



ANNEX 5

to Commission Implementing Decision on the ENI East Regional Action Programme 2017 Part 2 (including two actions on budget 2018 and two actions on budget 2018 & 2019), to be financed from the general budget of the European Union

Action Document for Structural Reform Facility: ENI East

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

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

1. Title/basic act/ CRIS number	Structural Reform Facility: ENI East CRIS number: ENI/2017/040-613 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Six Eastern Partnership countries: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine
3. Programming document	Regional East Strategy Paper (2014-2020) and Multiannual Indicative Programme (2017-2020)
4. Sector of concentration/ thematic area	Structural reforms, economic development, good governance
5. Amounts concerned	Total estimated cost: EUR 5 000 000 Total amount of EU budget contribution EUR 5 000 000
6. Aid modality(ies) and implementation modality(ies)	Project Modality: Direct management: grants – direct award
7 a) DAC code(s)	15110 Public sector policy and administrative management 16010 Social/ welfare services 16020 Employment policy and administrative management 24010 Financial policy and administrative management

	25010 Business support services and Institutions 25020 Privatisation			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	X	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A.		
10. Sustainable Development Goals	#1, #8, #10			

SUMMARY

The objective of the Structural Reform Facility (the Facility) is to contribute towards the development of sustainable and equitable economic growth models in the Eastern Partnership (EaP) countries, which can generate more investments and improve socio-economic conditions and employment opportunities for citizens. To this end, the Facility will support the design and implementation of structural reforms in the following areas:

- Business and investment climate and financial infrastructure
- Human capital, including labour market and social protection
- Economic governance and sustainability of public finances
- Reinforcing the rule of law and good governance

It will do so by leveraging the unique technical expertise of International Financial Institutions and International Organisations, which will also allow achieving a stronger alignment of policy messages towards beneficiaries, to engage in a coherent and coordinated policy dialogue in view of supporting the implementation of structural reforms in the region.

The Facility will also seek to contribute to Pillar 3 of the External Investment Plan (EIP) in order to support the improvement of economic policy, business and the institutional

environment in EaP countries, which are critical factors to ensure that investment under the EIP can materialise.

1 CONTEXT

1.1 Regional context

Structural reforms refer to changes in the broad fabric of the economy, including the function of government. They are reforms meant to address longer term aspects in the structure of a country's economic framework, and tackle obstacles to the fundamental drivers of growth by liberalising labour, product and service markets, thereby encouraging job creation and investment and improving productivity. They are designed to boost an economy's competitiveness, growth potential and adjustment capacity. The type of structural reforms can be wide ranging, spanning from liberalisation of labour market laws to business regulations to implementation of social safety nets and modernization of judicial sectors. They have been a central element of the policy response to the 2008 economic and financial crisis, together with fiscal and monetary policies for the EU in particular, as well as for G-20 countries, which have collectively made over 1 000 structural policy commitments in their national growth strategies.

According to the latest Regional Economic Outlook report from the International Monetary Fund (IMF)¹, economic growth has broadened across the larger Eastern Europe region, which also covers the Eastern Partnership (EaP) countries. Following a series of crisis in recent years, countries on the region seem now on a firmer path towards recovery, also helped by strengthening global activity and continued supportive domestic macroeconomic policies in most countries.

However, the IMF highlights that the main medium-term policy challenge remains boosting potential growth and income convergence with structural reforms. Gains from past reforms are largely exhausted and speeding up convergence is now more challenging. This would require strengthening institutions by improving public sector efficiency, including through restructuring state-owned enterprises and enhancing public sector investment management frameworks; and improving labour supply by raising participation rates and reducing structural unemployment. As economic risks remain tilted to the downside, the importance of consolidating the foundations for sustainable and equitable economic growth should therefore be the priority.

In addition, the latest edition of European Bank for Reconstruction and Development (EBRD) transition report² puts the spotlight on inequality and inclusion, explaining how a failure to deliver a fair distribution of the fruits of progress may lead to setbacks in political and economic development. It also explores the causes of inequality of opportunity and looks at how to strengthen financial inclusion.

