

SUMMARY

Commission Implementing Decision on the Neighbourhood Investment Platform (NIP) and the programme in Support to the Improvement in Governance and Management in the Neighbourhood (SIGMA), part of the European Neighbourhood wide Action Programme 2018 to be financed from the general budget of the Union

1. Identification

Budget lines	22.040101, 22.040102, 22.040201, 22.040202 and 22.040303
Total cost	Total amount of EU budget contribution: EUR 463 730 000 from which: - EUR 5 000 000 from budget line 22.040101 (South) - EUR 242 950 000 from budget line 22.040102 (South) - EUR 5 000 000 from budget line 22.040201 (East) - EUR 170 780 000 from budget line 22.040202 (East) - EUR 40 000 000 from budget line 22.040303 (ENP East - Umbrella allocation for Georgia)
Legal basis	Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument European Neighbourhood-wide measures and priorities (2014-2020) ¹ and Multiannual Indicative Programme (2018-2020)

2. European Neighbourhood background

The European Neighbourhood Policy (ENP) – that was launched in 2004 and reviewed in 2011 and in 2015² - strives to strengthen the partnership between the EU and the countries and societies of the neighbourhood.

In order to achieve the objectives of the ENP, reduce the social, economic and political barriers between the EU and its neighbours and to extend EU policy initiatives to Neighbourhood countries, bilateral and regional financial assistance is foreseen under the European Neighbourhood Instrument (ENI).

The ENI focuses on promoting essential reforms, capacity building and modernisation measures in the partner countries. Parallel to this, vital capital investments must be made to rehabilitate, modernise or build essential infrastructure needed for safe and efficient transport of goods and people; for an efficient, secure and safe production, transport and consumption of energy; for effective environmental protection, in particular to ensure the quality of water, air and soil, as well as sustainable waste management and climate change related issues.

In addition, financing is also needed to support inclusiveness and the provision of basic social services such as health and education, as well as to develop the private sector, in particular Small and Medium sized Enterprises (SMEs).

¹ C(2014)5196.

² JOIN(2015)50 final, 18.11.2015.

The European Neighbourhood wide programme will pursue a number of strategic objectives that have been chosen for implementation taking into account of complementarity with bilateral and regional programmes, in particular to provide targeted capacity building and facilitate investment in the European Neighbourhood countries.

The actions included in this Neighbourhood wide Annual Action Programme will contribute to these objectives by: enhancing public governance systems (governance reforms) through an additional contribution to the SIGMA programme. In addition the EU financial contribution to the NIP will facilitate, jointly with European and International Finance Institutions, additional investments for the development of infrastructure and private sector development in ENI partner countries.

3. Summary of the Action Programme

European Union support in the Neighbourhood policy focuses on promoting enhanced political cooperation, deep and sustainable democracy, progressive economic integration and a strengthened partnership with societies between the Union and the partner countries. It targets in particular poverty reduction and sustainable development, promotion of good governance, fighting corruption, strengthening institutional capacity at all levels, promoting infrastructure investment, connectivity and private sector development, to contribute to achieve the sustainable development goals of the partner countries and progressive economic integration into the European market and across the region.

These objectives are common to all the countries of the Neighbourhood and the Neighbourhood-wide measure included in this Action Programme provides resources to implement additional activities which address them.

Action 1: Contribution to the Neighbourhood Investment Platform

The NIP's specific objective is to facilitate additional investments in infrastructure in transport, energy, environment, with a particular focus on climate change mitigation and adaptation, and to support social and private sector development in Eastern and Southern Partner Countries. In particular the NIP will support the growth of Micro and Small and Medium Enterprises by making available a range of financial instruments in particular through risk-sharing capital mechanisms.

The NIP will prioritise projects that significantly contribute to achieving EU policy objectives in the region in particular regarding inclusive economic development and integration. Inclusive economic development should also contribute to sustainable job creation and to addressing some of the root causes of migration.

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

Action 2: Support for Improvement in Governance and Management - SIGMA

The objective of the SIGMA Programme, which is a joint initiative of the OECD and the EU principally financed by the EU, is to support ENI countries to strengthen institutional and administrative arrangements and improve partners' performance in accordance with the Principles of Public Administration by providing reform-driven assistance to enhance professionalism of the civil service, to improve policy development systems, to enhance effectiveness and accountability of the public administration, to improve public service delivery and public financial management. Support will be provided by high level European and International public expertise. The main expected results of the action are to reinforce horizontal systems of public governance, to contribute to ensuring more implementable and financially sustainable reforms and to increase accountability and ownership of reforms. SIGMA is monitored by the EU Delegations and Programme Administration Offices to ensure consistency and complementarity with bilateral co-operation, notably with institutional twinning and country-priorities.

4. Communication and visibility

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

Each action shall contain communication and visibility measures that shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported within the budget allocation to each action indicated in section 5 below.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and contribution agreements (or equivalent).

5. Cost and financing

Contribution to the Neighbourhood Investment Platform (NIP)	EUR 453 730 000
Support for Improvement in Governance and Management (SIGMA)	EUR 10 000 000
Total EU contribution to the Annual Action Programme 2018 in favour of the European Neighbourhood Wide Programme	EUR 463 730 000

6. Conclusion

The Committee is invited to give its opinion on the attached Annual Action Programme 2018 in favour of the European Neighbourhood Wide Programme.



This action is funded by the European Union

ANNEX 1

on the Commission Implementing Decision on the Neighbourhood Investment Platform (NIP) and the programme in Support to the Improvement in Governance and Management (SIGMA), part of the European Neighbourhood Wide Action Programme for 2018

Action Document for the 'Neighbourhood Investment Platform (NIP)'

ANNUAL PROGRAMME

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

<p>1. Title/basic act/ CRIS number</p>	<p>The 2018 Annual Action Programme on the Neighbourhood Investment Platform (NIP) CRIS number: ENI/2018/041-373 (South) and ENI/2018/041-163 (East) financed under the European Neighbourhood Instrument (ENI)</p>
<p>2. Zone benefiting from the action/location</p>	<p>(a) European Neighbourhood Policy (ENP) countries with an ENP Association Agenda/Action Plan in force ⁽¹⁾; (b) Other ENP countries ⁽²⁾ (and exceptionally other third countries, as set out in Regulation (EU) No 232/2014 of the European Parliament and of the Council ⁽³⁾), in particular in case of projects with a cross-border and regional nature to which the Union attaches particular interest, and following a unanimous decision of the Board.</p>
<p>3. Programming document</p>	<p>European Neighbourhood-wide measures and priorities (2014-2020) ⁽⁴⁾ and Multiannual Indicative Programme (2018-2020) ⁽⁵⁾.</p>

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

⁽²⁾ Algeria, Belarus, Libya and Syria.

⁽³⁾ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

⁽⁴⁾ Commission implementing Decision C(2014)5196 adopting the Strategic Priorities 2014-2020 and the Multi-annual Indicative Programme 2014-2017 for the European Neighbourhood-wide measures under the European Neighbourhood Instrument.

⁽⁵⁾ C(2018) 2994, Commission Implementing Decision on adopting Strategic Priorities and a Multi-annual Indicative Programme 2018-2020 for European Neighbourhood-wide measures.

