved administrative budgets will need to be approved by the Governing Committee **at a meeting**. Request for increase in the administrative budget to support the Coordination Committee and related activities of the Collaboration Platform will need to be agreed by the Coordination Committee prior to the Secretariat's submission of the request to the Governing Committee for approval **at a meeting**.

H. ACTIVITY IMPLEMENTATION

1. Implementation Entity Roles and Responsibilities

40. **For activities requested by IPs:** IPs will be responsible for implementing the approved activities in accordance with their respective operational policies and procedures, including but not limited to their procurement, financial management, disbursement, and safeguards policies and procedures, and in accordance with the project designs, including but not limited to the financing plans and implementation schedules, provided in their funding proposals as approved by the Governing Committee.
41. **For direct capacity building support to national financial institutions:** To alleviate administrative burdens and support effective delivery, **the MCDF Secretariat will organize the procurement process in coordination with the beneficiary national financial institutions**. Beneficiary institutions shall be responsible for implementing the capacity building activities, with support from consultants engaged **in accordance with AIB Corporate Procurement rules, policies, and procedures**. The Secretariat shall consult with the beneficiary national financial institutions on the scope and design of the capacity building activities.
42. **For project preparation bridge finance:** Detailed timeframe, duration and implementation details will be captured in legal arrangements between the contributor country and the concerned MDB for the provision of technical assistance to prepare a cross-border connectivity project as described in Paragraph 11 (a).

2. Commitment and Request for Funds Transfer

43. **For activities requested by IPs:** Subsequent to the Governing Committee approval of the proposed funding proposal, the Administrator will make commitment for the approved allocation in accordance with the approval by the Governing Committee. Following the commitment from the Administrator, the IP shall submit a funds transfer request to the Administrator, with the Secretariat copied, in accordance with the Implementing Partner Agreement. **The funds transfer request shall include evidence that implementation has commenced, comprising either: (i) a signed grant agreement between the IP and the Beneficiary Country; or (ii) where a grant agreement is not applicable, draft**

procurement documents for the engagement of consultants that have been cleared by the relevant IP for issuance and submitted at least thirty (30) calendar days before publication of the procurement notice. The Secretariat shall be responsible for reviewing and confirming the adequacy of such evidence prior to the transfer of funds by the Administrator.

44. **For direct capacity building support to national financial institutions:** If a funding proposal is approved by the Governing Committee in concurrence with AIIB as the Administrator, the beneficiary national financial institution and the Administrator shall enter into an agreement, with the concurrence of the MCDF Secretariat on matters within its operational responsibilities, to enable the provision of direct capacity building support to the national financial institution. After the Governing Committee approval, the Secretariat will send a notification of approval to the relevant national financial institution and contributor country with the Administrator in copy. Following the notification of approval, the Administrator will commit the Finance Facility funds, in accordance with the terms and conditions of the agreement as described in this Paragraph. Following the commitment from the Administrator, the Secretariat shall submit a funds transfer request to the Administrator. The funds will be mainly used for consulting services and related training expenses. **The procurement process will be arranged by the Secretariat in collaboration with the relevant national financial institution as described in Paragraph 41.**

45. **For project preparation bridge finance:** After the Governing Committee approval, the Secretariat will send a notification of approval to the contributor country with the Administrator in copy. Upon receipt of such notification, the contributor country and the AIIB, as Administrator of the MCDF Finance Facility, shall enter into an agreement governing the reimbursement or financing of eligible project preparation costs, as described in Paragraph 11 (c). Following execution of such agreement and satisfaction with the applicable conditions set out therein, the Administrator shall transfer the approved funds to the contributor country or the relevant MDB, as applicable.

3. Administrative Costs Associated with Grant Implementation

46. For activities requested by IPs, upon the transfer of funds for an approved activity, the IP will be paid an administrative fee in the amount equal to **five percent (5%)** of the approved allocation. The fee is paid to cover the IP's administrative costs associated with implementation of Finance Facility-supported activities, which include, but are not limited to, the costs that the IP may incur in keeping separate records for the Finance Facility-funded operations, in administering the funds received from the Finance Facility, and in

monitoring and reporting implementation performance of the Finance Facility-funded project. **This fee shall not apply to project preparation bridge finance and direct capacity building support to national financial institutions.**

4. Implementation Period

47. Support provided by the Finance Facility is intended to facilitate the preparation and approval of cross-border connectivity infrastructure investment projects and to strengthen related institutional capacity. Unless otherwise approved by the Governing Committee, the implementation period for project preparation activities and capacity building activities shall be up to two and a half years from the date of approval of the relevant funding proposal. For multi-country or regional funding proposals, the implementation period may be up to three and a half years from the date of approval, taking into account the additional coordination and implementation complexity of such activities. The implementation period for project concept development support activities shall be up to one year from the date of approval of the relevant funding proposal.

