EUROPEAN
COMMISSION

Brussels, 9.12.2015
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COMMISSION DECISION

of 9.12.2015

on the third complementary financing decision of the Neighbourhood Investment Facility to be financed from the general budget of the European Union

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) No 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[1], and in particular Article 84(2) thereof,

Whereas:

(1) The Commission has adopted the Annual Action Programme "European Neighbourhood wide Action Programme 2014"[2] which foresees the EU contribution to the Neighbourhood Investment facility. Following the selection process foreseen in this Annual Action Programme, the projects to be implemented have been selected.

(2) The Commission has adopted the Annual Action Programme "European Neighbourhood wide Action Programme 2015"[3] which foresees the EU contribution to the Neighbourhood Investment facility. Following the selection process foreseen in this Annual Action Programme, some projects to be implemented have been selected.

(3) For projects to be implemented under indirect management, it is necessary to adopt this Decision in order to provide the elements required by the second subparagraph of Article 84(3) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council.

(4) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in the Annex to this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. The European Investment Bank (EIB), Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW) and the European Bank for Reconstruction and Development (EBRD) are currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entities' positive assessment under

1 OJ L 298, 26.10.2012, p. 1.

2 Commission implementing Decision C(2014)5750 of 20 August 2014 on the European Neighbourhood wide Action Programme 2014 to be financed from the general budget of the European Union.

3 Commission implementing Decision C(2015)2748 of 23 April 2015 on the European Neighbourhood wide Action Programme 2015 to be financed from the general budget of the European Union.

Council Regulation (EC, Euratom) No 1605/2002[4] and on the long-standing and problem-free cooperation with them, budget-implementation tasks can be entrusted to these entities.

HAS DECIDED AS FOLLOWS:

Sole Article

Adoption of projects to be implemented and of their modalities

The list of additional projects and financial commitments to be implemented under indirect management in the framework of the Neighbourhood Investment Facility (NIF), as set out in the Annex attached, is approved.

Budget-implementation tasks under indirect management may be entrusted to the entities identified in the Annex attached, subject to the conclusion of the relevant agreements.

Done at Brussels, 9.12.2015

For the Commission
Johannes HAHN
Member of the Commission

[4] Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

Annex 1

to the third complementary financing decision of the Neighbourhood Investment Facility

Title of the project	**Selected Entrusted Entity**	**Maximum amount of EU Contribution**	From 2014 NIF Decision (indicative)	From 2015 NIF Decision (indicative)
Tunisia –Photovoltaic Power Station Tozeur	KfW	1 605 000		1 605 000
Jordan – NEPCO Green Corridor	EIB	17 787 000		17 787 000
Regional – SEMED MSME Financial Inclusion Programme	EBRD	27 640 000		27 640 000
Regional – SANAD MENA Fund for Micro, Small and Medium Enterprises Phase II	KfW	20 400 000		20 400 000
Armenia - SME Finance and Advice Facility	EBRD	15 380 000	15 380 000	
Georgia – Kutaisi Waste Water Project (KWWP)	EIB	4 950 000		4 950 000

Tunisia –Photovoltaic Power Station Tozeur

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Solar energy/23067, renewable energy/23030
Partner country/region	Tunisia
Lead FI	KfW
Co-financiers	n/a
EU contribution requested	EUR 1 605 000
Total cost of the project	EUR 16 000 000
Objectives to be fulfilled (main)	The main objective of the Project is to contribute to the generation of electrical energy in an efficient, environmentally sound and socially responsible way. This will in turn reduce emission of greenhouse gases and imports of fossil fuels. Diversification of Tunisia's energy mix will support the electricity supply security. The Project is part of the Tunisian Solar Plan ("PST"), also known as the 30/30 Strategy, and will help to achieve its goal of producing 30% of electricity consumed in Tunisia from renewable resources. The Project will introduce advanced technology and will lay the foundation for the realization of other solar energy projects.
Foreseen results	The project will contribute to support Tunisia in the efforts to cover the electrical needs of homes, businesses and public institutions. Moreover, familiarising La Société tunisienne de l'électricité et du gaz (STEG) with photovoltaic technology, will support its future development. Finally, the project will help to diversify the energy mix from national sources and will contribute to ensuring the security of energy supply and energy independence of Tunisia.
Description of the activities	The Project involves the design, construction and operation (during the first year) of the first photovoltaic plant (PV) in Tunisia with an installed capacity of 10 MWp. The site is located near the town of Tozeur, in the South-West of the country. STEG will be the implementing entity and the future operator of the Project. Also, four types of support specifically geared to the photovoltaic technology have been designed to guarantee the quality and the success of the project.