4. SDGs	Goal 6: Clean Water and Sanitation Goal 7: Affordable and Clean Energy Goal 8: Decent Work and Economic Growth Goal 9: Industry, Innovation and Infrastructure Goal 11: Sustainable Cities and Communities Goal 13: Climate Action			
5. Sector of concentration/ thematic area	Investment in infrastructure and support to Small and Medium sized Enterprises (SMEs)	DEV. Aid: YES ⁽⁶⁾		
6. Amounts concerned	Total amount of Union budget contribution: EUR 483 980 000 of which EUR 242 950 000 from budget line 22.040102 (ENP South) EUR 201 030 000 from budget line 22.040202 (ENP East) EUR 40 000 000 from budget line 22.040303 (ENP East - Umbrella allocation for Georgia) This action is co-financed by entities and for amounts specified in the indicative project pipeline which corresponds to appendices 1 and 2 of this Action Document.			
7. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the entity(ies) to be selected in accordance with the criteria set out in sections 5.3.2. and 5.3.3. Direct management through Procurement.			
8 a) DAC code(s)	41010 - Environmental policy and administrative management; 23010 - Energy policy and administrative management; 21010 - Transport policy and administrative management; 32130 - SME development; 16050 - Multi-sector aid for basic social services.			
b) Main Delivery Channel	46000 – Regional Development Bank			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁽⁶⁾ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	and child health			
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

The Neighbourhood Investment Platform (NIP) ⁽⁷⁾ is a blending facility, which combines Union grant contributions or financial instruments with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing.

The NIP will support projects prepared by the eligible European Finance Institutions in the Neighbourhood in line with the key objective of the NIP, which is, within the framework of the objectives of the ENP, to contribute to achieving the Sustainable Development Goals of the 2030 Agenda, in particular poverty eradication, as well as commitments under the ENP Review. It also addresses specific socio-economic root causes of migration, including irregular migration, and contributes to the sustainable reintegration of migrants returning to their countries of origin, and strengthening transit and host communities.

The NIP will prioritise projects that significantly contribute to achieving the Union's policy objectives in the region, as described *inter alia* in Union Council Conclusions, Union Agreements, frameworks for bilateral engagement such as Partnership Priorities (or equivalent documents like Association Agendas) as well as the European Neighbourhood Instrument (ENI) regional and bilateral strategy papers for the Neighbourhood. In the East sub-region, priorities will also take into account policy objectives set in the 2017 Brussels Eastern Partnership Summit declaration and the "20 deliverables for 2020", and subsequently set by Eastern Partnership platforms and panels, the Eastern Partnership transport network and the Energy Community. In the South region sectorial co-operation initiatives, strategies and plans supported by the Union for the Mediterranean will also be taken into account.

The NIP is designed to combine the Union's grants or financial instruments with other public and private financing. By reducing, through co-financing, the overall cost or risk of the project or by subsidising interest rates and/or financing technical assistance or providing

⁽⁷⁾ In accordance with Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1, 'the EFSD Regulation'), all references to 'NIF' or 'NIP' shall be understood as references to NIF prior to the entry into force of the EFSD Regulation, and understood as references to NIP after the entry into force of the EFSD Regulation.

financial instruments, the NIP will encourage the partner country governments, private sector and/or public institutions to carry out essential investments in sectors, which would otherwise be postponed due to lack of resources.

Decisions on NIP financing are conditioned to the additionality of NIP contribution. The NIP does not support any operation which could usually be financed by the market.

1 CONTEXT ANALYSIS

1.1 Context Description

In accordance with Regulation (EU) No 236/2014 of the European Parliament and of the Council ⁽⁸⁾, the Union should seek the most efficient use of available resources in order to optimise the impact of its external action. That should be achieved through coherence and complementarity between the Union's instruments for external action, as well as the creation of synergies between the Instruments and other policies of the Union. This should further entail mutual reinforcement of the programmes devised under the Instruments, and, where appropriate, the use of financial instruments that have a leverage effect.

In line with the ENP – that was launched in 2004 and reviewed in 2011 and in 2015 ⁽⁹⁾ – the ENI support will focus on promoting human rights and the rule of law; establishing deep and sustainable democracy and developing a thriving civil society; sustainable and inclusive growth and economic, social and territorial development; including progressive integration in the Union's internal market; regional integration; including connectivity and cross-border co-operation programmes.

In order to achieve the objectives of the ENP, reduce the social, economic and political barriers between the Union and its Neighbours and to extend the Union's policy initiatives to Neighbourhood countries, bilateral and regional financial assistance foreseen under the ENI will promote essential reforms, capacity building and modernisation measures in the partner countries.

The key objective of the NIP is, within the framework of the objectives of the ENP, to contribute to achieving the Sustainable Development Goals, thus creating sustainable jobs and addressing some of the root causes of migration.

To achieve this, vital capital investments must be made to rehabilitate, modernise or build essential infrastructure needed for safe and efficient transport of goods and people; for an efficient, secure and safe production, transport and consumption of energy; for effective environmental protection, in particular to ensure the quality of water, air and soil, as well as sustainable waste management and climate change related issues. In addition, capital is also needed for the provision of basic social services such as health and education; and to develop private sector, in particular small and medium sized enterprises (SMEs).

⁽⁸⁾ Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for external action (OJ L 77, 15.3.2014, p. 95).

⁽⁹⁾ JOIN(2015)50 final, 18.11.2015.

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

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

Based on the above described context, the European Commission, in this Decision, renews the NIP, through the ENI, in support to the implementation of the frameworks for bilateral engagement such as Partnership Priorities (or equivalent documents like Association Agendas) and the NIP Strategic Orientations.

1.2 Policy Framework (Global, EU)

The ENP is a strategic priority of the Union and aims at establishing a wider area of prosperity, stability and security involving the Union and its neighbours. The ENP is based on a bilateral and differentiated relation between the Union and each neighbouring country. Bilateral frameworks for engagement in the form of Partnership Priorities or equivalent documents such as Association Agendas are the key ENP operational tools. These cover a wide range of reform objectives of interest to the Union and the partner country and at the same time identify a number of clear priorities. The Union supports the implementation of these agreements through the provision of technical expertise and financial support.

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

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

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

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

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

The ENP also offers to its partners a very concrete set of opportunities through its sector policies. These cover a broad range of issues, reaching from employment and social policy, trade, industrial and competition policy to agriculture and rural development, climate change and environment. They also include energy security, transport, private sector development, research and innovation, as well as support to health and education, culture and youth.

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

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

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

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

1.3 Public Policy Analysis of the partner country/region

The Platform is supporting partner countries in the following policy areas, which are directly linked with the SDGs:

- Better and more sustainable transport infrastructure;
- Better and more sustainable energy infrastructure;
- Increased protection of the environment and enhanced resilience to disasters and climate changes impacts in synergy with low carbon development;
- Trade facilitation;
- Improved social services and infrastructures;
- Creation and growth of SMEs and improvement of the employment situations.

1.4 Stakeholder analysis

The final beneficiaries of the Platform will be the partner countries, either directly or indirectly through their central, regional and local administrations or semi-public institutions. Other final beneficiaries will be the private sector and in particular SMEs for categories of operations dedicated to the private sector development. Multilateral and national European development finance institutions will be direct partners and important stakeholders of the Platform.

