



This action is funded by the European Union

### **ANNEX 1**

of the Commission Implementing Decision on the NIF and SIGMA, part of the European Neighbourhood wide Action Programme 2017

#### **Action Document to contribute to the Neighbourhood Investment Facility (NIF)**

<b>1. Title/basic act/ CRIS number</b>	<b>Contribution from the 2017 general budget of the European Union to the Neighbourhood Investment Facility (NIF)</b>  CRIS number: 040-293 (South) and 040-444 (East)  financed under European Neighbourhood Instrument (ENI)	
<b>2. Zone benefiting from the action/location</b>	a) European Neighbourhood Policy (ENP) countries with an ENP Association Agenda/Action Plan in force. <sup>1</sup> b) Other ENP Countries <sup>2</sup> (and exceptionally other third countries, as set out in the ENI Regulation), in particular in case of projects with a cross-border and regional nature to which the Union attaches particular interest, and following a unanimous decision of the Board.	
<b>3. Programming document</b>	European Neighbourhood-wide measures and priorities (2014-2020) <sup>3</sup> and Multiannual Indicative Programme (2014-2017)	
<b>4. Sector of concentration/ thematic area</b>	Investment in infrastructure and support to Small and Medium sized Enterprises (SMEs)	
<b>5. Amounts concerned</b>	Total amount of European Union (EU) budget contribution: <b>EUR 356,500,000</b> of which  EUR 220,000,000 for budget line 22.040102 (ENP South), EUR 18,000,000 for budget line 22.040104 (Palestine); EUR 118,500,000 for budget line 22.040202 (ENP East)  This action is co-financed by entities and for amounts specified in the indicative project pipeline which is an appendix of this Action Document.	

<sup>1</sup> At the time of writing of this document: Armenia, Azerbaijan, Egypt, Georgia, Israel (assistance to be provided in line with the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards), Jordan, Lebanon, Moldova, Morocco, Palestine, Tunisia and Ukraine. Israel is normally only eligible under regional projects, as it has status as a developed country.

<sup>2</sup> At the time of writing of this document: Algeria, Belarus, Libya and Syria.

<sup>3</sup> C(2014)5196.

6. Aid modality(ies) and implementation modality(ies)	Project Modality  This action regarding this Regional Blending Facility shall be implemented in indirect management by entities to be indicated in complementary financing Decisions to be adopted at the end of the Regional Blending Facilities award procedure.				
7 a) DAC code(s)	<div><div>– 41010</div><div>– 23010</div><div>– 21010</div><div>– 32130</div><div>– 16050</div></div>	Sector	<div><div>– Environmental policy and administrative management;</div><div>– Energy policy and administrative management;</div><div>– Transport policy and administrative management;</div><div>– SME development;</div><div>– Multi-sector aid for basic social services</div></div>		
b) Main Delivery Channel	46000 – Regional Development Bank				
8. Markers (from CRIS DAC form)	General policy objective		Not targeted	Significant objective	Main objective
	Participation development/good governance		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers		Not targeted	Significant objective	Main objective
	Biological diversity		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	NA			

## SUMMARY

The Neighbourhood Investment Facility (NIF) is a blending facility which combines European Union (EU) grant contributions or financial instruments with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing.

The NIF will support projects prepared by the eligible European Finance Institutions in the Neighbourhood in line with objectives defined in the Strategic Orientations:

**Strategic objective 1:** Establishing better and more sustainable energy and transport interconnections (between the EU and neighbouring countries and between the neighbouring countries themselves), improving energy efficiency and demand management, promoting the use of renewable energy sources, strengthening energy security through diversification of

energy supplies and energy market integration, and supporting investments related to the implementation of EU agreements, including Deep and Comprehensive Free Trade Area Agreements (DCFTAs), as set out notably in the European Neighbourhood Policy (ENP) Association Agendas / Action Plans or other equivalent jointly agreed documents;

**Strategic objective 2:** Addressing climate change, as well as threats to the environment more broadly;

**Strategic objective 3:** Promoting smart, sustainable and inclusive growth through support to small and medium sized enterprises, to the social sector, including human capital development, and to municipal infrastructure development.

The NIF will prioritise projects that significantly contribute to achieving EU policy objectives in the region, as described inter alia in EU Council Conclusions, EU Agreements, ENP Action Plans as well as the European Neighbourhood Instrument (ENI) regional and bilateral strategy papers for the Neighbourhood. In the East sub-region, priorities will also take into account policy objectives set by Eastern Partnership platforms and panels, the Eastern Partnership transport network and the Energy Community. In the South region sectorial co-operation initiatives, strategies and plans supported by the Union for the Mediterranean will also be taken into account.

The NIF is designed to combine EU grants or financial instruments with other public and private financing. By reducing, through co-financing, the overall cost or risk of the project or by subsidising interest rates and/or financing technical assistance or providing financial instruments, the NIF will encourage the partner country governments, private sector and/or public institutions to carry out essential investments in sectors which would otherwise be postponed due to lack of resources.

Decisions on NIF financing are conditioned to the additionality of NIF contribution: the NIF does not support any operation which could normally be financed by the market.

## **1. CONTEXT**

### **1.1. Context**

In accordance with the Regulation (EU) No 236/2014 the Union should seek the most efficient use of available resources in order to optimise the impact of its external action. That should be achieved through coherence and complementarity between the Union's instruments for external action, as well as the creation of synergies between the Instruments and other policies of the Union. This should further entail mutual reinforcement of the programmes devised under the Instruments, and, where appropriate, the use of financial instruments that have a leverage effect.

In line with the European Neighbourhood Policy – that was launched in 2004 and reviewed in 2011 and in 2015<sup>4</sup> – the ENI support will focus on promoting human rights and the rule of law; establishing deep and sustainable democracy and

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<sup>4</sup> JOIN(2015)50 final, 18.11.2015.

developing a thriving civil society; sustainable and inclusive growth and economic, social and territorial development; including progressive integration in the EU internal market; regional integration; including connectivity and cross-border co-operation programmes.

In order to achieve the objectives of the ENP, reduce the social, economic and political barriers between the EU and its neighbours and to extend EU policy initiatives to Neighbourhood countries, bilateral and regional financial assistance foreseen under the ENI will promote essential reforms, capacity building and modernisation measures in the partner countries. Parallel to this, vital capital investments must be made to rehabilitate, modernise or build essential infrastructure needed for safe and efficient transport of goods and people; for an efficient, secure and safe production, transport and consumption of energy; for effective environmental protection, in particular to ensure the quality of water, air and soil, as well as sustainable waste management and climate change related issues. In addition, capital is also needed for the provision of basic social services such as health and education; and to develop private sector, in particular Small and Medium sized Enterprises (SMEs).

The current state of the legal/regulatory framework as well as the fragile public finance situation of many partner countries tend to limit both the private and the public sector's investment capacities and level of borrowing. Investments with a guaranteed financial return and/or immediate economic and political impact are favoured over investments of collective interest yielding economic returns on a much longer term horizon.

The ENP policy framework highlights as one of the priorities of our co-operation with partner countries to contribute to their economic development and modernisation, investment and for developing employment opportunities in particular for the youth. The EU is committed to step up its co-operation in the Neighbourhood region in partnership with European and International Finance Institutions to promote investment and development initiatives that contribute to achieve inclusive growth and employment and improve living conditions for citizens. Moreover, actions to strengthen partnerships with the private sector should be promoted, and the use of innovative approaches such as blending grants and loans as an important way of leveraging additional resources and increasing the impact of EU aid should be boosted.

Based on the above described context, the European Commission, in this Decision, renews the NIF through the ENI, in support to the implementation of the ENP Action Plans and the NIF Strategic Orientations.

## **1.2. Sector and regional context: policies and challenges**

The ENP is a strategic priority of the EU and aims at establishing a wider area of prosperity, stability and security involving the EU and its neighbours. The ENP is based on a bilateral and differentiated relation between the EU and each neighbouring country. Bilateral Action Plans and Association Agendas are the key ENP operational tools. The Action Plans and Associated Agendas cover a wide range of reform objectives of interest to the EU and the partner country and at the same time identify a number of clear priorities. The EU supports the implementation of

these Action Plans and Associated Agendas through the provision of technical expertise and financial support.

The ENP is chiefly a bilateral policy between the EU and each partner country. It is further enriched and complemented by regional and multilateral co-operation initiatives: the Eastern Partnership, the Euro-Mediterranean Partnership (EUROMED) (the Euro-Mediterranean Partnership, formerly known as the Barcelona Process, re-launched in Paris in July 2008 as the Union for the Mediterranean), and the Black Sea Synergy (launched in Kiev in February 2008).

Launched in 2009, the Eastern Partnership is a joint initiative between the EU, EU countries and the Eastern European partner countries. It enables partner countries interested in moving towards the EU and increasing political, economic and cultural links to do so. It is underpinned by a shared commitment to international law and fundamental values - democracy, the rule of law and respect for human rights and fundamental freedoms - and to the market economy, sustainable development and good governance.

The Eastern Partnership (EaP) Summit in Riga in 2015, followed up by the Ministerial meeting in May 2016, confirmed the consensus to step up actions in the four key priority areas of (1) economic development and market opportunities; (2) strengthening institutions and good governance; (3) connectivity, energy efficiency, environment and climate change; (4) mobility and people-to-people contacts. In order to demonstrate the tangible benefits to the citizens of the Partner Countries 20 key deliverables have been identified in the framework of the priorities agreed in Riga, on the basis of already existing commitments on both EU's and EaP Partner Countries' side. Each deliverable is complemented by milestones to be reached by the next EaP Summit in November 2017, targets to be achieved by 2020, implementation modalities and main actors involved. This structure allows for the 20 key deliverables to act as a work plan guiding the co-operation in the next phase of the EaP until 2020 and allowing for an easier monitoring of progress.