Accompanying the EU Eastern Partners in implementing structural reforms that will lead to reducing inequalities, bringing equal opportunities to all and building more inclusive society

¹ <http://www.imf.org/en/Publications/REO/MECA/Issues/2017/04/18/mreo0517>.

² <http://www.ebrd.com/transition-report>.

will be key, not the least to ensure that the EU Neighbourhood policy bring tangible results to the people of the EU partner countries.

The prioritisation of structural reforms will depend on a number of factors affecting each country differently, including macroeconomic conditions, the interplay between demand and supply policies, the pay-offs between different types of reforms, the resource space to finance them, the social buy-in for difficult reforms, and the country's position in the economic cycle, among others. Typically, for transition economies, the largest productivity pay-offs are associated with reforms that improve market functioning (addressing in particular infrastructure, labour market and business regulation reforms, as well as development of capital markets). These economies, which are normally faced with limited policy space and output below potential, may prioritise the need for reforms that yield long-term pay-offs with those that have shorter-term benefits or can be implemented in a budget neutral fashion.

1.2 Public Policy Assessment and EU Policy Framework

A sound regulatory and institutional environment is essential for improving competitiveness, encouraging investment, fostering employment creation, raising living standards and producing sustainable growth. Against this background, the European Union has identified the implementation of structural reforms as a priority to set economic recovery on a sustainable path, unlock growth potential, raise living standards and support the process of convergence in the EU. To help EU Member States effectively design and implement such reforms, the Commission set up the Structural Reform Support Service (SRSS) in July 2015³.

The overall framework of the EU cooperation with the EaP countries is provided by the **European Neighbourhood Policy** (ENP)⁴. The ENP, launched in 2004 and reviewed in 2015, aims to achieve the closest possible political association and the greatest possible degree of economic integration with the EU of its Southern and Eastern neighbour countries. Its focus is to foster stability, security and prosperity in the countries closest to its borders. The European Neighbourhood Instrument (ENI)⁵, established in 2014, is the key EU financial instrument dedicated to the neighbourhood countries for the period 2014-2020. The objective of the ENI is to achieve progress towards ‘an area of shared prosperity and good neighbourliness’ between EU member states and their Eastern neighbours.

The ENP was further developed through the **EaP**⁶, which is a joint initiative of the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It was launched in 2009 and forms a specific dimension of the ENP. The EaP aims to create the conditions for accelerated political association, deeper economic integration between the EU and its partners and closer business-to-business and people-to-people contacts. A 2015 review of the ENP and the Riga Summit (May 2015) discussions confirmed the need for a more tailored and differentiated approach to the Eastern partners. Therefore, on the EaP bilateral level, the EU is committed to establishing strong and mutually beneficial cooperation with all six partners. The scope and depth of cooperation are determined by the ambitions and needs of the EU and the partners, as well as by the pace of reforms in the EaP countries.

³ https://ec.europa.eu/info/departments/structural-reform-support-service_en.

⁴ https://eeas.europa.eu/topics/european-neighbourhood-policy-enp_en.

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:077:0027:0043:EN:PDF>.

⁶ https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/eastern-partnership_en.

The **bilateral relations** of the EU and Georgia, Moldova and Ukraine are based on the Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTAs) concluded in 2014. These agreements aim at strengthening the political association and economic integration. They constitute a plan of reforms that will bring the partner countries closer to the EU by aligning their legislation and standards with those of the EU, and improve peoples' lives in a tangible way. A tailored approach was applied to the relations with Armenia, Azerbaijan and Belarus, thereby reflecting their aspirations.

The relations with Armenia are regulated by the EU-Armenia Partnership and Cooperation Agreement (PCA), in force since 1999. A new agreement has been concluded with Armenia, whose political and economic cooperation with the EU takes into account of Armenia's other international commitments. Similarly, the bilateral relations with Azerbaijan are set out in a specific PCA (1999). Azerbaijan is committed to enhance political cooperation and progressive but selective economic integration with the EU. The EU has launched negotiations with Azerbaijan on a new bilateral agreement which would better reflect the EU's and Azerbaijan's respective interests and values. The strategic objectives of the EU and Armenia and Azerbaijan cooperation are set in the ENP Action Plans.