1.5 Problem analysis/priority areas for support

The NIP will support projects prepared by the eligible European Finance Institutions in the Neighbourhood in line with the key objective of the NIP which is, within the framework of the objectives of the European Neighbourhood Policy, to contribute to achieving the Sustainable Development Goals, thus leading to sustainable job creation and addressing some of the root causes of migration and as defined in the below described NIP Strategic Orientations:

Strategic objective 1: Establishing better and more sustainable energy and transport interconnections (between the Union and neighbouring countries and between the neighbouring countries themselves), improving energy efficiency and demand

management, promoting the use of renewable energy sources, strengthening energy security through diversification of energy supplies and energy market integration, and supporting investments related to the implementation of the Union's agreements, including DCFTAs, as set out notably in the ENP Association Agendas / Action Plans or other equivalent jointly agreed documents;

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

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

The NIP will prioritise projects that significantly contribute to achieving the Union's policy objectives in the region, as described inter alia in the ENP review, Union Council Conclusions, Union Agreements, ENP, Association Agendas, Partnership Priorities and equivalent documents as well as the ENI regional and bilateral strategy papers for the Neighbourhood. In the East sub-region, priorities will also take into account policy objectives set in the 2017 Brussels Eastern Partnership Summit declaration and the "20 deliverables for 2020", and subsequently set by Eastern Partnership platforms and panels, the Eastern Partnership transport network and the Energy Community. In the South region sectorial co-operation initiatives, strategies and plans supported by the Union for the Mediterranean will also be taken into account.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
- External debt sustainability as some countries in the Neighbourhood are already close to the debt limit set by the IMF.	Moderate to high	Regular monitoring in line with IMF guidelines/recommendations.
Assumptions		
<ul style="list-style-type: none"> - A stable political and security climate on the regional level in general and on the country level in particular is needed to promote and secure investments. - Partner countries are ready to increase the level of investments on their own resources as well as through loans. - The pipelines of operations are of sufficient quality and volume and provide sufficient added value. - Partner countries and other local beneficiaries are supportive to the projects prepared by the eligible European Finance Institution. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Allocations to the NIP from the Union's budget have reached since 2007 a total of EUR 2 056 million. Additionally, Member States have contributed to the NIP Trust Fund with a total of EUR 84 million. This has enabled the launching of 140 projects with NIP support. The NIP contribution has succeeded in mobilising approximately EUR 17 billion of financing from European and International Finance Institutions since 2008 and a total estimated investment amount of EUR 33 billion i.e. leverage of circa 16 times in investment for every euro provided by the NIP. The success of the NIP as an effective instrument in the Neighbourhood to leverage investments and achieve greater development impact is also evidenced by a greater demand than available resources from the multilateral allocation and the increase in demand for top-ups from the regional and bilateral budgets.

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

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

Relevance to the objectives:

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

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

NIP operations:

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

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

The three-tiered governance structure of the instruments has been deemed to be effective although the evaluators identified that some of its aspects need

strengthening, for example the resource allocation mechanisms, the monitoring and evaluation functions and the transparency of the decision-making process.

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

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

The European Court of Auditors published a special report ⁽¹⁰⁾ on the Union blending facilities (including the NIP) in October 2014. The conclusions were largely in line with the above-mentioned ones: blending the facilities' grants with loans from Finance Institutions to support Union external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: need to improve the documentation on additionality of the grant and its level, produce guidelines, ensure more pro-active role of the Union's Delegations, simplify the decision making process, improve Commission's monitoring of the projects and ensure appropriate visibility for Union funding.

These recommendations have been addressed and incorporated in the blending framework, including the development of a harmonised and improved project application form and its guidelines as well as the development of a results measurement framework with standard indicators, both approved by the Platform for Blending in External Co-operation (EUBEC), set-up in December 2012.

In addition, the NIP operates since 2014 in the context of a revised and harmonised governance framework – including revised project application forms and project development guidance –that improves the accountability of the decision-making process while reducing transaction costs.

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

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) No 966/2012 ⁽¹¹⁾, an *ex-ante* evaluation of the NIP has been carried out.

⁽¹⁰⁾ European Court of Auditors' special report no. 16/2014. The effectiveness of blending regional investment facility grants with financial institution loans to support Union external policies.

⁽¹¹⁾ Commission Regulation (EU) 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

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

3.2 Complementarity, synergy and donor coordination

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

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

Since the beginning of 2011 the NIP has also included a Climate Change Window (CCW) to support the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. The NIP CCW is managed in a streamlined way and has in general the same rules and the same financing and methods of implementation as the NIP. It enables the tracking of all climate change related projects funded by the EU. According to the OECD-DAC ⁽¹²⁾ categories, these projects should be earmarked as Rio Marker 2. They can target

⁽¹²⁾ The Organisation for Economic Co-operation and Development's Development Assistance Committee.

either mitigation or adaptation or both of them and should contribute to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere. Operations could address all relevant fields in line with the ones of the facility.

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

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

The NIP governing bodies provide a very suitable arena for co-ordination amongst EFIs and amongst Member States. These platforms allow regular discussions on pipelines, priority projects and synergies between projects. Partner countries and Eligible Finance Institutions will ensure that all projects financed with Union's budget respect Union principles in terms of environmental and social impact, public procurement, state aid, and equal opportunities. Environmental Impact Assessments and Strategic Environmental Assessments should be carried out when required by the Union's Directives and in line with Union's standards. Infrastructure projects should take account of risk assessments to identify project's vulnerability to disaster risks, including longer-term expected effects from climate change. Risk-sensitive infrastructure should be promoted.

4 DESCRIPTION OF THE ACTION

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

The NIP's key objective will be, within the framework of the objectives of the ENP, to contribute to achieving the Sustainable Development Goals, thus leading to sustainable job creation and addressing some of the root causes of migration, focusing on promoting additional investments in sustainable infrastructure in transport, energy, environment, including climate change mitigation and adaptation, and to support social and private sector development in Eastern and Southern Partner countries. In particular the NIP will support the growth of micro and SMEs by making available a range of financial instruments in particular through risk-sharing capital mechanisms.

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

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

This Financing Decision concerns the 2018 Union contribution to the NIP, which was originally foreseen for the East for EUR 78 420 000 and for the South for EUR 65 950 000. The NIP annual contributions are programmed at Neighbourhood-wide level; they are complemented by specific funds from Neighbourhood regional programmes and/or bilateral programmes, as well as by direct additional contributions from Member States, which are kept in the NIP trust fund managed by the European Investment Bank (EIB). Concerning the former, they are as follows:

(a) In the South:

- An allocation of EUR 55 million from Egypt's bilateral co-operation (Single Support Framework) to the NIP, for investments in the education, water and energy efficiency sectors;
- An allocation of EUR 12 million from Jordan's bilateral co-operation (Single Support Framework) to the NIP, to support municipal development;
- An allocation of EUR 60 million from Tunisia's bilateral co-operation (Single Support Framework) to the NIP, to contribute to investments in energy efficiency, social, water and sanitation sectors as well as innovation/entrepreneurship;
- An allocation of EUR 20 million from the Southern Neighbourhood regional co-operation programme to the NIP, to support SME's/private sector development and investments in renewable energy/energy efficiency.
- An allocation of EUR 30 million from Morocco's bilateral cooperation (Single Support Framework) to the NIP, to contribute to investments in education, private sector development and/or green economy/energy efficiency.

(b) In the East:

- An allocation of EUR 50 million ⁽¹³⁾ from Ukraine's bilateral co-operation to the NIP, to finance investments in transport, energy, waste, water and sanitation, SMEs and private sector development, with a particular focus on municipal infrastructure.
- An allocation of EUR 40 million from the umbrella programme for Georgia to the NIP, to contribute to support SME's/private sector, lending in local currency and investments in the water, sanitation, waste management, transport and energy sectors.
- An allocation of EUR 14.36 million from Georgia's bilateral co-operation (Single Support Framework) to the NIP, to contribute to support

⁽¹³⁾ The Ukraine bilateral allocation is taking place in the context of the reform contract for investment.

SME's/private sector development and investments in the water, sanitation, waste management, transport and energy sectors.