The Union for the Mediterranean (UfM) is also providing impetus to the co-operation with partner countries of the Southern Mediterranean and further involves EU's Mediterranean partners in regional co-operation activities. In addition to an upgrade of the "institutional framework" the UfM also aims at mobilising support for a number of very concrete regional projects, some of which build on EU initiatives notably the de-pollution of the Mediterranean, the creation of maritime and land highways, the establishment of a Mediterranean Solar plan, the establishment of an Euro-Mediterranean University and initiatives to support the development of SMEs and job creation.

Most recently, during the 2016 UfM Ministerial meeting on regional co-operation and planning in Jordan, ministers reconfirmed the importance of making optimal and sustainable use of available resources from European and international financial instruments, including blending, to support investments in infrastructure and SME finance that would promote sustainable development and growth

The ENP also offers to its partners a very concrete set of opportunities through its sector policies. These cover a broad range of issues, reaching from employment and social policy, trade, industrial and competition policy to agriculture and rural

development, climate change and environment. They also include energy security, transport, private sector development, research and innovation, as well as support to health and education, culture and youth.

In addition, the Civil Society Facility was created in September 2011 to strengthen the capacity of civil society to promote and monitor reforms, and increase public accountability.

In 2014 the three countries Georgia, Moldova and Ukraine in the Neighbourhood East region signed an Associated Agreement with the EU including a Deep and Comprehensive Free Trade Area (DCFTA) agreement. In the Southern Neighbourhood DCFTA negotiations with Morocco and Tunisia have been launched. The DCFTAs offer new opportunities for trade and further integration of their economies with the EU, but also require major adaptations including for the private sector.

Taking into consideration the above EU policy objectives set for the Neighbourhood area, the Commission shall ensure when implementing financial instruments that there is at the same time a common interest in achieving the policy objectives defined for a financial instrument, possibly fostered by provisions such as co-investment, risk-sharing requirements or financial incentives, while preventing a conflict of interests with other activities of the entrusted entities.

Another challenge is the fact that some of these countries are already nearing the debt ceilings agreed with the International Monetary Fund (IMF), so particular attention should be taken when approving the specific proposals, to help preserve long term debt sustainability.

### **1.3. Stakeholders**

The final beneficiaries of the Facility will be the Partner countries, either directly or indirectly through their central, regional and local administrations or semi-public institutions.

Other final beneficiaries will be the private sector and in particular SMEs for categories of operations dedicated to the private sector development.

Multilateral and national European development finance institutions will be direct partners and important stakeholders of the Facility.

## **2. RISKS AND ASSUMPTIONS**

The main assumptions are:

- A stable political and security climate on the regional level in general and on the country level in particular is needed to promote and secure investments.
- Partner countries are ready to increase the level of investments on their own resources as well as through loans.

- The pipelines of operations are of sufficient quality and volume and provide sufficient added value.
- Partner countries and other local beneficiaries are supportive to the projects prepared by the eligible European Finance Institution.

The main risk is:

- External debt sustainability as some countries in the Neighbourhood are already close to the debt limit set by the IMF.

### **3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1. Lessons learnt**

Allocations to the NIF from the EU Budget have reached since 2007 a total of EUR 1,678 million. Additionally, Member States have contributed to the NIF Trust Fund with a total of EUR 84 million. This has enabled the launching of 123 projects with NIF support. The NIF contribution has succeeded in mobilising approximately EUR 15 billion of financing from European and International Finance Institutions since 2008 and a total estimated investment amount of EUR 30 billion i.e. leverage of circa of 20 times in investment for every euro provided by the NIF. The success of the NIF as an effective instrument in the Neighbourhood to leverage investments and achieve greater development impact is also evidenced by a greater demand than available resources from the multilateral allocation and the increase in demand for top-ups from the regional and bilateral budgets.

The Mid-Term Evaluation (MTE) of the NIF under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013 was finalised in May 2013. The purpose of the evaluation was to assess the progress of the programme against its original objectives and to produce recommendations to improve its effectiveness. The evaluation focussed on the analysis of the mechanism and its procedures since the inception of the Facility.

The conclusions and recommendations of the evaluation are incorporated in the appraisal and adoption of new projects, as indicated here below.

#### *Relevance to the objectives*

The MTE states that NIF has proven to be an effective instrument within the ENP and highlights that the NIF achieved its goal of leveraging significant financial resources through grants. The executive summary notes “a steady increase in number of projects and volumes of allocations” and “effective co-ordination amongst Finance Institutions”.

The MTE report confirms that NIF projects are overall relevant to the NIF strategic objectives. It recommends, however, that more attention should be paid to its regional interconnectivity aspects as well as to its cross-cutting objectives, including policy dialogue.

#### *NIF operations*

The evaluation noted a relatively balanced geographical and sectoral distribution of projects. It recommends, at the same time, establishing a system which could allow for prioritisation of projects according to their relevance and expected impact.

In terms of project design, sound processes and good standards implemented by Finance Institutions were observed. The evaluators noted that social, environmental and climate change concerns were adequately addressed in the appraisal process. The recommendation in this regard points to enhancing co-ordination with the EU Delegations, which although steadily improving over the last two years, could be further improved. The same recommendation applies for the process of consulting civil society organisations and beneficiaries.

The three-tiered governance structure of the instruments has been deemed to be effective although the evaluators identified that some of its aspects need strengthening, for example the resource allocation mechanisms, the monitoring and evaluation functions and the transparency of the decision-making process.

One of the positive aspects underlined by the evaluators with regard to the NIF is that it has significantly contributed to the development of partnerships and increased co-ordination and enhanced co-operation between the Finance Institutions and the Commission as well as amongst the Finance Institutions themselves. The evaluators recommend further developing the co-ordination mechanisms at national and regional levels.

Finally, the evaluation recommends introducing a results-based monitoring system specific for NIF blending projects as well as strengthening the communication and visibility aspects.

The European Court of Auditors published a special report<sup>5</sup> on the EU blending facilities (including the NIF) in October 2014. The conclusions were to a large extent in line with the above mentioned ones: blending the facilities' grants with loans from Finance Institutions to support EU external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: need to improve the documentation on additionality of the grant and its level, produce guidelines, ensure more pro-active role of EU Delegations, simplify the decision making process, improve Commission's monitoring of the projects and ensure appropriate visibility for EU funding.

Many of these recommendations have already been dealt with by the Platform for Blending in External Cooperation (EUBEC), set-up in December 2012, including the development of a harmonised and improved project application form and its guidelines as well as the development of a results measurement framework with standard indicators.

In addition, the NIF operates since 2014 in the context of a revised and harmonised governance framework – including revised project application forms and project

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<sup>5</sup> European Court of Auditors' special report no. 16/2014. The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies.



development guidance –that improves the accountability of the decision making process while reducing transaction costs.

The decision making-process has been shortened by the abolishment of a provisional approval phase. Projects that have been positively assessed by the Technical Meeting are directly submitted to the board for a recommendation for financing. A second notable change is the more intensive involvement of the EU Delegations all along the project preparation by the Eligible Finance Institutions (EFIs) and a stronger focus on the discussion on the NIF pipeline.

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) No 966/2012 an ex-ante evaluation of the NIF has been carried out.

Based on the ex-ante evaluation and on the success so far achieved by the NIF, it is expected that blending will be an increasingly important tool for the EU in the current Multiannual Financial Framework (2014-2020).

### **3.2. Complementary actions**

The NIF is complementary to regional programmes and initiatives for the Eastern Neighbourhood. For example in the Neighbourhood East, NIF is complementary with regional programmes aiming at enabling a more positive investment climate, such as EU4Energy (the EU's regional energy co-operation programme), including support to energy diversification (e.g. Southern Corridor) and security of supply, EU4Business, the Eastern Partnership (EaP) Environment Governance Flagship and municipal development initiatives such as the Covenant of Mayors and Mayors for Economic Growth. As regards transport sector, NIF complementarity can be seen in supporting projects on the extended core TEN-T Network, including so called "quick-wins" projects. Furthermore, the NIF is complementing support to the countries related to the requirements arriving from the Association Agreements and the DCFTAs by strengthening in particular the ability of the private sector to respond to the new challenges and opportunities.

In the Neighbourhood South, NIF operations can be complementary to other national and regional initiatives, for example: in the field of energy, the NIF support the Mediterranean Solar plan, in the area of power generation from renewable energy sources; energy efficiency and energy savings; renewable energy transmission capacities for connection to the grid; and cross-border transmission connections. The NIF can also support transport projects which are on the Trans-Mediterranean Transport Network (TMN-T), as endorsed at the 2013 UfM Mediterranean Ministerial Conference in Brussels. NIF can contribute to projects in line with the Horizon 2020 initiative to de-pollute the Mediterranean Sea and the National Action Plans under the Barcelona Convention focusing on sustainable urban development and pollution reduction (waste water, municipal solid waste and industrial emissions) related to the main pollution hotspots of the region, in particular those ending up in the Mediterranean Sea, as emphasised by the 2014 UfM Ministerial meeting on Environment and Climate Change, the 2015 UfM Ministerial Conference on the Blue Economy and the 2016 UfM Ministerial Conference on Sustainable Energy. The NIF will complement various climate change-related activities in the region, both at regional and bilateral level (such as CLIMA South project, the activities of the newly established UfM climate change expert group, and bilateral projects including twinning).

