

SUMMARY

NEIGHBOURHOOD EAST REGIONAL ACTION PROGRAMME 2017, PART I, (INCLUDING 1 ACTION ON BUDGET 2018 AND 2019) TO BE FINANCED FROM THE GENERAL BUDGET OF THE EUROPEAN UNION

1. IDENTIFICATION

Budget line	22.04.02.01 / 22.04.02.02 / 22.04.02.03
Total cost	<p>EUR 21 500 000 of EU contribution:</p> <ul style="list-style-type: none">- EUR 11 500 000 from the general budget of the EU for 2017- EUR 5 000 000 from the general budget of EU for 2018, subject to the availability of appropriations following the adoption of the relevant budget- EUR 5 000 000 from the general budget of EU for 2019, subject to the availability of appropriations following the adoption of the relevant budget <p>Analytical breakdown:</p> <ul style="list-style-type: none">- EUR 12 500 000 on "European Union Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM 12)"- EUR 4 000 000 on " Supporting firm competitiveness and business environment reforms in the Eastern Partnership: an EU4Business initiative "- EUR 5 000 000 on ENI "Regional Programme on Statistics with Eurostat in the Eastern Partnership".
Legal basis	Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (ENI)

2. REGIONAL BACKGROUND

The EaP countries are faced with revitalising and diversifying their economies while maintaining fiscal and macroeconomic stability. Most countries are faced with security issues either on their borders or inside the country.

The EU regional approach for assisting these countries can increase confidence among them and promote security, stability, and prosperity in the region.

3. SUMMARY OF THE ACTION PROGRAMME

The EU policy responses to the challenges of the ENI East region are guided by the European Neighbourhood Policy, including the EaP and the bilateral relations between the EU and each of these countries.

With a total allocation of EUR 21 500 000, the ENI East Regional Action Programme (RAP) 2017, Part I will address:

1. The action European Union Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM 12)

- a) supports full implementation of Integrated Border Management (IBM) practices at the Moldova-Ukraine border,
 - b) supports partner countries' capacity to effectively combat cross-border crime, as well as
 - c) contributes to the peaceful settlement of the Transnistrian conflict.
2. **The action " Supporting firm competitiveness and business environment reforms in the Eastern Partnership: an EU4Business initiative "** entails a multi-country project to support SME competitiveness and economic development in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine , based on the findings of the SBA assessment which are summarised in the report SME Policy Index – Eastern Partner Countries 2016 (OECD, EU, EBRD, ETF). The project is structured around two pillars:
- a) a country-level pillar to provide tailored support in the design, monitoring and upgrading of strategies and programmes to support SME competitiveness;
 - b) a regional pillar to support regional policy dialogue and benchmark policy performance across the region through a new SBA assessment cycle (2018-2019).
3. **The action “Regional Programme on Statistics with Eurostat in the Eastern Partnership”** aims to support evidence based policy-making by improving the availability and quality of statistical data from the European Neighbourhood Policy East (ENP-East) countries as well as their dissemination to a wider public. It will focus in particular on:
- a) strengthening the National Statistical Institutes and enhancing the institutional environment in such a way that the data are produced and disseminated in a professionally independent manner;
 - b) increasing the capacity of the National Statistical Systems, so that they could produce an increasing number of good quality statistics in accordance with EU standards and make them available through modern ways of dissemination.

The proposed actions will be implemented, when appropriate, at the regional level, but also at country’s level to address specific needs of individual ENP-East country according to the differentiated approach of the revised European Neighbourhood Policy and to the specific situation in the countries.

3.1 Neighbourhood-related policy of partner countries

Action 1 will continue assisting four primary partner services in Ukraine and Moldova (State Border Guard Service of Ukraine, State Fiscal Service of Ukraine, Border Police Agency of Moldova and Custom Service of Moldova) that are involved in enhancing IBM practices along the Moldova-Ukraine border. The lack of proper financing, modern tools and resources as well as unsettled conflict situation with Transnistria impedes the efficient management of flow of persons and goods across the border. Whereas joint control or joint patrolling are in place, further improvement of these practices is needed. Enhancing communication on the benefits of the implementation of such a project for all the citizens and the economic agents and exchange of information remains key priority in accordance to bilateral and international commitments of both countries.

3.2 Consistency with the programming documents:

The RAP 2017 is in line with the ENI East Regional Strategy Paper, the 2015 ENP Review and the Indicative Programme 2017-2020, and Article 7 of the ENI Regulation. RAP 2017 proposed actions are foreseen in the framework of the Regional Indicative Programme 2017-2020.

Action	Priority area	Ref. multiannual indicative programme
Action 1	European Union Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM 12)	ENI Multiannual indicative programme 2017-2020
Action 2	Private sector and economic development	ENI Multiannual indicative programme 2017-2020
Action 3	Strengthening Institutions and Good Governance	ENI Multiannual indicative programme 2017-2020

3.3 Identified actions and expected results

Action 1:

The Overall Objective is to support Moldova's and Ukraine's efforts to effectively manage their common border and actively support concrete measures linked to the settlement of the Transnistrian conflict.

The Specific Objectives and corresponding results (outputs) are:

1. To support the **development of Transnistria-related confidence-building measures** and approximation of legislation and procedures in customs, trade, transport and trans-boundary management.
 - Output 1.1:** Customs and trade related legislation and procedures on both sides of the Dniester River approximated.
 - Output 1.2:** Co-operation among responsible authorities on the enforcement of customs and trade legislation and procedures on both sides of the Dniester River enhanced.
 - Output 1.3:** Sanitary, phytosanitary and veterinary practices on both sides of the Dniester River aligned with international standards to mitigate human, animal or plant health risks in trade.
 - Output 1.4:** Practical solutions for the fully-fledged resumption of passenger and freight traffic across Transnistria adopted by the responsible authorities.
 - Output 1.5:** Trans-boundary crisis management co-operation enhanced.
2. Full **implementation of the Integrated Border Management** at the Moldova-Ukraine border with a special attention to its Transnistrian segment.
 - Output 2.1:** Joint control at border crossing points and automated exchange of border crossing data established.
 - Output 2.2:** Efficiency of border and customs controls increased through inter-agency co-operation at the regional and local levels.
 - Output 2.3:** Cross-border processes aligned with the Association Agreements, VLAPs and Integrated Border Management provisions.
3. Greater effectiveness of efforts to **combat cross-border crime** on the Moldova-Ukraine border, especially at the Transnistrian segment.
 - Output 3.1:** The transparency in fighting cross border crime of the common border and adjacent ports of entry in fighting cross-border crime is increased.

Output 3.2: Joint assessment of threats to border security jointly assessed by the border services and other law enforcement agencies in Moldova and Ukraine developed.

Output 3.3: Increased operational co-operation between Ukraine and Moldova in preventing smuggling of goods, including in tobacco products, arms, ammunition and nuclear materials is increased.

Output 3.4: Better inter-agency coordination in the detection, investigation and enforcement of cross-border crime is enhanced.

Action 2:

The overall objective of the Action is to support firm competitiveness and business environment reforms in the countries of the EU Eastern Partnership

The specific objectives and corresponding results are:

- a) **To strengthen institutional frameworks and delivery of government support to SMEs and improve the business environment**, by assisting governments in the design of medium-term SME strategies and action plans, proposing key performance indicators to assess results, advising on the design and operationalisation of selected actions, and facilitating government co-ordination and public-private stakeholder dialogue;
- b) **To support monitoring and evaluation of SME policies and improve production of business statistics**, by strengthening government capacity to monitor progress in the implementation of SME strategies and assisting in the production of harmonised and internationally comparable SME statistics;
- c) **To support evidence-based policy making and regional benchmarking, through a third SBA assessment cycle** (including collecting harmonised indicators covering structural business statistics based on OECD-Eurostat methodology, performance-based indicators (BEEPS) and new policy indicators, e.g. on SME finance, openness to foreign investment, trade facilitation, green economy) and capacity building for systematic data collection on the SME sector (development of key performance indicators (KPI) to assess progress of SME Strategies/Action Plans);
- d) **To stimulate reform implementation**, through peer reviews and regional policy dialogue events with SME policy stakeholders.

Action 3:

The overall objective of the programme is: to support evidence based policy-making by improving the availability and quality of statistical data from the European Neighbourhood Policy East (ENP-East) countries as well as their dissemination to a wider public.

The specific objectives and corresponding results are:

1) To empower users including policy-makers, civil society and social partners in using statistical information in an educated and informed way by developing an active dissemination policy, increasing engagement with users as well as consultation on their needs and their satisfaction with the services provided by the National Statistical Institutes.

2) To improve the availability of good quality statistics for all groups of users by:

- addressing shortcomings/gaps in statistical data production in the domains of macro-economic statistics (national accounts aggregates, government finance statistics, trade statistics,

employment data, business statistics, income and living conditions statistics, migration statistics, agriculture statistics, energy and transport statistics etc.);

- maintaining the level of progress achieved in other domains such as price statistics, demographic statistics, environment statistics, etc.

- helping the countries to continue harmonisation with European standards notably by improving the availability of good quality statistics in line with the European acquis.

3) To strengthen the professional independence and institutional capacity of the National Statistical Institutes (NSIs): this programme will support the professional independence and institutional capacity of the NSIs by implementing the European Statistics Code of Practice (ESCoP). It will support the strengthening and stabilisation of the NSIs' institutional set-up and reinforce the management and planning capacities of the national statistical systems. This includes the consolidation of the legislative framework, revising the Law on Official Statistics based on the Generic Law on Official Statistics. The support will result in an improved institutional set-up of the National Statistical Systems and a modern legal infrastructure, ensuring the professional independence of the NSIs and objective and impartial data.

3.4 Past EU assistance and lessons learnt

Regional activities should support initiatives backed by political willingness or fostering political commitment where there is none. Support from the partner countries' institutions is needed to reach the projects' objectives. Countries' preferences must be taken into account.

Action 1:

This action builds on previous similar EU support actions in this field, particularly on previous phases of the project EUBAM.

Action 2:

This action builds on previous similar EU support actions in this field.

Action 3:

This action builds on previous similar EU support actions in this field through TAIEX, Twinning, service contracts, bilateral cooperation projects etc.

3.5 Complementary actions/donor coordination

Activities will be coordinated with other EU-funded activities and with other donors' activities. Project implementation is also reported to the EaP platforms and panels. All regional programmes are approved by the ENI Committee before their adoption by the European Commission.

4. COMMUNICATION AND VISIBILITY

Communication and information activities are an integral part of the support measure 'ENI-East Global Allocation'. Each specific project shall also have its own communication component elaborated in line with the Communication and Visibility Manual for EU External Action¹.

¹ https://ec.europa.eu/europeaid/funding/communication-and-visibility-manual-eu-external-actions_en

5. COST AND FINANCING

The total costs of the action programme is EUR 21 500 000, of which EUR 11 500 000 from the general budget of 2017, EUR 5 000 000 from the general budget of 2018 and EUR 5 000 000 from the general budget of 2019, subject to the availability of appropriations following the adoption of the relevant budgets.

Action	EUR
Action 1 - Budget line: 22.04.02.03	12 500 000 (2017 : 2 500 000 - 2018 : 5 000 000 – 2019 : 5 000 000)
Action 2 - Budget line: 22.04.02.02	4 000 000
Action 3 - Budget line: 22.04.02.01	5 000 000
Total Amount RAP	21 500 000 (2017: 11 500 000 - 2018: 5 000 000 – 2019 : 5 000 000)

The Committee is invited to give its opinion on the attached ENI East RAP 2017, Part I.



This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the Neighbourhood East Regional Action
Programme 2017 Part I (including 1 action on budget 2018 and 2019)

**Action Document for European Union Border Assistance Mission to the Republic of
Moldova and Ukraine (EUBAM 12)**

1. Title/basic act/ CRIS number	European Union Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM 12) CRIS numbers: ENI/2017/040-535 ENI/2018/040-536 ENI/2019/040-537 financed under the European Neighbourhood Instrument
2. Zone benefiting from the action/location	Republic of Moldova and Ukraine
3. Programming document	Programming of the European Neighbourhood Instrument (ENI) 2014-2020 Regional East Strategy Paper (2014-2020)
4. Sector of concentration/ thematic area	Civilian peace-building, conflict prevention and resolution
5. Amounts concerned	Total estimated cost: EUR 12 500 000 Total amount of EU budget contribution EUR 12 500 000 The contribution is for an amount of EUR 2 500 000 from the general budget of the European Union for 2017 and for an amount of EUR 5 million from the general budget of the European Union for 2018, subject to the availability of appropriations following the adoption of the relevant budget and for an amount of EUR 5 million from the general budget of the European Union for 2019, subject to the availability of appropriations following the adoption of the draft budget and the budget

6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the International Organization for Migration (IOM)			
7. DAC code(s)	15220 – Civilian peacebuilding, conflict prevention and resolution			
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"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY:

Twenty-five years after the ceasefire to end the Transnistrian conflict, a permanent settlement remains elusive. It has lapsed into the status of a protracted conflict, still constitutes a risk for Moldova and the region. Over the years Transnistria has become a grey economic, political and security area 190km from the EU's external borders. EUBAM continues to register significant amounts of cigarette and ethanol smuggling emanating from the territory, as well as seizures of weapons and ammunition. The EU-Moldova DCFTA, which extends to Moldova's entire territory including Transnistria, adds another imperative to ensure the success of confidence-building measures and regulatory harmonisation.

This Action Document proposes the activities for EUBAM Phase 12. The Mission will refocus around three specific objectives: to contribute to the peaceful settlement of the Transnistrian conflict; to ensure the full implementation of Integrated Border Management (IBM) practices at the Moldova-Ukraine border; and to more effectively combat cross-border crime.

Recognising the deployment of Capital-based EU assistance actors in both Kiev and Chisinau, the Mission's work will be largely focused on the 453km-long stretch of the common border adjacent to Transnistria, as well as the 411km-long administrative boundary between Moldova and Transnistria and the ports in the region which play a vital role in Moldovan, including Transnistrian, imports and exports. With its headquarters in Odesa, EUBAM will develop field based activities through six field offices utilising the skills and experience of Customs and Border officials, most of which will be seconded from EU Member States. Practical actions done in conjunction with the Moldovan and

Ukrainian partner services, such as joint border control operations to counteract smuggling, will be emphasised.

The Mission's primary partners will remain Moldova and Ukraine's Border and Customs agencies. EUBAM will co-ordinate its actions closely with other EU assistance actors, notably the IBM Twinning Projects in Ukraine, EU Advisory Mission, Frontex and the EU's High Level Advisors in Moldova.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

After their declarations of independence in 1991, Ukraine and Moldova have developed political instability and systemic corruption, and faced limited economic growth and weak capital investment and rule of law.

Both countries committed to wide-reaching reforms when signing Association Agreements with the European Union. The EU-Moldova Association Agreement (AA) provisionally entered force on 1 September 2014 and was fully applied from 1 July 2016. The EU-Ukraine AA entered into force on 1 January 2016.

These agreements have been a catalyst for reforms in both countries, not least on Customs and trade-related matters. However, political turbulence has continued. Anti-Government protests took place in Moldova in 2015-2016 against perceived corruption and a massive banking fraud that was unveiled at the end of 2014. In November 2016, Socialist Party leader Igor Dodon was elected President. He campaigned on a promise to cancel the EU-Moldova AA, although constitutionally cannot do so without parliamentary consent. Successive Ukrainian Governments in 2016 were beset with accusations of not combating corruption, leading to the resignation of several pro-reform officials, including the Governor of Odesa Oblast.

Both countries also face significant security challenges. Transnistria unilaterally declared independence in 1990, leading to a short conflict with up to 1,000 casualties. A Russian-brokered ceasefire has created a so-called "frozen" conflict, with much of the left-bank of the Dniester River outside the control of the Moldovan Government, in a self-proclaimed Republic of Transnistria. A peaceful settlement to the conflict is pursued haltingly through the "5+2 process", with co-mediation by Ukraine, the Russian Federation and the OSCE. Since September 2005, the EU and the USA have been official observers.

An internal political crisis emerged after months of peaceful protest on the central 'Maidan' in Kyiv following the Ukrainian Government's announcement regarding the EU-Ukraine Association Agreement in late 2013. The internal situation developed into a security crisis which led to the illegal annexation of Crimea by the Russian Federation and a military conflict in eastern Ukraine in 2014 resulting in some areas of the Donetsk and Luhansk regions being controlled by Russia-backed separatist forces. The fighting in eastern Ukraine continues and the Minsk agreements which are the basis for a sustainable political solution to the conflict in the east of the country have not been implemented yet.. The implication of Russia in the conflict in eastern Ukraine and the presence of Russian military troops in Transnistria have led to Ukraine adopting a more hard-line approach towards Transnistria, with increased militarisation of the Transnistria-segment of the common border, including 45km of trenches and additional watch towers.

Financially, both countries have felt the effects of the conflict. GDP per capita decreased in Ukraine from USD3,813 in 2012 to USD2,052 in 2016. Moldova's GDP per capita reduced by 8.6% in the same period. This has constrained budgets of EUBAM's partner services, especially for capital investments, but has placed an onus on more effective tax and customs revenue raising, including heightened interest in counteracting smuggling, intellectual property rights (IPR) infringements and customs fraud.

EUBAM Phase 12's area of operations will cover the 1,222km-long Moldova-Ukraine border from Criva-Mamalyha in the north-west arcing around to Giurgiulesti-Reni in the south-west. All but 3.73km of the border has been demarcated. 453.4km of the border runs adjacent to Transnistria, which the Republic of Moldova has no control over. The border is varied, with 955km of "green" border and 267km of "blue" border along the Dniester River, including a significant area of marshland in the south-east. 67 Border Crossing Points are located along it, including 26 Local Border Crossing Points. Customs controls are not present at 17 of those. The Mission will also cover the 12 Internal Customs Control Posts on the 411km long administrative boundary between Moldova and Transnistria, as well as the ports and airports adjacent to the border, including the two largest at Odesa and Chornomorsk, as they are gateways for Moldovan including Transnistrian imports and exports.

1.1.1 Public Policy Assessment and EU Policy Framework

A decisive step in upgrading EU bilateral relations with Moldova and Ukraine was made by concluding in 2014 the AAs, including Deep and Comprehensive Free Trade Areas (DCFTAs). The application of the EU-Moldova DCFTA was extended to the entire territory of the Republic of Moldova pursuant to Decision 1/2015 of the EU-Republic of Moldova Association Council as of 1 January 2016.

The DCFTAs have spurred Customs and trade-related reforms in both countries to align legislation and procedures with the Union's Customs Code and revised Customs Blueprints. Moldova is in the process of drafting a new Customs Code, and in 2017 will introduce an upgraded ASYCUDA system which will provide the grounds to launch simplified customs procedures, including a national Single Window system. In Ukraine, a nationwide Single Window system was launched in August 2016 whilst a development strategy for the State Fiscal Service and the Union Customs Code alignment process are pending.

As of April 2014 Moldova enjoys a visa-free regime with Schengen Area countries. In 2014 the Government approved the National Strategy on Integrated State Border Management for 2015-2017. The Strategy aims to increase "Compatibility, Interoperability, and Integration", and includes provisions to introduce mobile patrols, improve risk management and strengthen inter-agency co-operation. Its implementation is overseen by a National IBM Council chaired by the Minister of Internal Affairs. In 2015, the Moldovan Government also passed Decree #429 on the "Approval of the Border Security Coordination System Regulations" which supports the development of fully-fledged national coordination of border surveillance along the lines of Commission Decision #1052/2013.

The sixth Progress Report of the European Commission in December 2015 recommended visa suspension for Ukrainian citizen's travel into the Schengen Area to be granted. This was endorsed by the European Council in December 2016 and is now pending agreement from the European Parliament and EU Member States. The country's Concept on Integrated Border Management (IBM) 2016-2020 was approved by the Cabinet of Ministers in Decision #1149 on 28 October 2015. An associated Action Plan includes commitments to implement AA and visa liberalisation obligations, including on migration management and border crossing procedures. A separate National Security Strategy authorised by Presidential Decree #287 on 26 May 2015 and reiterates the priority aim of developing State Border Guard Service capabilities.

The framework for cross-border co-operation continues to develop with the EU's support. A bilateral agreement from March 1997 forms the basis for seven jointly operated border crossing points to be established. The Joint Declaration signed by the Prime Ministers of Moldova and Ukraine on 30 December 2005, set in place the May 2003 bilateral Customs agreement, with enforcement beginning on 3 March 2006. The EU also brokered two protocols on mutual exchange of preliminary, analytical, operational and statistical information on goods and persons, signed on 21 November 2006. More recently, on 4 November 2015 both countries signed a protocol for the establishment of automated information exchange of traveller data, whilst on 13 February 2017 a protocol establishing Contact Points between the border services was signed. The first of these will be deployed at Palanca.

Both Ukraine and Moldova continue to work towards the peaceful settlement of the Transnistria conflict and the effective implementation of the 2003 bilateral customs regime. The "5+2" negotiation process was resumed in 2011, albeit with several subsequent pauses. The last meeting took place in June 2016. It has been supplemented since 31 October 2007 with ten Expert (Working) Groups, of which EUBAM participates in four on Customs co-operation, law enforcement, road and rail transportation.

1.1.2 Stakeholder analysis

EUBAM Phase 12 will have five main partners in addition to the Ministries of Foreign Affairs of both countries. The first four of these are referred to in this document as the "partner services".