- An allocation of EUR 28 million from the from Eastern Neighbourhood regional co-operation programme to the NIP, to support investments in transport and energy sectors.
- An allocation of EUR 20.25 million from Moldova's bilateral co-operation to the NIP, to support SME's/private sector development and investments in the water, sanitation, waste management, transport and energy sectors and other sectors eligible for NIP financing.
- An allocation of EUR 10 million from Armenia's bilateral co-operation to the NIP, to support SME's/private sector development.

The indicative pipeline of project proposals for the East and the South for the period 2018-2019 is included as Appendices 1 and 2 to this Action Document.

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

Finally, some limited funds from this decision will be allocated to accompanying measures necessary to provide in the context of the implementation of the European Fund for Sustainable Development (EFSD) ⁽¹⁴⁾, under which the NIP is one of the instruments. A maximum of EUR 800 000 will be allocated to the following accompanying measures:

- | | |
|---|-------------|
| - Financing of the EFSD Guarantee Technical Assessment Group: | EUR 450 000 |
| - Evaluation of the EFSD: | EUR 200 000 |
| - Communication on the EFSD: | EUR 150 000 |

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

- (1) Better and more sustainable transport infrastructure, notably:
 - better (faster, cheaper, disaster resilient, more sustainable and safer) transport infrastructure within beneficiary countries and between them;
 - better interconnection between the Union and the Neighbours through the extension of the TEN T-Network to the East and South;
 - faster and cheaper movement of people and goods between the Union and its neighbours, and between neighbours and the Member States particularly on the sub-regional level, while respecting Union's environmental standards.
- (2) Better and more sustainable energy infrastructure, notably:

⁽¹⁴⁾ Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1, the 'EFSD Regulation').

- the improvement of interconnectivity between the Union and Neighbour countries as well as between partner countries, thus increasing security of energy supply for the Union and for the Neighbours;
 - the improvement of safety and security of energy infrastructure and respect of Union environmental standards, notably/including environmental ones;
 - the improvement of energy efficiency and energy savings;
 - the increase of production and use of renewable energy, including energy from wind and solar.
- (3) Increased protection of the environment and enhanced resilience to disasters and climate changes impacts in synergy with low carbon development, notably:
- the promotion of sustainable integrated waste management (household, municipal and industrial) in line with the principles of a circular economy, including necessary related infrastructures, as well as relevant climate change considerations;
 - the introduction of sustainable integrated water management, including necessary related infrastructure;
 - the reduction of air, soil and water (including marine) pollution including monitoring infrastructure when needed;
 - the promotion of climate change related investments, i.e. renewable energy, energy efficiency and saving, sustainable consumption and production including resources efficiency and other climate and environment friendly techniques.
- (4) Support to trade facilitation, notably:
- support to SMEs to finance investments to comply with new technical regulations, conformity assessment and standards;
 - support to SMEs to facilitate its trade with the Union and other regions;
 - support DCFTA related infrastructure and equipment (in particular laboratories).
- (5) Improved social services and infrastructures, notably:
- better access to health care and improved health services installations in urban and rural areas;
 - better education facilities, increased access to education in urban and rural areas;
 - improved vocational training facilities.
- (6) Creation and growth of SMEs and improvement of the employment situations:
- better access to financing for micro and SMEs (availability of a larger range of financial products than what is currently available) at the different stages of enterprise creation, restructuring, modernisation etc.;
 - Supporting SMEs through the use of risk-sharing capital mechanisms by investing in private equity and venture capital funds; investing in

microfinance; providing guarantees to microfinance or other innovative instruments such as co-investing alongside Business Angels, Incubators and Accelerators and investing in innovation and technology transfers;

- Support to human capital development infrastructure such technical vocational and knowledge centres, creation of technological poles, enterprise incubators, etc.

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

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

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

4.2 Intervention Logic

As indicated in the section 5.3.2 each Lead Finance Institution will be awarded a contract for an individual operation based on its operational and financial capacity. Each individual action will be accompanied by the set of indicators adapted to the specificities of the action.

4.3 Mainstreaming

Gender, resilience and conflict sensitivity, environment and climate change will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of the following SDG(s): Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 11: Sustainable Cities and Communities and Goal 13: Climate Action.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, financing agreements may be concluded with the partner countries, as referred to in Article 158(1) of Regulation (EU, Euratom) No 1046/2018.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in Section 4 will be carried out, is 264 months from the date of adoption of this Financing Decision.

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

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures ⁽¹⁵⁾.

5.3.1 Procurement (*direct management*)

The amount allocated for accompanying measures of the EFSD, detailed in section 4.1 above and included in section 5.5. below, will be implemented under direct management by the Commission through service contracts.

5.3.2 ENI Blending Framework

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

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

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

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

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

⁽¹⁵⁾ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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

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

The Operational Board will also be responsible for:

- providing guidance to participating institutions on appropriate future financing proposals (based on Strategic Orientations), monitor and review the pipeline of projects, based on the results of the discussions at the technical level;
- examining project related results (including the NIP annual report) and monitor the portfolio of approved projects;
- promoting exchanges of best practices;
- drawing upon the specific expertise of the finance institutions as appropriate and respect the appropriate division of labour.

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

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

- review and discuss the pipeline to ensure co-ordination at an early stage, including in relation to geographical balance and agreed Union political objectives as well as to available resources. Results of the pipeline discussion shall be transmitted to the Board.
- assess project proposals submitted by a so called Lead Finance Institution based on the appropriate application form. The proposal will also be shared with other EFIs for peer review and possible written comments. In particular, such assessment will include alignment to the Union's policy objectives, the justification of the added value of the grant contribution, social and

environmental aspects, appropriate financial structure and other issues such as debt sustainability.

- facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

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

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

5.3.3 Contribution to the Neighbourhood Investment Platform

This contribution may be implemented under indirect management with the entities called Lead Finance Institutions, and for amounts identified indicatively in the appendix of this Action Document, in accordance with Article 62(1)(c) of Regulation (EU, Euratom) No 1046/2018. The Lead Finance Institutions are indicatively listed in the appendixes to this Action Document and have been selected using the criteria as set out in section 5.3.2 above, such as its operational and financial capacity.

Those criteria are also applicable for the definitive selection of the Lead Finance Institutions.

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

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

The Commission will only entrust budget implementation tasks to Lead Finance Institutions. In accordance with Article 154(1), (2) and (3) of Regulation (EU, Euratom) No 1046/2018, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. The European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the European Investment Fund (EIF), the Council of Europe Development Bank (CEB), the Nordic Investment Bank (NIB), the Nordic Environment Finance Corporation (NEFCO), the Agence Française de Développement (AFD), the Kreditanstalt für Wiederaufbau (KfW), the Italian Società Italiana per le Imprese all'Estero (SIMEST), Cassa depositi e prestiti S.p.A., (CDP)¹⁶ and the Spanish Agency for International Development Co-operation (AECID) comply with the conditions of points (a) to (d) of the first subparagraph of Article 154(4) of Regulation (EU, Euratom) No 1046/2018 and the supervisory and support measures are in place as necessary.

5.4 Scope of geographical eligibility for procurement and grants

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

The responsible authorising officer 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 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 in currency identified
Contribution for NIP projects in ENP South (<i>from budget line 22.040102</i>)	242 550 000	N/A
Contribution for NIP projects in ENP East (<i>from budget line 22.040202</i>)	200 630 000	N/A
Contribution for NIP projects in ENP East (<i>from budget line 22.040303</i>)	40 000 000	N/A
Accompanying measures of the EFSD (<i>EUR 400 000 from budget line 22.040102 and</i>	800 000	N/A

⁽¹⁶⁾ Subject to the positive opinion of the NIP Board.