Since the beginning of 2011 the NIF has also included a Climate Change Window (CCW) to support the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. The NIF CCW is managed in a streamlined way and has in general the same rules and the same financing and implementation modalities as the NIF. It enables the tracking of all climate change related projects funded by the EU. According to the OECD-DAC<sup>6</sup> categories, these projects should be earmarked as Rio Marker 2. They can target either mitigation or adaptation or both of them and should contribute to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere. Operations could address all relevant fields in line with the ones of the facility.

The NIF also complements the development of the private sector through different initiatives including enhancing the financing of micro and SMEs and support to trade development / DCFTAs. The Charter / Small Business Act (SBA) co-ordinators should be consulted and involved where relevant, in particular regarding support to policy dialogue activities and the enabling environment.

### **3.3. Donor co-ordination**

By enabling joint European operations (combining bilateral and community grant funding with EFI's loan operations), the NIF has generated greater coherence and better co-ordination between the donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. Member States' resources have reinforced the Union's effort. The NIF is financing larger operations, better support partners in carrying out necessary reforms and investments and bring greater visibility for the European dimension of external co-operation. In many cases, co-financing with non EU Finance Institutions has further improved donor co-ordination.

The NIF governing bodies are providing a very suitable arena for co-ordination amongst EFIs and amongst Member States. These platforms allow regular discussions on pipelines, priority projects and synergies between projects.

### **3.4. Cross-cutting issues**

Partner countries and Eligible Finance Institutions will ensure that all projects financed with EU budget respect Union principles in terms of environmental and social impact, public procurement, state aid, and equal opportunities. Environmental Impact Assessments and Strategic Environmental Assessments should be carried out when required by the EU Directives and in line with EU standards. Infrastructure projects should take account of risk assessments to identify project's vulnerability to disaster risks, including longer-term expected effects from climate change. Risk-sensitive infrastructure should be promoted.

## **4. DETAILED DESCRIPTION**

### **4.1. Objectives**

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The Organisation for Economic Co-operation and Development's Development Assistance Committee.

The NIF's main purpose is to promote additional investments in sustainable infrastructure in transport, energy, environment, including climate change mitigation and adaptation, and to support social and private sector development in Eastern and Southern Partner Countries. In particular the NIF will support the growth of micro and SMEs by making available a range of financial instruments in particular through risk-sharing capital mechanisms.

The leverage effect of the NIF funding is expected to generate at least a multiplying factor of 4 to 5 times, or more, the amount of the NIF contributions. The input of the Finance Institutions will increase the leverage effect on policy dialogue and additional resources to be directed towards the neighbourhood beneficiary countries.

Operations financed by Finance Institutions pooling their loan resources in combination with NIF support will allow increasing risk and crediting ceilings to the benefit of the partner countries and promote the financing of categories of investments which at present cannot be financed either by the market or by development Finance Institutions separately.

This financing Decision concerns the 2017 European Union contribution to the NIF. The NIF annual contributions are programmed at Neighbourhood-wide level; they are complemented by specific funds from Neighbourhood regional programmes and/or bilateral programmes, as well as by direct additional contributions from Member States, which are kept in the NIF trust fund managed by the European Investment Bank (EIB). Concerning the former, they are as follows:

a) In the South:

- An allocation of EUR 55 million from Egypt's bilateral co-operation (Single Support Framework) to the NIF, in support to private sector development / micro and SMEs / job creation, as well as to support investments in the water and sanitation sectors;
- An allocation of EUR 60 million from Morocco's bilateral co-operation (Single Support Framework) to the NIF, to contribute to investments in renewable energy;
- An allocation of EUR 18 million from Palestine's bilateral co-operation (Single Support Framework) to the NIF, to support SME's/private sector development and investments in renewable energy/energy efficiency;
- An allocation of EUR 20 million from the Southern Neighbourhood regional co-operation programme to the NIF, to support SME's/private sector development and investments in renewable energy/energy efficiency.

b) In the East:

- An allocation of EUR 10 million from Georgia's bilateral co-operation (Single Support Framework) to the NIF, to contribute to investments in the water, sanitation and waste management sectors.
- An allocation of EUR 46 million from Moldova's bilateral co-operation (Single Support Framework) to the NIF, to contribute to investments in energy sector.
- An allocation of EU 30 million from Eastern Neighbourhood regional co-operation programme to the NIF, to support investments in transport and/or energy sectors.

The indicative pipeline of project proposals for the East and the South is included as appendix to the Action Document.

Furthermore, considering the EU commitment to dedicate 20% of its budget to climate related issues, an appropriate contribution to this objective under this programme will be promoted.

#### **4.2. Expected results and main activities**

The expected results of the NIF are increased investment in the following sectors contributing to:

- (1) Better and more sustainable transport infrastructure, notably:
  - better (faster, cheaper, disaster resilient, more sustainable and safer) transport infrastructure within beneficiary countries and between them;
  - better interconnection between the EU and the Neighbours through the extension of the Trans-European Network to the East and South;
  - faster and cheaper movement of people and goods between the EU and its neighbours, and between neighbours and the Member States particularly on the sub-regional level, while respecting EU environmental standards.
- (2) Better and more sustainable energy infrastructure, notably:
  - the improvement of transit connections between EU and Neighbour countries as well as between partner countries, thus increasing security of energy supply for the EU and for the Neighbours;
  - the improvement of safety and security of energy infrastructure and respect of EU environmental standards;
  - the improvement of energy efficiency and energy savings;
  - the increase of production and use of renewable energy (wind, solar energy).
- (3) Increased protection of the environment and enhanced resilience to disasters and climate changes impacts in synergy with low carbon development, notably:
  - the promotion of sustainable integrated waste management (household, municipal and industrial) in line with the principles of a circular economy, including necessary related infrastructures, as well as relevant climate change considerations;
  - the introduction of sustainable integrated water management, including necessary related infrastructure;
  - the reduction of air, soil and water (including marine) pollution including monitoring infrastructure when needed;
  - the promotion of climate change related investments, i.e. renewable energy, energy efficiency and saving, sustainable consumption and production including resources efficiency and other climate and environment friendly techniques.
- (4) Support to trade facilitation, notably:
  - support to SMEs to finance investments to comply with standards and technical trade regulations;
  - support to SMEs to facilitate its trade with the EU and other regions;

- support DCFTA related infrastructure and equipment (in particular laboratories).
- (5) Improved social services and infrastructures, notably:
- better access to health care and improved health services installations in urban and rural areas;
  - better education facilities, increased access to education in urban and rural areas;
  - improved vocational training facilities.
- (6) Creation and growth of SMEs and improvement of the employment situations:
- better access to financing for micro and SMEs (availability of a larger range of financial products than what is currently available) at the different stages of enterprise creation, restructuring, modernisation etc.;
  - Supporting SMEs through the use of risk-sharing capital mechanisms by investing in private equity and venture capital funds; investing in microfinance; providing guarantees to microfinance or other innovative instruments such as co-investing alongside Business Angels, Incubators and Accelerators and investing in innovation and technology transfers;
  - Support to human capital development infrastructure such technical vocational and knowledge centres, creation of technological poles, enterprise incubators etc.

The types of operations which can be financed under the NIF are the following:

- Direct investment Grants
- Interest rate subsidies
- Guarantees
- Technical assistance;
- Risk capital operations;
- Any other risk sharing mechanisms.

Risk capital operations, guarantees or any other risk sharing mechanisms should be structured in such a way as to ensure alignment of interest with entrusted entities.

## **5. IMPLEMENTATION**

### **5.1. Financing agreement**

In order to implement this action, it may be foreseen to conclude financing agreements with the partner countries, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2. Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 4.1. and 4.2. will be carried out, is 264 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption of this Action Document. Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this Decision and the relevant agreements; such amendments to this Decision constitute

technical amendment in the sense of point (i) of Article 2(3)(c) of Regulation(EU) No 236/2014.

### **5.3. Implementation components and modules**

#### **5.3.1. ENI Blending Framework**

The NIF will operate under the governance of the ENI blending framework.

The operational governance of the NIF is organised in a two level structure:

- opinions on projects will be formulated by the Board, held whenever possible back to back with the ENI Committee;
- such opinions will be prepared in dedicated Technical Assessment Meetings.

**Strategic orientations** are discussed with beneficiary countries in dedicated strategic meetings, under the ownership principle of the EU development co-operation. Strategic discussions at highest level with Member States, beneficiary countries and relevant regional organisations will take place. Finance Institutions will participate in the discussions as observers. These strategic discussions provide strategic and policy guidance to the Board.

EU Members States or other donors will be able to contribute to a dedicated **NIF Trust Fund**. The latter will also operate under the governance structure of the ENI blending framework (one single governance structure for both the NIF and the NIF Trust Fund), with slightly different voting procedures to reflect the additional contributions of EU Member States or other contributors.

**Rules of procedure** were approved by the NIF Board meeting of 27 November 2015 and further detail the decision making process as well as the organisation of the strategic meetings. The NIF Trust Fund agreement will reflect the general governance arrangements agreed under the ENI blending framework and include the specificities of the NIF Trust Fund.