The Border Police of the Republic of Moldova: As a result of border management reforms, from 1 July 2012 the former Border Guard Service of Moldova was integrated under the Ministry of Internal Affairs, as the Border Police Department. According to Law #283 of 28 December 2011, the Border Police have responsibilities for border surveillance and border checks, combating illegal migration and cross-border crime, as well as implementing the State's policy on IBM and the management of border information/data systems. The Border Police cover Moldova's 1906km-long border with the exception of the 453.4kms of the Transnistrian segment, and is responsible for 51 border crossing points (7 with Romania, 43 with Ukraine, 1 at Chisinau Airport). The Border Police is split into four regional directorates and 41 border sectors, whilst Headquarters functions are contained within 16 directorates. There are 3,553 personnel, of which 22% are female.

State Border Guard Service of Ukraine: According to the July 2003 amendment of the Law on the State Border, the State Border Guard Service has responsibility for policing Ukraine's State border on land and water, exercising border control, carrying out intelligence, information and analytical, and operational criminal investigations, participating in the fight against organized crime and counteracting illegal migration. They are mandated to do this along the entire 5,637.9km-long State border, although due to events beginning in 2014 some border segments are inaccessible to them. Approximately 50,000 Border Guards are responsible for 196 border crossing points. The Service is split into five regional commands with 25 border detachments. 18% of the staff are female.

Customs Service of the Republic of Moldova: Subordinate to the Ministry of Finance, the Customs Service is responsible for the collection of Customs duties, combating Customs fraud, and facilitating international trade. The Service currently operates 46 Customs Posts at the State border, as well as 15 Internal Customs Control Posts. It was established in September 1991 and underwent re-organisation from October 2016 through Order #748. The previous seven Customs Houses were reduced to three, and the number of staff is earmarked to reduce from 1,728 to 1,520 in 2017. Of the current employees, 32% are female. A new Customs Code, which is the basis for the Service's work, is scheduled to be approved in 2017 and will replace the existing Code promulgated in December 2000.

State Fiscal Service of Ukraine: After establishment in 1991 and repeated restructuring, on 21 May 2014 the Cabinet of Ministers in Decree #236 renamed the Ministry of Revenues and Duties as the

State Fiscal Service under the Ministry of Finance. Apart from its tax responsibilities, the State Fiscal Service is responsible for implementing State Customs policy based on the 2012 Customs Code. This is implemented by the State Fiscal Service's 41,000 staff working out of 24 Headquarters' Departments and 27 Customs Houses. 37% of its staff are female.

Bureau of Reintegration of the Republic of Moldova: The Bureau operates under the Prime Minister's Office and is headed by a Deputy Prime Minister. It is Moldova's lead agency for the Transnistria conflict settlement and is mandated to develop and promote strategies, plans and mechanisms to that end, for reintegration of the country and for post-conflict development. These include the development of confidence-building measures and the co-ordination of Moldova's activities in the Joint Control Commission and the 5+2 process.

1.1.3 Priority areas for support/problem analysis

The settlement of Transnistria related-issues through confidence-building measures and harmonisation of legislation and procedures in the field of customs, trade and transport, and trans-boundary/border management cooperation. The free movement of people and goods across the Transnistrian segment and the administrative boundary line, and restoration of economic ties between Chisinau and Tiraspol could be a catalyst for contributing to the settlement of Transnistrian socio-economic issues. Elimination of undue technical and fiscal barriers between the two banks of the Dniester River will increase transparency and create conditions for fair trade and competitiveness of their businesses in the internal and external markets. As of 1 January 2016, after repeal of the EU Autonomous Trade Preferences regime, Transnistrian exports continue to benefit from preferential treatment in the EU, since the scope of the DCFTA application extended to the entire territory of the Republic of Moldova pursuant to Decision 1/2015 of the EU-Republic of Moldova Association Council. As such, as the Republic of Moldova aligns its Customs legislation with that of the EU acquis, these reforms should also be reflected in harmonised regulations in Transnistria.

Full implementation of the Integrated Border Management at the Moldova-Ukraine border with a special attention to its Transnistrian segment. The Mission will contribute to further improvement of cross-border and interagency cooperation between the customs and border agencies. EUBAM will ensure pre-assessment of requisites (including legal, political and operational) for full implementation and in situ monitoring and verification of the Jointly Operated Border Crossing Points, including at the Transnistrian segment. Activities will fall within the context of National IBM Strategies in both countries. Ukraine's National IBM Strategy for 2016-2020 came into force on 1 January 2016, whilst Moldova's Strategy covers 2015-2017. Associated Action Plans for both Strategies detail actions to improve intra-agency and inter-agency co-operation, accountability and transparency and operational effectiveness.

Assistance in combatting cross-border crime including smuggling and trafficking with special attention to its Transnistrian segment. Particular attention will be paid to the prevention and fighting against smuggling, particularly of arms and ammunition, as well as contraband. Here EUBAM will also look into the conditions for intelligence led anti-smuggling efforts, and early propose deliverables that can be put in place before end of project. An observation role/capacity will have to be retained, mainly on smuggling and trafficking. Smuggling remains a significant problem on the Moldova-Ukraine border. Between December 2015–November 2016 45.7 million cigarettes and 46 weapons were seized on the Moldova-Ukraine border. The Mission was also involved in the seizure of 66 million cigarettes on route to Ukraine in the Black Sea, and monitored the operations of Transnistrian Duty Free Shops, which introduced 1.32 billion cigarettes, despite registered sales of only 639.5 million.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Chisinau and Tiraspol policy positions make Confidence Building Measures (CBM) agreement and implementation not possible.	H	Participation in the 5+2 Expert (Working) Groups would be used to seek consensus on CBMs, supplemented by advocacy to both sides. Should this fail, CBM activities would be implemented concurrently until joint implementation is agreed.
Ukraine or Moldova unilateral measures against Transnistria curtails Transnistrian trade and/or freedom of movement.	H	Impact of the measures would be quantified through trade/traveller analysis and field observations. EUBAM would pass these to the EU Delegation to Moldova for use in the 5+2 format talks.
5+2 Expert (Working) Groups stop functioning.	M	Bilateral contacts with officials in Chisinau and Tiraspol would be sought to progress EUBAM's activities.
Assumptions: Relations between Chisinau and Tiraspol do not deteriorate further; The security situation remains conducive to physical trans-boundary interaction; The 5+2 settlement process and its associated Expert (Working) Groups continue to function.		
Transnistrian de facto authorities reject DCFTA implementation.	H	EUBAM would frame Customs and trade alignment/harmonisation efforts by the provisions of the World Trade Organization (WTO) or World Customs Organization (WCO).
Moldova cancels the AA/DCFTA with the EU.	M	EUBAM would re-appraise Outputs 1.1-1.3 once substitute Customs and trade procedures are known.
Assumptions: The Moldovan Government recognises that the AA/DCFTA is in Moldova's economic interest; Officials in Tiraspol may be willing to align some procedures in their economic interest, despite public pronouncements to the contrary.		
Moldova-Ukraine relations deteriorate.	L	EUBAM would use bilateral and Advisory Board meetings to reconcile both sides on the implementation of joint activities. Interventions by the EU Delegations to Moldova and Ukraine would be requested at the higher political level.
Assumptions: Moldova-Ukraine relations remain at the current constructive level and any bilateral disputes do not spill over into EUBAM's thematic working areas. The Governments of Moldova and Ukraine continue to honour the provisions of the Memorandum of Understanding signed with the European Commission on 7 October 2005. Should either Government be unwilling to honour the 2005 Memorandum of Understanding, EUBAM would have no legal basis to operate in either country.		
Partner services refuse to sustain initiatives established by EUBAM.	M	Partner services would be engaged early in the handover process to ensure they have sufficient time to plan for the transfer. Should handover be rejected, an alternative custodian amongst other EU assistance actors would be sought.
Assumptions: EUBAM's intention to handover all co-ordination mechanisms and the Common		

Border Security Assessment Report CBSAR is well known, understood and agreed by the partner services; Partner services have sufficient funds to takeover and sustain co-ordination mechanisms and CBSAR.		
Consensus not reached among all partner services for BCP reforms, such as One-Stop controls.	M	EUBAM would advocate the reforms with partner services' management bilaterally and in Advisory Board meetings. It would request other EU actors to also advocate.
Assumptions: Both Governments prioritise the implementation of their AA/DCFTA and Visa Liberalisation Action Plan (VLAP) obligations, irrespective of the amount of EU assistance.		
Eastern Partnership IBM Flagship Initiative funding is not committed and administered late.	H	EUBAM would pre-empt this by defining with EU Delegations clear timelines for delivery and communicating clearly with the partner services. The timing of requisite technical agreements would also be synchronised with delivery times.
Assumptions: The EaP IBM Flagship Initiative, or equivalent, continues to offer funding for equipment and infrastructure enhancements; Moldova and Ukraine agree to co-operate on new funding applications; Joint Moldova-Ukraine funding applications are successful.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

EUBAM's partner services remain highly centralised: All four partner services remain highly centralised. Decision-making is often not authorised at the local or provincial levels. This affects technical procedural adjustments as well as whether to provide the Mission with information and assessments. Although the Mission enjoys constructive working relations and has a robust Memorandum of Understanding, problems still arise. As such, it will be important that the Mission retains regular engagement with central-level officials from Chisinau and Kiev. This can be partly achieved through Advisory Board meetings and co-ordination with other EU actors.

Synchronisation of activities with equipment delivery: EUBAM's work is supplemented by equipment/infrastructure upgrades funded through the EaP IBM Flagship Initiative. These have been important components in ensuring new practices technically support by EUBAM can be implemented fully. In Phase 12 it is envisaged that EaP-funded equipment will be a pre-condition to the successful completion of at least three planned activities. Based on the Mission's Phase 11 experience, the delivery of this equipment should be better synchronised with operational decisions to avoid delays and loss of momentum by the partner services.

Co-ordination with other EU actors is crucial: The increase in EU assistance in Moldova and Ukraine places an emphasis on regular co-ordination with all assistance actors, especially in Ukraine. This imperative will increase during Phase 12. Existing co-operation should be deepened. Frontex, EUAM and the IBM Twinning projects in Ukraine should seek EUBAM's field observations to verify the implementation of central reforms. Likewise, EUBAM must utilise capital-based actors to advocate for reforms identified by the Mission's work.

3.2 Complementarity, synergy and donor coordination

EUBAM Phase 12 will co-operate with a range of externally and Kiev-based assistance actors in all three Specific Objectives. The main partners will be:

Frontex: The Mission will work closely with Frontex on the implementation of joint border control operations conducted under EUBAM and Frontex auspices. Co-ordination and exchange of

experiences will also take place in the fine-tuning of risk management systems in both countries. The Mission will also feed in field observations to the Frontex-implemented Eastern Partnership IBM Capacity Building Project, assuming it is prolonged, especially where skills gaps and training needs of partner services have been identified. Frontex signed co-operation agreements with Moldova (2008) and Ukraine (2007) to enable co-operation on training, risk analysis, information exchange and joint operations.

IBM Twinning Project to the State Border Guard Service of Ukraine: During Phase 12, EUBAM will provide the Twinning Project with field-level observations on intra- and inter-agency co-operation to assist their evaluation of the National IBM Concept, as well as expert assessments of border checks and one-stop controls on the Ukraine-Moldova border. The Twinning Project will be invited to observe the joint border control operations to determine the State Border Guard Service's enforcement capacities. Launched in October 2016, the Twinning Project focuses on assistance to Ukraine's National IBM Strategy (2016-2020), improvement of the border checks system focusing on forged travel documents, and approximation of legislation and practice on stolen vehicles to the EU acquis.

EU Advisory Mission for Civilian Security Sector Reform (EUAM): EUAM will be offered EUBAM's field observations to inform their support to central-level reforms, particularly on risk management procedures, anti-smuggling legislation and intra- and inter-agency co-operation. EUAM will also be invited to observe joint border control operations to determine the law enforcement capacities at the border. Based in Kiev since 2014, EUAM engages in strategic level reforms on law enforcement and good governance with the border agencies.

EU High Level Advisors in Moldova: The Mission will co-operate with the EU High Level Advisors on Customs and on Confidence Building Measures on the establishment of jointly operated border crossing points, road and rail confidence-building measures and customs co-operation. Since their appointment in early 2016 the Mission has co-ordinated its actions closely with both advisors on the aforementioned themes and this will continue into Phase 12.

OSCE Mission to Moldova: As a co-chair of the 5+2 process, the OSCE and EUBAM will co-ordinate on ongoing and proposed confidence-building measures. The Mission will also work with the OSCE on problem-solving related to trade, road or rail transportation issues as they arise. EUBAM and the OSCE Mission will also exchange information on trans-boundary related customs and security issues, as well as on cross-border crime.

3.3 Cross-cutting issues

Gender Awareness and Equality

Women are in the minority in all partner services, averaging of 27% of all personnel across the four partner services, and 10-15% of managers. Attitudes towards female employees do not demonstrate gender awareness, despite adequate equality legislation in both countries. EUBAM will promote gender awareness amongst its partner services by ensuring its own staff represents the same value. All newly hired EUBAM Phase 12 staff will complete UN Women's online "I Know Gender: An Introduction to Gender Equality" course within one month of arrival, and managers will be encouraged to complete UN Women's online "Rights and Needs of Women in Border Management" course. These initiatives will aid the inclusion of gender considerations into EUBAM guidance to its partner services. The Mission will ensure that reports are gender mainstreamed and, where possible, use gender-disaggregated data. In EUBAM's call for secondees from EU Member States, female Border and Customs experts will be especially encouraged to apply.

Anti-Corruption and Anti-Fraud Measures

Verifying the introduction of simplified procedures will reduce opportunities for corruption, whilst support for investigations on cross-border crime and closer inter-agency and international co-operation

between the partner services will help to detect corruption and fraud. The harmonisation of Customs legislation and procedures between Chisinau and Tiraspol will contribute to closing loopholes that facilitate corruption and fraud.

Conflict Prevention and Conflict Settlement

EUBAM Phase 12 will contribute to the peaceful settlement of the Transnistria conflict by developing confidence-building measures to increase mutually beneficial co-operation between Chisinau and Tiraspol on Customs, trade and transportation. EUBAM's efforts to combat cross-border crime will also improve the partner services' detection and interdiction of weapons or ammunition which may be used to exacerbate the conflict.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

Overall Objective: To support Moldova's and Ukraine's efforts to effectively manage their common border and actively support concrete measures linked to the settlement of the Transnistrian conflict.

Specific Objective 1: To support the development of Transnistria-related confidence-building measures and approximation of legislation and procedures in customs, trade, transport and trans-boundary management.

Output 1.1: Customs and trade related legislation and procedures on both sides of the Dniester River approximated.

Output 1.2: Co-operation among responsible authorities on the enforcement of customs and trade legislation and procedures on both sides of the Dniester River enhanced.

Output 1.3: Sanitary, phytosanitary and veterinary practices on both sides of the Dniester River aligned with international standards to mitigate human, animal or plant health risks in trade.

Output 1.4: Practical solutions for the fully-fledged resumption of passenger and freight traffic across Transnistria adopted by the responsible authorities.

Output 1.5: Trans-boundary crisis management co-operation enhanced.

Specific Objective 2: Full implementation of the Integrated Border Management at the Moldova-Ukraine border with a special attention to its Transnistrian segment.

Output 2.1: Joint control at border crossing points and automated exchange of border crossing data established.

Output 2.2: Efficiency of border and customs controls increased through inter-agency co-operation at the regional and local levels.

Output 2.3: Cross-border processes aligned with the Association Agreements including DCFTAs, EU Customs Blueprints, VLAPs and Integrated Border Management provisions.

Specific Objective 3: Greater effectiveness of efforts to combat cross-border crime on the Moldova-Ukraine border, especially at the Transnistrian segment.

Output 3.1: The transparency in fighting cross border crime of the common border and adjacent ports of entry in fighting cross-border crime is increased.

Output 3.2: Joint assessment of threats to border security jointly assessed by the border services and other law enforcement agencies in Moldova and Ukraine developed.

Output 3.3: Increased operational co-operation between Ukraine and Moldova in preventing smuggling of goods, including in tobacco products, arms, ammunition and nuclear materials is increased.

Output 3.4: Better inter-agency coordination in the detection, investigation and enforcement of cross-border crime is enhanced.

4.2 Main activities

Output 1.1:

Activity 1.1.1: Advise on the approximation of customs duties, VAT and excise between Chisinau and Tiraspol.

Activity 1.1.2: Advise on the approximation of regulations and procedures on customs valuation and the alignment of regulations on fees and charges to the provisions of Articles VII and VIII of General Agreement on Tariffs and Trade (GATT) as well as rules of origin applicable in the EU.

Activity 1.1.3: Advise Transnistria on the implementation of Articles 2, 4-6 of the World Trade Organisation's Technical Barriers to Trade Agreement.

Activity 1.1.4: Advise Transnistria on the implementation of the World Trade Organisation's Intellectual Property Rights (IPR) protection standards and market surveillance.

Activity 1.1.5: Advise Chisinau and Tiraspol in improving the customs framework and further simplification of formalities in trade in goods.

Output 1.2:

Activity 1.2.1: Arrange joint anti-smuggling operations between Chisinau and Tiraspol customs structures.

Activity 1.2.2: Seek agreement and develop an automated exchange of customs data and information on registration of juridical persons involved in trans-boundary and international trade.

Activity 1.2.3: Profile and analyse Transnistrian external trade activity, including on the implementation of the single customs regime (i.e. 2005 Moldova-Ukraine Joint Declaration).

Activity 1.2.4: Verify clearance of goods imported or exported by Transnistrian economic operators is performed in a transparent and non-discriminatory manner.

Output 1.3:

Activity 1.3.1: Promote co-operation between Chisinau and Tiraspol to uphold regional consumer safety.

Output 1.4:

Activity 1.4.1: Develop and sustain transport related confidence-building measures in co-operation with the OSCE.

Activity 1.4.2: Contribute to defusing disruption of passenger and freight services across the administrative boundary line and transit, import and export of cargo overseas by road and rail through Transnistria, in co-operation with the OSCE.

Output 1.5:

Activity 1.5.1: Encourage establishment of contact points and information exchange mechanisms to respond to any type of incidents (flooding, serious incidents in either bank of the Dniester River, etc.) that may affect the movement of people and goods across Transnistria.

Output 2.1:

Activity 2.1.1: Ensure the implementation plan of the partner services to establish jointly operated border crossing points along the entire Moldovan-Ukrainian border.

Activity 2.1.2: Confirm the full implementation of the automated exchange of border crossing data on persons and vehicles crossing the Moldovan-Ukrainian border including the Transnistrian segment.

Output 2.2:

Activity 2.2.1: Ensure on the full implementation of One-Stop-Shop (OSS) concept including on the implementation of data sharing mechanisms at Border Crossing Points for clearance purposes.

Activity 2.2.2: Draft assessment and proposal regarding intelligence led border management on Moldova-Ukraine border segment. Support inter-agency mobile groups based on intelligence-led activities in close co-operation with Frontex.

Output 2.3:

Activity 2.3.1: Evaluate border and customs systems at all road, rail, air and sea Border Crossing Points and Customs Posts within EUBAM's area of operations jointly with partner services.

Activity 2.3.2: Monitor the implementation of the EU Visa post-Liberalisation Action Plans benchmarks in both Moldova and Ukraine in the following areas: border management, migration management, combatting cross-border organised crime and freedom of movement of citizens of both countries, upon the request of the EU and/or partner services.

Activity 2.3.3: Review all Border Crossing Points along the Moldova-Ukraine border with a view to optimizing their status.

Activity 2.3.4: Support the finalisation of the border demarcation process on the Moldova-Ukraine border. Upon request of the partner services, advise on the technical aspects outstanding for the full demarcation of the common border.

Output 3.1:

Activity 3.1.1: Assist in the prevention, detection and investigation of cross-border crime.

Activity 3.1.2: Develop the assessment, prevention, detection and investigation capabilities of partner services on the illegal trafficking of arms, ammunition, radiological and nuclear materials.

Output 3.2:

Activity 3.2.1: Develop updated assessment of risk analysis, intelligence and data-flow management of the partner services on the concerned border segments, and ensure implementation of assessment.

Activity 3.2.2: Develop and ensure implementation of the partner services' joint risk and threat assessments on cross-border crime.

Activity 3.2.3: Ensure a sustainable alert mechanism at tactical and operational levels for prompt response border-related crime threats.

Output 3.3:

Activity 3.3.1: Develop updated assessment of information exchange between Moldova and Ukraine on preventing and combating smuggling of goods, including in tobacco products, arms and ammunition, explosives and nuclear materials.

Activity 3.3.2: Ensure the planning, conduct and evaluation of joint border control operations with the partner services and in co-operation with Frontex, European Anti-Fraud Office (OLAF) and South European Law Enforcement Centre (SELEC).

Activity 3.3.3: Ensure the implementation of border and customs control measures in Moldova and Ukraine with particular attention to the Transnistrian segment of the common border.

Output 3.4:

Activity 3.4.1: Enhance harmonised measures and joint efforts to improve enforcement procedures to prevent and combat cross-border crime.

4.3 Intervention logic

Since 2005 when the mission was launched, EUBAM has developed into a complex and unique undertaking, whose mandate included providing technical advice, development of partner services, and organising confidence-building measures related to the technical aspects of the settlement of the Transnistrian conflict. The current EUBAM Phase 11 emphasises the promotion of Border and

Customs cooperation between Moldova and Ukraine, stronger involvement of EUBAM in confidence building measures, enhancement of border monitoring activities on the Transnistrian segment, monitoring of DCFTA implementation, including facilitation of the external trade from Ukraine and Moldova and verification of normative and legislative initiatives impacting Transnistria.

The proposed EUBAM Phase 12 will be down-sized and focused on three fundamental objectives. They will reflect the sustained attempts to handover responsibilities for initiatives and co-ordination mechanisms to Moldovan and Ukrainian partner services. They also reflect the fact that by the proposed starting date, the EU-Moldova Association Agreement will have been in force for over three years, whilst that with Ukraine will have been active for almost two. Similarly, Moldova will be in its fourth year post visa liberalisation and although visa liberalisation has not yet been granted to Ukraine, it has been assessed as fulfilling the necessary border management standards.