<i>EUR 400 000 from budget line 22.040202)</i>		
TOTAL	483 980 000	N/A

5.6 Organisational set-up and responsibilities

See section 5.3.1 here above for the part of the action implemented under direct management. See section 5.3.2 and 5.3.3 here above for the part of the action implemented under the blending facility.

5.7 Performance monitoring and reporting

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).

In accordance with Regulation (EU) No 236/2014, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the NIP including the details laid down in Article 209 of Regulation (EU, Euratom) No 1046/2018. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. Policy impact of actions will be communicated to the political level on a regular basis in relation to key aspects of the agreed policy. The individual reports 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 individual final reports, narrative and financial, will cover the entire period of the action implementation.

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

(a) Transport

- Length of new or upgraded roads;
- Users of new or upgraded roads;
- Length of new or upgraded railways;
- Rail use;
- Length of new or upgraded urban transport lanes;
- Urban transport users;
- Port terminal capacity (passenger, container or cargo);
- Ports: Terminal(s) user traffic (passenger, container or cargo);
- Airport terminal capacity; and
- Airport use.

(b) Environment/Water and Sanitation, and climate change

- Length of new or rehabilitated water supply pipes;
- Population benefitting from safe drinking water;
- Length of new or rehabilitated sewer pipes installed;
- Population benefitting from improved sanitation services;
- New connections to water supply;
- Potable Water Produced;
- Water treatment capacity;
- Wastewater Treated;
- Wastewater treatment capacity; and
- Reduced GHG emissions from waste.

(c) Energy

- Transmission and distribution lines installed or upgraded;
- Population benefitting from electricity production;
- New connections to electricity;
- Power production;
- Additional capacity from conventional electricity production;
- Additional capacity from renewable energy sources including wind and solar;
- Energy efficiencies.

(d) Social Sector (social housing, health, education)

- New and/or refurbished habitable floor area;
- Population benefitting from improved housing, health and/or education conditions;
- Bed occupancy rate;
- Inpatients;
- Outpatients consultations;
- New and/or refurbished health facilities;
- New and/or refurbished educational facility;
- Students/researchers benefitting from new/refurbished educational facility;
- Students enrolled.

(e) Trade and Private Sector Development

- For direct operations: access to finance: number of units served among relevant target group (including when feasible for women entrepreneurs);
- For indirect operations: access to finance: number of units served among relevant target group (including when feasible for women entrepreneurs);

- For direct operations: access to finance: Amount of outstanding loans to relevant target group;
- For indirect operations: access to finance: Amount of outstanding loans to relevant target group;
- For indirect operations: new financing made available to financial intermediaries (e.g. banks, microfinance institutions, funds);
- For direct operations: number of micro, small and medium enterprises (MSMEs) reporting increased turnover (as a result of direct support received from the FIs); and
- For both direct and, where feasible, indirect operations: Number of jobs sustained (resulting from the project).

(f) Cross sector indicators

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

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 partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

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

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

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.

An amount is included in the indicative budget in section 5.5, as detailed in section 4.1. above, to finance the Neighbourhood contribution for the overall evaluation of the EFSD, which is to be performed according to the requirements of the EFSD Regulation referred to above.

5.9 Audit

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

5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

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

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

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

The European Commission will publish an annual activity report providing an overview of the financed projects.

6 PRE-CONDITIONS

Individual contracts for an individual operation will be awarded to Lead Finance Institutions selected in accordance with the criteria set out in section 5.3.2 and 5.3.3.

Appendix 1: NIP South Indicative Pipeline 2018-2019

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment (M EUR)	NIP Estimated Amount (M EUR)
South	Egypt	EBRD	Energy efficiency programme for the Egyptian gas infrastructure	Energy	220	10
South	Egypt	EBRD	Support to oil processing/energy efficiency and upgrade programme	Energy	183	13
South	Egypt	EIB / EBRD	Support to Alexandria water and sanitation programme	Water and Environment	200	25
South	Egypt	EIB	Water and wastewater rehabilitation project	Water	250	25
South	Egypt	KfW	Access to social services	Social	tbd	14
South	Egypt	EIB	Drain depollution project	Water	550	55
South	Egypt	EBRD	Green economy financing facility	Energy/Private sector	340	20
South	Jordan	AFD / EIB	Red sea – Dead sea water project (Phase I)	Water	1000	40
South	Jordan	AFD	Regional and Local Development Programme	Urban development	60	15
South	Jordan	AFD / EIB	Jordan national railway project	Transport	500	10
South	Lebanon	EIB	Lebanese highway	Transport	150	4,5

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment (M EUR)	NIP Estimated Amount (M EUR)
South	Lebanon	EIB	Saida water treatment expansion	Water and Environment Transport	65	25
South	Lebanon	EIB	National Urban development programme	Inclusive development Transport	10	35
South	Lebanon	EIB	National roads rehabilitation programme	Transport	420	35
South	Morocco	EIB	Education Maroc II	Education	300	33
South	Morocco	EBRD	Green Economy Financing Facility for Morocco (MorSEFFII)	Energy	185,5	30,5
South	Morocco	EBRD	Support to SMEs	Private Sector	100	10
South	Palestine	KfW	Support to Guarantee schemes for private sector	SMEs	70	10
South	Tunisia	KfW	Improvement of Tunisia's water storage, flood protection and transfer system	Water and rural development	174	25
South	Tunisia	EIB	Programme d'efficacité énergétique municipal	Energy	120	25
South	Tunisia	EIB	Modernisation établissements scolaires – écoles primaires	Education	400	25
South	Tunisia	AFD	Approche programmatique pour la promotion des énergies renouvelables en Tunisie	Energy	900	15
South	Tunisia	EIB	Programme gestion de déchets dans 10	Solid waste	126	2,6

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment (M EUR)	NIP Estimated Amount (M EUR)
			gouvernorats			
South	Tunisia	EBRD	STEG Climate Resilience Upgrade	Energy	200	22
South	Regional	KfW	Green for Growth Fund (GGF - MENA Window)	Energy/ SMEs	330	13
South	Regional	KfW	SANAD – the MENA fund for MSMEs – Phase III	Private sector	384	22
South	Regional	EBRD	SEMED Financial Inclusion programme	Private sector	168	30
South	Regional	EBRD	Green Economy Financing Facility – Lebanon, Palestine	Energy	93,5	18,5
South	Regional	EIB	SME local currency initiative	Private sector	480	20

Appendix 2: NIP East Indicative Pipeline 2018-2019

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment (M EUR)	NIP Estimated Amount (M EUR)
East	Armenia	EBRD	Masrik-1 Solar Power Plant	Energy	60	10
East	Armenia	EBRD	Solar Power Plant on batteries	Energy	12	3
East	Azerbaijan	EBRD	Eastern Europe energy Efficiency and Environment Partnership, E5P	Water and environment	10	10
East	Belarus	EBRD	Eastern Europe energy Efficiency and Environment Partnership, E5P – Phase II	Water and environment	100	5
East	Belarus	EBRD	Green Economy Financing Facility	Private sector	80	14
East	Belarus	EIB	Belarus Railway Infrastructure	Transport	200	12
East	Georgia	EBRD	Hazardous Waste Management	Waste Management	26	5
East	Georgia	KfW	Central Georgia Solid Waste Project	Waste management	45	10
East	Georgia	KfW	Support of reform initiatives in the Georgian Energy Sector - Energy Market Development and Energy Efficiency	Energy	200	20
East	Georgia	AFD	Improvement of water supply and sanitation in Khashuri	Water and sanitation	54	10