Location	Tunisia
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Start of activities financed by the EU grant: Q4 2015/ Q1 2016 End of activities financed by the EU grant: Q4 2018 End of Project activities: Q4 2018
Justification/additionality of the EU grant	The main obstacle for the development of photovoltaic solar energy in Tunisia is its cost that is still high compared to the production of electricity from natural gas The NIF contribution will help filling this financial gap and allowing for the use of the advanced technology that is not yet commercially viable, but promising.

Jordan – National Electric Power Company (NEPCO) Green Corridor

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Energy (Transmission and distribution of energy)/23040
Partner country/region	Jordan
Lead FI	EIB
Co-financiers	AFD
EU contribution requested	EUR 17 787 000
Total cost of the project	EUR 146 100 000
Objectives to be fulfilled (main)	The main objectives are as follow: 1) Support the country's objective to develop renewable electricity in the generation mix that is at present based almost entirely on fossil fuel generating plants. 2) Strengthen the energy transmission backbone of the country. The project benefits include reduction in losses on the transmission network, enhanced reliability and quality of Jordan's electricity supply. 3) Secure continuous access to electricity at reasonable cost. The current energy mix exposes the country to fluctuating supplies of natural gas and expensive fuel substitute.
Foreseen results	The following results are expected: 1) Reliable and secure transmission network allowing the absorption of the additional renewable generation in line with Jordan's national energy policy objectives. 2) Long lasting capacity building within NEPCO company (NIF technical assistance, and NEPCO experience of financing project with IFIs which imply aligning with EU Directives according to EIB guidelines).
Description of the activities	The project is a multi-component programme to reinforce Jordan's high voltage electricity backbone network to integrate new renewable generation capacity and improve reliability of supply. It consists of building two new transmission lines (400 kV/150 km and 132 kV/60 km), constructing one new electricity substation (400/132 kV, 800 MVA, expandable to 1200 MVA) with turn-ins from existing 400 and 132 kV lines, and modifying two existing substations (400 kV and 132 kV). The investments

	are reinforcing the network in the central Jordan desert area, where opportunities for renewable generation are most favourable. NIF technical assistance will enable the project to comply with a number of standards required by the EIB and AFD (e.g. on procurement, environment and social impact assessment).
Location	Jordan
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Start of activities financed by the EU grant: Q1 2016 End of activities financed by the EU grant: 2019 End of project activities: 2019
Justification/additionality of the EU grant	The EU/NIF contribution will allow securing a large scale infrastructure project with adequate financing resources. The proposed blending financing package, which combines Technical Assistance and Investment Grant, has a positive impact on project financing cost and supports the realisation of this high priority investment. Due to the limited budget capacity of the country and in the context of the country's management program with the IMF, the financing of medium/large scale public infrastructure projects with recourse to external debt requires a sufficiently high level of investment grant component. Therefore, the absence of the EU/NIF contribution would have delayed the realisation of this high priority project and as a consequence the improvement of the transmission capacity of the country which is necessary for the development of the renewable energy in Jordan. Also, the NIF technical assistance will cover the relatively high level of additional internal costs generated by EIB / AFD's requirements for the project which shall comply with a number of standards (e.g. on procurement, environment and social impact assessment). The relatively high cost of such expertise makes it prohibitive for financing from NEPCO's own budget.