As such, EUBAM will move away from supporting legal and policy reforms on Customs and Border management to focus on verifying and rectifying the implementation of the enacted reforms at the Moldova-Ukraine border. These efforts will focus on the Transnistrian segment of the border, which has a unique set of control and crime challenges, not least due to the absence of a recognised counterpart for Ukrainian agencies. Between December 2015 to November 2016, Ukrainian agencies seized in excess of 39 million contraband cigarettes as well as alcohol, ethanol, weapons and ammunition on that border segment. In Phase 12 EUBAM proposes to conduct joint border control operations targeting cross-border smuggling, and advice will be given to mobile and inter-agency units who form the bulwark of the services law enforcement efforts. The partner services local structures and techniques for risk management will be fine-tuned to enable more efficient and timely detection of risks.

Since the scope of DCFTA application extended to the entire territory of the Republic of Moldova pursuant to Decision 1/2015 of the EU-Republic of Moldova Association Council, EUBAM will support the implementation of DCFTA obligations in Transnistria. As such, in Phase 12 the Mission's engagement on Transnistria's harmonisation and alignment with customs legislation of Moldova will be increased, focusing on regulations pertaining to Intellectual Property Rights, customs valuation, fees and charges. Approximation of customs duties, VAT and excise will also be worked towards. These will be designed and promoted as having tangible benefits for economic operators and residents of both sides of the Dniester River. In the same vein, the Mission will promote confidence-building measures to enable and sustain the fully-fledged resumption of passenger and freight traffic across Transnistria, by road and rail.

The Mission will also seek to enhance practical initiatives to increase law enforcement interaction between Chisinau and Tiraspol, such as through joint anti-smuggling operations, exchange of Customs and traveller data as well the proposed establishment of mechanisms to enhance trans-boundary crisis management responses.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement 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 section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission 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 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

Both in direct and indirect management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

5.3.1. Indirect management with an international organisation.

This action may be implemented in indirect management with the International Organization for Migration (IOM) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the development of Transnistria-related confidence-building measures and support to the approximation of legislation and procedures in customs, trade, transport and trans-boundary management between Moldova and Transnistria. It will also support greater implementation of Integrated Border Management practices, as well as more effective combatting of cross-border crime on the Moldova-Ukraine border, especially at the Transnistrian segment.

This implementation is justified because IOM has significant capacity in border management projects in Moldova and Ukraine, with a large portfolio of ongoing border management projects in both countries financed by the EU, individual EU Member States and the USA. IOM's EU-funded border and migration management projects have been consistently highly evaluated in Ukraine and Moldova, by the EU Delegation, the Commission financial auditors, and the respective Governments. Through these projects IOM has forged strong partnerships with the Customs and Border agencies in both countries, ideal for supporting EUBAM's operations with its key stakeholders as and when needed.

IOM also has managed EUBAM Phases 10 and 11. As such they have a familiarity with all aspects of the administrative, contractual, financial and logistical running of the Mission, and have proven their managerial competency in these matters with EUBAM over the preceding four years. Maintaining IOM as the managing agency will also ensure the project's smooth transition into Phase 12.

The entrusted entity would carry out the following budget-implementation tasks: management of EU funds (contracting and payments (liquidation of eligible costs) and recovery); financial monitoring, preparation support for audits.

The entrusted would also carry out the following tasks: assistance with human resources-related documentation and procedures; guidance on procurement and logistics actions; IT and other technical expertise; security procedures; liaison and coordination assistance; and reporting.

5.3.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure

Audit	Services	1	Q4 2020
Evaluation	Services	1	Q2 2019

5.4 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

Module	EU contribution (amount in EUR)	Indicative third party contribution,
5.3.1. Indirect management with IOM (including visibility)	14 800 000	N/A
5.8, 5.9. Audit and Evaluation	200 000	N/A
Total	15 000 000	N/A

5.6 Organisational set-up and responsibilities

All operational and administrative activities which have been delegated to EUBAM will be prepared, executed and followed-up by EUBAM Headquarters in close consultation with the project partners. EUBAM will be guided by the Memorandum of Understanding concluded between the European Commission, Moldova and Ukraine, by EU policy and strategic documents, by the present action definition, as well as by policy and strategic decisions made by the Advisory Board.

On matters related to security and administrative management, EUBAM will be guided by the applicable Financial Rules and Procedures, Security and Safety guidelines, Internal Control Framework as well as project-specific delegation of authority.

The Mission's activities will take place in Moldova and Ukraine. Personnel will be split between EUBAM Headquarters in Odesa, EUBAM's Office in Moldova (in Chisinau), and in six Field Offices situated along the Moldova-Ukraine border.

An Advisory Board will provide advice to the Mission concerning the quality and adequacy of its tasks and the implementation of the Memorandum of Understanding, between the European Commission, Moldova and Ukraine.

The EU Delegation to the Republic of Moldova will manage the contractual implementation of EUBAM. Regular meetings will take place between EUBAM and appointed staff at the aforementioned EU Delegation for the purposes of reporting, coordination, progress review, consultation and advice. Meetings to co-ordinate activities will also be held with the EU Delegation to

Ukraine. The EU Delegation to the Republic of Moldova will facilitate communication and coordination with the European Commission and EEAS on relevant aspects of EUBAM Phase 12 implementation. Visibility and communication activities will be coordinated with the Communication Officers of the EU Delegations.

The Head of EUBAM will at the same time serve as Senior Political Advisor to the Head of the EU Delegation to the Republic of Moldova, and will provide advice to the Head of the EU Delegation to Ukraine upon request.

5.7 Performance monitoring and reporting

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

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

Monitoring

Performance monitoring will be conducted at the strategic and operational levels. At the strategic level, the Mission will convene a formal meeting of its Advisory Board every twelve months. EUBAM will report to the Board on the implementation of the Memorandum of Understanding, signed between the European Commission, the Republic of Moldova and Ukraine on 7 October 2005, whilst the Board will provide advice to the Mission concerning the quality and adequacy of this implementation.

The Advisory Board will be chaired by the Head of the EU Delegation to the Republic of Moldova, and its members will consist of high-level representatives of Moldova and Ukraine's Ministries of Foreign Affairs, both countries Border and Customs agencies, the EU Delegations to the Republic of Moldova and Ukraine, EUBAM, the European Commission, EEAS, OSCE and IOM.

Additional entities from both countries may also be invited as observers. These have previously included UNDP, as well as Moldova and Ukraine's Ministries of Internal Affairs, Ministries of Justice, General Prosecutor's Offices, security services, and Moldova's Bureau of Reintegration.

On an operational level, EUBAM will develop detailed operational plans for all Phase 12 activities. An expert responsible for implementation will be assigned to each activity, and sub-activities, tasks and a Gantt chart will be developed. Progress in the fulfilment of the activities and sub-activities will be measured against the Gantt chart every quarter. Baselines for all Performance Indicators have been set (see Appendix). Progress towards the fulfilment of the Performance Indicators against the targets will be measured biannually.

Reporting

Five types of reports are foreseen. These are:

- *Monthly reports*, describing the activities implemented, key trends and observations, and major contextual events. Monthly reports will be circulated to all relevant EU entities and Moldovan and Ukrainian partner services in English and Russian.
- *Annual activity reports* in preparation for Advisory Board meetings will summarise the Mission's operational achievements, highlight operational challenges and inform on key trends. The reports will be circulated to all Advisory Board members and observers in English and Russian.
- *Annual interim and final narrative reports* will be produced and will report on the progress and achievement of EUBAM Phase 12 Specific Objectives, Outputs and Activities.
- *A short public Annual Report* will be produced to publicise the achievements made by the Mission to the general public. It will be available in English and Russian.
- *Up to six ad-hoc analytical reports* on themes relevant to EUBAM Phase 12 will be issued each year. The reports will analysis trends, events or potentialities. They will be issued in English and have limited distribution within EU entities only.

5.8 Evaluation

Having regard to the importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The evaluation will be carried out for problem solving and learning purposes, in particular with respect to gauging the outstanding capability gaps of Moldovan and Ukrainian border agencies in combatting cross-border crime and implementing IBM practices. These findings may inform related future EU-funded actions.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

Where appropriate the provisions included in the framework agreement signed with the international organisation will apply (Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations).

Indicatively, one contract for evaluation services shall be concluded under a framework contract in the second quarter of 2019.

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.

Where appropriate the provisions included in the framework agreement signed with the international organisation will apply (Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations).

Indicatively, one contract for audit services shall be concluded under a framework contract in the fourth quarter of 2020.

5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and 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 shall be included in the financing agreements or delegation agreements. Where appropriate the provisions included in the framework agreement signed with the international organisation will apply (Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations).

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

Outreaching/awareness raising activities will play a crucial part in the implementation of the action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) will be strictly adhered to.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, DG NEAR, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

The implementing organisation shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the relevant EU Delegation's communication strategy under the "EU4Country" umbrella initiative.

6 PRE-CONDITIONS

The Ministries of Foreign Affairs of Moldova and Ukraine agree with the EU on the content of the Phase 12 Action Plan. As the main representatives of the hosting countries, their agreement is necessary as all activities will be conducted either in support of, or in collaboration with Moldovan and Ukrainian partner services.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Results Chain	Indicators	Baselines	Targets	Means of Verification	Assumptions
Overall Objective	To contribute to Moldova's and Ukraine's efforts to effectively manage their common border and actively support concrete measures linked to the settlement of the Transnistrian conflict.	Approximation of border management practices on the Moldova-Ukraine border with IBM principles.	Implementation of IBM principles progressing in both countries, albeit at a slower pace in Ukraine. Transnistria settlement progresses very slowly.	IBM implementation assessed as being largely fulfilled by November 2020. New 5+2 agreements on trade, crisis management and freedom of movement signed by the parties by 2020.	Commission Reports on Association Agreements implementation. Frontex assessments. 5+2 meeting conclusions.	
Specific Objectives	1. Transnistria-related confidence-building measures and approximation of legislation and procedures in customs, trade, transport and trans-boundary management advanced.	i. Improved freedom of movement for goods and travellers through the central segment of the Moldova-Ukraine border.	Travellers across the central segment totalled 3,652,890 in 2016. The "Protocol on the principles of fully-fledged rail freight traffic" was signed on 30/03/2012 and was extended by a further year on 31 December 2016.	At least a 3% annual increase in travellers across the central border segment. Annual prolongation of the Protocol or successor protocol signed covering at least a three year period.	Data on refused entry by Ukraine's State Border Guard Service. Information shared by the sides on transport problems. Observations by EUBAM Field Offices.	Political will to settle the conflict by the sides. Security situation remains conducive to trans-boundary trade and movement. Moldova continues participation in the DCFTA. Transnistria agrees to implement the Trade Facilitation Arrangements with Chisinau.

¹ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	<p>ii. Level of participation of Transnistrian businesses in the economic systems of Moldova.</p> <ul style="list-style-type: none"> Number of Transnistrian economic operators registered with Moldovan institutions <p>Value of exports by Transnistrian economic operators</p>	<p>As of December 2016, 1587 Transnistrian economic operators were registered with Moldovan institutions.</p> <p>Goods exported by Transnistrian economic operators totalled EUR 281 million in 2016.</p>	<p>Number of Transnistrian economic operators registered with Moldovan institutions increases at least 5% annually.</p> <p>Value of exports by Transnistrian economic operators increases by 3% annually.</p>	<p>EC reports on DCFTA implementation.</p> <p>Data on registered Transnistrian businesses in Moldova from the Moldovan Customs Service.</p>	<p>Alignment of regulations with FTP in Transnistria's economic interest.</p> <p>Relations between the 5+2 actors conducive to conflict settlement.</p>
	<p>iii. Level of co-operation between Moldova government entities and their <i>de facto</i> counterparts in Transnistria.</p> <p>Protocols on co-operation between Moldova and Transnistria on customs co-operation, SPS co-operation, access to international traffic for Transnistrian-registered vehicles and crisis management signed</p>	<p>No agreements on customs, SPS, vehicle recognition internationally and crisis management are in place. A draft customs co-operation agreement from 2016 awaits discussion. A solution for access to international traffic for Transnistrian-registered vehicles was proposed in 2015 and discussed in June 2016 by the 5+2, which agreed to keep it has the basis of a future agreement to be reached between the sides.</p>	<p>Protocols on co-operation between Moldova and Transnistria signed on customs co-operation, SPS co-operation, access to international traffic for Transnistrian-registered vehicles and crisis management by November 2020.</p>	<p>Conclusions of 5+2 meetings.</p> <p>Information shared by sides in the 5+2 Expert (Working) Group meetings.</p> <p>Copies of protocols on co-operation.</p>	

	2. Full implementation of the Integrated Border Management at the Moldova-Ukraine border with a special attention to its Transnistrian segment.	i. Degree of implementation of Moldova's National Strategy (2015-2017) on Integrated State Border Management and development of comprehensive successor Strategy.	Moldova's National Strategy on Integrated State Border Management was approved in 2015 and lasts until 2017. An Action Plan has been approved.		Moldova's National Strategy on Integrated State Border Management and associated Action Plan completed by December 2017 and new Strategy approved by January 2018.	Post-Visa Liberalisation assessment reports. Frontex assessments. EUBAM joint evaluation reports.	Adequate resources committed by Moldova and Ukraine to implement IBM strategies. Central-level IBM reforms implemented at local and regional levels.
		ii. Degree of implementation of Ukraine's Concept on Integrated Border Management (2015-2020).	Ukraine's Concept on Integrated Border Management was approved in 2015 and remains in force until 2020. An Action Plan has not been approved.		Ukraine's Concept on Integrated Border Management and associated Action Plan fulfilled by November 2020.	Post-Visa Liberalisation assessment reports, when available. EUBAM joint evaluation reports. IBM Twinning Project and Frontex reports.	Security situation does not lead to militarisation of the common border. Both countries co-operate on customs and border management.
	3. Greater effectiveness of efforts to combat cross-border crime on the Moldova-Ukraine border, especially at the Transnistrian segment.	i. Amount of smuggled weapons, narcotics, alcohol, ethanol, and cigarettes seized on the Moldova-Ukraine border.	12/15–11/16	Cases (Vol.)	By November 2020: Weapons seizures no more than 32 cases; Narcotics seizures no more than 26 cases; Alcohol seizures no more than 123 cases; Ethanol seizures no more than 54 cases; Cigarette seizures no more than 146 cases.	Data by the partner services contained in the CBSAR.	Smuggling routes continue to pass through the common border. Changes in number of seizures not due to less effective controls. Moldovan and Ukraine co-operate to combat cross-border crime.
Outputs	1.1: Customs and trade related legislation and procedures on both sides of the Dniester River approximated.	i. Agreement on the simplification of customs procedures between Chisinau and Tiraspol	Drugs	37			
			Cigs	208(45,754,120)			
			Alcohol	175 (13,508L)			
			Eth'nol	77 (122,495L)			
			Arms	46			
			As of January 2017, no agreement or talks on simplification of customs procedures between Chisinau and Tiraspol had been held.		Agreement signed by November 2020.	Copy of the agreement by the MDCS or through the Expert (Working) Group on Customs Matters.	Transnistrian officials engage with EUBAM on Trade Facilitation Arrangement between Chisinau and Tiraspol.

		ii. Roadmap for the approximation of customs duties, valuation, VAT and excise agreed between Chisinau and Tiraspol.	No talks on a roadmap have been held between Chisinau and Tiraspol by January 2017. Transnistria currently does not levy VAT but is considering doing so.	Roadmap agreed by November 2019.	Copy of the roadmap provided by the Moldovan Customs Service.	Chisinau and Tiraspol officials co-operate on customs duties, valuation, VAT and excise approximation.
		iii. Degree of alignment of customs valuation regulations and procedures in Transnistria to Articles VII and VIII of the GATT.	Transnistrian regulations partially align with Articles VII and VIII but not fully.	Progress on aligned procedures to Articles VII and VIII of the GATT by November 2020.	Copies of amended Transnistrian regulations provided by the <i>de facto</i> Transnistrian Customs Service.	Sufficient access provided to EUBAM to verify harmonisation of Transnistrian regulations with EU standards.
		iv. Preparations for the implementation of the WTO's Technical Barriers to Trade (TBT) Agreement, Articles 2, 4-6, in Transnistria made.	Implementation of the TBT agreement is included under the trade facilitation arrangement between Chisinau and Tiraspol but no action has been taken.	Roadmap for the implementation of Articles 2, 4-6 of the TBT agreement, formulated by November 2019.	EUBAM assessment of compliance with WTO's TBT agreement, Articles 2, 4-6.	Chisinau officials do not hinder Transnistrian economic operators' inclusion into Moldova's economic system.
		v. Degree of alignment of Transnistrian procedures to the WTO's IPR standards.	Transnistrian IPR procedures are under-developed and not aligned with WTO standards.	Procedural amendments to align with WTO IPR standards started by November 2019.	EUBAM assessment of procedures against WTO IPR standards.	
		vi. Number of AEO certificates issued to Transnistrian economic operators.	As of January 2017 no Transnistrian economic operators have AEO status.	At least 10 Transnistrian economic operators granted AEO status by November 2020.	Statistics on AEO certificate holders provided by the MDCS.	
	1.2: Co-operation on the enforcement of customs and trade legislation and procedures on both sides of the Dniester River enhanced.	i. Joint customs co-operation plan approved by both Chisinau and Tiraspol.	A customs co-operation plan was drafted in 2016 but not agreed.	Joint customs co-operation plan approved by November 2018.	Copy of approved customs plan provided by the MDCS.	Chisinau and Tiraspol officials willing to co-operate on customs and trade legislation.
		ii. Degree of operability of automated exchange of customs data established between Chisinau and Tiraspol.	As of January 2017 no systematic automated exchange of customs data is in place.	Automated exchange of customs data agreed by November 2019 and functional by November 2020.	EUBAM experts' verification of data exchange. Copy of agreement/technical protocol establishing system provided by the MDCS.	Co-operation not conditioned to concessions on other, non-related, issues. Moldova and Transnistria invest sufficient financial and human resources to

		iii. Number of Joint Chisinau-Tiraspol anti-smuggling operations implemented.	As of January 2017 no joint anti-smuggling operations have ever taken place.	At least one joint anti-smuggling operation undertaken by November 2020.	Report of the operation by the MDCS. EUBAM monitoring of the operation.	implement co-operative initiatives.
1.3: Sanitary, phytosanitary and veterinary practices on both sides of the Dniester River aligned with international standards to mitigate human, animal or plant health risks in trade.	i. Degree of operability of technical information exchange on human, animal or plant risks established between laboratories in Chisinau and Tiraspol.	As of January 2017 no information is exchanged systematically on human, animal or plant risks between laboratories in Chisinau and Tiraspol.	Co-operational agreements in place between laboratories by November 2019 and practical co-operation started by June 2020.	Copy of agreement and technical protocol for information exchange provided by ANSA.	Chisinau and Tiraspol officials willing to co-operate on Veterinary and SPS matters. Co-operation not conditioned on concessions on other, non-related, issues. SPS invest sufficient resources to ensure co-operative initiatives implemented. Moldova officials do not impede access to licences for Transnistrian exporters.	
	ii. Number of agricultural and horticultural mutual acceptance of agricultural and horticultural licences issued in Chisinau and Tiraspol established.	As of January 2017 agricultural and horticultural licences are not mutually recognised.	Mutual acceptance of licences by November 2020.	EUBAM experts confirmation of mutual acceptance of licences with Transnistrian agricultural and horticultural exporters Copy of the Transnistrian regulation accepting Chisinau licences.		
1.4: Practical solutions for the fully-fledged resumption of passenger and freight traffic across Transnistria found.	i. Number of passengers on the Chisinau-Odessa train.	19500 travellers travelled from Chisinau to Odessa by train in 2016.	Passenger numbers increase by 5% year on year between 2018-2020.	Data from Moldovan and Ukrainian Railways.	Chisinau and Tiraspol officials are willing to co-operate on transportation.	
	ii. Number of passenger or rail freight services passing through Transnistria blocked.	Rail freight did not pass through Transnistria between 2006-2012. Although these have resumed there are no agreements guaranteeing longer term freight traffic movements.	No blockages registered between December 2017 and November 2020.	EUBAM Field Office monitoring. Information provided in the Expert (Working) Group on Rail Transport.	Demand for travel between Moldova and Ukraine through Transnistria remains stable or rises. Transport co-operation not conditioned on concessions on other, non-related, issues.	
	iii. Transnistrian-plated passenger vehicles enabled to participate in international traffic.	Transnistrian-plated vehicles are allowed to drive only in Moldova, Ukraine, Belarus and Russia.	Agreement reached to enable Transnistrian-plated passenger vehicles to drive in all countries by November 2018.	Copy of the relevant protocol/agreement between the sides.	Ukraine allows transit of travellers and goods to the Moldova through Transnistria.	