East	Georgia	EIB	Georgia Transport Connectivity (GTC) Phase II	Transport	1000	25
East	Georgia	EBRD/KfW	Energy Efficiency Programme in Public Buildings	Energy	100	25
East	Georgia	KfW	Support of reform initiatives in the Georgian Energy Sector - Energy Market Development and Energy Efficiency	Energy	249	9
East	Georgia	KfW	Communal Infrastructure for Environment and Tourism	Municipal	120	8
East	Ukraine	EBRD	Ukraine Public Transport Framework	Public Transport	75	14,5
East	Ukraine	KfW	Support of Integration of the Ukrainian Power Grid into the Synchronous Area Continental Europe (CESA)	Energy	52	8,6
East	Ukraine	EIB	Ukraine Transport Connectivity - Phase II	Transport	79	34
East	Ukraine	EIB	Vocational Education and Training in Ukraine	Education	100	36
East	Ukraine	EIB	Municipal Infrastructure Investments	Municipal Infrastructure (Transport, Water, Energy Efficiency)	tbd	tbd
East	Ukraine	EBRD	Energy Efficiency in Public Buildings	Energy efficiency	80	16

East	Ukraine	EBRD	Ivano-Frankivsk Solid Waste	Solid Waste	8	2
East	Ukraine	EBRD	Uzhgorod Solid Waste	Solid Waste	8	2
East	Ukraine	EBRD	Khmelnysky Solid Waste	Solid Waste	25	5
East	Ukraine	EBRD	Ivano-Frankivsk District Heating	District Heating	10	2,5
East	Ukraine	KfW	Ukraine - Municipal Infrastructure Development	Communal Infrastructure	170	30
East	Regional	EIB	Municipal Project Support Facility - Phase II	Energy Efficiency	520	20
East	Regional	EIB	DCFTA Initiative East - Guarantee Facility Phase II	Private	268	40
East	Regional	EBRD	Green Economy Financing Facilities	Energy	tbd	76
East	Regional	EBRD	FINTECC	Private	tbd	10
East	Regional	EBRD	GREEN CITIES	Public	tbd	25
East	Regional	EBRD	Renewable Energy Investment Platforms	Private	tbd	30
East	Regional	EBRD	BioEnergy Supply Value Chain	Private	tbd	10

East	Regional	EBRD	BioEnergy Supply Value Chain	Private	tbd	10
East	Regional	EBRD	Green Logistics	Private	tbd	10
East	Regional	EBRD	Women in Business Programme	Private	123	13
East	Regional	KfW	CAREF	Energy Efficiency, Private sector	30	7



This action is funded by the European Union

ANNEX 2

on the Commission Implementing Decision on the Neighbourhood Investment Platform (NIP) and the programme in Support to the Improvement in Governance and Management (SIGMA), part of the European Neighbourhood Wide Action Programme for 2018

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

ANNUAL PROGRAMME

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

1. Title/basic act/ CRIS number	“Support for Improvement in Governance and Management (SIGMA)” CRIS numbers: 2018/041-368 for the ENP East and 2018/041-350 for the ENP South financed under European Neighbourhood Instrument (ENI)	
2. Zone benefiting from the action/location	ENI region. The action shall be carried out at the following locations: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, Palestine ⁽¹⁾ , Syria, Tunisia and Ukraine.	
3. Programming document	Strategic Priorities 2014-2020 ⁽²⁾ and Multi-annual Indicative Programme (MIP) ³ 2018-2020, European Neighbourhood-wide measures	
4. SDG	SDG 16	
5. Sector of intervention / thematic area	Building institutional capacities for good governance.	DEV. Assistance: YES ⁽⁴⁾ .
6. Amounts concerned	Total estimated cost: EUR 10 183 673.	

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

⁽²⁾ C(2014)5196.

⁽³⁾ process(2018) 2994, Commission Implementing Decision on adopting Strategic Priorities and a Multi-annual Indicative Programme 2018-2020 for European Neighbourhood-wide measures.

⁽⁴⁾ Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	<p>Total amount of EU budget contribution: EUR 10 million of which EUR 5 000 000 for Neighbourhood South from budget line 22.040101, EUR 5 000 000 for Neighbourhood East from budget line 22.040201.</p> <p>This action is co-financed by the Organisation for Economic Co-operation and Development (OECD) for an amount of EUR 183 673.</p>			
7. Aid modality(ies) and implementation modality(ies)	<p>Project Modality Direct management through grant with the Organisation for Economic Co-operation and Development (OECD)</p>			
8. a) DAC code(s)	15110 Public sector policy and administrative management			
b) Main Delivery Channel	47080 - Organisation for Economic Co-operation and Development (Contributions to special funds for Technical Co-operation Activities)			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance			<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>		
	Gender equality (including Women in Development)		<input checked="" type="checkbox"/>	
	Trade Development	<input checked="" type="checkbox"/>		
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>		
	Combat desertification	<input checked="" type="checkbox"/>		
	Climate change mitigation	<input checked="" type="checkbox"/>		
	Climate change adaptation	<input checked="" type="checkbox"/>		
10. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

Support for Improvement in Governance and Management (SIGMA) is a joint initiative of the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD), principally financed by the EU. SIGMA contributes to strengthen public administrations in the EU Neighbourhood countries so that beneficiaries' institutions are in line with the universal good governance principles of transparency, accountability, responsiveness and participation and provide quality policy outcomes supporting socio-economic development. SIGMA assistance encompasses the six core areas of good governance and public administration reform (PAR), such as civil service and public administration organisation and functioning, policy development and co-ordination, PAR strategic framework and co-ordination, Public Finance Management (PFM) including public procurement. In this way, SIGMA contributes to build up administrative capacities in those

ENP countries who engaged in the reform of their administrations in line with internationally recognised good governance principles and practice. SIGMA's interventions will be programmed in close co-operation with the European Union Delegations (EU Delegation) and the Programme Administration Offices (PAO - Programme Administration Office), an office mandated by the partner country government to manage EU funded programmes and act as National Co-ordinator for Twinning, SIGMA and Technical Assistance and Information Exchange instrument of the European Commission (TAIEX) taking into account the main objectives of the EU bilateral co-operation, beneficiaries' commitment level and other donors' interventions in public governance reforms field.

1 CONTEXT ANALYSIS

1.1 Context Description

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

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

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

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

- PAR is a comprehensive yet flexible exercise that can be tailored to the specific ambitions and needs of the ENP partners. The Principles of Public Administration provide the reference framework to implement PAR-related reforms comprehensively;
- Reforms of public administration need to be inclusive, ensuring the involvement of non-state actors, promoting gender equality and engaging local authorities;
- PAR can be more systematically mainstreamed in the sectoral programmes and policy dialogue to address the quality of the legislative and policy development processes.

1.2 Policy Framework (Global, EU)

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

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

PAR remains a key priority in strengthening states' capacity to govern in a context of fragility. It is a cross-cutting issue of fundamental importance for success in political and economic reforms and building a basis for implementing good governance standards. The quality of administration directly impacts governments' ability to provide public services, to prevent and fight against corruption and to foster competitiveness and growth.

1.3 Public Policy Analysis of the region

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

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

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

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

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

1.4 Stakeholder analysis

Partner countries covered under the ENI regulation are eligible for SIGMA's intervention, more specifically: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, the Republic of Moldova, Morocco, Palestine ⁽⁵⁾, Syria, Tunisia and Ukraine, in accordance with Article 1, point 1 of the ENI regulation.