**The Board** is chaired by the Commission and is composed of representatives of the Commission, the European External Action Service (EEAS), the EU Member States as voting members, and International and European Finance Institutions as observers. In principle the Board aims to deliver opinions on project proposals by consensus. If no consensus can be found the Board will vote. EFIs will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted but not present during the formal formulation of opinions by the Board. The part of the meeting where opinions on EU contribution requests are expressed will be restricted only to voting members. The conclusions including their justifications will be subsequently communicated to the EFI in writing.

The Board will also be responsible for:

- providing guidance to participating institutions on appropriate future financing proposals (based on Strategic Orientations), monitor and review the pipeline of projects, based on the results of the discussions at the technical level;

- examining project related results (including the NIF annual report) and monitor the portfolio of approved projects;
- promoting exchanges of best practices;
- drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour.

The Board meets two to four times a year, depending on the needs and whenever possible back to back with ENI Committee meetings. When duly justified by time constraints, opinions on projects could be requested by written procedure.

The recommendations of the Board must be incorporated in relevant Commission Decisions for the EU budget as mandated by the relevant Financial Regulation and its Rules of Application.

**Technical meetings** chaired by the Commission with the participation of EEAS and EFIs will be held to:

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

Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts. If appropriate such meetings may include or be complemented by virtual meetings and/or written exchanges facilitated by the Secretariat. The Lead Finance Institution, on the basis of and depending on the comments made, will then be able to submit a revised proposal for further technical discussions at a later technical meeting or a final revised application form in view of the submission to the Board.

The Commission will ensure the secretariat of the ENI blending framework, supporting the Board in all its tasks (opinions on individual blending operations, internal consultation, monitoring at facility level, consolidation of the pipeline on the basis of the information provided by the European Finance Institutions including a short project description and the outcome of the pipeline discussion, production of regular up-to-date information and annual reports on the facilities, preparation of exchanges on best practices). It will also support in the organisation of communication events and the general implementation of the communication strategy (websites and other communication tools), thereby contributing to the visibility of the EU. The Secretariat also organises the technical level assessment of proposals and is the central contact point for all stakeholders involved in the blending frameworks.

### **5.3.2. *Contribution to the Neighbourhood Investment Facility***

This contribution may be implemented under indirect management with the entities called Lead Finance Institutions, and for amounts identified in the appendix of this action document, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

The entrusted budget-implementation tasks shall be carried out according to the rules assessed and approved by the Lead Finance Institution. Payments may be executed by the partner country under the control by the Lead Finance Institution.

The Lead Finance Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing Decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Finance Institutions definitively.

In accordance with Article 4.1.(e) of the Regulation (EU) No 236/2014 this contribution may be implemented through indirect management whenever possible under the lead of the EIB in line with its external mandate under Decision No 1080/2011/EU, a multilateral European Finance Institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European Finance Institution, e.g. bilateral development banks.

The Lead Finance Institution will be awarded a contract for an individual operation based on its operational and financial capacity.

The Commission will only entrust budget implementation tasks to Lead Finance Institutions. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. The European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the Nordic Investment Bank (NIB), the Nordic Environment Finance Corporation (NEFCO), the Agence Française de Développement (AFD), the Kreditanstalt für Wiederaufbau (KfW), the Italian Società Italiana per le Imprese all'Estero (SIMEST) and Cassa depositi e prestiti S.p.A., (CDP)<sup>7</sup> and the Spanish Agency for International Development Co-operation (AECID) comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.

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

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Subject to the approval of the NIF Board.



The geographical eligibility in terms of place of establishment for participating in procurement and grant<sup>8</sup> award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.5. Indicative budget

<b>Module</b>	<b>Amount in EUR</b>	<b>Third party contribution in EUR (indicative, where known)</b>
Contribution for NIF projects in ENP South (from budget line 22.040102)	220,000,000	NA
Contribution for NIF projects in Palestine (from budget line 22.040104)	18,000,000	NA
Contribution for NIF projects in ENP East (from budget line 22.040202)	118,500,000	NA
<b>Total</b>	<b>356,500,000</b>	<b>NA</b>

## 5.6. Reporting and Performance monitoring

In accordance with Regulation (EU) No 236/2014, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the NIF including the details laid down in Article 140 of Regulation (EU, Euratom) No 966/2012. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. Policy impact of actions will be communicated to the political level on a regular basis in relation to key aspects of the agreed policy.

As per the recommendation of the evaluation, the Commission will monitor the performance of the projects benefiting from a NIF grant based on the results indicators listed here below. This performance monitoring will be carried out in indicators for each operation, based on the following indicative framework of sector-specific indicators:

- a) Transport
  - Length of new or upgraded roads;

<sup>8</sup> With regard to Israeli entities: follow Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards (OJ C 205, 19.7.2013, p. 9).

- Users of new or upgraded roads;
  - Length of new or upgraded railways;
  - Rail use;
  - Length of new or upgraded urban transport lanes;
  - Urban transport users;
  - Port terminal capacity (passenger, container or cargo);
  - Ports: Terminal(s) user traffic (passenger, container or cargo);
  - Airport terminal capacity; and
  - Airport use.
- b) Environment/Water and Sanitation, and climate change
- Length of new or rehabilitated water supply pipes;
  - Population benefitting from safe drinking water;
  - Length of new or rehabilitated sewer pipes installed;
  - Population benefitting from improved sanitation services;
  - New connections to water supply;
  - Potable Water Produced;
  - Water treatment capacity;
  - Wastewater Treated and
  - Wastewater treatment capacity;
  - Reduced GHG emissions from waste.
- c) Energy
- Transmission and distribution lines installed or upgraded;
  - Population benefitting from electricity production;
  - New connections to electricity;
  - Power production;
  - Additional capacity from conventional electricity production;
  - Additional capacity from renewable energy sources; and
  - Energy efficiencies.
- d) Social Sector (social housing, health, education)
- New and/or refurbished habitable floor area;
  - Population benefitting from improved housing, health and/or education conditions;
  - Bed occupancy rate;
  - Inpatients;
  - Outpatients consultations;
  - New and/or refurbished health facilities;
  - New and/or refurbished educational facility;
  - Students/researchers benefitting from new/refurbished educational facility;
  - Students enrolled.
- e) Trade and Private Sector Development
- For direct operations: access to finance: number of units served among relevant target group (including when feasible for women entrepreneurs);
  - For indirect operations: access to finance: number of units served among relevant target group (including when feasible for women entrepreneurs);
  - For direct operations: access to finance: Amount of outstanding loans to relevant target group;
  - For indirect operations: access to finance: Amount of outstanding loans to relevant target group;
  - For indirect operations: new financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds);

- For direct operations: number of Micro, Small and Medium Enterprises (MSMEs) reporting increased turnover (as a result of direct support received from the FIs); and
- For both direct and, where feasible, indirect operations: Number of jobs sustained (resulting from the project).

f) Cross sector indicators

- Total number of beneficiaries (segregated when feasible by gender);
- Number of beneficiaries living below the poverty line (whose living conditions are improved by the project);
- Relative (net)/Greenhouse gas emissions impact;
- Direct employment: construction phase;
- Direct employment: operation and maintenance.

## **5.7. Evaluation and audit**

At the level of the individual operations, monitoring, evaluation and audit tasks will be carried out under the responsibility of the Lead Finance Institution and will be organised according to the requirements of each project. In addition, the Commission reserves the right to undertake external evaluations and audits in accordance with international standards, and in that case it shall be financed by other financial sources.

Operations can be the subject of financial control by the Commission (including by OLAF) as well as by the European Court of Auditors.

## **5.8. Communication and visibility**

The European Commission, the entrusted entities and the partner countries, where relevant, will abide by the communication and visibility rules for European Union financing. Appropriate contractual obligations shall be included in the financing and delegation agreements.

As stated by the NIF Strategic Orientations 2014-2020, and reflecting the outcome of the evaluation of NIF 2008-2013, the objectives pursued by NIF and the results expected in terms of improving the lives of people in an inclusive and sustainable way, need to be clearly articulated and broadly communicated by the EU, lead financiers under NIF and partner countries, so as to demonstrate that the shared political commitments between the EU and partner countries deliver concrete results for the population.

For each individual project, a Communication and Visibility plan will be prepared by the lead EFI in co-operation with the EU, allowing in particular the involvement of the EU Delegations at key stages of the projects. The European Commission will publish an annual activity report providing an overview of the financed projects.