	1.5: Trans-boundary crisis management co-operation enhanced.	i. Number of contact points nominated by Chisinau and Tiraspol for information exchange in the event of an incident.	No contact points currently exist. No formal agreement between Chisinau and Tiraspol on crisis management in place.	Contact point system agreed by November 2018. Contact points appointed by June 2019.	Official correspondence appointing contact points provided through the 5+2 Expert (Working) Group on Law Enforcement.	Security situation conducive to interaction. Chisinau and Tiraspol officials willing to co-operate on crisis management plans.
		ii. Number of joint exercise (practical or table-top) between nominated contact points held.	No joint exercises have taken place in any format between Chisinau and Tiraspol on crisis management since 1992.	At least one joint exercise held by November 2020.	Observation of the exercise by EUBAM experts.	Third parties do not oppose EUBAM support on trans-boundary crisis management.
	2.1: Joint control at border crossing points and automated exchange of border crossing data established.	i. Degree of operability of JOBCPs at Kuchurhan, Palanca, Reni-Giurgiulesti and Criva-Mamaliga..	By January 2017, joint operations at Kuchurhan, Palanca, Reni-Giurgiulesti and Criva-Mamaliga not in place. Technical schemes are in place for Kuchurhan, Palanca and Reni-Giurgiulesti JOBCPs.	Joint controls in place at Kuchurhan and Reni-Giurgiulesti by November 2019, and in place at Criva-Mamaliga and Palanca by November 2020.	EUBAM Field Office assessments. Copies of the technological schemes of the JOBCPs.	1997 Agreement or successor arrangement in force and its fulfilment prioritised by both countries. Partner services agree on cost sharing for new JOBCPs to be established
		ii. Degree of joint implementation of existing JOBCPs at Briceni-Rososhany, Medvejia-Zelionaia and Larga-Kelimenti.	Controls at Briceni-Rososhany, Medvejia-Zelionaia and Larga-Kelimenti are still largely conducted consecutively.	Controls at Briceni-Rososhany refined by November 2018 and controls at Medvejia-Zelionaia and Larga-Kelimenti revised by November 2019.	EUBAM Field Office assessments.	Partner services devote sufficient resources and training to establish JOBCPs. Infrastructure and training is in place for automated exchange of data to be functional.
		iii. Degree of operability of automated exchange of traveller data at all BCPs on the Moldova-Ukraine border.	Technical agreement signed in January 2017 and operations started after EaP-funded equipment delivered.	Automated exchange of passenger data begins by November 2018 and verified as fully functional by June 2019.	EUBAM experts' verification of data exchange at MDBP and UASBGS premises.	

	2.2: Efficiency of border and customs controls increased through inter-agency co-operation at the regional and local levels.	i. Degree of operability of One-Stop controls at international BCPs on the Moldova-Ukraine border.	One-stop controls operational at only one BCP in the EUBAM area of operations.			One-stop-shop controls operational at seven International BCPs by November 2020.	EUBAM expert assessment.	Infrastructure changes at BCPs enacted to support one-stop-shop controls.
		ii. Amount of time in crossing at Platanove, Reni - Giurgiulesti, Kuchurhan, Otaci-Mohyliv Podilskyi, Criva-Mamalyha, Tudora-Starokozache BCPs.	BCP	HS	LS	Reduction by 15% at all listed BCPs on crossing times in high (HS) and low (LS) seasons year-on-year until November 2020.	EUBAM border crossing time study.	Closer inter-agency co-operation. Traffic and staffing at BCPs remains stable level compared to 2016. Adequate resources invested by partner services to establish and sustain mobile units.
			<i>P</i>	12:00	12:00			
			<i>R-G</i>	14:50	17:00			
			<i>K</i>	27:00	16:00			
			<i>O-MP</i>	35:00	47:00			
			<i>C-M</i>	36:00	37:00			
			<i>S</i>	22:00	21:15			
		iii. Degree of operability of Joint UASBGS-UASFS mobile groups along the whole Moldova-Ukraine border.	Joint mobile groups are operational at the central level but not yet regionally.			Mobile groups verified as operating along entire common border by November 2019.	EUBAM Field Office assessment.	
	2.3: Cross-border processes aligned with						.	Political will in both
								countries to implement the

	the Association Agreements, VLAPs and Integrated Border Management provisions.	Degree of optimisation of local and inter-state BCPs proposed and discussed between Moldova and Ukraine to improve control and services to local citizens.	<p>67 BCPs exist between Moldova and Ukraine. Of these, 27 are Local, 15 Intra-State, and 25 International BCPs.</p> <p>No practical measures have been taken to optimise the number of BCPs, although three of the four partner services have expressed an interest in exploring this.</p> <p>EUBAM has specifically recommended to review the status of “local BCPs” as the absence of Customs controls at these locations opens the possibility for non-declaration of excisable goods.</p>	Plan for BCP optimisation proposed by November 2018 and agreed by November 2019.	<p>Copy of government decrees closing BCPs.</p> <p>EUBAM Field Office verification.</p>	<p>AAs/DCFTAs, IBM principles and VLAPs.</p> <p>Vested interests do not oppose reforms.</p> <p>National IBM strategies in both countries are operationalised fully.</p> <p>Moldova and Ukrainian co-operate on cross-border IBM initiatives.</p> <p>Sufficient political will and financial resources to complete the border demarcation process.</p>
		Degree of implementation EVAL 2016 agreed recommendations to the MDBP/UASBGS are implemented.	In November 2016, EVAL 2016 agreed recommendations on border processes with: MDBP (19), MDCS (46), UASBGS (29), UASFS (43).	At least 50% of recommendations implemented by November 2018 and 75% by November 2019.	EUBAM follow-up evaluation.	
		Degree of demarcation of Moldova-Ukraine border.	3.73km remains to be demarcated.	Border demarcation completed by June 2020.	Protocol provided by the MDBP and UASBGS.	
	3.1: The transparency of the common border and adjacent ports of entry in fighting cross-border crime increased.	i. Degree of access granted to EUBAM to the necessary data and locations according to EUBAM’s mandate.	EUBAM access is generally good except for Ukrainian customs data.	Full access provided to EUBAM from December 2017 – November 2020.	Information received from EUBAM Field Offices.	Partner services resourced and authorised to identify, investigate and prosecute cross-border crime.

		ii. Degree of operability of Inter-agency and cross-border groups.	Inter-agency and cross-border groups are not yet established.	Inter-agency and cross-border groups functional by November 2019.	Copy of relevant internal orders provided by the MDBP, MDCS, UASBGS and UASFS.	Inter-agency co-operation sufficient to combat cross-border crime.
	3.2: Threats to border security jointly assessed by the border services and other law enforcement agencies in Moldova and Ukraine.	i. CBSAR drafted and circulated by partner services without EUBAM on a monthly, quarterly and annual basis.	As of January 2017 the CBSAR is edited and circulated by EUBAM. Partner services provide information and analysis.	CBSAR issued monthly, quarterly and annually without EUBAM support until and beyond November 2020.	Copy of the CBSARs provided by the MDBP or UASBGS.	Level of information sharing adequate between and within all relevant actors to accurately and timely identify border threats.
		ii. Degree of operability of regional and local inter-agency analytical groups in both countries.	Regional and local inter-agency analytical groups are not yet functional although discussions on set up have been held.	Regional and local inter-agency analytical groups functional by November 2019.	Copy of relevant internal orders provided by the MDBP, MDCS, UASBGS and UASFS.	Commonality of methodology used in assessing cross-border risks and threats.
	3.3: Increased operational co-operation between Ukraine and Moldova in preventing smuggling of goods, including in tobacco products, arms, ammunition and nuclear materials.	i. Number of joint border control operation conducted.	One joint control operation took place in 2015 and none in 2016.	Three joint border operations conducted by November 2020.	EUBAM verification of operations.	Political and operational will and resources of partner services to co-operate on cross-border smuggling.
		ii. Degree of operability for Inter-agency operational groups on the Transnistrian segment of the border.	Inter-agency operational groups functional at the central level but not on the Transnistrian border segment.	Inter-agency operational groups functional on the Transnistrian border segment by November 2019.	Copy of protocols between UASFS and UASBGS extending deployment of the operational groups.	Absence of partner services collusion in smuggling schemes.
	3.4: Better inter-agency coordination in the detection, investigation and enforcement of cross-border crime.	i. Degree of implementation of procedures for regular inter-agency co-ordination.	Inter-agency co-ordination is allowed by the laws and regulations in both countries but is not systematically conducted at the regional and local levels in cross-border crime issues.	Procedures for regular inter-agency co-ordination implemented by November 2019.	Copy of protocols between services agreeing to regular inter-agency co-ordination on cross-border crime issues.	Political and operational will and resources of partner services to co-operate on cross-border smuggling. Political will to amend procedures.



This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the ENI East Regional Action Programme
2017 Part I

**Action Document "Supporting firm competitiveness and business environment reforms
in the Eastern Partnership: an EU4Business initiative"**

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 section 5.3.1 concerning grants awarded directly without a call for proposals.

1. Title/basic act/ CRIS number	Supporting firm competitiveness and business environment reforms in the Eastern Partnership: an EU4Business initiative CRIS number: ENI/2017/040-510 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	EU Eastern Partnership region, Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine The action shall be carried out at the following location: Eastern Partnership countries and EU Member States
3. Programming document	ENI Multiannual indicative programme 2017-2020
4. Sector of concentration/ thematic area	Private sector and economic development
5. Amounts concerned	Total estimated cost: EUR 4 400 000 Total amount of EU budget contribution: EUR 4 000 000 This action is co-financed in joint co-financing by the OECD for EUR 400 000
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management –grants – direct award

7. DAC code(s)	32130-Small and medium-sized enterprises (SME) development			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance		X	
	Aid to environment	X		
	Gender equality (including Women In Development)		X	
	Trade Development			X
	Reproductive, Maternal, New born and child health	X		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X		
	Combat desertification	X		
	Climate change mitigation	X		
	Climate change adaptation	X		
9. Global Public Goods and Challenges (GPGC) thematic flagship	NA			

SUMMARY

The Action entails a multi-country project to support firm competitiveness and business environment development in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It aims at improving in particular the design, implementation, monitoring and evaluation of Small and medium-sized enterprises (SMEs) policies and action plans in the Eastern Partnership countries, while strengthening relevant institutions and government bodies in ensure inter-ministerial coordination on relevant policies, assisting them in the organisation of public private consultations, promoting evidence based policy making via the use of business statistics and in helping them to design and monitor national SME assistance programmes.

The assistance will be provided based on the findings of the 2016 Small Business Act assessment "*SME Policy Index – Eastern Partner Countries 2016* (OECD, EU, EBRD, ETF)" focussing in particular on the weakest areas of performance for each country. The SME Policy Index is a benchmarking tool designed for emerging economies to assess SME policy frameworks and monitor progress in policy implementation over time. For the Eastern Partner Countries, the assessment framework is structured around the ten principles of the Small Business Act for Europe (SBA), providing a wide-range of pro-enterprise measures to guide the design and implementation of SME policies based on good practices promoted by the EU and the OECD.

The project is structured around two pillars:

(a) a country-level pillar to provide tailored support in the design, monitoring and upgrading of strategies and programmes to support firm competitiveness, evidence based policy making and wider business environment reform;

(b) a regional pillar to support regional policy dialogue notably via the annual OECD Eurasia week and benchmark policy performance across the region through a new SBA assessment cycle (2018-2019). In parallel, the OECD will carry out a study on the relationship between SME policies and firm performance to assess trends in SME performance in the EaP over time and to draw correlations between the changes in SME Policy Index scores with the changes in performance variables, which would also allow to control for country-specific factors.

1 CONTEXT

1.1 Sector context: Economic challenges in the EaP region

In 2009, the EU and its six Eastern partners (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) launched the Eastern Partnership (EaP), based on a commitment to fundamental values such as a market economy, sustainable development and good governance. Since 2009, the EU policy context towards its neighbourhood also evolved. Launched in 2004, the European Neighbourhood Policy (ENP) was designed to foster stability, security and prosperity in the countries closest to the EU borders. At the 2015 review, the EU emphasized differentiation among the countries, in accordance with their ambitions in the relationship with the European Union. It also calls for prioritisation and for a more focused approach in order to deliver tangible and noticeable results to the citizens, as reflected in the 2015 EaP Summit in Riga which prioritized the strengthening of institutions, mobility, market opportunities and interconnections as well as in the Joint Staff Working document "*Eastern Partnership – focusing on key priorities and deliverables*" which identifies a list of 20 deliverables for 2020. This Action addresses deliverables under Priority 1: Economic development and Market Opportunities. More specifically, it will contribute to improve EaP countries business climate, notably on the 10 dimensions of the Small Business Act (SBA), by following the recommendations of the 2016 SBA assessment

Since 2012, when the first assessment of SME policies based on the Small Business Act for Europe was published, the macro-economic situation in the EU Eastern Partnership region has changed significantly. All six EaP countries are struggling with serious economic challenges as a result of lower commodity prices and a slowdown in main trading partners. The result has been significant currency depreciation, rising inflationary pressures, and a credit contraction which has negatively impacted output. While the drivers and impacts vary by country, these developments highlight these countries' vulnerability to external events and the importance of strengthening economic competitiveness and diversification in the region.

Given this context, bolstering the region's SMEs is more important than ever. SMEs can facilitate the shift from mass production to a more diverse, demand-driven and market-oriented supply of products, being well-positioned to react quickly to changing market conditions, introduce product and market innovation and challenge inefficient incumbents. With SME development acting as an engine for employment generation and sustained growth, they offer a significant opportunity for economic recovery in the short term and increased resilience over the medium to long term. Yet the potential of SMEs remains largely untapped in the region. Despite making up between 83% and 99% of all firms, they account for only about half of all employment and one-third of value-added. The vast majority of SMEs are subsistence micro-entrepreneurs operating in low-added-value sectors.

SMEs in the EaP region face challenges along a number of dimensions – such as access to finance, skills, innovative capacity, and opportunities for internationalisation. Furthermore, there is a dearth of dynamic and innovative SMEs with high growth potential. Designing and implementing effective policies to fully exploit the potential of SMEs is a crucial step in building more inclusive and resilient economies in the Eastern Partner region

In addition, SMEs are not only key to sustainable economic development, but also an important factor in the consolidation of open societies. A business enabling environment and a large SME sector prevent economies from becoming dominated by few entities and thus impede concentration of power in the hands of oligarchs hindering a country's development in both economic and political terms.

1.1.1 SME policy development in the EaP region (2012-2016)

A comprehensive assessment of SME-related policies in the Eastern Partner countries was undertaken between November 2014 and June 2015 by the Organisation for Economic Co-operation and Development OECD and its partners (the European Commission, the European Bank for Reconstruction and Development and the European Training Foundation), on the basis of the ten principles of the Small Business Act for Europe (SBA). The assessment was conducted in parallel for all six EaP countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and its findings are summarised in the report *SME Policy Index: Eastern Partner Countries 2016*.

While SME policy was largely non-existent in all six EaP countries in 2012, the *SME Policy Index 2016* has identified that EaP countries are increasingly paying attention to the development of comprehensive institutional and policy frameworks for SME development. Two groups of countries can be identified:

- *Armenia, Moldova and Georgia.* Armenia and Moldova have the main building blocks for an SME policy in place or in progress, including an SME policy implementation agency and a strategy for SME development. Georgia has recently joined this group with the creation of a dedicated agency (Enterprise Georgia) in 2014. A medium-term SME strategy, developed with OECD support in 2015, has been adopted in early 2016. Georgia and Moldova organised participatory processes preceding the adoption of SME strategies, while Armenia's SME Development Council offers a regular consultation platform.
- *Azerbaijan, Belarus and Ukraine.* These countries are starting to develop the institutional framework for SME and their institutional frameworks for public-private dialogue on SME-related issues are less developed. In Azerbaijan for example, the Strategic Roadmap for National Economy development of Azerbaijan (including chapter on SME's) was adopted in December 2016 The SME Chapter foresees the establishment of the SME Agency.

At the regional level, the SBA assessment identified three key messages that are highly relevant for all EaP countries:

- **Horizontal business environment reforms continue to be the area of strongest performance.** Most EaP countries have made substantial progress in the design and implementation of business and investment climate reforms benefiting all enterprises regardless of their size, including simplification of business-related legislation,

streamlining of technical barriers to trade and upgrading of quality infrastructure, and improvement of the legal and regulatory environment in the financial sector.

- **Governments are paying growing attention to developing institutional frameworks for SME development.** There is an overall trend towards the introduction of the basic elements of a strategic framework for SME support, including developing SME strategies (e.g. Georgia and Moldova), improving the definition of SMEs (e.g. Ukraine, Azerbaijan) and establishing an SME support agency (e.g. Georgia and Azerbaijan).
- **Targeted SME policy tools are required to further support SME growth across the region.** Most EaP countries have introduced new programmes to enhance SME competitiveness, including through support services for SMEs and start-ups (e.g. training programmes), specific instruments to encourage SME access to finance (e.g. credit guarantee mechanism, start-up finance), entrepreneurial learning and women's entrepreneurship initiatives (e.g. events for female entrepreneurs) and export promotion (e.g. export agency).

The table below provides an overview of the current state of play of SME policy institutions in the EaP countries.

Table 1. State of play of SME policy institutions in the EaP countries

	SME strategy-state of play (ie: in place, to be developed)	SME Action plan/roadmap (yes/no)	SME agency (yes/no, name)	Business and/or Investment council (yes/no, name)	Investment and/or export promotion agency (yes/no, name)	OECD contribution (past / future)
Armenia	Strategy for Small and Medium Entrepreneurship Development 2016-2018 available here	Action plan for 2016 (in Armenian) available here	Small and Medium Entrepreneurship Development National Center (SME DNC) www.smednc.am	SME Development Council www.bso.am/what-we-do-2/assistance-to-sme-development-council/	Development Foundation of Armenia (National Authority for Investment, Export and Tourism promotion) www.dfa.am	Past: Reform roadmap to support SME competitiveness; SME strategy based on SBA assessment and OECD recommendations Future: OECD to monitor implementation of reform roadmap to support SME competitiveness; OECD to support Action Plan 2018-2020, including developing relevant statistics and KPIs to monitor implementation
Azerbaijan	State Strategic Roadmap (including SME chapter) adopted in December 2016	No, being developed for finalisation in 2017	SME Agency to be established according to the Strategic Road Map; Centre for Economic Reforms monitors the Strategic Road Map implementation	NO	Agency for Investment and Export promotion (AZPROMO) www.azpromo.az	Past: n/a Future: OECD to support operationalisation of the SME strategy and Action Plan 2018-2020
Belarus	No, being developed for finalisation in 2017 (SME Strategy until 2030)	SME Development Program for 2016-2020 (in Russian) available here Reform roadmap for developing a private market for business development services	NO	Foreign Investment Advisory Council under the Council of Ministers of the Republic of Belarus No specific SME-related investment councils	National Agency of Investment and Privatization www.investinbelarus.by/en/	Past: Reform roadmap for developing a market for business development services Future: OECD to support finalisation and monitoring of SME strategy and Action Plan 2018-2020, including pilot programme dedicated to high-growth SMEs
Georgia	SME Development Strategy 2016-2020, approved in May 2016 available here	Action Plan 2016-2017, approved in May 2016	Enterprise Development Agency (EDA) www.enterprisegeorgia.gov.ge Georgia Information and Technology Development Agency (GITA) www.gita.gov.ge	Investors Council	Invest in Georgia www.investingeorgia.org/en/	Past: SME Development Strategy and Action Plan developed with OECD support Future: OECD to support monitoring implementation of SME strategy, development of Action Plan 2018-2020 and advise on operationalising selected actions
Moldova	Small and Medium Enterprise Sector Development Strategy	Action plan for the implementation of strategy for the period 2015-2017 (in	Organization for the Development of the SME Sector (ODIMM)	Economic Council under the Prime Minister	Moldova Investment and Export Promotion Organization (MIEPO)	Past: SME Development Strategy and Action Plan developed with OECD support

	2012-2020 available here	Romanian) available here	www.odimm.md		www.miepo.md/	Future: OECD to support development of Action Plan 2018-2020, including financial and non-financial measures for sector-specific SME support
Ukraine	Draft version of the Strategy placed for a public discussion between stakeholders and subject to subsequent official adoption	Draft version	NO	NO	Governmental office for investment attraction and support established by decree of the Cabinet of Ministers, 19 Oct 2016	Past: n/a Future: OECD to support developing SME statistics and monitoring implementation of SME strategy

1.1.2 Stakeholder analysis

Governments and institutions of Eastern partner countries

Representatives from national Governments and institutions of Eastern partner countries will be the direct beneficiaries of the Action. The main counterparts for the OECD will be representatives from Ministries of Economies and government agencies in charge of the SME development. Their role is to design, implement and monitor SME policy reforms and transpose the OECD recommendations into national policies. With the support of the OECD, they will develop comprehensive SME policy frameworks, design SME support policies, co-ordinate the implementation of the SME policy reforms and monitor progress. Other key government stakeholders involved will include representatives from ministries of finance and education, export and investment promotion agencies, national statistical offices and central banks. They will contribute to the SME policy making processes and participate in activities carried out under this Action in their area of expertise.

High-level Government representatives of all EaP countries at Deputy Prime Minister or Minister of Economy level have already committed to work with the OECD on the implementation of reforms to further align SME policies with the Small Business Act for Europe.

As both political and technical support are necessary conditions for a successful implementation of the Action, the OECD will put particular attention in maintaining high-level commitment, while regularly engaging policy makers at the operational level through shared responsibilities (e.g. data collection) and agreed project milestones.

Business Support Organisations (chambers of commerce, employers' associations, etc.)

Business Support Organisations (BSO) will be actively involved in the implementation of the Action. Their role is to contribute to public-private consultation processes and lobby for improving the business enabling environment. BSOs will be instrumental to provide inputs on the main needs and challenges faced by SMEs and comment on draft reform policies being developed as part of this Action. Active BSO engagement will help to ensure that government programmes and policies in support of SME development will address the specific needs of the SME community and ensure buy-in from the private sector. To mediate between potentially conflicting positions of the government and the private sector, the OECD will facilitate the discussion and propose policy options based on evidence-based analysis.

This Action will actively build on previous and ongoing work carried out within the framework of the EU4Business initiative to foster effective public-private dialogue in the six EaP countries. More specifically, the OECD will leverage the networks created through East Invest 2 by: i) engaging relevant BSOs into public-private consultation processes facilitated by the OECD to discuss reform priorities with relevant policy makers; and ii) seeking BSO input in preparation of draft reform policies.