Regional – Southern and Eastern Mediterranean region (SEMED) MSME Financial Inclusion Programme

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Private sector 24030/Formal sector financial intermediaries 24040/Informal/semi-formal financial intermediaries 32130/Small and medium-sized enterprises (SME) development
Partner country/region	Regional – South Neighbourhood countries
Lead FI	EBRD
Co-financiers	Open to other European / International Financial Institutions
EU contribution requested	EUR 27 640 000
Total cost of the project	EUR 132 000 000
Objectives to be fulfilled (main)	The aim of the Program is to improve financial inclusion for MSMEs SEMED region, in a sustainable manner. Specific objectives are as follows: Instrument 1 (Indirect Financing): Improve access to finance through specific loan and equity investment facilities in cooperation with local Partner Financial Institutions (PFIs); Instrument 2 (Market Know How): To provide capacity building at two different levels: (i) to local PFIs, to help them develop the capabilities required to serve in a sustainable manner the MSME segment including, but not limited to, risk management, product development, procedures, processes, sales and marketing; and (ii) directly to MSMEs with advice and know-how to help their business grow through the complementary assistance provided by the SBS Program; Instrument 3 (Policy Dialogue): To actively encourage and support the development of policies tailored to the specific needs of MSMEs financing, ensuring long-term benefits for the sector and facilitating the creation of a business-conducive eco-system through the adoption of best standards and practices.
Foreseen results	Instrument 1: - 3,000 MSMEs will be granted a funding as a result of the Program - contribute for sustaining 15,000 jobs in the SEMED region - at least 20% of the Instrument 1 Program amount will be used to finance women led businesses

	- at least 25% of the Instrument 1 Program amount will be used in regions outside the capital of each country <u>Instrument 2:</u> - At least 3 PFIs to benefit from the technical assistance - At least 60 staff of PFIs to be trained on SME procedures (lending, risk management, marketing and products) - At least one conference/ workshop to be organised on MSME lending matters <u>Instrument 3:</u> - At least 10 expert public awareness raising events for transfer of know-how and consensus building (round tables, seminars, conferences); - Between 2 and 4 policy dialogue projects aiming at the improvement of the relevant legal, regulatory and institutional frameworks as mentioned above; - At least 90% success rate for these projects (projects rated successful or highly successful), based on the project-specific result framework.
Description of the activities	The Program will group the financing and assistance in three Instruments deployed for a better absorption rate for the EU-NIF contribution: 1) Indirect Financing, 2) Market Know How and 3) Policy Dialogue. Financing and advisory services will be provided to MSMEs catering for their different needs: financing (through credit lines or equity to local financial institutions), advisory services (market knowledge) and policy dialogue.
Location	Financing activities will start in Morocco, Tunisia, Egypt and Jordan, and can be extended in the future to Palestine[1].
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Dates of approval by EFIs Boards: Lead Financier: Q1 2016 Other co-financing EFIs: Q1 2016 Dates of signature of the loans with the beneficiary: Lead Financier: Beginning 2016 onwards Other co-financing EFIs: Beginning 2016 onwards Target date of signature of EU Delegation Agreement with Lead FI: Q4 2015/ Q1 2016 Start of activities financed by the EU grant: Beginning 2016 onwards End of activities financed by the EU grant: 2019 End of project activities: end of 2026
Justification/additionality of the	The EU budgetary resources will lead to a mobilisation of EBRD´s own financial resources, resources from third parties and

[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.

EU grant	resources from local PFIs. It will reduce the risk profile and would therefore enable projects that would, most likely, have not been possible without the grant, such as equity investments. The additional benefits to local MSMEs will be reflected on an increased availability of risk-finance from international financial institutions and partner local financial institutions, as well as building on a more sustainable risk-adjusted MSME tailor made product offering. Additionally, through innovative products, adequate incentives and transfer of skills, the EBRD will ensure that the grant leads to other economic benefit for the countries, such as support of women led businesses, support businesses outside of the capital and overall financial inclusion.