**ANNEX – Appendix 1: NIP South Indicative Pipeline 2017-18**

<b>Sub-region</b>	<b>Country</b>	<b>Lead Finance Institution</b>	<b>Operation's Title</b>	<b>Sector</b>	<b>Estimated Total Investment (M EUR)</b>	<b>NIF Estimated Amount (M EUR)</b>
South	Egypt	EBRD / EIB	Support to national rural sanitation programme	Water and Environment	680	45
South	Egypt	AFD	Urban transport Alexandria	Transport	363	15
South	Egypt	EIB / EBRD	Support to Alexandria water and sanitation programme	Water and Environment	200	25
South	Egypt	AFD / EIB	Urban regeneration programme of North Giza sector in greater Cairo	Urban development	45	10
South	Egypt	AFD / EIB	Wind Farm Gulf of Suez – Phase II	Energy	340	20
South	Jordan	AFD / EIB	Red sea – Dead sea water project (Phase I)	Water	1000	40
South	Jordan	AFD / EIB	Regional and local development programme	Inclusive development	120	20
South	Jordan	EBRD	Waste-water plant (As-Samra phase II)	Water and Environment	150	30
South	Jordan	AFD / EIB	Jordan national railway project	Transport	100	10
South	Lebanon	EIB	Lebanese highway	Transport	150	5
South	Lebanon	EIB	Saida water treatment expansion	Water and Environment Transport	65	25
South	Lebanon	EIB	National Urban development programme	Inclusive development Transport	130	35
South	Lebanon	EIB	National roads rehabilitation programme	Transport	420	20
South	Morocco	EIB	Fez Euro-Mediterranean University	Human resources development	300	20

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment (M EUR)	NIF Estimated Amount (M EUR)
South	Morocco	KFW / EIB/ AFD	ATLAS project for PV solar plants	Energy	300	20
South	Morocco	KFW / EIB/ AFD	Expansion of Noor CSP Solar plants	Energy	2000	80
South	Palestine	KFW	Support to Guarantee schemes for private sector	SME's	70	10
South	Palestine	AFD	Support to renewable energy and energy efficiency	Energy	23	5
South	Tunisia	AFD	Programme de relance des investissements agricoles	SME's	300	15
South	Tunisia	EIB	Programme d'efficacite energetique municipale	Energy	120	25
South	Tunisia	EIB / AFD	H2020 Assainissement des zones cotiers	Water and Environment	110	8
South	Tunisia	EIB/ AFD / KFW	H2020 Mise en terril du phosphogypse á Gabes <sup>9</sup>	Environment	200	20
South	Tunisia	EIB / AFD	Tunisia National Medinas Investment programme	Economic development	80	15
South	Tunisia	EIB /AFD	Tunisia rehabilitation des quartiers populaires (URR)	Urban development	80	15
South	Regional	EIB / EBRD / KFW	Green for Growth Fund (GGF - MENA Window)	Energy/ SME's	330	13

<sup>9</sup>

There will be a need to limit the content of cadmium in fertilisers in line with EU legislative proposal.

**ANNEX – Appendix 2: NIP East Indicative Pipeline 2017-18**

<b>Sub-region</b>	<b>Country</b>	<b>Lead Finance Institution</b>	<b>Operation's Title</b>	<b>Sector</b>	<b>Estimated Total Investment (M EUR)</b>	<b>NIF Estimated Amount (M EUR)</b>
East	Armenia	EIB	M6 Interstate Road	Transport	102	6
East	Belarus	EBRD	Eastern Europe energy Efficiency and Environment Partnership, E5P	Water and environment	100	10
East	Georgia	EBRD	Hazardous Waste Management	Waste Management	26	5
East	Georgia	EIB	Georgia Transport Connectivity (E-60 Extended TENT-T Corridor - Chumateleti - Argveta )	Transport	1,000	20
East	Georgia	EIB	Georgia Transport Connectivity (E-60 Extended TENT-T Corridor Grigoleti Choloqi / Grigoleti – Poti)	Transport	1,000	10
East	Georgia	CEB	Municipal Infrastructure/Water and Waste Water	Water and waste water	65	6
East	Georgia	EBRD	Central Georgia Solid Waste Project	Waste management	26	5
East	Moldova	EIB	Moldova - Support to the implementation of the waste strategy in the Cahul region	Waste management	18	6
East	Moldova	EIB	Moldova Romania Power Interconnector Phase 1	Energy	200	40

<b>Sub-region</b>	<b>Country</b>	<b>Lead Finance Institution</b>	<b>Operation's Title</b>	<b>Sector</b>	<b>Estimated Total Investment (M EUR)</b>	<b>NIF Estimated Amount (M EUR)</b>
East	Regional	EIB	Municipal Project Support Facility Phase 2	Energy efficiency	530	8
East	Regional	KfW	European Fund for Southeast Europe - EFSE	Private sector	1,060	30
East	Regional	KfW	Green for Growth Fund	Energy	332	20



This action is funded by the European Union

## ANNEX 2

on the Commission Implementing Decision on the NIF and SIGMA, part of the  
Neighbourhood wide Action Programme 2017

### **Action Document for 'Support for Improvement in Governance and Management (SIGMA)'**

#### INFORMATION FOR POTENTIAL GRANT APPLICANTS WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following section concerning grants awarded directly without a call for proposals: 5.3.1.

<b>1. Title/basic act/ CRIS number</b>	"Support for Improvement in Governance and Management (SIGMA) in the Neighbourhood"  CRIS numbers: ENI/2017/040-447 (South), ENI/2017/040-331 (East)
<b>2. Zone benefiting from the action/location</b>	ENI region.  The action shall be carried out at the following locations: (Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, Palestine <sup>1</sup> , Syria, Tunisia and Ukraine)
<b>3. Programming document</b>	European Neighbourhood –wide measures Priorities (2014-2020) <sup>2</sup> — and Multiannual Indicative Programme (2014-2017)
<b>4. Sector of concentration/ thematic area</b>	Public sector policy and administrative management
<b>5. Amounts concerned</b>	Total estimated cost: EUR 3,061,225  Total amount of EU budget contribution: EUR 3 million of which EUR 1.5 million for Neighbourhood East, EUR 1.5 million for Neighbourhood South. This action is co-financed by the Organisation for Economic Cooperation and Development (OECD) for an amount of EUR 61,225.

<sup>1</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

<sup>2</sup> C(2014)5196.



6. Aid modality(ies) and implementation modality(ies)	Project Modality  Indirect management			
7. DAC code(s)	15110			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance			☒
	Aid to environment			
	Gender equality (including Women in Development)		☒	
	Trade Development	☒		
	Reproductive, Maternal, New born and child health	☒		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	☒		
	Combat desertification	☒		
	Climate change mitigation	☒		
	Climate change adaptation	☒		

## SUMMARY

Support for Improvement in Governance and Management (SIGMA) is a joint initiative of the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD). SIGMA contributes to strengthen public administrations in the Neighbourhood countries so that beneficiaries' institutions are in line with the universal good governance principles of transparency, accountability, responsiveness and participation and provide quality policy outcomes supporting socio-economic development. SIGMA assistance encompasses the six core areas of good governance and public administration reforms (PAR), such as civil service and public administration organisation and functioning, policy development and co-ordination, PAR strategic framework and coordination, public finance management including public procurement. In this way SIGMA contributes to build up administrative capacities in those ENP countries who engaged in the reform of their administrations in line with internationally recognised good governance principles and practice. SIGMA's interventions will be programmed in close cooperation with the European Union Delegations (EU Delegation) and the Programme Administration Office (PAO - Programme Administration Office), an office mandated by the partner country government to manage EU funded programmes and act as National Coordinator for Twinning, Sigma and Technical Assistance and Information Exchange instrument of the European Commission (TAIEX) taking into account the main objectives of the EU bilateral cooperation, beneficiaries' commitment level and other donors' interventions in public governance reforms field.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

#### *1.1.1. European Neighbourhood wide context*

The European Neighbourhood Instrument's (ENI) objective is to achieve progress towards 'an area of shared prosperity and good neighbourliness' between EU Member States and their neighbours.

In this context and in the framework of the European Neighbourhood wide programme and based on the evaluations conducted of the assistance provided to ENP partners to date, certain areas of co-operation should continue to cover the entire Neighbourhood, in cases where this offers added value and/or there are efficiency gains. The main areas concerned are public investment, education and institution-building.

The European Neighbourhood wide programme will pursue a number of strategic objectives that have been chosen for implementation taking into account the bilateral and regional programmes, one of them is to provide **targeted capacity building to European Neighbourhood countries**.

This objective will be reached by supporting the approximation of the regulatory framework to EU norms and standards and **enhancing public governance systems** (governance reforms) through the provision of EU public expertise in good governance, through tools and instruments such as SIGMA.

The European Neighbourhood wide programmes 2014-2020 will support initiatives which by their nature or size would be less effectively supported through bilateral or regional programmes while enabling specific commitments towards particular areas of policy interest.

Strengthening public governance systems and public administration capacities in partner countries, in particular with a view to implementing agreements with the EU, ENP Partnership Priorities and the Single Support Frameworks contributes to promoting fundamental freedoms and to establishing an area of prosperity and good neighbourliness.

#### *1.1.2. Sector context: policies and challenges*

Support to reform processes, in particular public governance reforms, in the partner countries has been and still is at the core of the ENP and will represent a major share of programmes at all levels.

The main features of public governance reforms are regulatory convergence, approximation of national legal frameworks to EU regulations and norms, the development of best practices in compliance with EU and international norms and standards, in a range of fields such as public finance and civil service reform, policy making and strategy reform. In the majority of the neighbourhood countries, national strategic documents for public governance reform have been adopted, reflecting the will and commitment of the government to modernise their systems.

In this context, SIGMA remains instrumental in providing support to the European Neighbourhood countries in their efforts to reform their public governance systems.

The political context of the neighbourhood countries remain a challenge to efficient public governance reforms, especially in situations of unrest in a number of them.

SIGMA's interventions will be closely coordinated with EU Delegations and the objectives of EU bilateral cooperation to ensure complementarity, effectiveness and impact and to monitor progress and adapt the work programme and approach if necessary.

### ***1.1.3. Public Policy Assessment and EU Policy Framework***

The review of the ENP in November 2015 considers stabilisation as the main political priority. Differentiation and greater mutual ownership are also key elements of the new ENP, recognising that not all partners aspire to comply with EU rules and standards, and reflecting the wishes of each country concerning the nature and scope of its partnership with the EU.