In this context, the EU and its partners identified during the May 2015 Riga Summit⁷ the areas of market opportunities and economic development, as well as strengthening institutions and good governance, as key priorities for future cooperation. These objectives were further developed into the Staff Working Document "20 deliverables for 2020"⁸, which includes clear reform objectives in these areas.

In addition, in the context of the implementation of the External Investment Plan (EIP)⁹, there is a need to intensify support for the improvement of the economic policy, business and institutional environment which is a critical factor to ensure that investment financed under the EIP can materialise.

1.3 Stakeholder analysis

A comprehensive, centralised and coordinated approach to the design and implementation of structural reforms would have the added advantage of further leveraging EU funds to achieve results in key policy areas where the stronger technical expertise may lie with partner IFIs and international organisations. By tapping into this expertise, we could achieve a stronger alignment of policy messages between institutions and towards beneficiaries.

The following core stakeholders will be involved in programme activities and become the main partners in implementation of the action:

- International Finance Institutions and International Organisations as providers of policy advice and technical assistance to partner governments, including through macro-economic policy conditionality (e.g. through an IMF financial support programme or a World Bank development policy loan).

⁷ <http://www.consilium.europa.eu/en/meetings/international-summit/2015/05/21-22/>.

⁸ Joint Staff Working Document "Eastern Partnership - Focusing on key priorities and deliverables": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near-eeas_joint_swd_2016467_0.pdf.

⁹ https://ec.europa.eu/europeaid/eu-external-investment-plan-factsheet_en.

- Competent authorities within national governments in charge of coordinating horizontal policy priorities and implementing sectorial ministries.
- Other stakeholders such as regional and local governments, civil society organisations (e.g. NGOs, academia, professional associations, etc.) could be involved in and potentially benefit from certain specific activities.
- Member States, as possible providers of technical and policy advice through twinning programmes or bilateral initiatives.

1.4 Priority areas for support/problem analysis

The action addresses the following four priority areas:

I. Improving the business and investment climate and infrastructure:

The EaP countries have, for the most part, engaged in a serious effort towards structural reforms to improve the business climate. Georgia and Belarus were among the top 10 world reformers in 2017 according to the World Bank's Doing Business Report¹⁰. As a group, they have shown a steady increase relative to their own benchmarks as well as to other countries, and have steadily increased their positions in the global ranking (Georgia: 16, Belarus: 37, Armenia: 38, Moldova: 44, Azerbaijan: 65, and Ukraine: 80) out of 190 countries.

However, they still face challenges which prevent firms from realising their full potential, and in particular SMEs, which represent, on average, 95% of the firms in EaP countries, as in the EU. SMEs in the EaP have the potential to make a significant contribution to job creation and to drive economic growth. Typical challenges are: limited access to finance, constraints in accessing new markets, constant changes in new, inconsistent and burdensome legislation, lack of relevant skills to grow their businesses and a difficult operational environment encompassing high tax rates, corruption, bureaucracy and political instability.

By supporting a comprehensive diagnostic of the short-falls and potential reforms in the investment climate, the action will allow EaP countries to identify short and long term reforms that can ultimately yield high economic and social pay-offs through increased foreign and domestic investment, a more dynamic productive sector, additional export potential, a balanced and sustainable economic growth model, and ultimately more job opportunities for its citizens.

Possible areas of structural reform addressing the business climate and infrastructure could include, but not be limited to:

- regulatory obstacles and institutional framework for economic activities;
- trade and trade related policies (including non-tariff issues such as sanitary and phytosanitary measures and technical barriers to trade, public procurement rules, etc.);
- investment policy, (minority) investor protection and property rights (including intellectual property)
- market surveillance / quality infrastructure (inspection, standards, etc.)
- competition and anti-monopoly policies
- SME policies;

¹⁰ <http://www.doingbusiness.org/reports/global-reports/doing-business-2017>.