EU delegations in Eastern partner countries.

EU delegations will play a fundamental role in ensuring that policy support provided through this Action is consistent with and complementary to bilateral EU technical assistance programmes. They will also ensure adequate visibility of the European Union as the main donor for this Action.

EU delegations have already substantially contributed to the design of this Action and provided input to the definition of country-level activities.

Development partners

Development partners, such as other international organisations or bilateral agencies of EU member states will be actively involved in the Action to ensure complementarity, synergies and coherence. They play an important role in the provision of technical assistance which will be highly complementary to policy support provided by the OECD.

To this end, representatives of development partners in all EaP countries will be invited to participate in Advisory Group and Working Group meetings to provide inputs to policy discussions and share feedback on draft reform policies. The OECD will also regularly consult with relevant development partners to align on activities and identify synergies for co-operation.

At the regional level, the established co-operation between the OECD, the European Commission, the European Bank for Reconstruction and Development (EBRD) and the European Training Foundation (ETF) will be continued to carry out a third round of the Small Business Act (SBA) Assessment. Furthermore, in order to maximise the impact of the initiative at the country level, full alignment with ongoing donor-funded programmes will be ensured (e.g. EU DCFTA Facility for SMEs, International Trade Center (ITC) regional project on Integrating SMEs from EaP countries into domestic and global value chains, EBRD Small Business Support projects in EaP countries, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) programme for DCFTA support in Georgia, EU SURE programme in Ukraine, EU/GIZ programme for SME development in Armenia, EU-funded Technical Cooperation Facility and SPRING programme, International Finance Corporation (IFC) Investment Climate Advisory project and World Bank's Competitiveness Enhancement Project in Belarus, etc.) and synergies sought through close co-operation with existing structures, such as the EBRD-supported Investment Councils and public-private dialogue activities under the East Invest 2 initiative (see also section 3.2 below).

1.1.3 Priority areas for support/problem analysis

The *SME Policy Index: Eastern Partner Countries 2016* has developed detailed, country-specific policy roadmaps in co-operation with the relevant authorities and in consultation with local stakeholders. Those roadmaps include a **prioritisation of crucial pending reforms** and a proposed sequencing over the short, medium and long term based on each country's performance in terms of progress and remaining challenges. Such priority roadmaps reflect the current level of institutional development for SME policy making in each country, and will be the basis for targeted OECD assistance in the context of this Action. In particular, for the countries with the main building blocks for SME policy already in place, emphasis should be put on preparing the next Action Plans and operationalising specific actions of the SME Strategies. On the other hand, for the countries with SME institutions lagging behind, assistance should be provided to finalise medium-term SME Strategies and build capacity for implementation. For all countries, a monitoring culture should be promoted within government bodies in charge of design and implementation.

- **Armenia** has continued to improve its policy framework for SME development since 2012. Building on a strong entrepreneurial culture, the country has implemented effective business environment reforms and created a well-developed system of business support infrastructure co-ordinated by SME DNC (one of the region's most dynamic SME agencies). Building on the existing SME Strategy, priorities should focus on continuing implementation on the basis of an **updated action plan, monitoring** the implementation of reforms for SME competitiveness, while improving the overall **production of statistics** to evaluate effectiveness of SME support programmes.
- **Azerbaijan** continues to be largely dependent on oil and gas extraction and related services with small businesses representing only 3% of GDP and less than 8% of employment. To complement the government's efforts aimed at promoting economic diversification and reforming the business environment, priorities should focus on the operationalisation of the Strategic Road Map for National Economy development of Azerbaijan (including SME chapter) adopted by President on the 6 December 2016 and the design of targeted support programmes, in particular for exporting SMEs.
- Large industrial enterprises characterise **Belarus's** economy, where privatisation is proceeding at a slow pace and the SME sector remains underdeveloped. In recent years, the government has been increasing its efforts to develop the private sector and create a level playing field for all businesses, regardless of size and ownership structure. To build on these reforms, priorities should focus on improving the institutional framework for SME policymaking, including the **finalisation of the SME strategy, the design of targeted support programmes for SME innovation/internationalisation, and monitoring the implementation** of policy roadmap to improve business development services.
- **Georgia** made considerable progress in recent years by adopting a more proactive approach to SME development, which helped attract foreign direct investment, expand export activities and achieve sustained economic growth. However, the SME sector currently accounts for only 20% of value added and could be further developed by prioritising the following areas: strengthening government capacity for an effective **implementation and monitoring of SME policies**, as well as further developing **targeted support to exporting SMEs** and promoting Foreign Direct Investments and SME linkages.
- **Moldova** is a relatively small, landlocked country with few natural resources and the SME sector remains underdeveloped, contributing to solely 30% of the country's GDP. In recent years, the government has made considerable progress in developing a comprehensive institutional framework for SME policymaking. Priorities moving forward should focus on continuing **implementation and monitoring** of the SME Strategy through an **updated Action Plan, developing financing opportunities** for SMEs by aligning Moldova's policies to international standards and on upgrading the **business support infrastructure** to deliver high-value support programmes for **SME internationalisation** in priority sectors (agriculture produce, foodstuffs, machinery equipment and spare parts).
- **Ukraine's** economy has been stagnant since 2012 and in deep recession since mid-2014, with modest growth returning only in 2016, heavily constraining the development and implementation of SME support policies. To further level the playing field for small businesses in the country and restore sustainable economic growth, SME policy should

focus on the effective **implementation and monitoring of the SME strategy**, as well as the improvement of the overall **production of business statistics** to assess the impact of SME support policies.

2 RISKS AND ASSUMPTIONS

Table 2. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Limited political support from EaP governments to carry out country-specific activities	Low	<p>Secure high-level commitment prior to starting country-specific activities</p> <p>Tailor OECD support to country-specific needs and align with governments' reform agenda</p> <p>Engage high-level policy makers by requiring Minister-level chairmanship of Advisory Groups and exert peer pressure through exposure to peer review processes involving OECD member countries</p>
Significant changes in public policy priorities (e.g. change in the composition of EaP governments, and/or political leadership of the project)	Medium	Maintain frequent dialogue at political and technical level to ensure continuity of activities and consistency with arising priorities
Lack of data for the assessment of SME sector strengths and weaknesses	Medium	<p>Advise to improve production of business statistics, and co-operate with donors' community to diversify sources and access relevant information (e.g. official statistics, expert interviews, surveys, international reports)</p> <p>Carry out primary research (e.g. surveys, focus groups) to fill gaps</p>
Difficulties in engaging the private sector for policy reform	Low	Ensure private sector participation in project Working Group meetings, as source of information and for feedback on project outputs
Limited co-ordination with other donors/development partners	Low	Ensure awareness of development partners from the beginning of project activities and, where applicable, develop partnerships with relevant organisations (e.g. GIZ)
Assumptions		
<ul style="list-style-type: none"> • Overall political and economic stability at the country level is maintained over time • Effective involvement and dialogue with private sector stakeholders 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The 2012 and 2016 SBA assessments as well as country-specific projects carried out by the OECD within the project "*Supporting SME competitiveness reforms in the Eastern partner countries*" have provided a solid foundation for the design and implementation of future advisory projects to promote SME development in the region, including those presented under this Action. In particular, the following lessons have been derived from direct experience and feedback received from various stakeholders in the EaP countries (e.g. local governments, private sector representatives, development partners, EU delegations):

- ✓ Increase links in the third SBA assessment between SME policy settings as measured by the SBA assessment and firm-level performance: the second SBA assessment cycle provided a solid basis to measure progress in SME policy development in the EaP countries but provided only limited insights on the **relationship between policy reform and firm-level performance**. A follow-up study carried out in 2016 analysed the links between SME policy settings as measured by the SBA assessment and firm-level performance. The findings indicate that SMEs in the EaP region underperform compared to their peers in other regions. In particular, EaP SMEs are less likely to invest in research and development (R&D), less likely to report innovation activity, less likely to have access to loans, and less likely to export than SMEs in the EU pre-accession countries and new EU members (EU-10). This analysis will become an integral part of the third SBA assessment to benchmark not only policy inputs but also firm-level performance. A specific emphasis will be placed on policy areas in which EaP SMEs showed a low performance (i.e. innovation, export and finance). This approach will be reinforced through country-specific assistance in the design of pilot programmes dedicated to high-growth and export-oriented SMEs.
- ✓ Stronger emphasis on the assessment of policy constraints by sector of activity: the follow-up study on SME performance revealed that SMEs in the EaP countries face different policy barriers depending on their sector of operation. A stronger emphasis will therefore be placed on the **assessment of policy constraints by sector of activity** (manufacturing, services, and agriculture) and the identification of corresponding policy solutions. This approach is also expected to help strengthening the engagement of the private sector in the assessment process and allow the OECD and its partners to provide more tailored and sector-specific recommendation for potential policy solutions. Existing private sector networks, for example those created through East Invest 2 and the upcoming ITC programme, would be leveraged extensively for this purpose.
- ✓ Review of policy areas to be covered in the SBA assessment: the SBA assessment focuses on the 10 principles of the Small Business Act for Europe but disregards **other policy priorities** that matter for a functioning business environment in which SMEs can thrive. Prior to starting a third SBA assessment round, the policy areas covered will be reviewed through an inclusive public-private dialogue process to better address emerging policy priorities to create an enabling business environment (e.g. competition policy, trade facilitation, SME taxation) while aiming at preserving comparability over time of the assessment of the other policy dimensions.

- ✓ Increase country-level support: countries have expressed the need for more country-level support for the implementation of policy recommendations that would complement the benchmarking exercise through tailored advisory support. A series of country-level activities presented in section 4.2 (support in reviewing SME strategies, drafting new SME strategies/action plans, assist in the design of pilot programmes dedicated to high-growth and export-oriented SMEs, support to monitoring and evaluation) have been identified based on the results of the second SBA assessment and in alignment with governments' priorities. Support provided at the country level is expected to help partner countries significantly improve their ranking prior to starting the third assessment cycle.
- ✓ Further OECD advice on national support programmes for SMEs: the second SBA assessment revealed that progress in SME development can be achieved through **more targeted support programmes for SMEs**. The OECD would provide further advice on the design and implementation of such programmes, specifically dedicated to high-growth and export-oriented SMEs, while supporting the development of adequate monitoring and evaluation systems to assess the programme's impact on pre-defined target groups.
- ✓ Continuation of peer review exercise: five out of six EaP countries (Armenia, Belarus, Georgia, Moldova and Ukraine) have already undergone a first **peer review at the OECD Eurasia Competitiveness Roundtable**, showcasing the progress they achieved in selected SME policy areas. Three years after a first peer review, countries are invited to share the results through a monitoring review to solidify their commitment to effectively implement reform roadmaps. The OECD peer review process has proven to be an excellent tool to facilitate the exchange of good practice among EaP countries and with OECD members:
 - First, the process has proven to be a stepping stone towards the formal adoption of government policies (e.g. Georgia's SME development strategy 2016-2020 was finalised and adopted after the peer review);
 - Second, it has helped to create a strong and sustainable commitment mechanism over time: three years after the peer review, countries are asked to go through a monitoring review to take stock on reform achievements, create momentum for the implementation of remaining reform commitments and to identify new priorities (e.g. the monitoring of Moldova's SME policy reforms in November 2016 has helped to push for important reforms towards the regulation of non-bank financing);
 - Third, it has helped to disseminate good practices among Eastern partner governments and raise interest in promoting SME policy reforms with countries that have previously been hesitant (e.g. Ukraine and Azerbaijan have both requested OECD support in developing an SME strategy and carrying out a peer review after having attended the peer review of Georgia's SME strategy).

A tentative planning for the peer review and monitoring cycle under this Action is as follows: Armenia (2017), Azerbaijan (2018), Georgia (2018), Belarus (2019), Moldova (2019), Ukraine (2019).

3.2 Complementarity, synergy and coherence with other interventions

OECD support to policymakers will be complementary to the following technical assistance support provided by the European Commission and other development partners:

EU4Business¹

- **ITC** (International Trade Centre) is starting a project to help SMEs from EaP countries integrate into international value chains and access new markets with a focus on the European Union.
- **East Invest 2** is a regional trade facilitation project which targets BSOs and SMEs. It provides trainings to BSOs to strengthen their lobbying capacity and provision of services to SMEs. This Action will build in particular on the East Invest's private sector networks by involving their members in public-private dialogue initiatives to promote SME policies reforms and contribute to national documents for SME policy.
- **Advice for Small Businesses Programme (ASB)** implemented by EBRD provides financial support to SMEs in form of grants, as well as a wide range of capacity building assistance to BSOs and SMEs. This Action will coordinate with the activities of the ASB, in particular in Belarus and Moldova, where the Action will monitor progress in the implementation of the roadmap to develop a market for BDS and propose measures to support the delivery of BDS to SMEs in priority sectors,.
- **DCFTA facility for SMEs** helps small businesses grow and prepare for new market opportunities, and support national authorities in Georgia, Moldova and Ukraine to implement their Association Agreements. In particular, the Action will seek synergies with technical assistance projects in each country designed to support SMEs and business support institutions.
- **Eastern Partnership SME Finance Facility - Phase II** which will make new loans available to the financial intermediaries, who will lend that money to local companies in Ukraine, Georgia and Moldova. These loans will be accompanied by a grant for credit enhancement support to participating financial intermediaries through risk-sharing instruments. The project aims at stimulating local currency lending, especially for micro, small and medium sized enterprises (MSMEs) that are not earning foreign currency and cannot afford the high costs of borrowing.
- In **Georgia**, the Action will build on the successful co-operation with **GIZ** to support the Government in the preparation of the SME Development Strategy 2016-2020 and will seek further synergies with the “**SME Development and DCFTA**” project. Coordination will also be ensured with the bilateral project on Economic and Business Development (AAP 2017) in particular with activities aimed at strengthening

¹ Recognizing the role of SMEs in furthering growth, the EU launched in 2009 the regional SME Flagship Initiative which was rebranded as the "EU4business initiative" in 2016 to cover both bilateral and regional projects to support SMEs in EaP countries in addressing common challenges, such as access to finance, SME policy and regulatory framework, knowledge and business skills and access to markets.

capacities of policy makers to facilitate the development of SME, clusters and incubators.

- In **Moldova**, the Action will consider potential for coordination with several projects relevant for SME development, including the DCFTA Technical Assistance Service Contract covering quality infrastructure, market surveillance and Internal and external markets and Competitiveness awareness in the AA/DCFTA context; the Support to Agriculture and Rural Development through Confidence Building Measures, which includes a component on local entrepreneurship and SMEs development; the Comprehensive Institution Building Programme (CIB): twinning and technical assistance projects supporting the DCFTA implementation including support to Intellectual Property Rights, Customs Service, food safety agency (to enhance the commercial and export potential of the agro-business food chain in Moldova in line with EU standards and DCFTA technical requirements), and several planned projects (Annual Action Programme 2016) including "Support to SMEs in rural areas"; "Technical assistance support to BSOs"; "Increase of competitiveness in agricultural sector", which includes facilitating access to markets and establishing market linkages through domestic and international value chain.
- In **Ukraine**, the Action will coordinate with the EU FORBIZ project and the EU4Business: network of business support centers project, which notably facilitates access to business advice and finance. The FORBIZ project is notably finalizing a feasibility study on the future SME support agency.
- In **Armenia**, the Action will take into account and coordinate with several technical assistance initiatives, notably **GIZ's SMEDA** (SME development in Armenia) programme, and the **twinning projects** on 'strengthening the investment promotion and investment policy institutional framework of Armenia' and on 'strengthening of the National Statistical System of Armenia'.
- In **Azerbaijan**, the Action will closely co-ordinate with the **World Bank's** programmes on enhancing the country's competitiveness and private sector development.
- In **Belarus**, the Action will take into account and explore synergies with the Strengthening Private Initiative Growth (**SPRING**) implemented by UNDP and EBRD, IFC's Improving Business and Investment Climate Advisory Project and the World Bank's Competitiveness Enhancement Project in Belarus. These programmes focus on improving SME competitiveness through technical assistance measures such as qualified business advice and support to access finance.

Beyond EU4Business

- **EBRD-supported Investment Councils and SME Development Councils** provide a platform for dialogue between the private sector and the authorities, with the aim of leveraging the private sector's experience to enhance the content and prioritisation of policy reforms. This Action will build on the existing Investment and SME Development Councils and their members in Armenia, Georgia and Moldova in order to obtain inputs for the new SBA assessment and leverage them as a platform to discuss priorities for SME development between the private and public sector.

- **Eurostat** is the statistical office of the European Union and plans to start a programme to improve the availability and quality of statistical data from the EaP countries as well as their dissemination to a wider public. The Action will coordinate with Eurostat's future regional programme and will involve national statistics offices in EaP countries. Specific focus will be on country-level advice to support the production of harmonised and comparable business statistics and to develop key indicators to analyse SME performance to enhance the evidence base for SME policy making. The activities will be based on the methodological tools provided by the OECD-Eurostat Entrepreneurship Indicators Programme (EIP) and the OECD Scoreboard on Financing SMEs and Entrepreneurs.
- **EBA** (European Business Associations) support representatives of European business communities in EaP countries and make proposals to local authorities to improve the business environment, encourage foreign investments and improve corresponding legislative frameworks. The Action will leverage the presence and activities of EBAs (including regular surveys among EBA members, legal proposals and events) to receive inputs from foreign investors already present in the countries about the business environment and the opportunities to help integrate local SMEs in global supply and value chains.
- The Enterprise Europe Network assists SMEs with advice on EU laws and standards, access to finance and help local SMEs find business partners to become part of European and global value chains. In this sense the EEN facilitates export and internationalisation strategies of Partner Countries. Belarus, Armenia, Georgia, Moldova and Ukraine are already participating. The consortia are co-funded by the EU in Armenia and Moldova and now also in Ukraine as these countries are fully participating in COSME. Whilst the consortia in Belarus and Georgia are Business Cooperation Centres offering more limited services. The Action will take into account and coordinate with the local EENs to support increased cooperation via in particular Business Support Organisations.

3.3 Cross-cutting issues

The OECD will also ensure that the gender dimension will be addressed in countries SME strategies and actions plans in line with the EU Gender Action Plan 2016-2020, the Convention on the Elimination of All Forms of Discrimination against Women and anti-discrimination principles. Notably, constraints for women entrepreneurship or women participation in SME economic activities will be identified. Women's entrepreneurship will indeed be considered when building the evidence base for SME policies and when designing targeted support programmes for SMEs. The policy framework to support women's entrepreneurship will be evaluated through the SBA assessment, as well as the extent to which regular training needs analyses for women's entrepreneurship are conducted. Furthermore, gender issues in national SME strategies will be promoted by engaging women in public-private consultations and highlighting women entrepreneurs as an important beneficiary group of SME policies.

Building on the results achieved under "Greening Economies in the Eastern Neighbourhood" (EaP GREEN) Programme, the OECD will ensure that environment-related considerations, such as, for example, energy and resource efficiency, circular economy and cleaner production, the eco-design of products, climate-related risks, and environmental impacts more generally are duly addressed in countries' SME strategies and actions plans. The latter will be fully aligned with key global policy goals and targets set by the UN 2030 Sustainable Development Goals and the Paris Agreement on Climate Change, which guide progress towards a modern and low-carbon economy and provide important opportunities for sustainable economic transformation, jobs and growth. Where available, for example in Armenia and the Republic of Moldova, specific recommendations in this area will be further promoted. Particular attention will be given to assessing the degree of "greening" of the current policy framework for SME development in comparison with benchmarks outlined in the EaP GREEN "Environmental Policy Toolkit for SME Greening", including the existence of specific environmental policies targeting SMEs. As part of the third SBA assessment, additional weight will be given to the mainstreaming of such cross-cutting issues in national SME policies.

Evidence on the above-mentioned cross-cutting issues will be collected, such as gender balance of participants to public-private dialogue events and capacity building activities, as well as the inclusion of green elements in regional and country-level activities as well as in the monitoring, design and evaluation of national assistance programmes to SMEs.

4 OBJECTIVES/RESULTS

The overall objective of the Action is to support firm competitiveness and business environment reforms in the countries of the EU Eastern Partnership in line with Priority 1 on Economic development & market opportunities of the Joint Staff Working Document "*Eastern Partnership Focussing on key priorities and deliverables*"².

The specific objectives of the Action are:

- **To strengthen institutional frameworks and delivery of government support to SMEs and improve the business environment**, by assisting governments in the design of medium-term SME strategies and action plans, proposing key performance indicators to assess results, advising on the design and operationalisation of selected actions, and facilitating government co-ordination and public-private stakeholder dialogue. Ad hoc expertise in the form of thematic reviews, studies and workshops could also be provided to advise governments to improve selected priority areas of the business environment (e.g. competition, environment, investment, taxation);
- **To support monitoring and evaluation of SME policies and improve production of business statistics**, by strengthening government capacity to monitor progress in the implementation of SME strategies and assisting in the production of harmonised and internationally comparable SME statistics;

² https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near-eeas_joint_swd_2016467_0.pdf

- **To support evidence-based policy making and regional benchmarking**, through a third SBA assessment cycle (including collecting harmonised indicators covering structural business statistics based on OECD-Eurostat methodology, performance-based indicators (BEEPS) and new policy indicators, e.g. on SME finance, openness to foreign investment, trade facilitation, green economy) and capacity building for systematic data collection on the SME sector (development of key performance indicators (KPI) to assess progress of SME Strategies/Action Plans);
- **To stimulate reform implementation**, through peer reviews and regional policy dialogue events with SME policy stakeholders.

