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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX IV

of the Commission Implementing Decision on the financing of the multiannual action plan in favour of the NDICI Neighbourhood East Region part 1 for 2021-2022

Action Document for Structural Reform Facility (Phase 3)

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	Structural Reform Facility (Phase 3) Annual action plan in favour of the Eastern Partnership Region: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova ¹ , Ukraine Decision number: NDICI-GEO-NEAR/2021 / 042-993 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in the Eastern Partnership Region: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine
4. Programming document	Programming of the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-Global Europe) 2021-2027, Regional Multiannual Indicative Programme for the Eastern neighbourhood 2021-2027. ²

¹ hereinafter referred to as Moldova

² C(2021) 9370 adopted on 15/12/2021

5. Link with relevant MIP(s) objectives/expected results	Regional Multiannual Indicative Programme for the Eastern Neighbourhood <ul style="list-style-type: none"> - Specific Objective 1 (Improved policy evidence for governments to prioritise and design structural reforms) - Specific Objective 2) Strengthened capacities of partner governments to design and implement structural reforms. 			
PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	Structural reforms, economic development, good governance			
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 1 No poverty Other significant SDGs (up to 9) and where appropriate, targets: Goal 8: Decent Work and Economic Growth, Goal 10: Reduced inequalities, Goal 16: Peace and Justice Strong Institutions			
8 a) DAC code(s)	15110 Public sector policy and administrative management 20% 16010 Social/ welfare services 20% 16020 Employment policy and administrative management 20% 24010 Financial policy and administrative management 20% 25010 Business support services and Institutions 10% 25020 Privatisation 10%			
8 b) Main Delivery Channel	Multilateral organisation – 40000			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): BGUE-B2021-14.020111-C1-NEAR</p> <p>Total estimated cost: EUR 4 000 000</p> <p>The contribution is for an amount of EUR 4 000 000 from the general budget of the European Union for 2021, subject to the availability of appropriations for the</p>			

	respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.
MANAGEMENT AND IMPLEMENTATION	
13. Implementation modalities (type of financing and management mode)	Project Modality Indirect management with the entities to be selected in accordance with the criteria set out in section 4.3.2.

1.2. Summary of the Action

Building on the result of the Structural Reform Facility (“SRF”) phases 1 and 2, the objective of the Structural Reform Facility phase 3 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 **people living in partner countries**. Based on an engaged dialogue with partner countries and International Financial Institutions (“IFIs”), the Structural Reform Facility seeks to make use of the existing intelligence and data to better prioritise and organise reform agendas. Phases 1 and 2 have shown positive and strategic results including an improved business climate, enhanced public finance management, facilitated access to finance for Small and medium-sized enterprises (“SMEs”), but also results in human capital and digitalisation of SMEs. Phase 3 aims to strengthen the progress already achieved while extending the facility to new sectors.

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;
- Rule of law and good governance.

It will do so by leveraging the specific technical expertise of International Financial Institutions and International Organisations, which will also allow achieving a stronger alignment of policy messages towards beneficiaries and engaging 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 support the improvement of economic policy, business and the institutional environment in Eastern Partnership (“EaP”) countries, which are critical factors to ensure that investments materialise.

The new phase of the Structural Reform Facility will also be a strong tool to work on the priorities for cooperation with our Eastern partners in the years to come. The Facility is particularly aligned with the five long-term objectives, with resilience at its core, defined in the Joint Communication³ on the future of the EaP of March 2020 and the Joint Staff Working Document⁴ on *Recovery, resilience and reforms: post 2020*

³ Eastern Partnership policy beyond 2020: *Reinforcing Resilience – an Eastern Partnership that delivers for all*, Joint Communication JOIN(2020) 7,

⁴ Joint Staff Working Document, *Recovery, resilience and reforms: post 2020 Eastern Partnership priorities*, https://eeas.europa.eu/sites/default/files/swd_2021_186_fl_joint_staff_working_paper_en_v2_pl_1356457_0.pdf

Eastern Partnership priorities of July 2021 . Developing structural reforms will be key to successfully implement the Economic and Investment Plan annexed to the Joint Staff Working Document on *Recovery, resilience and reforms: post 2020 Eastern Partnership priorities of July 2021* and to mobilise public and private investments.