The ENP review recognises the importance of public administration reform. An accountable public administration, both at central and local level, is a key to democratic governance and inclusive economic development. Public administration reform is about strengthening democratic and independent institutions, developing local and regional authorities, depoliticising the civil service, developing eGovernment and increasing institutional transparency and accountability; improving capacity in policy development, service delivery and management of public finances, and supporting the work of national parliaments.

The focus on an accountable public administration as key to democratic governance and economic development in the new ENP is in line with the United Nations' 2030 Agenda for Sustainable Development and its Sustainable Development Goals. Goal 16 is specifically about the promotion of peaceful and inclusive societies, the provision of access to justice for all, and building effective, accountable institutions at all levels.

A well-functioning public administration requires a professional civil service, efficient procedures for policy and legislative development, well-defined accountability arrangements between institutions and citizens as well as among institutions, ability of the administration to efficiently deliver services to citizens and businesses, and a sound public financial management system.

Since 2014, the European Commission defines public administration reform in line with this comprehensive approach, covering six core areas:

- 1) the strategic framework for public administration reform
- 2) policy development and co-ordination
- 3) public service and human resource management
- 4) accountability
- 5) service delivery
- 6) public financial management.

As part of the ENP roll-out, the European Commission prepared a concept note proposing a new reference framework on PAR in the ENP countries. The proposed approach on PAR in the concept note has the following main elements:

- PAR is a comprehensive yet flexible exercise that can be tailored to the specific ambitions and needs of the ENP partners. The Principles of Public Administration provide the reference framework to implement PAR-related reforms comprehensively.

- Public administration reforms need to be inclusive, ensuring the involvement of non-state actors, promoting gender equality and engaging local authorities.
- PAR can be more systematically mainstreamed in the sectoral programmes and policy dialogue to address the quality of the legislative and policy development processes.

#### **1.1.4. Stakeholder analysis**

Partner countries covered under the ENI regulation are eligible for SIGMA's intervention, more specifically: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine, in accordance with Article 1, point 3 of the ENI regulation.

The main stakeholders are the state institutions responsible for public administration reforms<sup>3</sup>, as well as the state structures in charge of coordination among institutions, independent bodies and the Parliament within the scope of their scrutiny and oversight powers. The actual organisation varies according to the assignment of responsibilities at the level of each ENI beneficiary. An illustrative list is provided hereafter: Ministries and offices of the minister responsible for public administration reform co-ordination and public administration development, such as: Ministry of Public Administration, Ministry of Interior, Office of the Minister for Public Administration; Civil service commissions/offices; Government Offices/General Secretariats; Legal Secretariats; Ministries of Justice, Ministries of Finance, oversight bodies, Supreme Audit Institutions, Public Procurement Authorities, Parliaments.

#### **1.1.3. Priority areas for support/problem analysis**

##### **1.1.3.1. Priority region for support**

The review of the ENP in 2015 highlighted the need for a stronger partnership with our neighbours as we are confronted with threats that are global and have to be tackled by the international community united. We have to build together a safer environment, try to solve the many crises of our common region, support the development and the growth of the poorest areas, and address the root causes of migration. This is precisely the purpose of the current review of the ENP which will promote our common values and interests, and will also engage partners in increased cooperation in security matters. The measures set out seek to find ways to strengthen the resilience of the neighbourhood partners' countries.

The stabilisation of the neighbourhood has become one of the pressing challenges of the EU. Poverty, inequality, corruption, poor governance, and weak economic and social development are sources of instability.

##### **1.1.3.2. Problem analysis**

Public administration reform remains a key priority in strengthening states' capacity to govern in a context of fragility. It is a cross-cutting issue of fundamental

<sup>3</sup>

As defined in the Enlargement Strategy, PAR includes the development of strategic framework for PAR, Policy development and coordination (including European Integration), Public service and human resources management, Public financial management (including public procurement, internal control and external audit).

importance for success in political and economic reforms and building a basis for implementing good governance standards. The quality of administration directly impacts governments' ability to provide public services, to prevent and fight against corruption and to foster competitiveness and growth.

The Neighbourhood countries face important challenges on public governance, which many of them are common to all of them - although they differ in a number of ways and are at different stages of development.

While in the majority of the neighbourhood countries national strategic documents for public governance reform have been adopted, they do not always transpose the reforms in all its complexity. Lack of implementation and monitoring capacities are among the main concerns.

Generating policy options remains generally poor. The main shortcomings relate to the lack of proper policy analysis capacities, poor quality of legislative drafting and policy development, poor inter-ministerial coordination, inadequate public consultation and weak fiscal and regulatory impact assessments. In addition, costs for implementation of policies are not systematically calculated and budgeted. These elements largely explain why the beneficiaries continue to suffer from poor implementation and enforcement record of laws and policies.

There is a difficult context for a professional, meritocratic, de-politicised, reliable public administration to emerge. The understanding of the rule of law has not yet been wholly established in institutions or in people's behaviours and mentalities. Civil service reform efforts have not yet had the desired effect of reducing politicisation and other distortions such as personalisation of power and patronage. A professional class of permanent civil servants, upon which holders of public office rely and which can exercise a check on power, has not emerged yet. Corruption remains a problem in both the political sphere and public administration.

The overall administrative architecture is fragmented, leading to a proliferation of agencies with various accountability lines and other dysfunctions. Often, basic functions of the state are not fully assured, severe coordination problems are frequent and administrative procedures tend to be sector or law specific, although there are increasing initiatives to introduce general laws on administrative procedures.

Resource allocation lacks transparency, ministries have very limited capacities to plan and contribute to this. National budget are not understood as policy instruments and sound, effective management of public finances is not always seen as an important part of public administration. The system of managerial responsibility and delegation of authority, a core principle of sound financial management, has not been properly developed. In most policy domains, financial impact assessments are not carried out yet.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Broad number of pressing challenges in the Neighbourhood countries and different levels of vulnerability	M	In line with the ENP review, differentiation and greater mutual ownership will continue being key elements of SIGMA's approach to these

		countries. SIGMA will develop annual Work Programmes for each country previously agreed with the beneficiary institutions and the EC services
Lack of commitment of political and administrative leaders within national administrations to good governance and PAR	H	Actions to continuously raise awareness of PAR importance, target broader range of stakeholders (including civil society) that can support and encourage/add pressure for reform to take effect and be reinforced.
Inadequate coordination between different national stakeholders involved in public administration reforms	M	Ensured involvement of all stakeholders in the programme design and implementation (including non-state actors)
Low capacity of the ENI beneficiaries to absorb and integrate advice and recommendations	M	Design activities that take into account absorptive capacities of the ENI beneficiaries, pursuing realistic results that are good enough for ENI beneficiaries in transition.
<b>Assumptions:</b>		
<p>The programme assumes that the Neighbourhood countries remain committed to its overall reform path and gradually understand that an effective, responsive, and accountable public administration does not only create a favourable environment to stimulate economic growth, social cohesion and environmental protection –the three pillars of Sustainable Development. It is a critical participant and determinant of crucial functions such as delivery of services including education, health, water, energy, justice, law, etc. without which the SDGs cannot be achieved. For this reason, developing capacity of public administration in all countries is paramount.</p> <p>The countries continue recognising the added value of SIGMA’s intervention mechanism which is flexible and allows to quickly switch resources from country to country (with European Commission agreement) in response to opportunities and risks, ensuring the continuation of EU support to the ENP regions.</p> <p>SIGMA engages in relatively small scale, mid-term targeted interventions but in the context of longer term relationships.</p>		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1. Lessons learnt

In providing its support and as an EU-OECD initiative, SIGMA benefits from OECD’s context and 50 years long experience and expertise in governance reforms related fields.

The OECD, through its Governance Directorate, provides a source of comparative knowledge on Member States systems and reform strategies and networks of practitioners from all Member States, elements that SIGMA benefits from when providing support.

SIGMA has a pool of permanent experts at its disposal, commonly previous officials of EU Member States national administrations, and mobilises temporary high level experts through individual service contracts, to carry out the planned interventions in

the domains of assistance commonly agreed with the countries. This practitioner-to-practitioner approach is the benefit and value-added that SIGMA brings to the Neighbourhood countries.

In addition, SIGMA's support is tailored to the needs of partner countries and beneficiary institutions and fine-tuned to EU bilateral cooperation. Each intervention includes a small number of activities, in a narrow field of expertise, which in general makes the interventions more adequate to the beneficiary institutions capacity.

Lessons learned result in a set of policy recommendations to increase the impact of SIGMA:

- Concentrate efforts on a limited number of key horizontal systems such as completion and modernisation of the general administrative and accountability frameworks; policy development and coordination capacities; data collection and monitoring systems; rationalisation/simplification of administrative structures (especially of enforcement mechanisms) procedures; public service and human resource management, public procurement and financial management.
- Duly take into account and ensure coordination with all PAR related initiatives through close coordination with geographical units in DG NEAR, EU Delegations, relevant line DGs and other donors or international organisations;
- Support the ENI beneficiaries and the European Commission on the development of realistic and fully "owned" PAR and PFM reforms subject to constant monitoring of implementation including stronger links between horizontal and sectorial approaches.
- Contribute to the European Commission's efforts in raising political awareness and commitment to governance reform, including strengthening assessment activities and involvement in European Commission/dialogue with each ENI beneficiary regarding PAR strategies and initiatives.
- Put more emphasis on implementation and provide support on how reforms and sectorial strategies are designed, prioritised, sequenced and implemented. Build up horizontal capacity and the necessary frameworks to support it.
- Deepen the evidence base of policies in various PAR areas and strengthen instruments for monitoring progress.