4.1 Main activities

The Action will be structured around two components:

- Component A will provide country-specific support to policy making and public-private dialogue by strengthening government capacity in all six EaP countries to design SME strategies/action plans, deliver SME support measures, and to monitor and evaluate progress in implementation. Additional ad hoc expertise in the form of thematic reviews, studies and workshops could be provided to address emerging priorities and advise governments to improve selected areas of the business environment.
- Component B will support regional benchmarking and policy dialogue through a third SBA assessment, peer reviews and regional events.

All project activities have been designed upon request from national governments and in close co-ordination with EU delegations. The following table provides an overview of project activities that will contribute to achieving the specific project objectives:

Table 3. Overview of project activities, by objective and level of intervention (country/regional)

	Component A: Country-specific support to SME policy making and public-private dialogue		Component B: Regional SBA assessment and policy dialogue	
Objective	1. To strengthen institutional frameworks and delivery of government support to SMEs and improve the business environment	2. To support monitoring and evaluation of SME policies and improve production of business statistics	3. To support evidence-based policy making and regional benchmarking	4. To stimulate reform implementation and promote regional policy dialogue
Armenia	1.1 Assist the government in preparing an SME Strategy Action Plan 2018-2020 and propose key performance indicators to assess results 1.2 Strengthen the policy making process by introducing a public-private SME strategy stakeholder process	2.1 Assist the government in monitoring progress in the implementation of SME competitiveness reforms 2.2 Assist the government in the production, analysis and dissemination of harmonised business statistics	3.1 Revise SBA assessment methodology 3.2 Organise one private sector focus group meeting per country and three SBA stakeholder workshops per country to facilitate the SBA assessment process 3.3 Carry out government self-assessment and OECD assessment of the SBA in six countries 3.4 Publish regional "SME Policy Index" report 3.5 Disseminate the report and its main findings at a high-level regional event and six country-level events 3.6 Prepare annual SBA factsheets for EaP countries participating in COSME (Armenia, Moldova and Ukraine)	4.1 Organise three regional meetings of the OECD Eurasia Competitiveness Roundtable 4.2 Carry out six peer reviews (2017: Armenia, 2018: Azerbaijan, Georgia, 2019: Belarus, Moldova, Ukraine) 4.3 Organise three regional workshops for SBA co-ordinators to facilitate the SBA assessment process
Azerbaijan	1.3 Assist the government in finalising the SME Action Plan for 2018-2020 and propose key performance indicators to assess results 1.4 Assist the government in operationalising specific actions of the SME strategy, e.g. by advising on the design of a government support programme to link SMEs with foreign investors 1.5 Strengthen the policy making process by introducing a public-private SME strategy stakeholder process			
Belarus	1.6 Assist the government in finalising the SME Strategy and Action Plan for 2018-2020 and propose key performance indicators to assess results 1.7 Assist the government in operationalising specific actions of the SME strategy, e.g. by advising on the design of a programme on supporting high-growth SMEs with export and innovation potential (blueprint for implementation by national authorities) 1.8 Strengthen the policy making process by introducing a public-private SME strategy	2.3 Assist the government in monitoring progress in the implementation of a policy roadmap to support the development of a private market for business development services (BDS)		

	stakeholder process			
Georgia	<p>1.9 Assist the government preparing the SME Strategy Action Plan 2018-2020 and propose key performance indicators to assess results</p> <p>1.10 Assist the government in operationalising specific actions of the SME strategy, e.g. by advising on the design of a programme on linking investors with domestic SMEs in a selected sector</p> <p>1.11 Strengthen the policy making process by introducing a public-private SME strategy stakeholder process</p>	<p>2.4 Strengthen the institutional capacity of the government (MoESD, EDA) to monitor the implementation of the SME Development Strategy 2016-2020</p>		
Moldova	<p>1.12 Assist the government in preparing the SME Strategy Action Plan 2018-2020 and propose key performance indicators to assess results</p> <p>1.13 Assist the government in operationalising specific actions of the SME strategy, e.g. by proposing measures (financial and non-financial) and mechanisms to support the delivery of high value-added business development services to SMEs in selected sectors</p> <p>1.14 Strengthen the policy making process by introducing a public-private SME strategy stakeholder process</p>	<p>2.5 Strengthen the institutional capacity of the government (Ministry of Economy, ODIMM) to monitor the implementation of the Small and Medium Enterprise Sector Development Strategy 2012-2020</p>		
Ukraine	<p>1.15 Strengthen the policy making process by Introducing a public-private stakeholder process to review the SME strategy</p>	<p>2.6 Strengthen the institutional capacity of the government (MEDT) to monitor the implementation of the SME Development Strategy 2017-2020</p> <p>2.7 Assist the government in the production, analysis and dissemination of harmonised business statistics</p>		

Component A: Country-level support to policy making and public-private dialogue

Project component A will focus on delivering analysis, policy advice and capacity building to provide country-level assistance to policy makers in all six EaP countries. The OECD will leverage the expertise of its Secretariat and involve experts from OECD Member states to strengthen institutional frameworks and delivery of government support to SMEs (objective 1) and to support monitoring and evaluation of SME policies and improve the production of business statistics. Ad hoc expertise in the form of thematic reviews, studies and workshops could also be provided to advise governments to improve selected priority areas of the business environment. The duration of the support per country may generally range between 18 and 24 months (see 5.2 for tentative schedule). The specific activities per country will be subject to an annual discussion with EU delegations in all six EaP countries.

Component B: Regional SBA assessment and policy dialogue

Project component B will support evidence-based policy making and regional benchmarking (objective 3) through a third round of the SBA assessment leading to a third report of the *SME Policy Index: Eastern Partner Countries*. In addition, this component will stimulate reform implementation and promote regional policy dialogue (objective 4) through a peer review process and regional SBA stakeholder workshops.

4.2 Intervention logic

A recent study "Enterprise performance and SME policies in the Eastern Partner countries and peer regions"³ published by the OECD has indicated that SMEs in the EaP are less competitive than their peers in other regions in particular, in terms of access to loans, innovation and capacity to export. When examining the determinants of firm performance, the study found that firm size is a core determinant, reaffirming the conventional theory that SMEs are more likely to face barriers when accessing finance, innovating and internationalising. The study also found a strong link between the various policy areas, with SMEs that have access to finance being more likely to export and exporting SMEs being more likely to invest in R&D.

The study also investigated the relationship between SME policies and firm performance in the Eastern Partner countries and peer regions. Drawing on SME Policy Index scores as a measure of the quality of SME policies and on firm-level data about selected aspects of enterprise performance, the study identified a positive relationship between policy inputs and economic outcomes in the real sector. These findings provide evidence around the assumption that better policy making contributes to building a stronger and more dynamic SME sector and build momentum for further work in this area. Through its two components described below, the Action will build on these findings to assist countries addressing gaps in the business environment identified in the most recent SBA assessment. A specific emphasis will be placed on policy areas in which EaP SMEs showed a low performance (i.e. innovation, export and finance). This approach will be reinforced through country-specific assistance in the design of pilot programmes dedicated to high-growth and export-oriented SMEs.

³<http://www.oecd.org/globalrelations/Enterprise-Performance-and-SME-Policies-in-Eastern-Partner-Countries-and-Peer-Regions.pdf>

Through Component A, the Action will assist policy makers in EaP countries in the implementation of reform priorities as identified in the policy roadmaps presented in the SME Policy Index 2016. The OECD will assist governments in the preparation of SME strategies and action plans to strengthen the institutional framework and facilitate the implementation of SME policy reforms. Implementation of selected priorities of the Action Plans will be supported through evidence-based analysis, transfer of methodology, capacity building and facilitation of government co-ordination and public-private consultation processes. In addition, the OECD will assist governments to develop harmonised and comparable business statistics and monitor progress in the implementation of SME strategies. Country-level activities have been designed based on every country's individual needs and identified in close consultation with national administrations and local EU delegations to ensure synergies with other relevant EU initiatives to support SMEs in the EaP region. Ad hoc expertise in the form of thematic reviews, studies and workshops could also be provided to advise governments to improve selected priority areas of the business environment. Support provided under Component A is expected to lead to improvements in country scores of the SBA assessment (Component B).

Through Component B, SME policy stakeholders in EaP countries will be able to assess progress in the implementation of the Small Business Act for Europe and benchmark their policies and SME performance with neighbouring countries. Cross-country analysis will nurture regional policy dialogue and exchange of good practices. Governments in EaP countries will also be able use the SBA assessment as a change management tool for identifying reform priorities in consultation with the private sector. High-level dissemination events will help increase local awareness about the findings of the SBA assessment and enable a broader range of stakeholders (including the private sector and civil society) to take action to promote a better environment for small and medium-sized enterprises.

Before the end of the project and in parallel to the 2019 SBA assessment, the OECD will carry out a follow-up study on the relationship between SME policies and firm performance to assess trends in SME performance in the EaP over time and to draw correlations between the changes in SME Policy Index scores with the changes in performance variables, which would also allow to control for country-specific factors.

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 implementation period for this Action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission 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 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 SME policies in the Eastern Partnership" (direct management)

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

As described above (see point 4.1 and 4.2)

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to a specialised entity having relevant specific experience and capacities in the fields of intervention. For the reasons detailed below, the OECD has been identified as the most suitable entity.

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 OECD is an international organisation with a widely respected peer review mechanism that gathers around the table the governments of Eastern partner countries and OECD countries on an equal footing to exchange good practices in an impartial environment. This type of activity also fosters regional integration.
- The OECD has successfully co-ordinated two SBA assessments in the EU Eastern Partnership region and published two corresponding reports in 2012 and 2016 (SME Policy Index).
- The OECD has built a solid relationship with governments of Eastern partner countries. They participate in public-private Advisory Group and Working Group meetings established by the OECD across the region as well as in annual meetings of the OECD Eurasia Competitiveness Roundtable at Deputy Prime Minister, Minister of Economy and/or Deputy Minister level.
- The OECD has established a network of local partner organisations (e.g. research institutions, think tanks and national experts) that carry out local research and analysis on behalf of the OECD and help co-ordinate local activities.
- The OECD relies on an extensive network of expert practitioners from Member states who provide in-kind support and policy expertise based on their own countries' experience in the form of lead reviewers and expert inputs to policy papers during seminars, working groups and peer reviews.
- The OECD has built extensive partnerships with local development partners (e.g. EBRD, GIZ, IFC, ITC, World Bank) to ensure synergies and maximise the impact of the Action..
- The Commission is contributing to an existing programme that has worked successfully with Eastern partner countries on related topics since 2009: "The OECD Eastern Europe and South Caucasus Initiative", which is part of the OECD Eurasia Competitiveness Programme.

(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 of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 95%.

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

4th quarter 2017

(f) Exception to the non-retroactivity of costs

The Commission authorises the eligibility of costs prior to the adoption by the Commission of this Action Document as of 1 September 2017, in line with the preliminary project proposal (grant application) submitted by OECD, to ensure continuity with the activities and with the team implementing the project "*Supporting SME Competitiveness Reforms in the Eastern Partner Countries - Implementing the Recommendations of the SME Policy Index 2012*" to which the present Action constitutes a continuation and that has come to an end on 30 June 2017.

5.4 Indicative budget

	EU contribution in EUR	OECD contribution in EUR
Grant - Direct management (OECD)	4 000 000	400 000
Total estimated cost	4 400 000	

5.5 Organisational set-up and responsibilities

In order to carry out this Action, the OECD team will be based in its headquarters in Paris, with frequent travel to each EaP countries to collect information, co-ordinate public-private consultations and discuss intermediate project findings with local stakeholders (policy makers, private sector, development partners, EU delegations, etc.).

Advisory Groups are chaired by a Deputy Prime Minister or Minister of Economy and would include high-level officials from the relevant ministries, representatives from the European Union Delegations and project partners. They typically meet 1-2 times per year to provide feedback on project activities.

Public-private thematic **Working Groups** are chaired at Deputy Minister-level, and would include policy makers from relevant ministries and government agencies, representatives from the European Union Delegations, project partners, business associations, and academia. Working Groups typically meet 3-4 times per year and are led by the OECD to facilitate public-private consultations, receive inputs, discuss analysis and project findings and develop recommendations for policy reforms. In addition to the above, whenever necessary the OECD will mobilize its trusted network of local consultants of proven quality to carry out field work in each EaP country, as well as senior international consultant to provide key analytical inputs to project deliverables. Finally, the OECD will benefit from in-kind contributions provided by experts and practitioners from OECD member countries, who will contribute to capacity building events and lead the peer review process.

The project will be implemented by the OECD in close consultation with the Commission under the lead of Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), and including representatives of any other concerned services of Commission to co-ordinate activities. The OECD will provide annual narrative and financial reports in accordance with the Framework Administrative Agreement signed on 16 June 2015 between the European Union and the Organisation and applicable provisions in the General conditions and Special conditions.

Annual activity reports shall be drafted and structured on the basis of the results/outcomes that have been achieved for each country. The introductory chapter will entail a table summarising progress achieved against the agreed logframe and initial baseline for the region and by country. Based on these annual activity reports, annual meetings of a dedicated Advisory Group will be organised and chaired by DG NEAR.

As this project will be part of the Eastern Partnership EU4Business initiative, OECD will also take part in the EU4Business annual general assembly meeting to ensure complementarity with other EU funded initiatives. The OECD will cooperate with the EU4Business Secretariat to prepare the annual consolidated report on the initiative's impact and results. This will notably include results achieved under this project in the framework of the defined and agreed key performance indicators.

Annual co-ordination meetings in each of the six EaP countries will also take place to further ensure co-ordination with other related programmes funded by the EU or by other donors, as well as to enhance the ownership of the project by the partner countries (government representatives, BSOs, SMEs). Close co-operation with representatives of EU delegations in the EaP countries will be key to ensure that OECD activities under this Action are consistent with other EU support provided at the bilateral level. The OECD will work in close consultation with EU Delegations and regularly discuss project progress and activities. EU Delegations will be part of all project Advisory Groups and Working Groups and play a fundamental role in providing input and feedback. In addition, an annual update between the OECD and counterparts in the EU Delegations will provide an opportunity to discuss progress in the implementation of the Action, align on foreseen activities and identify ways to address emerging priorities.

The project's team will attend relevant donor coordination group/workshop on private sector development in all EaP countries. The OECD will also participate in regular meetings/videoconference with EU Delegations and relevant stakeholders to co-ordinate activities and to ensure synergies and complementarities with other EU funded and donor actions.

5.6 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of implementation of the action for each of the 6 Eastern Partnership country, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality). The introductory chapter will entail this table summarising progress achieved against the agreed logframe and initial baseline for the region and by country.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

Performance monitoring and reporting will need to be in line with DG NEAR Guidelines on linking planning/programming, monitoring and evaluation⁴.

5.7 Evaluation

The Commission may, during implementation, decide to undertake an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

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

Evaluation will need to be in line with DG NEAR Guidelines on linking planning/programming, monitoring and evaluation

⁴ Refer to: https://ec.europa.eu/neighbourhood-enlargement/tenders/monitoring-and-evaluation_cs

Where appropriate the provisions included in the framework agreement signed with the international organisation will apply.

5.8 Audit

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

Where appropriate the provisions included in the framework agreement signed with the international organisation will apply.

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

5.9 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.4 above.

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

It shall be the responsibility of the implementing partners to keep the EU Delegations fully informed of the planning and implementation of the specific visibility and communication activities.

The action shall use common branding regarding all EU support to SME in the Eastern Partnership, in particular, the name EU for Business (EU4Business) shall be used for all relevant SME activities both in English and in local official languages.

The OECD will use the EU4Business visibility tips and guidelines proposed by the EU4Business Secretariat and co-operate with the latter to further disseminate the project's key activities, events, and results. For country based activities, OECD will combine the EU4Business branding with the EU4country one (ie: EU4Georgia). Where appropriate the provisions included in the framework agreement signed with the international organisation will apply.

[APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ⁵]

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (2016)	Targets (2020)	Sources and means of verification	Assumptions
Overall objective: Impact	To improve SME competitiveness ⁶ in the countries of the EU Eastern Partnership	1 – Average country's score in the SME Policy Index across all dimensions ⁷ 2 – Relationship between SME Policy Index scores and enterprise performance	1 – Country's score in the SME Policy Index 2016 2 – Cross-sectional analysis of relationship between selected SME Policy Index dimensions and firm-level performance variables	1 – The average country scores increase by 10% across all dimensions in the 2019 SME policy Index compared to the 2016 SME policy Index 2 – Positive changes in selected SME Policy Index dimensions are correlated with improved firm-level performance	<ul style="list-style-type: none"> • SME Policy Index: Eastern Partner Countries • EBRD-WB Business Environment and Enterprise Performance Survey (BEEPS) • OECD study on enterprise performance and SME policies in the Eastern Partner countries 	<ul style="list-style-type: none"> • Political and economic stability at country and regional level is maintained over time • Political commitment to SME policy reform is maintained over time • Availability of next round of BEEPS data during implementation of the Action

⁵ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

⁶ In this context, competitiveness is defined as the ability of enterprises to operate as successful entities in a market-based economy, as revealed by the extent to which they can access inputs (finance), invest and develop quality products and services (innovation), and sell their output on international markets (internationalisation)

⁷ The dimensions assessed in the SME Policy Index 2016 are: 1. Entrepreneurial learning and women's entrepreneurship; 2. Bankruptcy and second chance for SMEs; 3. Regulatory framework for SME policy making; 4. Operational environment for SMEs; 5a. Support services for SMEs and start-ups; 5b. Public procurement; 6. Access to finance for SMEs; 7. Standards and technical regulations; 8a. Enterprise skills; 8b. Innovation; 9. SMEs in a green economy; 10. Internationalisation of SMEs

Specific objective(s): Outcome(s)	1 – To strengthen institutional frameworks and delivery of government support to SMEs	<p>1.1 – Average score of the SME Policy Index on dimension 3 (regulatory framework for SME policy making)</p> <p>1.2 – Average score of the SME Policy Index on sub-dimension 3.3 (Public-Private Consultations: frequency and transparency, private sector involvement, M&E)</p> <p>1.3 – Average score of the SME Policy Index on dimension 5a (Support services for SMEs)</p>	<p>1.1 – 2.95 (2016)</p> <p>1.2 – 3.00 (2016)</p> <p>1.3 – 3.13 (2016)</p>	<p>1.1 – 3.54 (2020)</p> <p>1.2 – 3.60 (2016)</p> <p>1.3 – 3.76 (2020)</p>	<ul style="list-style-type: none"> • SME Policy Index: Eastern Partner Countries • Government documents and reports/adopted policy documents • National statistics office websites • OECD Entrepreneurship at a Glance report • OECD Scoreboard on SME Financing • Monitoring reports • Minutes of Advisory Group and Working Group meetings • Minutes of launch and dissemination events • Media reports • Members of the project Advisory Group and Working Group • List of participants at the OECD Eurasia Competitiveness Roundtable • Private sector survey 	<ul style="list-style-type: none"> • Political and economic stability at country and regional level is maintained over time • Availability of statistical and survey data for analysis • High-level government involvement and commitment to implement SME policies • Strong interest and capacity of the private sector to participate and contribute to public-private consultations
	2 – To support monitoring and evaluation of SME policies and improve production of business statistics	<p>2.1 – Extent to which monitoring of national SME strategies takes place</p> <p>2.2 – Extent to which accurate and comprehensive business statistics are available</p>	<p>2.1 – Progress in the implementation of national SME strategies is not monitored</p> <p>2.2 – Structural business statistics to measure entrepreneurial performance are not harmonised and not published in Armenia and Ukraine</p>	<p>2.1 – Monitoring process for national SME strategies are established in at least 4 countries (Armenia, Georgia, Moldova, Ukraine)</p> <p>2.2 – Analysis on structural and business demography statistics is harmonised with OECD-Eurostat methodology and published in Armenia and Ukraine</p>		
	3 – To support evidence-based policy making and regional benchmarking	3.1 – Number of SBA assessment cycles completed	3.1 – Two SBA assessment cycles completed in the EaP region (2012, 2016)	3.1 Third SBA assessment cycle completed		

	4 – To stimulate reform implementation and promote regional policy dialogue	4.1 – Extent to which countries report on progress in the implementation of policy reforms at the Roundtable and discuss it with OECD and EaP countries	4.1 – All EaP countries have committed to undertake a peer review at the OECD Eurasia Competitiveness Roundtable	4.1 All EaP countries have undertaken a peer review at the OECD Eurasia Competitiveness Roundtable at high political level and committed to the implementation of policy recommendations provided by the Roundtable		
Outputs [and corresponding activities presented in Table 3]	1.1 – Improved strategic policy framework (SME strategies/action plans) [act. 1.1,1.3,1.6,1.9,1.12]	1.1.1 – Extent to which SME strategies and action plans for the period 2018-2020 are developed according to international good practices 1.1.2 – Number of OECD countries involved in providing expertise and sharing good practice for SME development	1.1.1 – SME strategies in place in 3 countries (Armenia, Georgia, Moldova), no action plans in place for the period 2018-2020 1.1.2 – None	1.1.1 – SME strategies and action plans for the period 2018-2020 are endorsed by 5 EaP countries 1.1.2 – On average 2 experts from OECD countries involved in the design/review of SME strategies/action plans in five EaP country	<ul style="list-style-type: none"> • SME Policy Index: Eastern Partner Countries • Government documents and reports/adopted policy documents (strategies, action plans) • National statistics office websites • OECD Entrepreneurship at a Glance report • OECD Scoreboard on SME Financing • Monitoring reports • Minutes of Advisory Group and Working Group meetings • Minutes of launch and dissemination events • Media reports • Members of the project Advisory Group and Working Group • List of participants at the 	<ul style="list-style-type: none"> • Political and economic stability at country and regional level is maintained over time • Availability of statistical and survey data for analysis • High-level government involvement and commitment to implement SME policies • Strong interest and capacity of the private sector to participate and contribute to public-private consultations
	1.2 – Enhanced institutional capacity of the government to deliver support to SMEs [act. 1.4,1.7,1.10,1.13]	1.2.1 – Extent to which specific actions of the SME strategy have been designed according to international good practices 1.2.2 – Number of capacity building seminars/events to support design of targeted SME support programmes	1.2.1 – No operational guidance on how to implement specific actions of the SME strategy 1.2.2 – None	1.2.1 – Operational guidance provided through analytical support, workshops and OECD reports 1.2.2 – At least 2 in four countries (Azerbaijan, Belarus, Georgia, Moldova)		
	1.3 – Enhanced contribution of business associations to SME policy making processes [act. 1.2,1.5,1.8,1.11,1.14 1.15]	1.3.1 – Extent to which the private sector is involved in public-private consultations on the SME strategy	1.3.1 – Limited private sector involvement in SME policy consultations	1.3.1 – At least 4 public-private SME policy consultations held in each EaP country to consult with the private sector on the SME strategy		