The Structural Reform Facility Phase (3) will build on the preliminary results of the Structural Reform Facility Phases (1 and 2) that has been instrumental to support strategies to improve investment and climate, reinforce public finance, deepen access to finance, support digitalisation of SMEs and reinforce human capital.

2. RATIONALE

2.1. 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, thereby encouraging job creation, investment and improving productivity. They are designed to boost 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 modernisation 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 several structural policy commitments in their national growth strategies.

According to the April 2021 Regional Economic Outlook report from the International Monetary Fund⁵, despite the pandemic, economic growth has broadened across the Eastern Partnership (EaP) countries. The 2021 real GDP growth has exceeded the level of 2019 and the region seems now on a path towards recovery.

According to the last transition report⁶ of the European Bank for Reconstruction and Development, over the last years, increases in transitions scores have been observed in Eastern Europe and South Caucasus in six key features: sustainable market economy; competitive, well-governed, green, inclusive, resilient and integrated.

However, the economic and social fallout from the COVID-19 pandemic has emphasised the need for further reforms across the Eastern Partnership region to ensure that economies recover quickly and become more resilient to external shocks. At the same time, declines have tended to be moderate and have been concentrated in scores for green transition and governance.

The main medium-term policy challenge remains to boost potential growth and income convergence. 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 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 remain the priority.

⁵ <https://www.imf.org/en/Publications/REO/EU/Issues/2021/04/12/regional-economic-outlook-for-europe>

⁶ <https://www.ebrd.com/publications/transition-report-202021-structural-reform>

Accompanying the EU Eastern Partners in implementing structural reforms that will lead to reducing inequalities, bringing equal opportunities to all and building a more inclusive society will be key. It will ensure that the EU Neighbourhood policy brings tangible results for the people living in partner countries.

The prioritisation of structural reforms will depend on several 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 the development of capital markets). These economies, which are normally faced with limited policy space and outputs below potential, need to engage in a portfolio of long-term and “low hanging fruit” reforms while ensuring a balance between budget neutral and investment intensive reforms.

2.2. Problem Analysis

The action addresses the following four priority areas:

- I. Improving the business and investment climate and infrastructure
- II. Bridging the skills gap, investing in human capital, labour market reforms and social protection
- III. Strengthening economic governance and public finance sustainability
- IV. Reinforcing the rule of law and good governance

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

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) 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 **people living in partner countries, including the most vulnerable**.

The Specific Objectives (Outcomes) of this action are to

1. Improve macro-economic framework and better definition of public policies
2. Improved governmental design and implementation of structural reforms

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

1.1 contributing to Outcome 1 (or Specific Objective 1) Improved policy evidence for governments to prioritise and design structural reforms

2.1 contributing to Outcome 2 (or Specific Objective 2) Strengthened capacities of partner governments, and the EU, to design and implement structural reforms.

3.2. Indicative Activities

Activities related to Output 1.1:

- Analysis Phase (desk review building on existing knowledge of the implementing partner(s), specific research/ assessments, stakeholder consultations, and regional benchmark)
- Development of a matrix of recommendations (impact/ feasibility) building on the existing eco system of Technical assistance provided to partner countries
- Stakeholder consultations to ensure ownership of the proposed recommendations with governmental bodies and relevant development partners/ stakeholders.

Activities related to Output 2.1:

Implementation phase of selected recommendations through regional and/ or country specific interventions

3.3. Mainstreaming

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality will be mainstreamed across this programme components also defining specific actions aiming at gender equality mostly at the project level. By facilitating access to finance for women and developing economic development policies, by supporting structural reforms needed to improve social services and education, the action will contribute to reinforcing gender equality and empowerment of women and girls. In addition, the action will contribute to **empowering women, girls and young people** to fully use their rights and increase their participation in political, economic, social, and cultural life as entrenched in the EU Gender Equality Strategy 2020-2025⁷ and EU Gender Action Plan (GAP) III⁸.

⁷ COM/2020/152 final.

⁸ JOIN (2020) 17 final.

Human Rights

The action will contribute to protecting economic and social rights. Activities included in the action are focused on improving business and investment climate as well as infrastructure; and therefore seek to create a balanced and sustainable economic growth model and consequently more decent job opportunities for its citizens. The action will also focus on investing in human capital and social protection; particular focus should target the most vulnerable. In addition, the action will also focus on the structural reforms needed to improve social services and education while strengthening human rights in the EaP.

