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COMMISSION IMPLEMENTING DECISION

of 23.4.2015

on the European Neighbourhood wide Action Programme 2015 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 of the European Parliament and of the Council (EU) No 236/2014 establishing common implementing rules and procedures for the implementation of the Union's instruments for external action[1], and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliamant 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[2], and in particular Article 84(2) thereof

Whereas:

(1) The Commission has adopted an *'European Neighbourhood – wide measures'* Priorities (2014-2020)[3] and Multiannual Indicative Programme (2014-2017) which indicates as priority 1 “Building a partnership for inclusive economic development and integration” that includes support to investment and social and private sector development and makes reference to the Neighbourhood Investment Facility (NIF); The objectives pursued by European Neighbourhood wide mesures programme to be financed under the European Neighbourhood Instrument[4] are 1) the Technical Assistance and Information Exchange Programme (TAIEX): to provide EU expertise to European Neighbourhood partner countries to achieve their “progressive integration into the Union internal market and enhanced sector and cross-sectoral co-operation including through legislative approximation and regulatory convergence towards Union and other relevant international standards and related institutional building; 2) the Support for the Improvement in Governance and Management programme (SIGMA): to support European Neighbourhood partner countries to make significant progress in their public governance reforms by enhancing the capacity of the public administration and transfer of know-how and best-practices to reinforce horizontal systems of public governance through provision of high level European public expertise; 3) NIF: to facilitate additional investments in infrastructure in transport, energy, environment, with a particular focus on climate change mitigation and adaptation, and to support social and private sector development in the European Neighbourhood Partner Countries.

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1 OJ L 77, 15.3.2014, p. 95.

2 OJ L 298, 26.10.2012, p. 1.

3 C(2014) 5196.

4 Regulation of the European Parliament and of the Council establishing a European Neighbourhood Instrument, OJ L 77, 15.3.2014, p. 27.

(2) It is necessary to adopt a financing decision the detailed rules of which are set out in Article 94 of the Commission Delegated Regulation (EU) no 1268/2012[5].

(3) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in 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. Some of the possible entrusted entities are the European Invesment Bank (EIB) and other International Organisations (European Bank for Reconstruction and Development (EBRD), Council of Europe Development Bank (CEB), Nordic Investment Bank (NIB)) that are currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. Other possible entrusted entities are public bodies or bodies governed by private law with a public service mission (Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW), the Spanish Agency for International Development Cooperation (AECID) and the Italian Società Italiana per le Imprese all'Estero (SIMEST)) will undergo the ex ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 related to financial instruments. In anticipation of the results of this review the responsible authorising officer deems that, based on the entities positive assessment under Council Regulation (EU, Euratom) No 966/2012 and on the longstanding and problem free cooperation with these entities, budget implementation tasks can be entrusted to them.

(4) The Commission may entrust budget-implementation tasks under indirect management to the partner country specified in this Decision, subject to the conclusion of a financing agreement. In accordance with Article 60(1)(c) of Regulation (EU, Euratom) No 966/2012, the responsible authorising officer needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks to the partner country. A description of these measures and the entrusted tasks should be laid down in the Annexes.

(5) It is necessary to allow the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.

(6) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of Delegated Regulation (EU) No 1268/2012 to ensure that any such changes can be adopted by the authorising officer by delegation, or sub-delegation (hereinafter referred to as the 'responsible authorising officer').

(7) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by the basic act referred to in ENI Regulation[6],

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The following Action Programme, as set out in the annexes, is adopted:

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5 OJ L 362, 31.12.2012, p. 1.

6 OJ L 247, 9.9.2006, p. 32.

- Annex 1 – Action document for the contribution from the 2015 general budget of the European Union to the Neighbourhood Investment Facility (NIF).
- Annex 2 – Action fiches for projects identified for financing under the Neighbourhood Investment Facility.

Article 2

Financial contribution

The maximum contribution of the European Union authorised by this Decision for the implementation of this Action programme referred to in Article 1 is set at EUR 295,040,000 to be financed as follows:

- EUR 189,500,000 from budget line 21.03.01.02 and

- EUR 105,540,000 from budget line 21.03.02.02

of the general budget of the European Union for 2015.