	2.1 – Enhanced capacity to monitor implementation of SME policy <i>[act. 2.1,2.3,2.4,2.5,2.6]</i>	2.1.1 – Extent to which progress in the implementation of SME policies is monitored	2.1.1 – National SME strategies, action plans and SME policies are not monitored	2.1.1 – Monitoring info available for four countries (Armenia, Georgia, Moldova, Ukraine)	OECD Eurasia Competitiveness Roundtable • Private sector survey	
	2.2 – Availability of structural and business demography statistics <i>[act. 2.2,2.7]</i>	2.2.1 – Extent to which internationally comparable indicators on SME performance and statistics on SME finance are produced regularly	2.2.1 – Limited statistics available for the SME sector	2.2.1 – Structural and business demography statistics following the methodology of the OECD-Eurostat Entrepreneurship Indicators Programme available in Armenia and Ukraine		
	3.1 – Third SBA assessment published, disseminated and used for policy making <i>[act. 3.1,3.2,3.3,3.4,3.5,3.6]</i>	3.1.1 – Extent to which SME Policy Index is based on amended methodology 3.1.2 – Number of meetings and meeting participants at SME stakeholder workshops 3.1.3 – Number of government self-assessments provided 3.1.4 – Extent to which SME Policy Index is published 3.1.5 – Number and level of participation at dissemination events 3.1.6 – Number of SBA factsheets prepared	3.1.1 – SBA assessment based on current methodology 3.1.2 - None 3.1.3 - None 3.1.4 – Latest SME Policy Index for EaP countries published in 2015 3.1.5 – None 3.1.6 - None	3.1.1 – SBA assessment methodology revised to reflect emerging policy priorities and company performance 3.1.2 – One private sector focus group and three SBA stakeholder workshops held per country with 20 participants on average 3.1.3 – One government self-assessment completed by country 3.1.4 – Third SME Policy Index for EaP countries is published in 2019 3.1.5 – One regional and six country-level dissemination events held with 100 participants on average 3.1.6 – SBA factsheets		

				prepared for Armenia, Moldova and Ukraine		
	4.1 – Peer reviews on SME policy reforms are carried out [act. 4.1,4.2,4.3]	4.1.1. – Number of peer reviews carried out 4.1.2 – Extent to which high-level commitment to SME policy reform is secured	4.1.1 – Five EaP countries (all except Azerbaijan) have undergone a first round of peer reviews at the OECD Eurasia Competitiveness Roundtable (2013-2016) 4.1.2 – None	4.1.1 – Five EaP countries have undergone a second round of peer review, one country has undergone a first peer review (Azerbaijan) at the OECD Eurasia Competitiveness Roundtable 4.1.2 – All EaP countries have endorsed to implement reform recommendations provided at the peer review discussion		



This action is funded by the European Union

ANNEX 3

of the Commission Implementing Decision on the ENI East Regional Action Programme 2017
Part I

Action Document for Regional Programme on Statistics with Eurostat in the Eastern Partnership

1. Title/basic act/ CRIS number	Regional Programme on Statistics with Eurostat in the Eastern Partnership CRIS number: ENI/2017/040-208 financed under European Neighbourhood Instrument.			
2. Zone benefiting from the action/location	Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine The action shall be carried out in the six Eastern Partnership countries and in the EU Member States.			
3. Programming document	European Neighbourhood Instrument (ENI) Multiannual Indicative Programme 2017-2020 (MIP).			
4. Sector of concentration/ thematic area	Strengthening Institutions and Good Governance.			
5. Amounts concerned	Total estimated cost: EUR 5 000 000 Total amount of EU budget contribution EUR 5 000 000			
6. Aid modality(ies) and implementation modality(ies)	Direct Management - Procurement of services.			
7. DAC code(s)	<i>Statistical capacity building - 16062</i> <i>European Union Institutions - 42000</i>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance		x	
	Aid to environment	x		
	Gender equality (including Women In Development)	x		
	Trade Development	x		

	Reproductive, Maternal, New born and child health	x		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	x		
	Combat desertification	x		
	Climate change mitigation	x		
	Climate change adaptation	x		
9. Global Public Goods and Challenges (GPGC) thematic flagship	none			

SUMMARY

The objective of the programme is to support evidence based policy-making by improving the availability and quality of statistical data from the European Neighbourhood Policy East (ENP-East) countries as well as their dissemination to a wider public.

The statistical data produced by ENP-East countries need to be improved and better harmonised with European standards, so they can be used as a better tool for the design, implementation and monitoring of national policies as well as European policies towards these countries. At national level, more and better quality statistics is an important source for evidence-based decision making by policy-makers. At the EU level, harmonised data is needed to monitor the implementation of the agreements signed and/or currently negotiated with the ENP-East countries. This is essential to support economic analyses performed by various Commission Services and for following-up on EU policies in such areas as: trade, Small and Medium-sized Enterprises' (SMEs) development, business development and competitiveness, globalisation and economic integration, Sustainable Development Goals (SDGs), transport, energy, migration, governance, social policy including poverty, employment, health, information society, education and training etc. In addition, statistical data is very useful to measure and compare the impact of policy interventions.

Technical assistance to the National Statistical Systems (NSSs) of the ENP-East countries will be delivered through regional or country-specific training as well as provision of expert advice in the countries or in the EU Member States. Technical support will be provided to data collection and publications. Specific actions will be conducted to promote compliance with the European statistics Code of Practice (ESCoP) principles of professional independence, impartiality, statistical confidentiality and accessibility of data. Expert meetings, seminars and workshops will be organised to discuss and tackle problems in producing statistics in accordance with EU standards. Support will be given to improve dissemination of data.

The proposed actions will be implemented, when appropriate, at the regional level, but also at country's level to address specific needs of individual ENP-East country according to the differentiated approach of the revised European Neighbourhood Policy and to the specific situation in the countries.

The programme will result in more and better quality data from the ENP East countries. This will serve improved governance as policy decisions can be taken on the basis of sound evidence. It will be of benefit to the EU to monitor its policies towards these countries on the basis of reliable

and comparable data. It will also provide valuable support to the ENP East countries where legislative and policy development, as well as policy monitoring can be based on evidence. Finally, it will contribute to empowering the society at large, as the government can be held accountable on the basis of evidence.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

This regional programme is designed to assist 6 ENP-East countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine - to improve the availability and quality of statistical data. It is based on long lasting past experience gained in the context of implementing bilateral and multilateral/regional statistical cooperation programmes through TACIS (past regional programmes) and the European Neighbourhood Policy (ENP), using instruments as the Technical Assistance and Information Exchange instrument (TAIEX) and Twinning projects. It also builds on ongoing cooperation implemented in Armenia and Azerbaijan with the help of TAIEX and twinning projects.

The ENP-East countries share a common past and despite the fact that they have recently undertaken different developments, their National Statistical Systems (NSSs) have been developed within a similar administrative framework. As a result, they still face similar challenges when it comes to improving their statistical systems, as briefly described below.

The European statistics Code of Practice (ESCoP) with its 15 principles is the guiding document for the development of the institutional environment in the ENP East countries. All National Statistical Institutes (NSIs) have committed themselves to respect and implement this Code. As the underlying basis for the production of statistics, all the countries have a law on statistics; most of them were adopted between 2009 and 2015. All ENP-East countries have centralised statistical systems with a major part of official statistics being produced by the NSIs. There are, however, other important producers of official statistics such as central banks, ministries and other public bodies. In all countries, the NSIs are the coordinating body of the statistical systems, but there is a need to delineate the National Statistical System (NSS) by defining the exact coverage of official statistics and the other producers of official statistics. The role of the NSIs as the coordinating bodies for the NSSs is enshrined in the statistical law but needs considerable strengthening in practice. In order to assure the professional independence of the NSI, the position of the Director General needs to be further strengthened by including into the statistical law a fixed length and number of terms, as well as clear provisions on the recruitment procedures for this post (open, transparent and based on competence only) and on the reasons for dismissal (not for professional reasons). Long term strategies and annual work programmes exist in all the countries but could be stronger tools for the NSIs to coordinate the NSS by extended them to the whole NSS. A Statistical Council to enhance user consultation exists in all countries. However, a clearer mandate and extended coverage of the society in these Councils would be beneficial.

All countries have strong legal provisions in their statistical laws to collect data through surveys and to make response to statistical surveys mandatory, especially for economic surveys. However, the statistical laws should include a stronger mandate and authority for the NSIs to access and use administrative data sources held by other public agencies/ministries. This will reduce response burden and increase efficiency. Apart from working on the legal basis, the NSIs are also working on softer methods and have already concluded (or are in the process of doing so) several Memoranda of Understanding with these public agencies in order to receive these data on a regular basis, to be informed about their quality and to impact the changes in the design

of these data, to make them suitable for statistical purposes. The most prominent example of such data where access is needed and useful is the tax register and all countries have already achieved access to it.

In terms of adequacy of resources, human and financial resources are scarce in most of the NSIs in the region and need to be managed in a more efficient way. Moreover, Information and Technology (IT) developments lead to more extensive electronic reporting by respondents. This explains, to some extent, the need for the NSIs to reorganise their extensive regional structures and to gradually reduce the number of regional offices and corresponding staff and to relocate these posts to the head-quarters to embark on more methodological work. Another aspect is the need to develop an appropriate human resource policy and to embark on an assessment of time and costs needed to produce statistical output. This will give an evidence basis for rationalisation/prioritisation of resources and for decisions to reduce/increase resources for the production of certain indicators.

All countries have started to develop and implement systematic quality management systems. Within this framework, they already implement measures to improve the quality of the data and to report on this quality through quality reports in order to inform users about the methodology used.

All countries strictly respect and implement one of the main principles to guarantee trust in statistics: the principle of statistical confidentiality. In all countries, this principle is also included in the statistical law. Individual data from respondents are collected and used for statistical purposes only. Besides, the necessary IT and infrastructure elements are in place to secure these individual data. In the future, NSIs should include provisions in the statistical law to provide access to micro-data for research purposes on a strictly regulated basis with a clear protection of individual data.

According to the principle of impartiality and objectivity, National Statistical Institutes (NSIs) are obliged to develop, produce and disseminate official statistics respecting scientific/methodological independence and in an objective, professional and transparent manner. While this principle is recognised by all countries, there is a need for strengthening the compliance with the principle in terms of institutional arrangements in the country (statistical law, place of the NSI in the government and the respective sub-ordination), of the methodological independence (the Director General of the NSI as the Chief Statistician of the country has the sole right and authority to decide on methodology) and of the dissemination practice (no pre-access for ministers and government officials). The latter is also linked to the principle of accessibility and clarity. All users should have access to the data at the same time, standard statistical information contained in the annual work programmes is disseminated for free on the website, and a statistical release calendar is available on the website with the exact date and time of release for at least headline indicators. All of these practices should be institutionalised through a dissemination policy.

Concerning statistical infrastructure, all countries have implemented the main international and European classifications and they base their national statistical classifications on them. They have set up statistical registers for the purpose of statistical surveys of businesses, or can access administrative registers and derive information from them. Updating existing registers and using administrative sources for statistical purposes is a challenge for all countries. All countries have an Information and Technology (IT) Department or a separate Computing Centre that is responsible for all technical IT services, maintaining the website and intranet, providing software, developing own software components and applications as well as creating databases. IT systems, software and hardware need to be updated in several countries. Although the IT

environment has improved over the years, investments into the hardware and software as well as in the IT staff training are necessary to enhance the capacity of the IT infrastructure and to bring it to modern standards of data processing.

As for the availability of statistical data, for all countries economic headline indicators, such as Gross Domestic Product (GDP) and quarterly GDP are available and partly based on the latest version of the System of National Accounts (SNA-2008). Although steady progress was observed, there is a need to apply the corresponding European standard (ESA-2010) and improve the quality of annual and quarterly GDP and produce sectoral accounts, regional accounts, Supply/Use Tables and Input/Output tables. All countries produce an inflation rate and several other price indices but further methodological development, quality improvements and more transparent dissemination of concepts and metadata is needed. Trade data are also available in all countries but quality and coverage need improvements. While the Balance of Payments is produced by the Central Bank in all six ENP-East countries according to International Monetary Fund (IMF) standards, public finance statistics is available but not yet produced in accordance with European standards (e.g. data are produced on cash basis instead of using accrual accounting).

Business statistics is compiled in all the countries but only very small parts of it follow European standards. The change from a branch-based approach towards the approach of annual and short-term statistics has not yet taken place and few data on business demography, SMEs, globalisation (global value chain), innovation and research are available.

As for social and demographic statistics, most countries have conducted a Population and Housing Census within the world-wide 2010 round and produce vital statistics. Back-casting population data is a significant challenge for a number of the countries due to huge migration flows, conflicts and territories out of the government control. Population registers should be established and migration statistics need urgent improvements. Data on poverty, labour market, education, research and development, health, social protection, culture, sport, crime, housing and communal services statistics are produced by the NSIs. However, data are often not yet produced in accordance with European standards and not of the required quality.

As for agricultural statistics and environment statistics, not all the countries have conducted an agricultural census and hence, the farm register and current production statistics are not complete. Agriculture production statistics, agricultural accounts and prices in agriculture need further development and quality improvement in order to align with international/European standards. For environmental statistics, availability and quality of environmental data varies in the countries in the region. The scope, quality and timeliness of data need further improvement.

1.1.1 Public Policy Assessment and EU Policy Framework

The European Union, through the revised European Neighbourhood Policy, seeks to enhance its cooperation with the neighbouring countries, especially with the Eastern neighbours in key areas of social and political life. Strengthening democratic processes in the ENP countries, good governance, economic growth and integration, energy security, involving civil society are among the priorities. The revised European neighbourhood policy introduced differentiation among the countries, in accordance with their ambitions in the relationship with the European Union. It also calls for prioritisation and for a more focused approach in order to deliver tangible and noticeable results to the citizens, as reflected in the Joint Staff Working document "*Eastern Partnership – focusing on key priorities and deliverables*" which identifies a list of 20 deliverables for 2020. In May 2017 the Commission has issued the Report on the Implementation on the European

Neighbourhood Policy Review, where it has further described the roll out of the revised policy approach.

Both the countries themselves and the EU consider cooperation with and between ENP partners as an important objective. By assisting beneficiary countries in focusing on common challenges, a regional approach has the potential to increase confidence among partner countries, thus to promote increased security, stability and prosperity in the region.

Good quality statistical data, produced in a professionally independent manner is essential to support the implementation of these policies and democratic processes and building up a democratic society in those countries. It is equally needed for trade negotiations, economic analyses, as well as for the monitoring of the efficiency of policies implemented and the assistance provided.

Reliable data is more specifically needed for the implementation of the Association Agreements (AAs) and the Deep and Comprehensive Free Trade Agreements (DCFTAs) with the three countries that concluded those agreements (Georgia, Moldova and Ukraine) and for concluding other cooperation agreements with the remaining three countries (Armenia, Azerbaijan and Belarus). Statistics is a part of these processes, both as a separate domain and as an instrument supplying data in other domains covered by the agreements. Although the AAs concern individual countries, especially in the area of statistics, commonalities are a critical factor, because, in addition to the scope and quality of data, their harmonisation and standardisation, as well as their regional and international comparability, represent a key value for the users, including users from the countries needing data for informed decision making and analyse.

In order to promote cooperation among the National Statistical Institutes (NSIs) of the six countries and with Eurostat, a panel on statistics was established in November 2014 within the framework of the Eastern Partnership (EaP). The Statistics Panel focused on exchanges of information and best practices on the following main issues:

- The implementation of the European statistics Code of Practice (ESCoP) in the National Statistical Systems (including the principle on professional independence), role and place of the national statistical offices in the national statistical systems; work with users, including public administration and private actors;
- Exchange of information and best practices on European standards in selected statistical domains and support towards harmonising these standards where so decided (e.g. business statistics including on SMEs, labour market statistics, social statistics including gender statistics, price statistics, trade statistics, national accounts including non-observed economy, energy and transport statistics, environment statistics, macroeconomic and financial statistics);
- The implementation of a user-producer dialogue for evidence-based decision-making with the emphasis on close cooperation between various ministries and agencies, the cooperation of which is crucial for producing good quality statistics;
- Exchange of information and best practices on how to increase the use of administrative data for statistical purposes.

The objective of this Panel was to contribute to the economic integration and convergence with EU policies by:

- Improving the availability of good quality statistics in line with the statistical *acquis*;
- Modernising the national statistical systems in the region so that partner countries are able to provide, in conditions of professional independence and in an efficient way, internationally comparable statistical data for good governance and monitoring the effectiveness of the implemented policies.

Since 2015, four meetings have been organised on various statistical domains and the institutional framework for statistics and the work of the panel has generated exchange of knowledge and experience as well as recommendations for the application of European standards in the specific domains. The panel has also proven the willingness of the six countries to work together in the area of statistics. The knowledge transfer organised within the panel now needs to be complemented with a support programme to help the countries to implement the European standards into their statistical production systems so that an increasing number of harmonised and comparable statistical indicators become available.

1.1.2 Stakeholder analysis

The stakeholders to be targeted are the National Statistical Institutes as well as other producers of official statistics being part of the National Statistical System (e.g. National Bank, Ministry of Finance), who are responsible for the production of official statistics in the countries.

The governments in the countries, as well as policy Directorate Generals in the European Commission, are stakeholders, as they need high quality statistical data for the ENP-East countries in order to improve evidence-based policy making, planning, monitoring of the implementation of the existing AA and/or or to negotiate future agreements.

Statistical data also provide factual evidence for a wide range of users: policy makers, economists, media, academia and the public at large. In that sense, assistance provided to the NSSs becomes relevant for the entire society in the partner countries and in the EU Member States.

1.1.3 Priority areas for support/problem analysis

ENP-East countries are at a moderate level of development in statistics as they make a wealth of data available. However, a significant number of data needed for a democratic and social market economy are lacking or are not produced in line with European standards. Moreover, data available are disseminated in an old-fashioned way not using the advantages of the latest IT developments. On the other hand, quite some data are produced for the government that requires information in order to manage state-owned enterprises, micro-manage enterprises and regional development. Moreover, although the understanding of the role of statistics in a democratic society has changed in the countries, they are very often regarded as institutions mainly serving the government and not the society as a whole. Hence, they are considered by the government to serve its interest. This is contrary to the fundamental principles of official statistics and to the European statistics Code of Practice (ESCoP) principles according to which a statistical office needs to be professionally / scientifically independent from the government in order to produce trustful and objective statistical information.

The programme will address these problems and focus on the following key issues:

- 1) strengthening the NSIs and enhancing the institutional environment in such a way that the data are produced and disseminated in a professionally independent manner;
- 2) increasing the capacity of the NSSs, so that they could produce an increasing number of good quality statistics in accordance with EU standards and make them available through modern ways of dissemination.

While many activities will and have to be common for all countries because of the similarity of the challenges faced, the individual situation of each country and the specific goals to be achieved in the context of the AA/DCFTA and other agreements, has to be taken into account.

The exact share of assistance between regional activities - for all six countries - and country specific activities, cannot be precisely defined at this point in time. Regional activities will be designed to increase harmonisation and comparability of data. Link and complementarity with country specific activities will be ensured.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Limited human and financial resources available to NSIs in ENP-East countries.	M	Beneficiaries will need to prioritise activities and deliverables within statistical projects in order to manage the implementation of the projects with the available resources.
Inefficiencies in action implementation because of lack of coordination between donors active in the region.	L	Eurostat is constantly monitoring the various donor activities in the region through the annual donor coordination survey, and keeps close contact with other donors through coordination meetings.
Professional independence of the NSI is impacted by different outside factors.	M	It is crucial for a successful implementation of the action that the governments guarantee the professional independence of the NSIs. This can be achieved by implementing global assessments highlighting the importance of the ESCoP, especially its Principle 1 on professional independence and by closely involving the national authorities with oversight functions over the NSIs.
Assumptions		
<ul style="list-style-type: none"> • Commitment of ENP-East national authorities to the process. • Cooperation of official statistics producers in the beneficiaries. Parallel implementation of necessary national projects in the area of statistics. Sufficient support to NSI provided by the Government. • Availability of experts and good cooperation between all stakeholders. The necessary human and technical resources are provided by the national authorities. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The National Statistical Systems of the ENP-East countries share a common past in being part of heavily centralised government structures and operating as a part of a centrally planned economy. Following the change of political system, the NSS of ENP-East countries have been assisted by international donors (like the European Union (EU), the United Nations (UN), the International Monetary Fund (IMF), the World Bank, the European Free Trade Association (EFTA)) as well as individual countries (such as France, Germany, Norway, Sweden, United Kingdom) in

modernising the way statistics is produced and in implementing a change of system, from providing "state statistics" to producing and disseminating "official statistics".