Climate and Environment

The action will apply climate and environment policy lenses to structural reforms, starting from existing analysis and policy recommendations that are specific for the region, for example as concerns carbon and energy productivity. Such reforms are a precondition for turning climate and environmental challenges into opportunities across all policy areas and make the transition just and inclusive for all. In this regard, the action will be guided by the objective to transform the EaP economies into resilient, energy and resource-efficient and competitive economies, where no one is left behind.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the Action does not specifically target the inclusion of persons with disabilities.

Democracy

The action will aim to reinforce democratic standards by engaging population and civil society in the preparation of the structural reform agenda of partner countries. The actions focused on structural reforms in a fully transparent manner, engaging civil society representatives and beneficiary populations in the design and monitoring of the actions. The action will offer opportunities to increase the level of dialogue between citizens and public administration, in promoting **inclusiveness** and assuring equal access to information on reforms agenda. In the context of post-COVID-19 reconstruction, the program aims to ensure that all citizens understand the reforms and public spending undertaken by the partner countries.

Disaster Risk Reduction

By promoting sustainable, equitable economic growth in the region and enhanced risk planning/ management, the action will contribute to consolidate disaster risk financing. The previous phases and the COVID-19 crisis stressed the need to support resilience of Eastern Partnership countries in particular disaster risk financing.

3.4. Risks and Lessons Learned

Category	Risks	Likelihood	Impact	Mitigating measures
		High/ Medium/Low		
Lack of broad based social buy-in for identified structural reforms.	Risk 1	H	H	The financed actions will have specific outreach activities with key civil society representatives and other public and private relevant stakeholders. The deep analysis performed by experts from specialised partner institutions will back up the rationale behind

				the need for structural reforms. Delegation will also be instrumental in supporting the needed consensus.
Political instability or short-term focus derails long-term reforms efforts.	Risk 2	H	M	Structural reforms should be realistically sequenced, cost, and promoted to obtain sufficiently large political buy-in for their implementation. Reforms have to be developed in a flexible portfolio of actions that helps responding to short term objectives while keeping a focus on strategic long terms reforms.
EU visibility and policy dialogue is diluted in favour of implementing partners.	Risk 3	M	M	Implementing partners will have to commit to a strict communication plan, and all stakeholder consultation will be organised jointly with EU representatives.

Lessons Learned:

The Structural Reform Facility phase 3 was designed building on the achievements and lessons learnt from the implementation of phases 1 and 2 of the same programme. The previous phases produced positive and tangible results for citizens of partner countries; including an improved business climate and public finance management, facilitated access to finance, but also increased investments in human capital and digitalisation. The programme provided adequate visibility for the EU and facilitated strategic communication on EU policies and support.

The engaged dialogue with partner countries and IFIs enabled the Structural Reform Facility to better prioritise and organise reform agendas without requiring new analysis. The previous phases showed the absolute need to have close cooperation with partner countries and EU Delegations at every step of the implementation to best adapt to local concerns, needs and ongoing activities.

3.5. The Intervention Logic

The underlying intervention logic for this action is that the development of a wide Structural Reform Facility will serve as a notional umbrella facility to 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 specific sectors and through selected partners, which would also allow for a more structured policy dialogue and planning process. The Structural Reform Facility operates through a two steps approach. The interventions under the facility start with a (i) diagnosis/analysis of the situation to allow a prioritisation of actions followed by an (ii) implementation phase of specific targeted interventions following the analysis. The Facility will be implemented through a series of contracts with IFIs and international organisations which will design the actions to be implemented in a flexible and demand-driven approach. 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, and Commission services.

The specific focus of each component will be defined at the project level. Building on results and lessons learnt from previous phases, the areas of focus could include the following:

- Business and investment climate and financial infrastructure: structural reforms needed to support the development of capital markets, non-banking sectors, enhanced investment climate and fiscal

governance, including in support of low-carbon development in the region. Phase 3 may also support the development of broadband strategies and the preparation of sound pipelines of investment projects.