- financial markets, including: access to finance/access to market; financial services, financial infrastructure and financial inclusion; insurance sector.
- central banking, financial and macro-prudential supervision.

II. Bridging the skills gap, investing in human capital and social protection:

Investing in human capital by addressing the mismatch between demand (labour market) and supply (primary, secondary, university and technical and vocational education and training - TVET educations) factors, should contribute to increase potential employment opportunities for youth, and to help firms find the type of skills they need to compete in a more open and digitalised international economy. For education and employment opportunities to be equitable, well targeted social safety nets need to be in place to accompany job-seekers with unemployment protection and re-training opportunities, among other active labour market policies.

Possible areas of structural reform of the skills gap and human capital could include, but not be limited to:

- education and labour market reforms;
- reform of social protection systems (including pension systems);
- reform of public health system (including health related pricing and reimbursement policies, and regulation of healthcare operators).

III. Strengthening economic governance and public finance sustainability:

A stable and credible macro-economic framework is fundamental for a sustainable economic development model to prosper. Strong and independent regulators and institutions, including those focused on consumer protection and social representation, are key to the development of the private sector. In addition, prudent and transparent fiscal and monetary policies are key to anchor investors' expectations and increase investment opportunities.

Possible areas of structural reform addressing economic governance could include, but not be limited to:

- prioritisation, preparation and implementation of public investments;
- reform of the governance of state owned enterprises (SOEs);
- Tax and fiscal policies (fight against tax evasion, tax efficiency, addressing both redistribution and “pre-distribution” aspects);
- land property and registration, energy and transport reforms;
- Public finance management (including public expenditure and financial accountability).

IV. Reinforcing the rule of law and good governance:

Respect for fundamental rights, legal certainty and confidence in a legal system is crucial for individuals and businesses alike. The rule of law and good governance create the stable and predictable environment which allows businesses to plan and prosper and which attracts investments.

Possible areas of structural reform addressing the rule of law and good governance could include, but not be limited to:

- Commercial justice;
- Anti-corruption;
- Enforcement of the rule of law

The priority areas are not exclusive to specific grants under the action, and several of the areas can be targeted by one single contract.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of broad based social buy-in for identified structural reforms.	H	The financed actions will have specific outreach activities with key civil society representatives and other public and private relevant stakeholders.
Political instability or short-term focus derails long-term reforms efforts.	H	Structural reforms should be realistically sequenced, costed, and promoted to obtain sufficiently large political buy-in for their implementation.
EU visibility and policy dialogue is diluted in favour of implementing partners.	M	A steering committee for each component will be created to ensure a regular and coherent implementation of the relevant reforms throughout the region and in particular of the policy dialogue linked to the action.
Assumptions		
Governments' resolve to carry out the recommended reforms, and efficient cooperation between stakeholders.		
Political and economic stability.		
Continued interest and commitment from implementing partners of the action.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The approach towards the implementation of complex structural reforms in many EaP countries has been in general piecemeal. Numerous reforms in different areas have been started, but not always with an appropriate prioritisation and/or sequencing of the steps needed to ensure their adequate implementation. Some reforms were subject to the shifts in the political environment and not sufficiently supported by a broad base of stakeholders, hampering their implementation. In addition, different international institutions and/or

development partners are involved in the design and/or implementation of these reforms, while not always fully coordinated amongst each other.

Therefore, the EU foresees the necessity to ensure a more enhanced cooperation with the international organisations, including the IMF and the World Bank, on the design and implementation of structural reforms and ensure a more coordinated policy dialogue with the beneficiaries. Through a centralised structural reform facility in support of these reforms, the EU aims to progress towards this more coordinated approach.