A better synergy and coherence between the different instruments available should allow the European Commission to increase ownership and develop a stronger political dialogue with the relevant ENI beneficiary about priorities and performance, underpinned by proper policy analysis.

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

#### **3.2.1. Complementarity**

The action will seek complementarity with other institution building tools available in the neighbourhood, notably twinning and TAIEX. Such complementarity will be ensured through coordination with the PAO and the EU Delegations of the beneficiary countries, particularly when the country benefits from assistance in the domains of public administration reform and public finance management.

The combination of tools that the European Commission can deploy in supporting the beneficiary countries in reforming their systems, such as long-term

comprehensive support through the Twinning tool and drafting of twinning fiches, with rapid mobilisation of mid-term interventions, such as the ones provided by SIGMA, has proven to be an efficient approach in implementing EU support to partner countries and progressing towards the agreed objectives.

### **3.2.2. Donor coordination**

SIGMA programme is a joint initiative of the EU and OECD, principally financed by the EU. It was launched in 1992 with the aim to support central and eastern European countries to build public governance institutions suitable for a democracy operating under the rule of law and with a free market economy.

In an attempt to coordinate their activities with other donors, SIGMA participates at Donors' coordination meetings organised by major donors and meets regularly with representatives of donors in the ENI country where they are carrying their activities.

Donor coordination, as well as complementarities with Twinning and TAIEX operations, is also ensured through close coordination with the EU Delegations.

## **3.3. Cross-cutting issues**

### **3.3.1. Gender mainstreaming**

In general, a gender perspective will be maintained ensuring that the results of the action impact positively on gender equality.

The action will ensure that its advice is consistent with equal opportunities and non-discrimination principles in all relevant areas, in particular on policy development, human resources management and service delivery, and will therefore contribute to mainstream gender consideration across public administration. Gender-sensitive considerations will be taken into account in all analyses and in assistance in policy and legislative development and gender will be mainstreamed in all activities and deliverables related to the implementation of this action. The development of a merit-based civil service system, including transparency, de-politicisation and meritocratic recruitment processes can have a positive influence on gender equality and contribute to move towards a Public Administration where it's possible for both women and men to enter and develop within administrations on an equal basis. SIGMA will ensure integrating the gender dimension in all its actions.

### **3.3.2. Equal opportunities**

Lack of good governance and public administration reform hamper equal opportunities for women and men. SIGMA will ensure equal opportunity of participation in action activities to everybody; in addition, to the extent that the action addresses issues where gender may be directly relevant (e.g. civil service law), SIGMA will ensure that its advice is consistent with this cross-cutting principle.

### **3.3.3. Minorities and vulnerable groups**

To the extent that the action addresses minority-related issues (e.g. civil service law) it will ensure that its advice is consistent with non-discrimination principles and with positive discrimination provisions where these are in force. In addition, SIGMA will ensure opportunity of participation in project activities to all civil servants disregarding ethnic or vulnerable groups they belong to.



### ***3.3.4. Engagement with civil society (and if relevant other non-state stakeholders)***

The action will make every effort to encourage national reform teams to consult widely, for example consulting with civil society organisations and business associations on policy to simplify administrative procedures. Likewise, the action will contribute to promote the "Better Regulation Agenda" which, among other issues, advocates for appropriate involvement of non-state stakeholders in developing, monitoring and implementing public policies and legislation. In order to increase ownership by the ENI beneficiaries and stimulate a need for governance and Public Administration Reform (PAR), the action will target non-state actors such as non-governmental organisations, business representatives, the media and concerned citizens. Such efforts should be coordinated with EU Delegations and EU initiatives such as the ENP Civil Society Facility, which aims to strengthen the capacity of civil society to monitor and engage in dialogue on key public sector reforms.

### ***3.3.5. Environment and climate change (and if relevant disaster resilience)***

Environmental objectives are not directly targeted by this action. However, the action will promote and advocate the better regulation approach in developing environmental policies and legislation, as well as mainstreaming environment into other policy areas. The better regulation agenda focuses on inclusive and evidence-based law- and policy-making process. It aims to ensure that "policy is prepared, implemented and reviewed in an open, transparent manner, informed by the best available evidence and backed up by involving stakeholders". In addition, the action will contribute to professionalisation of the civil service and to improvements in the organisation of the administration as a whole. This will have positive effect in terms of quality of legislation and strategies and their proper implementation in all sectors, including environment and related areas.

## **4 DESCRIPTION OF THE ACTION**

### **4.1. Objectives/results**

#### ***4.1.1. Overall objective***

The overall objective of the action is to facilitate more sustainable governance and public administration reforms and strengthen public administrations in the region in line with universally recognised good governance principles.

#### ***4.1.2. Specific objective***

More specifically the action aims to improve the ENI beneficiaries' performance in key horizontal governance and public administration reform fields including civil service and administrative legislation, rationalisation of public sector organisation, integrity and transparency, public financial management, public procurement, policy making, coordination and monitoring.

#### **4.1.3. Results and main activities**

The action aims to achieve the following results:

SIGMA action will contribute to the improvement of the overall functioning of public administration in the ENI beneficiaries. In particular SIGMA will perform the following indicative activities:

**R. 1-** Improvements of the quality of the PAR and Public Finance Management (PFM) strategies and/or action plans, including their coordination and monitoring systems (in line with the Principles of Public Administration) are promoted.

- Review of PAR and PFM related strategies and action plans and analytical work, advice and capacity building activities to strengthen coordination and monitoring mechanisms.
- Assessment of reform progress in the ENI beneficiaries through applying the PAR monitoring framework;
- Strategic advisor support on the governance and coordination of PAR;
- Improvement of quality of PAR-related strategies;
- Elaboration of multi-country and country action plans to prioritise assistance according to the ENI beneficiaries' needs;
- Support to preparation and implementation of the policy dialogue meetings on PAR;
- advice on reforms, design and implementation of strategic development plans;
- peer reviews/assistance;
- assistance in planning, monitoring and evaluating reforms;

**R. 2 –** Improvements of the legal framework and of governments' practices in any of the 6 horizontal PAR core areas are promoted.

- Analytical work, advice and capacity building activities:
- to improve inclusive and evidence-based policy development and coordination and monitoring mechanisms;
- to put in place and strengthen implementation of a coherent and appropriate general administrative legal framework, including through consistent administrative procedures;
- to rationalise and strengthen the administrative structure in terms of size, coordination mechanisms, autonomy and political mandate and financial and human resources;
- to the preparation of legislation to build a professional and merit-based civil service system;
- to support mechanisms being put in place for ensuring internal and external accountability of state administration bodies;
- to the preparation of legislation to strengthen the PFM systems, including budget preparation, budget execution with cash management, public internal financial control system, accounting and reporting, and external audit;
- to the preparation of legislation to improve Public Procurement, establishing the policy and institutional structures, operational capacities

and strengthening public procurement operations that are capable of delivering value for money in the best interest of the relevant ENI beneficiary.

**R. 3 – Principles of Public Administration presented across the Neighbourhood region**

- support to networks in priority areas as requested by the Commission or proposed by the beneficiaries;
- Opportunities to share good practice from a wide range of countries.

## **5 IMPLEMENTATION**

### **5.1. Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2. Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4. will be carried out, is 18 months (indicative duration of activities of the implementing grant is 12 months) from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this Decision and the relevant contracts and agreements; such amendments to this Decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3. Implementation modalities**

#### **5.3.1. Grant: direct award “Supporting investment policies and promotion in ENP South” (direct management)**

*(a) Objectives of the grant, fields of intervention, priorities of the year and expected results*

To improve the ENI beneficiaries' performance in key horizontal governance and public administration reform fields including civil service and administrative legislation, rationalisation of public sector organisation, integrity and transparency, public financial management, public procurement, policy making, coordination and monitoring.

The areas of intervention and expected results are:

1. Elaboration of PAR and PFM strategies and/or action plans, including their coordination and monitoring systems (in line with the Principles of Public Administration)

2. Improvements of the legal framework and of governments' practices in any of the 6 horizontal PAR core areas:

- 1) the strategic framework for public administration reform
- 2) policy development and co-ordination
- 3) public service and human resource management
- 4) accountability
- 5) service delivery
- 6) public financial management.

### 3. Presentation of the Principles of Public Administration across the Neighbourhood region

#### *(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to OECD/SIGMA.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action has specific characteristics requiring a specific type of advisory services in the area of public administration reform by a recognised international organisation and the OECD/SIGMA is considered to be placed as best public institution in this regard. The OECD/SIGMA as a public organisation has a long-standing experience and specialisation in this area to partner with the EU and has indeed been working for a number of years with the partner countries. Since 1992, SIGMA has embodied the commitment of the European Commission to co-operate with the OECD in order to promote better public governance in the enlargement context. The successive SIGMA programmes have been repeatedly evaluated (in 2007 and 2012) with a positive track record in terms of efficiency, quality, effectiveness and sustainability of results and ENI beneficiaries have always expressed a high level of satisfaction due to its high level of relevance, flexibility and quality of expertise delivered.