- Human capital, including labour market and social protection: structural reforms in the field of social services, labour market and education. Phase 3 may seek to continue supporting reforms in human capital in particular how digital transformation can accelerate reforms while improving service delivery. Also it may look at reforms needed to accelerate green job creation and respond to the risk of job destruction in carbon-intensive sectors, e.g. starting from the establishment of a monitoring framework.
- Economic governance and sustainability of public finances: structural reforms needed to improve State Own Enterprises corporate governance, including its social and environmental pillars, while supporting the development of Public Private Partnerships. The action will integrate into reform packages the recommendations stemming from recent analysis of fossil fuel subsidies in the regional and modalities to phase them out. It will also integrate outcomes of work on measuring performance at the nexus of economic, climate, and environmental goals, e.g. through indicators of carbon, energy and resource productivity. To this end, cooperation will be reinforced with programmes such as EU4Climate and EU4Environment.
- Reinforcing the rule of law and good governance: Phase 3 may work on structural reforms to improve disaster risk prevention financing and economics of disaster risk prevention.

3.6. Indicative Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain: Main expected results [maximum 10]	Indicators [it least one indicator per expected result]	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	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.	Annual growth rate of real GDP per capita Gini index (Female/male) employment rate dynamics Data on investments	Data for 2021 as defined in the IMF and WB databases as well as in databases of national authorities.	Positive trend by 2024.	MF database World Bank database National authorities	<i>Not applicable</i>
Outcome 1	1 Improved macro-economic framework and better definition of public policies	1.1 Deficits as % of GDP 1.2 Indicators used by the Debt Sustainability Analysis in IMF Article IV consultations 1.3 WB Doing Business Indicators 1.4 Global competitiveness index	1.1 Data for 2021 as defined in the IMF database 1.2 Data for 2021 as defined in the IMF database 1.3 WB database 1.4 WEF database	1.1 Positive trend (2024) 1.2 (1.3, 1.4) Gradual improvement of DSA (2024) 1.3 and 1.4 Gradual increase in relative position in ranking (2024)	1.1 and 1.2 IMF Article IV + programme reports; If Article IV reports are not available on a timely basis national sources could be used (statistical office; central bank, ministry of finance for the macroeconomic data. 1.3 WB Doing Business annual report	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.

Outcome 2	2 Improved governmental design and implementation of structural reforms	2.1 Extent to which the implementation of structural reforms supported by the EU under this action is on track	2.1 No reforms under this action are in place in 2019.	2.1 Increased number of structural reforms supported and in implementation	2.1 Structural Reform Facility reports; National texts, statistics, systems	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.
Output 1 related to Outcome 1	1.1 Improved policy evidence for governments to prioritise and design structural reforms	1.1.1 Number of structural policy gaps identified.	1.1.1 To be defined after the Steering Committee of the Structural Reform Facility in September 2022	1.1.1 Targets will be defined during the implementation phase.	1.1.1 Structural Reform Facility reports and concrete deliverables.	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.
Output 2 related to Outcome 2	2.2 Strengthened capacities of partner governments, and the EU, to design and implement structural reforms.	To be defined after the Steering Committee of the Structural Reform Facility				

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with partner countries.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of the adoption by the Commission of this Financing Decision.

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

4.3. 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.

4.3.1. Indirect Management with an international organisation

This action will be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: adequate expertise, capacities and long and varied experience in the Eastern Partnership countries and in the domain to be covered. In addition, the entities should have specific expertise in the respective policy domain.

The implementation by this entity entails activities and reaching results as listed under the expected results related to Specific outputs 1 and 2. For this purpose, the entities need to have sufficient financial and operational capacity to check through the relevance of the proposed actions related to the objectives, design, effectiveness, feasibility, the sustainability and the cost-effectiveness. The entities should be by preference pillar-assessed International Organisations or International Financial Institutions.

4.3.2. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances (one alternative second option)

The preferred implementation modality is under indirect management. In case of impossibility to contract with an International Organisation or International Financial Institutions under indirect management, a direct management modality could be used in the form of a grant to an entity selected for its technical competence, specialisation or administrative power or nature of the action with regard to Article 195(f) of the Financial Regulation.

4.4. 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 provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

For this multi-country action, natural persons who are nationals of, and legal persons who are effectively established in the following countries and territories covered by this action, are also eligible: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine.

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Objective/Outputs 1 and 2 composed of	EUR 4 000 000
Indirect management with an international organisation – cf. section 4.3.22	EUR 4 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another Decision
Communication and visibility – cf. section 6	N.A.
Contingencies	N.A.
Totals	EUR 4 000 0000

4.6. Organisational Set-up and Responsibilities

Each component 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.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as

reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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).

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

5.2. 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 is a pilot initiative.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

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

5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support),

contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

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. 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.