The main stakeholders are the state institutions responsible for reforms of public administration, as well as the state structures in charge of co-ordination among institutions, independent bodies and the Parliament within the scope of their scrutiny and oversight powers. The actual organisation varies according to the assignment of responsibilities at the level of each ENI beneficiary. An illustrative list is provided hereafter:

- Ministries and offices of the minister responsible for co-ordination of reforms of public administration and public administration development, such as: Ministry of Public Administration, Ministry of Interior, Office of the Minister for Public Administration; Civil service commissions/offices; Government Offices/General Secretariats; Legal Secretariats; Ministries of Justice, Ministries of Finance, oversight bodies, Supreme Audit Institutions, Public Procurement Authorities, Parliaments.
- Line Ministries may also be involved as beneficiaries to pilot PAR related assistance which may lead to horizontal reform measures.

1.5 Problem analysis/priority areas for support

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

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

The overall administrative architecture is fragmented, leading to a proliferation of agencies with various accountability lines and other dysfunctions. Often, basic functions of the state are not fully assured, severe co-ordination problems are frequent and administrative procedures tend to be sector or law specific, although

⁽⁵⁾ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

there are increasing initiatives to introduce general laws on administrative procedures.

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

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Broad number of pressing challenges in the Neighbourhood countries and different levels of vulnerability	M	In line with the ENP review, differentiation and greater mutual ownership will continue being key elements of SIGMA's approach to these countries. SIGMA will develop 18-month Work Programmes for each country previously agreed with the beneficiary institutions, the European Commission services, the EU Delegations and the PAO.
Lack of commitment of political and administrative leaders within national administrations to good governance and PAR	H	The Commission and SIGMA will raise awareness of PAR importance, will target broader range of stakeholders (including civil society) that can support and encourage/add pressure for reform to take effect, and will support more structured and better informed policy dialogue.
Inadequate co-ordination between different national stakeholders involved in reforms of public administration	M	The Commission and SIGMA will ensure involvement of all relevant stakeholders in the design and implementation and implementation of Work Programmes (including non-state actors).
Low capacity of the ENI beneficiaries to absorb and integrate advice and recommendations	M	The Commission and SIGMA will design the Work Programmes by involving the beneficiary administrations so that their absorptive capacities of are taken into account; the action will pursue realistic results that are good enough for ENI beneficiaries in transition, without proposing to sophisticated solutions.

Assumptions:

The SIGMA programme assumes that the Neighbourhood countries remain committed to their

overall reform paths and gradually understand that an effective, responsive, and accountable public administration does not only create a favourable environment to stimulate economic growth, social cohesion and environmental protection –the three pillars of Sustainable Development. It is a critical participant and determinant of crucial functions such as delivery of services including education, health, water, energy, justice, law, etc. without which the SDGs cannot be achieved. For this reason, developing capacity of public administration in all countries is paramount.

The countries continue recognising the added value of SIGMA’s intervention mechanism which is flexible and allows to quickly switch resources from country to country (with European Commission agreement) in response to opportunities and risks, ensuring the continuation of EU support to the ENP regions.

SIGMA engages in relatively small scale, mid-term targeted interventions but in the context of longer term relationships.

3 LESSONS LEARNT, COMPLEMENTARITY

3.1. Lessons learnt

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

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

SIGMA has a pool of permanent experts at its disposal, commonly previous officials of EU Member States national administrations, and mobilises temporary high level experts through individual service contracts, to carry out the planned interventions in the domains of assistance commonly agreed with the countries. This practioner-to-practioner approach is the benefit and value-added that SIGMA brings to the Neighbourhood countries.

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

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

- Concentrate efforts on a limited number of key horizontal systems such as completion and modernisation of the general administrative and accountability frameworks; policy development and co-ordination capacities; data collection, monitoring and reporting systems; rationalisation/simplification of administrative structures (especially of enforcement mechanisms) and procedures; public service and human resource management, public procurement and public financial management, including external audit;

- Duly take into account and ensure co-ordination with all PAR related initiatives through close co-ordination with geographical units in DG NEAR, EU Delegations, the PAOs, the relevant line DGs and other donors or international organisations;
- Support the ENI beneficiaries and the European Commission on the development of realistic and fully owned public administration and PFM reforms subject to constant monitoring of implementation including stronger links between horizontal and sectorial approaches;
- Contribute to the European Commission's efforts in raising political awareness and commitment to governance reform, including strengthening assessment activities and involvement in European Commission/dialogue with each ENI beneficiary regarding PAR strategies and initiatives;
- Put more emphasis on implementation and provide support on how reforms and sectorial strategies are designed, prioritised, sequenced and implemented. Build up horizontal capacity and the necessary frameworks to support it;
- Deepen the evidence basis of policies in various PAR areas and strengthen instruments for monitoring progress.

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

3.2. Complementarity, synergy and donor co-ordination

The action will seek complementarity with other institution building tools available in the EU Neighbourhood, notably Twinning, TAIEX, technical assistance and budget support operations. Such complementarity will be ensured through co-ordination with the PAOs and the EU Delegations of the beneficiary countries, particularly when the country benefits from assistance in the domains of PAR and PFM.

The combination of long-term and short-term assistance that the European Commission can deploy in supporting the beneficiary countries in reforming their governance systems has proven to be an efficient approach in implementing EU support to partner countries and progressing towards the agreed objectives.

4 DESCRIPTION OF THE ACTION

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

The overall objective of the action is to facilitate more sustainable governance and to strengthen the capacities of public administrations in the targeted region to enhance economic well-being and political freedom and facilitate closer economic integration and political co-operation between the EU and its neighbours.

More specifically the action aims to improve the ENI beneficiaries' performance in key horizontal governance and PAR fields including civil service and administrative legislation, rationalisation of public sector organisation, integrity and transparency,

public financial management, public procurement, policy making, co-ordination and monitoring.

The SIGMA action will contribute to changes which are expected to add to the achievement of the following overarching results:

1. an effective legal framework for professional, efficient and reliable public governance established;
2. an improved ability of public governances to ensure that services to citizens and economic actors are effective and respond to their needs;
3. the necessary implementation mechanisms are put in place to establish effective governance and accountability mechanisms for public governance and to lead reforms;
4. effective public policy (including regulatory) development and co-ordination systems are established;
5. effective resource allocation systems (including procurement) as well as internal control, internal and external audit are ensured.

4.2. Intervention logic

In order to achieve the above-mentioned results, SIGMA will perform the following indicative activities:

1. Analytical work, advice, peer-review and capacity building activities:
 - to strengthen planning, co-ordination, monitoring, evaluation and reporting mechanisms;
 - to improve the quality of PAR/PFM-related strategies where existing and necessary;
 - to put in place and where necessary strengthen the implementation of a coherent and appropriate general administrative legal framework, including through consistent administrative procedures for public service delivery;
 - to rationalise and strengthen the administrative structure in terms of size, co-ordination mechanisms, autonomy and political mandate and financial and human resources;
 - to support mechanisms being put in place for ensuring internal and external accountability of state administration bodies;
 - to assist the preparation of legislation to build a professional and merit-based civil service system;
 - to assist the preparation of legislation to strengthen the PFM systems, including budget preparation, budget execution with cash management, public internal financial control system, accounting and reporting, and external audit;
 - to support the preparation of legislation to improve Public Procurement, establishing the policy and institutional structures, operational capacities and strengthening public procurement operations that are capable of delivering value for money in the best interest of the relevant ENI beneficiary.
2. Full or partial assessment of the functioning of public administrations against the Principles of Public Administration where requested by the beneficiary partners;

3. Support to preparation and implementation of the policy dialogue meetings on PAR;
4. Support to networks in priority areas as requested by the Commission or proposed by the beneficiaries.