As most structural reforms supported by the EU in the EaP countries have been channelled through the bilateral cooperation envelopes, at a regional level there has been a lack of a coherent approach to similar reforms. Through the Facility, both delegations and implementing partners, and beneficiaries, can benefit from the aggregated knowledge to prepare their own bilateral interventions while ensuring an overall coherence with similar initiatives.

The action also draws on lessons learned from the SIGMA programme, which has been under implementation for over 20 years in both the IPA and ENI contexts. In particular, the governance structure of the action and implementation arrangements are partly based on those of SIGMA. The EU delegations of ENI East have also been consulted in the preparation of this action.

3.2 Complementarity, synergy and donor coordination

Numerous bilateral programmes, both from EU and IFIs, are currently ongoing in the EaP addressing structural reforms in the areas covered under this action (e.g: including SIGMA and SOCIEUX)¹¹. These can be policy based interventions, such as budget support or development policy loans, in which disbursements are linked to policy reform in certain areas, or through direct technical assistance for the implementation of reforms, or financing studies, action plans, and/or reviews. Capacity building projects are also in place in most countries to support the administration in increasing their information-gathering and policy design.

For each of the components detailed in section 4.1, and corresponding to the priority areas identified in section 1.1.3, implementers will first map out what actions are taking place and closely liaise with ongoing interventions to maximise potential synergies, and will take stock of past interventions and lessons learned. In addition, workshops and seminars under the components will be organised with the relevant stakeholders in each of the countries to ensure information exchange and knowledge build-up of best practices.

3.3 Cross-cutting issues

The cross-cutting issues in this action have to do with areas in which it is expected that the activities under this action would produce meaningful results – namely by better mainstreaming them into the design of relevant structural reforms. In particular, gender issues will need to be directly addressed in the design and implementation of the reforms related to all four components. Public administration reform is also a cross-cutting issue, and the action will liaise with the ongoing SIGMA programme to maximise synergies and ensure

¹¹ https://ec.europa.eu/europeaid/social-protection-eu-expertise-development-cooperation-socieux_en
<http://www.sigmaweb.org/about/>.

coordination. In addition, civil society organisations could be involved in providing input for decisions of the project on areas of intervention and in providing input to governments on a better design of reforms and designing structured dialogue with civil society, among other activities.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of this action is to contribute towards the development of sustainable and equitable economic growth models in the EaP countries, which can generate more investments and improve socio-economic conditions and employment opportunities for citizens.

The specific objectives are to:

- SO1: Improved macro-economic framework and better definition of public policies
- SO2: Improved governmental design and implementation of structural reforms

To realize these specific objectives, the action will be structured along the following intervention areas:

- Component 1: Business and investment climate and infrastructure
- Component 2: Human capital, including labour market and social protection
- Component 3: Economic governance and sustainability of public finances
- Component 4: Rule of law and good governance

The following results (outputs) can be envisaged under the action, applicable to all components:

- Result 1: Improved policy evidence for governments to prioritise and design structural reforms
- Result 2: Strengthened capacities of partner governments, and the EU, to design and implement structural reforms

4.2 Main activities

To achieve its results, the action could carry out, inter alia, the following main activities:

- Mapping of the state of play of the relevant structural reforms in the EaP countries
- Preparation of in-depth country-specific policy reviews and sectoral/thematic studies
- Support to elaboration of reform Action Plans addressing structural policy gaps
- Support, also to the EU delegations, in the identification, formulation and implementation of selected structural reforms
- Training, knowledge creation and information and experience exchange across the region
- Promotion, outreach and engagement with relevant stakeholders to understand the rationale and impact of reforms

- Assisting the EU during the monitoring and policy dialogue linked to selected sector budget operations focusing on structural reforms
- Consultations with civil society (including social partners) and citizens
- Communication to the wider audience/ citizens on the intent, pace and effects of support

4.3 Intervention logic

The proposed intervention logic is based on the development of a wide Structural Reform Facility which will serve as a notional umbrella facility in order to, among other things, ensure coherence in the approach to structural reforms in a given sector throughout the region. The Facility would help partner governments and also EU Delegations identify, design and implement structural reforms in identified sectors and through selected partners, which would also allow for a more structured policy dialogue and planning process.