#### *(c) Essential selection and award criteria*

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance and experience of the proposed action in relation to the objectives and expected results of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

#### *(d) Maximum rate of co-financing*

The maximum possible rate of co-financing for this grant is 90% of the eligible costs of the action.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

#### *(e) Indicative trimester to conclude the grant agreement*

The contract is to be signed by Q4 2017 with the starting date of activities set in Q3 2018. The early signature of the contract will ensure a mid-term contractual perspective to SIGMA core staff, thus helping OECD/SIGMA to retain the most

experienced experts. Like in the past contracts, all SIGMA staff shall be considered as direct costs and budgeted under the budget heading Human Resources.

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

N/A

#### **5.5. Indicative budget**

<b>Module</b>	<b>EU contribution in EUR</b>	<b>Third party contribution</b>
5.5.1 – Direct grant to the OECD (activities in the Southern Neighbourhood)	1,500,000	30,612.5
5.5.2 – Direct grant to the OECD (activities in the Eastern Neighbourhood)	1,500,000	30,612.5
<b>Total</b>	<b>3,000,000</b>	<b>61,225</b>

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

The action is implemented by the OECD. The team will be composed of a core of OECD staff, which will have extensive professional experience and knowledge of EU Member States administrations, with special regards to the 6 PAR core areas.

Since SIGMA is a joint initiative of the OECD and the EU, management and implementation responsibilities are shared between the OECD and European Commission. The OECD and the European Commission will inform each other about the persons appointed within the institutions to manage this action.

Prioritisation of activities will take place in close co-ordination with the European Commission according to the concrete needs of each ENI beneficiary. In line with the priorities defined together with the European Commission and with the ENI beneficiaries, SIGMA will develop detailed action plans for country-specific and multi-country activities, specifying results, activities and output and outcome indicators. The European Commission will consult the SIGMA country-specific and multi-country action plans with the EU Delegations in the ENI beneficiaries countries. SIGMA will be involved in this consultation process. Moreover, the European Commission will ensure coordination in order to strengthen the integration of the different Institution Building instruments, involving SIGMA where necessary.

SIGMA will work closely with the geographical units at European Commission Headquarters, in addition to maintaining close relations with the EU Delegations. Ad hoc coordination and management meetings will be organised between SIGMA and the European Commission.

#### **5.7. Performance monitoring and reporting**

The SIGMA team should perform effective and regular programme monitoring in order to assess interim progress at a programme level, identify areas of failure and their reasons, and any immediate action to be taken to improve programme performance further. Apart from that, SIGMA operations will be covered by the Commission through the ENI monitoring exercise.

## **5.8. Evaluation**

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the European Commission Guidelines on linking planning/programming, monitoring and evaluation. In addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

SIGMA shall perform effective and regular monitoring of the action in order to assess interim progress at a programme level, identify areas of failure and their reasons, and any immediate action to be taken to improve programme performance further. Here as well the European Commission Guidelines on linking planning/programming, monitoring and evaluation should be considered.

SIGMA shall provide 18-monthly substantive reports of the action on progress achieved, based on objectives envisaged in the SIGMA country-specific action plans and in the plan for multi-country activities, covering action outputs and outcomes.

SIGMA will regularly transmit to the Commission relevant information of its activities to assist in ensuring the appropriate visibility and co-ordination of the action. SIGMA will ensure that the relevant European Commission services are kept informed of all developments. Information on all movements (staff and consultants) in beneficiary entities will be systematically communicated to the Commission.

SIGMA will support mid-term and final evaluations of the results achieved that the European Commission could entrust to independent consultants.

The European Commission will evaluate progress in the achievement of expected results on the basis of indicators outlined in the action and specified in the country-specific work programmes. In countries where partial or full SIGMA baseline assessments will be conducted, the results will be crucial for evaluating SIGMA impact and the actual improvement of the ENI beneficiaries' performance in the key horizontal governance and public administration reform fields.

## **5.9. Audit**

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

## **5.10. Communication and visibility**

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate

contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

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

OECD will seek to give maximum visibility to SIGMA and its operations and the Commission's financing of this, notably through the SIGMA website.

OECD will give maximum visibility to SIGMA, notably through the SIGMA website. The publications, reports and website of the SIGMA shall acknowledge that it is a joint initiative and fully recognise the relative support provided by the other institution.

SIGMA printed materials (including letterhead and visiting cards, SIGMA publications, policy briefs, activity reports and brochures) as well as online material (website and newsletter) will specify the relationship between the OECD and the European Union as: *“A joint initiative of the Organisation for Economic Co-operation and Development and the European Union, principally financed by the European Union.”*

In addition to the SIGMA logo, the logos of the European Union and the OECD will appear on the cover of each SIGMA publication.

SIGMA staff is committed to spreading awareness of efforts made by the European Union in the field of Public Administration Reform (PAR) in the ENI beneficiaries. On all occasions, staff will properly recognise the relationship between OECD and the European Union.

Distribution of SIGMA reports, online newsletter and other public information will be co-ordinated between the European Commission and OECD through mailing lists which will be maintained by SIGMA and which will include parties within the European Commission, the EU Member States and the ENI beneficiaries.

## APPENDIX – INDICATIVE LOGFRAME MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS	Baselines (incl. reference year)	Targets	SOURCES OF VERIFICATION	
A more effective and sustainable public governance and stronger public administrations at all levels in the region so that they correspond to universally recognised good governance principles	Score of Government effectiveness (Average of Beneficiaries of SIGMA ENI - Governance Indicators) Score of Regulatory Quality (Average of Beneficiaries of SIGMA ENI - Governance Indicators)	-0.36 (2015) -0.33 (2015)		World Bank, World Economic Forum, Transparency International	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS			SOURCES OF VERIFICATION	ASSUMPTIONS
To improve the ENI beneficiaries' performance in any or all the six core horizontal public administration reform areas, notably:  1. Improved PAR and PFM strategic frameworks and related coordination and monitoring systems  2. Improved policy development and coordination system  3. Strengthened professionalism of the civil service and modernised human resources management system,  4. Improved rationality of the organisation of public administration, its transparency and external accountability  5. Improved quality and accessibility of public services and access to administrative justice  6. Increased transparency and efficiency of public finance management system	Degree of comprehensiveness, credibility and relevance of national strategic documents for public governance reform Degree to which monitoring of progress against results takes place Degree of implementation of the Open Government Partnership (OGP) Action Plans Extent of implementation of PAR and PFM strategies No. of countries having developed general PAR strategies covering the six horizontal PAR areas or sector strategies with SIGMA support.  No. of countries having implemented with SIGMA support reforms aiming at improving: - civil service and human resources management - public finance systems  No. of countries having improved the delivery of public services with SIGMA support	3  3  3	At least 6 countries  At least 6 countries  At least 6 countries	SIGMA assessment reports for those countries that conducted full or partial baseline assessments Commission assessments PAR strategies and planning documents in place or adjusted Reports about consultations among institutions and with stakeholder, and contributions received OGP self-assessment reports	Continued ownership and commitment by the ENI beneficiaries to ensure constant improvement of public administration to make progress towards European values and principles.  To this aim: a) SIGMA and the European Commission will continue to work for raising awareness of importance of PAR through the EAP Panel on PAR and other relevant for a; b) SIGMA and the European Commission will support and promote the involvement of a broader set of relevant stakeholders that can support and encourage/add pressure for reform to take effect and be reinforced c) SIGMA and the European Commission will ensure sufficient flexibility to respond to demand for assistance from ENI beneficiaries and to changes of priorities; d) SIGMA and the European Commission will ensure high coherence between assessment results, technical assistance and other European Commission instruments.
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)			SOURCES OF VERIFICATION	ASSUMPTIONS
<b>R 1</b> Improvements of the quality of the public governance strategies and/or action plans, including their coordination and monitoring systems (in line with the Principles of Public Administration) are promoted	N. of PAR strategies or area strategies/action plans reviewed by SIGMA; N. of PFM strategies or areas of PFM strategies/action plans reviewed by SIGMA;	0 (or: not available) 0 (or: not available)	6 6	Output of technical assistance Training results/ output/ performance evaluations	Capacity of the ENI beneficiaries to absorb and integrate advice and recommendations into their national systems and transform policy analysis and proposals for policy design into



	N. of beneficiaries supported by SIGMA in improving PAR/PFM coordination and monitoring systems.	0 (or: not available)	6		nationally owned reform process. Acceptance of SIGMA recommendations by the beneficiary countries
<b>R. 2</b> Improvements of the legal framework and of governments' practices in any of the 6 horizontal PAR core areas are promoted	N. of SIGMA reviews of laws and secondary legislation in governance institutions;	0 (or: not available)	1	SIGMA activity reports Output of technical assistance Training results/ output/ performance evaluations  Multi-country policy papers	To these aims: a) SIGMA and the European Commission will ensure that the action activities take into account absorptive capacities of the ENI beneficiaries. b) SIGMA and the European Commission will ensure that technical assistance targets highest priorities of the ENI beneficiaries in PAR. c) SIGMA, the European Commission and the ENI beneficiaries will engage in close political dialogue.
	N. of SIGMA reviews of guidelines, manuals, etc.;	0 (or: not available)	2		
	N. of training sessions/workshops.		2		
			0		
<b>R. 3</b> Principles of Public Administration presented across the Neighbourhood region	SIGMA mission reports SIGMA Work Programmes addressing country and multi-country priorities agreed with the European Commission and timely delivered;	4	4	SIGMA activity reports; SIGMA assessment reports for those countries that conducted full or partial baseline assessments; SIGMA thematic reports and papers; SIGMA agendas for the organisation of bilateral events/presentations of thematic reports SIGMA Work Programmes	
		11	1 1		