5. Extension of Closing Date

48. Each funding proposal shall specify a closing date by which the proposed activities are expected to be completed and all funds fully disbursed. In cases where implementation is delayed due to circumstances beyond the control of the implementation entity, a request for an extension of the closing date may be submitted following a template provided by the Secretariat. The request shall include an explanation of the reasons for the delay, detailed justification for the proposed extension, evidence of substantive implementation progress such as procurement activities, consultant mobilization, contractual commitments or completed deliverables, and a time-bound implementation plan. Project preparation bridge finance shall not be subject to the extension provisions set out in this Section.

49. Such requests shall be submitted **no later than sixty (60) calendar days prior to the original closing date**. Any extension of the closing date shall be subject to approval by the Governing Committee. **Only one extension up to 12 months may be granted for each activity, unless the Governing Committee, on a case-by-case basis, determines that exceptional circumstances justify approving a further extension.**

6. Cancellation for Lack of Disbursement and Return of Unused Funds

50. If no disbursement has been made for an approved activity within two years from the date of approval, the grant may be cancelled by the Governing Committee, unless the Governing Committee, on a case-by-case basis, decides to exempt such grant from

cancellation. For project concept development support activities, such period shall be one year from the date of approval. In the event of such cancellation, the IP shall notify the Administrator and return any unused funds to the Finance Facility, in accordance with the applicable provisions in the Implementing Partner Agreement. Project preparation bridge finance shall not be subject to this cancellation provision in light of its reimbursement-based financing structure.

51. In circumstances where a cancelled activity is subsequently resubmitted, the resubmitted application shall, notwithstanding the approval procedures set out in Paragraph 32, be submitted to the Governing Committee for approval on a no-objection basis.

I. REPORTING AND MONITORING

52. To strengthen portfolio monitoring and management, the MCDF Secretariat shall establish and maintain a portfolio and procurement monitoring system that enables online submission of data and reports. The system will facilitate the timely monitoring of portfolio performance and risks, and support proactive management actions where necessary. Once the system is operationalized and the Secretariat has notified implementation entities of the applicable submission procedures, implementation entities shall submit quarterly reports, annual reports, completion reports, and other required implementation data and reports, as applicable, through the system, **using the forms and templates provided by the Secretariat in the system**. Until such notification is issued, implementation entities shall submit such reports in the form and template specified by the Secretariat.
53. Implementation entities as set out in Section H (1) will be required to prepare a consolidated annual report on implementation of all the Finance Facility-supported activities. The annual report shall be submitted to the Secretariat **on or before 31 March of each year**, following the end of the MCDF reporting period (1 January to 31 December) of the previous year. Key information should include, as applicable, procurement plans and contract awards, counterpart performance, outputs delivered, disbursement, risks and issues, reasons for delay, mitigation measures, lessons learned, and other information that may be required by the Secretariat.
54. For each completed Finance Facility-supported activity, the relevant Implementation entity shall prepare and submit to the Secretariat a completion report **no later than ninety (90) calendar days after the completion date of such activity**. The completion report shall include, as applicable, information on outputs delivered, achievements and expected impact, disbursement status, contract implementation and consultant performance, implementation issues and risks, mitigation measures, lessons learned, and

- any other information required by the Secretariat. Where applicable, the completion report shall also include an assessment by the involved NPs of progress achieved in the adoption and application of Accredited IFI Standards.
55. For any cancellation of a Finance Facility-supported activity, the relevant Implementation entity shall submit a memorandum to the Governing Committee for information, setting out the implementation status, reasons for cancellation, and confirmation of the cancellation.
56. Based on the annual reports as well as the project completion reports completed during the reporting period, the Secretariat will prepare a summary report on implementation of the Finance Facility-funded activities for submission to the Governing Committee on or before 31 May of each year. The summary report will be made public upon completion of review by the Governing Committee.

J. AMENDMENT TO THE OPERATIONS MANUAL

57. This Operations Manual may be amended, after consultation with the Coordination Committee, with approval by the Governing Committee on a no-objection basis. The Secretariat will monitor the application of this Operations Manual and, taking into account the development of the Finance Facility operations, will prepare and submit any proposed amendments for consideration by the Governing Committee.