All ENP-East countries benefitted from various cooperation projects using TAIEX, Twinning, service contracts, bilateral cooperation projects or a combination thereof. Experience shows that the choice of the most appropriate instrument at a given point in time is essential for the success. While Twinning projects are useful when a specific domain requires a major reform, service contracts are better equipped to support the development of many statistical domains at the same time and TAIEX is most appropriate to tackle a specific ad-hoc need for foreign expertise. Cooperation in the past also has proven that the direct involvement of the top management on the beneficiary's side is crucial, as well as availability/recruitment of highly motivated staff and sharing of project results within and outside an NSI.

Past experience in accompanying national assistance programmes and implementing regional assistance programmes has proven that a regional approach is extremely helpful for the ENP-East countries. It allows them to build professional networks and to address common problems in such a way that sustainable statistical and institutional capacity is developed and able to deliver an increasing number of comparable and harmonised data. Regional programmes are the best guarantee that the data produced by the six ENP-East countries are comparable among themselves and with the data from the EU Member States.

The global assessments implemented by Eurostat in the past 5-6 years have helped to identify areas in need for development as well as strengths and weaknesses of the statistical system. They concern both statistical domains and institutional aspects, the latter being a pre-requisite to develop the statistical domains. A regional approach provides added value because it targets the entire statistical systems in all their complexity and provides for increased harmonisation, economies of scale and visibility to the region.

International cooperation and capacity development lead to an increase in statistical production (new indicators, increased coverage, improved timeliness, better quality and dissemination). For the sustainability of results, it is very important to be supported by the government as a whole. Other important factors which can guarantee sustainability are the institutionalisation of changes, proper training of responsible experts and good communication with all stakeholders involved.

Between 2009 and 2013, Eurostat implemented global assessments of the NSSs of all ENP-East countries. The reports provided comprehensive pictures of the state-of-play of the NSSs and contained a number of recommendations for improvement. The corresponding improvement actions are being implemented and monitored annually. A second round of assessment started in 2016 in Ukraine and Azerbaijan and will continue in 2017 with Moldova.

Over the years, the assistance provided by Eurostat - although limited because of budgetary constraints - has contributed to improving the institutional framework for statistics in the ENP East countries as well as the availability and quality of statistics in line with European standards. Some of the data are provided to Eurostat on a regular basis and are published. However, considerable and steady efforts are needed to improve the coverage and quality of data as well as to modernise the NSSs in line with latest international trends. Significant support by the EU is needed to address these shortcomings and challenges.

This regional programme is expected to bring further value added by addressing the current and future challenges such as data for SDGs, globalisation, business development in the countries, information society and innovation/research, social conditions, poverty, migration and others relevant areas for all the ENP-East countries. For this, sharing of experience and best practice by

the EU Member States but also among the ENP East countries, by creating peer pressure and joining efforts, not only of the NSIs but of other national data producers and donor organisations (including the EU) active in the region will be necessary.

3.2 Complementarity, synergy and donor coordination

All ENP-East countries benefit from the assistance of other donors active in the region. The non-exhaustive list includes United Nations agencies, the Organisation for Economic cooperation and Development (OECD), the World Bank, IMF, EFTA, Swedish International Development Cooperation Agency (SIDA), Department for International Development (DFID), United States Agency for International Development (USAID), Norway etc. The World Bank and the Government of the Russian Federation established a multi-donor trust fund, ECASTAT, to support statistical capacity building in CIS countries.

In order to formally coordinate all these activities and donors, Eurostat is implementing an annual donor coordination survey. The results of this survey are widely disseminated among the donors and beneficiaries so that all actors are informed of activities in the countries. The results are used by all donors to avoid duplication and use the resources efficiently. The donor survey also demonstrates that the EU is the largest donor for statistical capacity building in the six ENP East countries and based on this, Eurostat's role of coordinating various donor activities is widely recognised and accepted.

Furthermore, the NSIs and their international cooperation departments are aware that donor coordination is one of their main tasks and all of them keep good track of donor projects in statistics in the country. Some of them have even established a donor coordination committee. Effective coordination with EU Delegations is ensured through the above mentioned donor survey and by the NSIs of the countries together with Eurostat.

There are national programmes to assist the NSIs in some of the ENP East countries. These programmes are complementary to the regional programme as they target specific needs of the country at a larger scale, while the regional programme focuses on common problems and challenges and focuses.

Complementarity will also be ensured with existing regional programme notably on Environmental statistics in the Eastern Neighbourhood (Shared Environmental Information System - SEIS, 2016-2020) which is implemented by Eurostat and the EU4Energy cooperation programme (2016-2020) which focuses on evidence-based energy policies with a specific component on enhancing energy data management and use in policy design.

3.3 Cross-cutting issues

Statistics affects many other policy areas by providing the data that policy makers use to design policies and the society to monitor the implementation of the policies. There are very important links to key areas such as SDGs and the Agenda 2030.

NSIs need to coordinate other producers of statistics, such as the national bank, ministries, agencies, etc. In that respect, the programme will lead to improvements not only for the statistical offices but also for the main partners involved in producing official statistics. Hence the capacity of the statistical systems will be enhanced.

The gender dimension will be addressed as more data broken down by gender will become available, where relevant, as a result of the programme.

The programme will not address environmental and climate related matters as such. However, environment-related considerations will be taken into account as the programme will contribute to improving the availability of good quality statistics on environment and partly also including climate change, in complementarity with the Shared Environmental Information System programme mentioned above.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the regional cooperation in statistics is to increase evidence-based policy-making on the basis of more and better quality statistics provided by the NSIs.

This can be translated into the following more specific objectives:

A. To empower users including policy-makers, civil society and social partners in using statistical information in an educated and informed way

The programme will result in the development of an active dissemination policy, increasing engagement with users and consultation on their needs and their satisfaction with the services provided by the NSIs. Users' engagement and use of modern tools of dissemination will contribute to reaching this objective. Statistical data will be published and made available in different formats in an easy-to-access and easy-to-understand way. This will serve transparency and accountability of decision-making processes (as referred to in the EaP Deliverable 11 – Public administration reform). Increased satisfaction of the users is expected to be the result of the programme, measured through user satisfaction surveys.

B. To improve the availability of good quality statistics for all groups of users

The programme aims at:

- addressing shortcomings/gaps in statistical data production in the domains of macro-economic statistics (national accounts aggregates, government finance statistics, trade statistics, employment data, business statistics, income and living conditions statistics, migration statistics, agriculture statistics, energy and transport statistics etc.);
- maintaining the level of progress achieved in other domains such as price statistics, demographic statistics, environment statistics, etc.
- helping the countries to continue harmonisation with European standards notably by improving the availability of good quality statistics in line with the European acquis in statistics.

The support will result in an increasing number of harmonised and comparable data in selected statistical domains for all/most of the countries.

C. To strengthen the professional independence and institutional capacity of the National Statistical Institutes (NSIs)

This programme will support the professional independence and institutional capacity of the NSIs by implementing the European Statistics Code of Practice (ESCoP). It will strengthen and stabilise the NSIs' institutional set-up and reinforce the management and planning capacities of the National Statistical Systems. This includes the consolidation of the legislative framework, revising the Law on Official Statistics based on the Generic Law on Official Statistics (as mentioned in the EaP Deliverable 11 – Public administration reform). The support will result in an improved institutional set-up of the National Statistical Systems and a modern legal infrastructure, ensuring the professional independence of the NSIs and objective and impartial data.

4.2 Main activities

The main activities will be provision of technical assistance by European experts, preparation and implementation of surveys, organisation of meetings, seminars, workshops and trainings, and production of statistical publications.

Technical assistance will be provided in priority areas (e.g. SDGs, migration, SMEs, business, economy, trade, competitiveness, poverty, employment etc.) focusing on increasing data availability for beneficiaries, namely on collection of data that are compliant with EU requirements and will be published by Eurostat.

Preparation and implementation of surveys will further enhance and help to coordinate statistical data collection from the countries. This should allow harmonising the reference periods, release dates and presentation standards. As a result a wide range of users may have access to data not only at the national, but also the regional and European levels.

Trainings, seminars, workshops will contribute to improving the statistical knowledge of staff from the countries on many statistical domains and horizontal issues (e.g. governance of NSSs, management of resources, quality etc.). Training courses facilitate the passing of European standards on to all ENP East countries, thereby ensuring that all of them know and apply consistently the same standards. The national authorities in charge of training for civil servants and public employees will be kept informed and, where relevant, they will be involved in the organisation of planned training sessions.

Production of statistical publications for the region providing harmonised regional data. The experience of the EU Member States shows that already the work on a joint publication constitutes a good opportunity to improve data comparability, the quality of data and metadata and the presentation standards. The result in this case would be both the skills developed during on-the-job practical training in preparing a publication and the publication itself including validated data.

a) Priorities to be indicatively addressed through regional activities

In terms of institutional capacity strengthening support will be provided to the NSIs to reach a position in the public administration of the countries that is free from political interference and enshrined in the statistical law and allows the NSIs to produce statistical data in a professionally independent, impartial, objective and reliable manner.

In terms of statistical capacity, support will be provided to the NSIs to increase the availability of more and better quality data through expert advice, data collection, training, workshops and publications. This will ensure that good quality statistical data in major statistical domains are available for evidence-based policy making and policy monitoring. The areas of support listed below are identified as areas in need for further development in the global assessments implemented in the six ENP East countries in the years 2009-2013 (and some more recent assessments in 2016) but other areas may emerge in the course of the project.

The support will be dedicated to the following domains (for each of the domains and resulting data it is assumed that data availability will differ from country to country depending on the current state-of-play in each country):

- macro-economic statistics (leading to the production and dissemination of annual and quarterly GDP according to ESA2010 and possibly sector accounts, government finance statistics in

accordance with the ESA 2010, external trade statistics comparable with the EU Member States data, employment/unemployment data in line with the EU acquis;

- social statistics leading to the production and dissemination of data for various aspects of social policy, migration statistics, labour market data in line with EU standards, the availability of earning and labour cost data, data on poverty and other demographic indicators;
- business statistics leading to the introduction of the European concept of business statistics (short-term and structural business statistics), data on SMEs and possibly data for innovation, research and development, and the use of ICT, also in line with the Digital Economy and Society Index (DESI)¹;
- agriculture statistics, leading to the production and dissemination of basic agriculture data in line with EU standards;
- energy and transport statistics leading to the production and dissemination of basic data on energy efficiency and production/balances as well as on transport, in line with EU standards.

For all these domains and resulting data, data broken down by gender will be part of the project, where appropriate and possible (notably demographic and social statistics) and relevant (for instance linked to increased sample sizes to get a representative survey and this needs adequate financing).

In the context of the 2030 Agenda and the Sustainable Development Goals there is also an increasing demand for the sustainable development indicators that are produced within the many statistical domains mentioned above.

Furthermore, the next world-wide round of population and housing census will take place in 2020. While the implementation of the census itself in the countries is not within the reach of this regional programme, advice on methodology and survey tools will be provided. Support on national level will be needed in this context.

b) Priorities at national levels

As the countries also differ in some ways (size, political situation, relations with the EU, economic system), it is obvious that some of the activities need to target either individual countries or a smaller group of countries in the region. Exact priorities at country level are indicative and will be fine-tuned or adjusted during the inception phase. For example, Ukraine may require specific assistance to provide data on the current population and demographic situation, number of displaced people, internal and external migration. Belarus might require more support in ensuring professional independence of statistics, market-economy driven statistics on businesses as well as environment statistics and accounts. Moldova might need more focused assistance in producing employment and migration data because of the considerable migration flows out of the country and their effects on the labour market. The three countries that have signed AA/DCFTAs – Georgia, Moldova and Ukraine - need more assistance in developing comparable trade statistics, for both goods and services. Azerbaijan might need more assistance for developing statistics on the energy sector and the diversification of the economy. Georgia needs assistance for better economic and business statistics as well as population and migration statistics. Armenia might need assistance for providing data on business development, especially for SME, migration and the social situation and support for methodology development for the next population census. These are a few examples of a differentiated way in which a regional programme could tackle both the issues that are common for the countries in the region and those which are country-specific.

¹ <https://ec.europa.eu/digital-single-market/en/desi>.

4.3 Intervention logic

The methodology to be applied in the programme is well tested in providing assistance in statistics to countries outside the EU, especially to the enlargement countries, but also to the ENP countries. It organises practical transfer of know-how by means of expert advice on statistical standards and methodology, training courses for targeted specialists, support for data collection, joint publications, methodological workshops etc. All aim at increasing the availability and coverage of good quality statistical data in the Eurostat database (Eurobase) and in the databases on the NSIs.

The main implementing partners are the NSIs which are the focal point for official statistics in the countries and closely cooperate with other producers of official statistics (typically some Ministries, the Central Bank and other specialised state bodies). The partners are well known and established as the Commission (Eurostat) cooperates with them on a regular basis by collecting and publishing data in the Eurostat database (Eurobase) and by providing assistance within its limited resources to increase the availability and quality of the data (training courses, publications, assessments of the national statistical systems or of specific domains).

The sustainability of the results of the programme stems from the fact that assistance in statistics focuses on building an appropriate infrastructure for the professionalism of the statistical institute and for statistical data production. Once a statistical survey is designed and implemented or an international classification is translated into the national language and is used in data collection process, they constitute instruments of the NSS and stay there beyond the lifetime of an assistance programme.

The multiplier effects would be manifold. Tools and instruments developed for one domain of statistics (sampling, processing, quality measures and reports) could also be applied to other domains of statistics. The regional programme gives also an opportunity for all the countries in the region to learn from best practices, as well as to apply the same standards and methodology at the same time. This contributes to achieving comparability of statistical data across the region and with the EU.

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 implementation period for this Action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission 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 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

The action will be implemented under direct management by Eurostat following the conclusion of a cross-subdelegation between DG Neighbourhood and Enlargement Negotiations and Eurostat. DG Eurostat will be responsible for tendering and concluding one service contract.

Through the service contract technical assistance will be provided to the National Statistical Institutes (NSIs) of the Eastern Partnership countries and the other producers of official statistics (such as national banks, ministries of finance and other ministries as relevant and related to their area of competence). This will take the form of providing support to the implementation of statistical projects in key areas listed above (provision of expertise, training on methodology, support to data collection, study visits to experienced EU Member States' NSIs, consultations, analysis and dissemination of the data), participation in meetings/seminar/workshops, provision of general training on methodology and institutional issues, study visits to Member States and other appropriate forms.

5.3.1 Procurement (direct management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
As described under section 4.2	Services	1	Q1 2018

5.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement 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 Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5. Indicative Budget

	EU contribution (in EUR)
Procurement (direct management)	5 000 000

5.6 Organisational set-up and responsibilities

The programme will be managed by Eurostat in close cooperation with the NSIs of the six ENP-East countries. The annual High Level Seminar (HLS) will play the role of the Steering Committee for taking strategic decisions on the areas of statistics to be targeted, priorities, the

scope of activities and the expected results. The HLS will review periodically programme implementation and suggest necessary corrections and adjustments.

At the end of the inception period of the contract the specific priority areas of intervention will have to be defined and then consulted with the relevant stakeholders such as DG NEAR, the European External Action Service (EEAS), the EU Delegations in the countries and possibly line DGs and assessed/weighted against the available resources. This consultation process will also include the NSIs of the partner countries, through the High Level Seminar mentioned above and other consultation mechanisms.

The NSIs will constitute the coordinating bodies in their respective countries for the involvement in the programme of other stakeholders being part of the national statistical system (other producers of official statistics such as the national Bank, Ministry of Finance) or providing data to the NSI (Ministries and agencies holding administrative data or registers) or users (for defining needs for statistics).

The NSIs will be required to produce and submit annual Country Progress Reports (CPR) to describe the state of the national statistical systems, taking into account the progress made towards the international comparability and harmonisation, and the main statistical activities carried out in the meantime.

The CPR will provide an overview of the legal and general institutional framework, capacity of the statistical system and infrastructure, information system, training and resources. Besides, the CPRs will review the results and progress achieved in the implementation of the support programmes, follow-up, monitoring and assessment of the results and impact of the statistical co-operation for ENP-East countries.

Eurostat will ensure the coordination with the interested stakeholders including relevant Commission Services, EU Delegations, Members States, United Nations Economic Commission for Europe (UN/ECE), the European Free Trade Association (EFTA), the OECD, etc. It will identify synergies with other relevant, programmes, projects and initiatives related to or having impact on statistics such as, for example, EU for Energy, ENI East Regional - Shared Environmental Information System (SEIS), IMF assistance programmes. This coordination will take place through the annual donor coordination survey implemented by Eurostat.

The programme will be sub-delegated by DG NEAR to Eurostat based on an annex to the existing Memorandum of Understanding between Eurostat and DG NEAR in the form of a service-level agreement. The service level agreement will define the responsibilities for each actor in the programming, implementing and reporting phases and will set out reporting requirements for Eurostat through progress meetings and the annual activity report.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action – based on information on data availability provided by the NSIs of the partner countries - and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

5.8 Evaluation

The Commission may, during implementation, decide to undertake an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

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

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.

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

5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

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

For country based activities, the "EU4country" branding will be used.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)²

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

	Intervention logic	Indicators	Baselines (2018)	Targets (2021)	Sources and means of verification	Assumptions
Overall objective: Impact	<ul style="list-style-type: none"> To increase evidence based policy-making on the basis of more and better quality statistics provided by the National Statistical Institutes from the European Neighbourhood Policy East (ENP-East) 	<ul style="list-style-type: none"> Satisfaction of users with the data provided by the statistical systems for evidence-based decision-making 	<ul style="list-style-type: none"> Satisfaction of users at a fair level 	<ul style="list-style-type: none"> Increased level of satisfaction of users and decision-makers with the data available 	<ul style="list-style-type: none"> Association Agreement reports and reports on Partnership Priorities Results from user satisfaction surveys implemented by the NSIs Feedback from international community and civil society in the country. 	<ul style="list-style-type: none"> Support to NSIs and use official statistics for policy decisions by national authorities
Specific objective(s): Outcome(s)	<ul style="list-style-type: none"> Empowerment of users including policy-makers, civil society and social partners in using statistics data in an educated and informed way 	<ul style="list-style-type: none"> Extent to which data is used for policy decisions Percentage level of satisfaction of users 	<ul style="list-style-type: none"> Statistical data are used occasionally for policy decisions Fair level of satisfaction (overall satisfaction at 30%) 	<ul style="list-style-type: none"> Statistical data are regularly used for policy documents Good level of satisfaction (overall satisfaction at 50%) 	<ul style="list-style-type: none"> Association Agreement reports and reports on Partnership Priorities User satisfaction surveys carried out by the NSIs Databases of Eurostat and the NSIs websites 	<ul style="list-style-type: none"> Necessary resources for implementation are provided by national authorities

² Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	<ul style="list-style-type: none"> • Improved availability of good quality statistics for all groups of users • Strengthened professional independence and institutional capacity of the National Statistical Institutes 	<ul style="list-style-type: none"> • Availability and coverage of data • Percentage number of methodologies harmonised with European standards • Number of quality reports available to users • Number of principles of the European statistics Code of Practice implemented 	<ul style="list-style-type: none"> • Estimation of baseline data availability by the contractor for 2018 • Between 10-20% of methodologies harmonised • Between 10-30 quality reports per NSI available • Less than 50% of the principles are completely implemented 	<ul style="list-style-type: none"> • 15% Increased availability of data – depending on the country (e.g. Macroeconomic indicators, labour market statistics, poverty data, Business statistics, Transport statistics, Energy statistics and Agriculture statistics etc.) in databases in comparison to baseline year 2018 • Around 30-40% of methodologies will be harmonised • Between 30-50 quality reports per NSI available • Around 70% of the principles are implemented 	<ul style="list-style-type: none"> • Eurostat sector review reports on selected domains of statistics • Website of the NSIs • Quality reports on the NSI websites • Global assessment reports, Eurostat assessment of progress 	
Outputs	<ul style="list-style-type: none"> • Increased number and quality of data available • Easier access to data is provided 	<ul style="list-style-type: none"> • Number of datasets on the websites accompanied by quality reports/metadata • Number of dissemination policy documents available 	<ul style="list-style-type: none"> • Baselines number to be established in 2018 • No country has a comprehensive dissemination policy published 	<ul style="list-style-type: none"> • Increase by 15% compared to the baseline • At least four countries have developed, adopted and published a dissemination policy 	<ul style="list-style-type: none"> • Assessment by Estat • Conclusions from High Level Seminars • Country progress reports • User satisfaction surveys • Reports on seminars and 	<ul style="list-style-type: none"> • Availability of experts and good cooperation between all stakeholders

	<ul style="list-style-type: none"> • Improved knowledge and use of statistical methodologies • Improved quality management systems • Increased coordination of the national statistical system • Revised statistical laws 	<ul style="list-style-type: none"> • Number of seminars and trainings conducted to increase NSIs knowledge on European methodologies • Number of countries having a quality policy documented • Number of MoUs signed with other data providers • Number of statistical laws revised 	<ul style="list-style-type: none"> • 3-4 seminars and trainings per year • No country has a documented and publicised comprehensive quality management system in place • Coordination of the NSS is loose and not systematic • At least one country has revised and adopted its statistical law in accordance with the "Generic Law on Official Statistics" 	<ul style="list-style-type: none"> • Around 15-20 seminars/trainings per year • At least four countries have developed and publicised a comprehensive quality management system • Coordination of the NSS is established in MoU and with other producers • At least four countries have revised their statistical laws in accordance with the "Generic Law on Official Statistics" 	<p>trainings</p> <ul style="list-style-type: none"> • Data on websites of the NSIs and in Eurostat database • Laws on the websites of the NSIs 	
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Activities: training, study visits and consultations, data collection, publications, workshops and seminars.

Input: expertise, EU know-how, EU acquis in statistics, support to surveys.