The Facility will be implemented through a series of assignments with IFIs and international organisations which will design the actions to be implemented in a flexible and demand-driven approach, in order to properly respond to the needs of the beneficiaries. Drawing in part from the SIGMA model, the implementing partners would work on the basis of periodic action plans prepared through consultations with the partner governments (including through the EaP platform and panels architecture), EU Delegations, geographic HQ services and relevant line DGs.

This facility is proposed as a pilot for the Eastern Neighbourhood. In the future it could also be extended to the Southern Neighbourhood. As implementation progresses, top-up funding for the Eastern Neighbourhood could also be mobilised.

Another particular value-added of this action is related to the support it can provide to the regional cooperation, learning, knowledge exchanges and policy dialogue among the beneficiary countries and between the countries and the EU partners in specific reforms.

5 IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Action Document.

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

5.4 Implementation modalities

Both in indirect and direct management, the Commission will ensure that EU appropriate rules and procedures for providing financing to third parties are respected, including review

procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

5.4.1 *Grant: direct award (direct management)*

Under the Facility, indicatively up to three grants will be awarded for pursuing the objectives detailed under section 4.

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

The objective of the grants is to contribute towards the development of sustainable and equitable economic growth models in the EaP countries through the implementation of structural reforms in the policy domains targeted by the Facility.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals.

On this basis and under the responsibility of the Commission's authorising officer responsible, grants may be awarded without a call for proposals to international organisations, international finance institutions or specialised EU Member State bodies based on their specific domain of expertise in the policy fields targeted by the Facility.

The need for international organisations and financial institutions is justified on a number of grounds. In most cases, they already have longstanding working relationships at the highest levels with partner governments, in these same sectors. This provides a key level of access to policy dialogue in reforms that can have important political and socio-economic impact and therefore require a certain degree of sensibility that these institutions can provide thanks to their well-grounded institutional credibility.

These institutions also typically have the specific expertise in their respective policy domains, allowing the EU to access a deep and varied know-how in the implementation of these policies under different country conditions thanks to their long and varied experience in the fields concerned. In the EaP countries in particular, many of them have an active presence with numerous ongoing technical assistance projects, also with the EU. This has allowed them to build up a solid network of local partner organisations and institutions which will be key for the consultations required in the preparation of policy reforms.

Lastly, the EU has been increasing its policy coordination with IFIs and international organisations in the recent past, fostered under the High Level Enhanced Cooperation with IFIs launched in 2015 by Commissioner Hahn.¹² This includes, among other actions, the organisation of specific regional and thematic country days, joint missions with an aligned policy agenda to partner countries (e.g. on energy efficiency), and a significant increase in the number of regular coordination meetings. This has allowed to build more stream-lined working relations and to ensure that policy dialogue with partner countries is aligned.

(c) Eligibility conditions

¹² https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/1st-high-level-meeting-enhanced-cooperation-enlargement-and-neighbourhood-regions-europe_en

The essential eligibility criterion for applicants is to be an International Organisation or an International Financial Institution, possessing adequate expertise, capacities and experience in the Eastern Partnership countries and in the domains covered by the Facility.

The following list of entities could be mobilised in their particular domains of expertise:

- International Monetary Fund (IMF): public finance management, economic governance.
- World Bank Group (WBG): business and investment climate, financial infrastructure, human capital and social protection.
- European Bank for Reconstruction and Development (EBRD): business and investment climate, financial infrastructure.
- European Investment Bank (EIB): business and investment climate.
- Organisation for Economic Co-operation and Development (OECD): business and investment climate, financial infrastructure.
- United Nations agencies: human capital and social protection.
- International Organization for Migration (IOM): human capital and social protection.
- World Customs Organization (WCO): business and investment climate.

(d) Essential selection and award criteria

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

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

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of (EU) regulation n° 323/2015 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

From the last quarter of 2017 until the end of 2018.