Regional – SANAD Middle East and North Africa (**MENA) Fund for Micro, Small and Medium**

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Private sector 24030/Formal sector financial intermediaries 24040/Informal/semi-formal financial intermediaries
Partner country/region	Regional – South Neighbourhood countries
Lead FI	KfW
Co-financiers	Open to other public and private financial institutions.
EU contribution requested	EUR 20 400 000
Total cost of the project (estimated)	EUR 103 400 000
Objectives to be fulfilled (main)	SANAD aims to offer market based financial instruments to partner financial institutions in the MENA region encouraging them to improve access to finance to Micro, Small and Medium Enterprises (MSMEs). In funding MSMEs in the MENA region the fund follows three imperatives: 1) Maintain and create employment, especially for the youth – primarily through support to small and medium enterprises; 2) Reduce poverty – by facilitating self-employment, primarily through microfinance and 3) Build inclusive financial systems – by cooperating with banks, microfinance institutions and other institutions to facilitate access to financial services
Foreseen results	The SANAD Fund contribute to the following results: 1) Improve access to finance for local MSME in the region 2) Reduce shortage of medium- and long term financing and local currency lending 3) Strengthen financial intermediaries and encourage them to MSME lending 4) Foster responsible finance principles in the region 5) Further develop local financial markets on sustainable and market based principles This new contribution to the expansion of SANAD financing in the region from 2016 onwards, it is expected to facilitate to provide access to finance to 62 500 new MSMEs.
Description of the activities	The SANAD fund provides financial instruments such as loans, subordinated debt, guarantees and equity to local partner financial institutions ("PFI") in the Middle East and North Africa

	("MENA") region for financing micro, small and medium sized enterprises ("MSMEs"). The Fund's investment portfolio has a focus on the missing middle, meaning enterprises that are too small and informal for banks and too large for microfinance institutions ("MFIs"). SANAD will fund projects relating to the following NIF eligible countries: Egypt, Lebanon, Jordan, Morocco, Palestine and Tunisia. The investment will only be depleted by losses in these countries. The EU and BMZ contribute to the subscription of C-shares (first loses) to reduce the risk-profile of the financed investment to third party investors, and thus help to leverage additional financing in the region.
Location	Countries of the Middle East and North Africa region
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Start of activities financed by the EU grant: Q2 2016 End of activities financed by the EU grant: End 2026 End of project activities: End 2026 or longer depending on the sustainability of the fund.
Justification/additionality of the EU grant	The additionality of EU contribution is to help mobilise third party investments by providing coverage – up to a certain limit – on the first losses (C-shares) of potentially risky investments. With the support provided by the C-shares the SANAD fund will help weaker local and micro-finance institutions to get access to finance to expand its operations which otherwise could not be served. The EU funding will lead to other economic benefits such as youth employment as well as capacity building by the financial intermediaries in relevant fields, such as risk management, sustainable development and particularly responsible finance principles.

Armenia - SME Finance and Advice Facility

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	24030/Formal sector financial intermediaries 25010/Business support services and institutions 32130/Small and medium-sized enterprises (SME) development
Partner country/region	Armenia
Lead FI	EBRD
Co-financiers	Open to other International Financial Institutions and private investors
EU contribution requested	EUR 15 380 000
Total cost of the project	EUR 136 200 000
Objectives to be fulfilled (main)	The specific objectives of the proposed Project are: 1. To diversify financing solutions available to SMEs in Armenia by strengthening capacity and supplying investment capital in the form of equity and quasi-equity financing. 2. To provide advisory services to businesses (Small Business Support) increasing their competitiveness and innovation and increase their capacity to access to finance.
Foreseen results	1. Improved access to finance of SMEs in Armenia. • development of local capital market • improving financial literacy of local entrepreneurs about pure private equity • creating a platform for further scaling up 2. Improved enterprise performance and increased employment. • 91% of clients increase turnover, on average by 49% • 57% of clients increase the number of employees, on average by 18% • 38% of clients secure financing to continue their growth.
Description of the activities	The project will support the establishment of a new, pioneering, fixed term private equity fund of 10-years with a target size of around EUR 30 million in Armenia. The Fund would be expected to make 8 to 12 investments in eligible Armenian SMEs over a 5 year investment period. A Technical Assistance will be deployed to build local equity investment management capacity and expertise in Armenia. The EBRD will also complement the fund with other access to finance instruments such as (i) EBRD direct financing to