Article 3

Implementation modalities

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

Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of Delegated Regulation (EU) No 1268/2012.

The financial contribution referred to in Article 2 may also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20 % of the contribution referred to in the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20 % of that contribution shall not be considered substantial within the meaning of Article 94(4) of Delegated Regulation (EU) No 1268/2012 where those changes do not significantly affect the nature and objectives of the actions. The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 23.4.2015

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

of the Commission Implementing Decision on the European Neighbourhood wide Action Programme 2015

Action Document to contribute to the Neighbourhood Investment Facility (NIF)

1. IDENTIFICATION

<table>
<tr><td>Title/Number</td><td colspan="3">Contribution from the 2015 general budget of the European Union to the Neighbourhood Investment Facility (NIF)
CRIS number:</td></tr>
<tr><td>Total cost</td><td colspan="3">Total amount of EU budget contribution: EUR 295.04 million of which
EUR 105 540 000 for budget line 21.03.02.02 (East) and
EUR 189 500 000 for budget line 21.03.01.02 (South)

This action is co-financed by entities and for amounts specified in the indicative project pipeline which is an appendix of this Action Document.</td></tr>
<tr><td>Aid method / Management mode and type of financing</td><td colspan="3">Project Approach
The action regarding this Regional Blending Facility shall be implemented in indirect management.</td></tr>
<tr><td>DAC-code</td><td>– 41010
– 23010
– 21010
– 32130
– 16050</td><td>Sector</td><td>– Environmental policy and administrative management;
– Energy policy and administrative management;
– Transport policy and administrative management;
– SME development;
– Multi-sector aid for basic social services</td></tr>
</table>

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The Neighbourhood Investment Facility (NIF) is a blending facility which combines European Union (EU) grant contributions with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing.

The NIF will support projects prepared by the eligible European Financial Institutions in the Neighbourhood in line with objectives defined in the Strategic Orientations:

Strategic objective 1: Establishing better and more sustainable energy and transport interconnections (between the EU and neighbouring countries and between the neighbouring countries themselves), improving energy efficiency and demand management, promoting the use of renewable energy sources, strengthening energy security through diversification of energy supplies and energy market integration, and supporting investments related to the implementation of EU agreements, including Deep and Comprehensive Free Trade Area Agreements (DCFTAs), as set out notably in the ENP Association Agendas / Action Plans;

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

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

The NIF will prioritise projects that significantly contribute to achieving EU policy objectives in the region, as described inter alia in EU Council Conclusions, EU Agreements, ENP Action Plans as well as the European Neighbourhood Instrument (ENI) regional and bilateral strategy papers for the Neighbourhood. In the East sub-region, priorities will also take into account policy objectives set by Eastern Partnership platforms and panels, the Eastern Partnership transport network and the Energy Community. In the South region sectoral cooperation initiatives, strategies and plans supported by the Union for the Mediterranean will also be taken into account.

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

Decisions on NIF financing are conditioned to the additionality of NIF contribution: the NIF does not support any operation which could normally be financed by the market.

2.2. Context

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

In line with the renewed Neighbourhood Policy launched in 2011, the ENI support will focus on promoting human rights and the rule of law; establishing deep and sustainable democracy and developing a thriving civil society; Sustainable and inclusive growth and economic, social and territorial development; including progressive integration in the EU internal market; Regional integration; including Cross-Border Cooperation programmes.

In order to achieve the objectives of the ENP, reduce the social, economic and political barriers between the EU and its neighbours and to extend EU policy initiatives to Neighbour countries, bilateral and regional financial assistance foreseen under the ENI will promote essential reforms, capacity building and modernisation measures in the partner countries. Parallel to this, vital capital investments must be made to rehabilitate, modernise or build essential infrastructure needed for safe and efficient transport of goods and people; for an efficient, secure and safe production, transport and consumption of energy; for effective environmental protection, in particular to ensure the quality of water, air and soil, as well as sustainable waste management and climate change related issues. In addition, capital is also needed for the provision of basic social services such as health and education; and to develop private sector, in particular Small and Medium sized Enterprises (SMEs).