5.5 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

The total indicative budget of the action is EUR 5 million, distributed as follows:

	EU contribution (in EUR)
5.3.1 - Direct Grants Facility (direct management)	5 000 000
Total	5 000 000

5.7 Organisational set-up and responsibilities

The Facility will be organised along two levels.

On a first level, a steering committee for the overall Facility is envisaged, which will ensure the strategic overview of the separate interventions and will also include representatives from relevant line DGs and from partner IFIs. This steering committee will take stock of the action plans and results of the specific grants and provide overall guidance, and will also give indications on the management of the policy dialogue with the partner governments.

On a second level, each grant under the Facility will have its own steering committee to review the operational aspects of the implementation, including the review of the specific action plans.

Under each contract, EU delegations will be consulted on the preparation of the action plans, and will be informed and invited to participate in the different activities implemented by the partners, particularly in those related to policy dialogue with the partner governments.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities, even though it will need to comply with the monitoring and reporting standards set in DG NEAR Guidelines on linking planning/programming, monitoring and evaluation¹³.

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

As foreseen in the above mentioned DG NEAR Guidelines, 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

¹³https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/phare/evaluation/2016/20160831-dg-near-guidelines-on-linking-planning-programming-vol-1-v0.4.pdf

recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance and nature of the action, a final evaluation will be carried out for this action or its components through a joint mission contracted by the Commission via an implementing partner. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that it is a pilot initiative. Evaluation exercises will also need to be in line with the above mentioned DG NEAR Guidelines on linking planning/programming, monitoring and evaluation.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation mission. 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 report 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 evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

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

Where relevant and where appropriate the provisions included in the framework agreement(s) signed with the contracted entity(ies) will apply.

5.10 Audit

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

Where relevant and where appropriate the provisions included in the framework agreement(s) signed with the contracted entity(ies) will apply.

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

5.11 Communication and visibility

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

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

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

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations shall be included in the financing agreements or delegation agreements.

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

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

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

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

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

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

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

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

[APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁴]

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

	Results chain	Indicators	Baselines (incl. values a,d reference year)	Targets (incl. values & reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	a) Contribute towards the development of sustainable and equitable economic growth models in the EaP countries, which can generate more investments and improve socio-economic conditions and employment opportunities for citizens.	Annual growth rate of real GDP per capita Gini index	Data for 2017 as defined in the IMF and WB databases.	Positive trend by 2020.	IMF database World Bank database	Political and economic stability.
Specific objective(s): Outcome(s)	SO1) Improved macro-economic framework and better definition of public policies. SO2) Improved governmental design and implementation of structural	1a) External and internal deficits as % of GDP 1b) Indicators used by the Debt Sustainability Analysis in IMF Article IV consultations 1c) WB Doing Business Indicators 1d) Global competitiveness index 2) Extent to which the	Data for 2017 as defined in the IMF database (1a and 1b), WB database (1c) and WEF database (1d). 2) No reforms under this action	1a) Positive trend (2020) 1b) Gradual improvement of DSA (2020) 1c) and 1d) Gradual increase in relative position in ranking (2020) 2) Increased	1a and 1b) IMF Article IV + programme reports 1c) WB Doing Business annual report 2) Structural Reform Facility reports,	Governments' resolve to carry out the recommended reforms, and efficient cooperation between stakeholders.

¹⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	reforms.	implementation of structural reforms supported by the EU under this action are on track	are in place in 2017.	number of structural reforms supported and in implementation	National texts, statistics, systems (to be further detailed during implementation)	
Outputs ¹⁵	Improved policy evidence for governments to prioritise and design structural reforms.	Number of structural policy gaps identified.	0	Targets will be defined during implementation phase.	Structural Reform Facility reports and concrete deliverables.	Continued interest and commitment from implementing partners of the action.
	Strengthened capacities of partner governments, and the EU, to design and implement structural reforms.	Number of structural demands identified for support.	0			

¹⁵ Additional output indicators will be defined during the implementation phase.