	Armenian SMEs and (ii) EBRD co-financing local bank loans to SMEs and deliver, as much as possible, the financing in local currency. The project will deploy a technical assistance to strengthen the local SMEs with the help of domestic and international experts by improving their capacity for innovation, competitiveness and ability to attract investment; covering areas such as financial and strategic planning, investment, financial management, access to equity finance and investor relations, organisation and operations, quality management, energy efficiency, engineering solutions, sales, marketing, exports.
Location	Armenia
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Dates of approval by EFIs Boards: Lead Financier: 2016 Dates of signature of the loans with the beneficiary: Lead Financier: Q2 2016 Start of activities financed by the EU grant: Q2 2016 End of activities financed by the EU grant: Component 1: Upon availability Component 2: Q4 2016 End of project activities: Component 1 – 10-12 years Component 2 – 48 months after Project start for projects with local consultants and 64 months for projects with international advisers
Justification/additionality of the EU grant	This project was initiated jointly between the EU delegation to Armenia and the EBRD office in Armenia. It is part of the support to SME development provided by the EU under the SSF AAP 2014. The project is important to improve access to finance in an already overleveraged credit market but also to consolidate support provided through the Small Business Support (Regional NIF project) and provide additional support to businesses to access private equity investment. The EU considers this project as a pilot project from two viewpoints: 1. Providing alternative capital investment solutions to SME through the development of private equity market. 2. Integrating (under one project and country tailor-made) a series of services (financial and technical) to SME that are usually not adapted in regional NIF projects.

Georgia – Kutaisi Waste Water Project (KWWP)

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Sanitation/14022
Partner country/region	Georgia
Lead FI	EIB
Co-financiers	ADB, EPTATF (Eastern Partnership Technical Assistance Trust Fund)
EU contribution requested	EUR 4 950 000
Total cost of the project	EUR 280 000 000
Objectives to be fulfilled (main)	The project will contribute to the achievement of the country's long-term target set by the Government for the water supply and sanitation sectors, i.e. to provide all citizens with good quality potable water with 24/7 supply continuity and to collect and treat produced wastewaters, which is in line with the Georgian environmental legislation as well as the EU Directive on Urban Wastewater Treatment. The project will contribute to the improvement of the standard of living and the reduction of public health risks in the targeted municipalities. The higher level of sanitation resulting from the elimination of discharges of untreated waste water into the surface waters and ground waters will support the achievement of the country's environmental targets, including enhanced protection of the Black Sea ecosystem. The reduction of the flow of untreated wastewater discharged to the nearby river and ground surfaces will also contribute to the enhancement in the application of local phytosanitary standards, since the underground and river water used in agricultural land will be less polluted and will result in improved quality of agricultural goods produced in the region. Finally, rehabilitation and upgrade of outdated basic infrastructure across the country in general is expected to contribute positively in the development of the SME and private sector.
Foreseen results	Sewerage network and wastewater treatment plant operational in Kutaisi.

Description of the activities	Sanitation components in Kutaisi include new and rehabilitated sewer network, pumping stations and a new wastewater treatment plant. The GHGs emissions will be minimized by proper design of network including pumping stations, and by means of application of up to date wastewater and sludge treatment processes controlled by SCADA systems.
Location	Georgia
Duration i.e. implementation period and indicative implementation timetable	Indicative timetable: Start of activities financed by the EU: Q2 2016 End of activities financed by the EU grant : Q4 2020 End of project activities: Q4 2021
Justification/additionality of the EU grant	The NIF investment grant is requested to finance exclusively the climate change mitigation components of the project, which were identified and added to the project scope as a result of the EIB project appraisal, in order to enhance the environmental protection and climate mitigation impact of the project and in line with the EU good engineering practices. The provision of the EU grant will result in the inclusion within the project scope of important project components that would result in considerable environmental benefits (reduction of greenhouse gas emissions, production and usage of green energy) and improvement of social standards (improvement of public health in the region). In line with this proposal the additionality of the EU is foreseen to be ensured by its contribution will transform the environmental protection and climate mitigation effect of the project. Without the EU support, the project - even if launched by the Government- will have a narrower scope and will lack the positive impacts and the value added resulting specifically from the NIF grant financed components.