4.3. Mainstreaming

In general, a gender perspective will be maintained ensuring that the results of the action affects positively on gender equality. The action will ensure that its advice is consistent with equal opportunities and non-discrimination principles in all relevant areas, in particular on policy development, human resources management and service delivery, and will therefore contribute to mainstream gender consideration across public administration. Gender-sensitive considerations will be taken into account in all analyses and in assistance in policy and legislative development and gender will be mainstreamed in all activities and deliverables related to the implementation of this action. The development of a merit-based civil service system, including transparency, de-politicisation and meritocratic recruitment processes can have a positive influence on gender equality and contribute to move towards a Public Administration where it is possible for both women and men to enter and develop within administrations on an equal basis. SIGMA will ensure equal opportunity of participation in action activities to everybody and will strive to integrate the gender dimension in all its actions. Where gender may be directly relevant (e.g. civil service issues, service delivery), SIGMA will ensure that its advice is consistent with this cross-cutting principle.

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

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

Environmental objectives are not directly targeted by this action. However, the action will have positive effect in terms of quality of legislation and strategies and their proper implementation in all sectors, including environment and related areas. In fact, according to the better regulation approach, SIGMA will support the quality of impact assessments, including fiscal, regulatory and environmental impacts.

4.4. Contribution to SDGs

This intervention is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of the SDG 16: Promote peaceful and inclusive societies for

sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

5 IMPLEMENTATION

5.1. Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with any partner country or regional organisation.

5.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 70 months from the date of adoption by the Commission of this Financing Decision.

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

5.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁶.

5.3.1. Grant: direct management

(a) Purpose of the grant(s)

Overall, the action will contribute to more sustainable governance and to strengthen the capacities of public administrations in the targeted region to enhance economic well-being and political freedom and facilitate closer economic integration and political co-operation between the EU and its neighbours.

More specifically, the action will contribute to improve the ENI beneficiaries' performance in key horizontal governance and PAR fields including civil service and administrative legislation, rationalisation of public sector organisation, integrity and transparency, public financial management, public procurement, policy-making, co-ordination and monitoring.

(b) Type of applicants targeted

N/A.

(c) Justification of a direct grant

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

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

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation as well as specific type of advisory services in the area of PAR. The OECD/SIGMA is a recognised international organisation and is considered to be placed as best public institution in this regard.

The OECD/SIGMA has a long-standing experience and specialisation in this area to partner with the EU and has indeed been working for a number of years with the partner countries. Since 1992, SIGMA has embodied the commitment of the European Commission to co-operate with the OECD in order to promote better public governance in the enlargement context. The successive SIGMA programmes have been repeatedly evaluated (in 2007 and 2012) with a positive track record in terms of efficiency, quality, effectiveness and sustainability of results and ENI beneficiaries have always expressed a high level of satisfaction due to its high level of relevance, flexibility and quality of expertise delivered.

(d) Exception to the non-retroactivity of costs

The Commission authorises that the costs incurred may be recognised as eligible as of 1 July 2019 because the action is the continuation of current SIGMA assistance, which will last until 30 June 2019.

5.4. Scope of geographical eligibility for procurement and grants

N/A

5.5. Indicative budget

Module	EU contribution in EUR	Third party contribution
5.5.1 – Direct grant to the OECD (activities in the Southern Neighbourhood)	5 000 000	91 836.50
5.5.2 – Direct grant to the OECD (activities in the Eastern Neighbourhood)	5 000 000	91 836.50
Total	10 000 000	183 673.00

5.6. Organisational set-up and responsibilities

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

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

Prioritisation of activities will take place in close co-ordination with the European Commission according to the concrete needs of each ENI beneficiary. In line with

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

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

5.7. Performance and Results monitoring and reporting

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

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

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

5.8. Evaluation

Having regard to the importance of the action, an evaluation may be in 2020 for this action or its components, contracted by the Commission. If so decided, it will be carried out for learning purposes, in particular with respect to the effectiveness of new approach on PAR launched in 2016 with the preparation of the Principles of Public Administration for ENP countries.

The Commission shall inform the implementing partner at least 6 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 country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

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 before the start of implementation.

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

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

6. Pre-conditions

SIGMA is committed to contribute to sustainable progress in public administrations in the ENI beneficiary countries. To this aim, continued commitment to reforms by the ENI beneficiaries is an essential precondition along with their absorption capacities. Assistance shall continue to continue to raise awareness of importance of PAR for socio-economic development as well as to support and promote the involvement of a broader set of stakeholders that can generate internal demands for reforms.

Political instability may also affect to possibility to undertake widely supported reforms. Ownership is key for reform progress. To this aim, assistance shall ensure coherence with highest priorities of the ENI beneficiaries; SIGMA, the European Commission and the ENI beneficiaries will engage in close policy dialogue.

Finally, acceptance of SIGMA recommendations by the ENI beneficiaries and capacity to integrate them into their national systems will require assistance to be sufficient flexibility and to take into account absorptive capacities.

APPENDIX - Indicative Logframe matrix (for project modality)

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	To facilitate more sustainable governance and to strengthen the capacities of public administrations in the targeted region to enhance economic well-being and political freedom and facilitate closer economic integration and political co-operation between the EU and its neighbours.	Improvement of ranking in 'Composite indicators' including: 1. Corruption Index and Control of Corruption 2. Government Effectiveness, Rule of Law, Regulatory Quality and Voice and Accountability	World Bank, World Economic Forum, Transparency International	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	To contribute to improving public governance and public administration reforms and to strengthen public institutions of the beneficiaries in the 3 overarching sectors: Sector 1: Strategic Framework of PAR, Policy Development and Co-ordination; Sector 2: Public Service and Human Resource Management, Accountability and Service Delivery; Sector 3: Public Finance Management, Internal Control, External Audit and Public Procurement.	The awareness of the concept of PAR and its core areas has increased N. of countries which have developed/updated strategic frameworks for PAR/PFM issues N. of countries which have improved in the area of strategic framework of PAR, policy development and co-ordination N. of countries which have improved in the area of public service and human resources management, accountability and service delivery N. of countries which have improved in the area of public financial management, public procurement and external audit	Commission annual assessments SIGMA assessment reports for those countries that conducted full or partial baseline assessments PAR strategies and planning documents in place or adjusted Reports about consultations among institutions and with stakeholder, and contributions received OGP self-assessment reports	Continued ownership and commitment to PAR and to make progress towards European values and principles.

<p>Outputs</p>	<p>More effective legal frameworks for professional, efficient and reliable public governance established; Improved administrative procedures and organisational arrangements for delivery of administrative services to citizens and business in response to their needs; The necessary implementation mechanisms to establish effective governance and accountability mechanisms in place; Improved legal frameworks, guidelines and organisational arrangements related to the development, monitoring, evaluation on public policies as well as to reporting on their implementation; Improved and more effective resource allocation systems (including procurement) as well as internal control, internal and external audit systems.</p>	<p>N. of presentations of the Principles of Public Administration across the Neighbourhood region; N. of Regional conferences on PAR; N. of PAR/PFM strategies/action plans reviewed by SIGMA; N. of beneficiaries supported in improving PAR/PFM co-ordination and performance-based monitoring and reporting systems; N. of SIGMA reviews of laws/secondary laws/guidelines in governance institutions reviewed/supported in their development; N. of full or partial Baseline Measurement/Assessment Reports timely delivered.</p>	<p>Output of technical assistance. Training results/output/performance evaluations; SIGMA Work Programmes; SIGMA activity reports; Output of technical assistance and training activities; Baseline Measurement/Assessment Reports.</p>	<p>Acceptance of SIGMA recommendations; Capacity to integrate advice and recommendations into national systems and nationally owned reform process.</p>
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Outputs						
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