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

The ENP policy framework is currently under review. The latest developments in the neighbourhood have emphasised the need for a review of the EU relations with its neighbours. As a result the European Commission has launched a review of European Neighbourhood Policy which is expected to be finalised in 2015.

Based on the above described context, the European Commission, in this Decision, renews the NIF through the ENI, in support to the implementation of the ENP Action Plans and the NIF Strategic Orientations.

2.2.1. Sector context: policies and challenges

The ENP is a strategic priority of the EU and aims at establishing a wider area of prosperity, stability and security involving the EU and its neighbours. The ENP is based on a bilateral and differentiated relation between the EU and each neighbouring country. Bilateral Action Plans and Association Agendas are the key ENP operational tools. The Action Plans and Associated Agendas cover a wide range of reform objectives of interest to the EU and the partner country and at the same time identify a number of clear priorities. The EU supports the implementation of these Action Plans and Associated Agendas through the provision of technical expertise and financial support.

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

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

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

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

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

In 2014 the three countries Georgia, Moldova and Ukraine in the Neighbourhood East region signed an Associated Agreement with the EU including a DCFTA agreement. These agreements offer new opportunities for trade and further integration of their economies with the EU, but also require major adaptations including for the private sector.

The overall policy context may be enriched by further initiatives following the review of the European Neighbourhood Policy this year, of which the scope may be relevant for future NIF operations.

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

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

2.3. Lessons learnt

Allocations to the NIF from the EU Budget have reached by the end of 2014 a sum of EUR 1,150.7 million. Additionally, Member States have contributed to the NIF Trust Fund with a total of EUR 80 million.

Since its commencement in 2008, the NIF has provided support to 95 projects, drawing on a total of EUR 1.24 billion from the EU budget and the NIF Trust Fund. The NIF contribution has succeeded in mobilising over EUR 11.93 billion of financing from European Finance Institutions since 2008 and a total investment amount of EUR 26.015 billion, i.e. EUR 20.97 for every euro provided by the Facility. The success of the NIF instrument in the Neighbourhood East is also evidenced by a greater demand than available resources from the multilateral allocation and the increase in demand for top-ups from the regional and bilateral budgets.

The Mid-Term Evaluation (MTE) of the NIF under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013 was finalised in May 2013.

The purpose of the evaluation was to assess the progress of the programme against its original objectives and to produce recommendations to improve its effectiveness. The evaluation focussed on the analysis of the mechanism and its procedures since its inception until the end of 2011.

The conclusions of the evaluation are presented here below.

Relevance to the objectives

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

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

NIF operations

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

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

The three-tiered governance structure of the instruments has been deemed to be effective although the evaluators identified that some of its aspects need strengthening, for example the resource allocation mechanisms, the monitoring and evaluation functions and the transparency of the decision-making process.

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

Finally, the evaluation recommends introducing a results-based monitoring system applied to all NIF projects as well as strengthening the communication and visibility aspects.

The European Court of Auditors published a special report[1] on the EU blending facilities (including the NIF) in October 2014. The conclusions were to a large extent in line with the above mentioned ones: blending the facilities' grants with loans from FIs to support EU external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: need to improve the documentation on additionality of the grant and its level, produce guidelines, ensure more pro-active role of EU Delegations, simplify the decision making process, improve Commission's monitoring of the projects and ensure appropriate visibility for EU funding.

Many of these recommendations have already been dealt with by the Platform for Blending in External Cooperation (EUBEC), set-up in December 2012, including the development of a harmonised and improved project application form and its guidelines as well as the development of a results measurement framework with standard indicators.

In addition, the NIF is working since 2014 in the context of a revised and harmonised governance framework that improves the accountability of the decision making process while reducing transaction costs.

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

[1] European Court of Auditors' special report no. 16/2014. The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies.

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

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

2.4. Complementary actions

The NIF is complementary to regional programmes and initiatives for the Eastern Neighbourhood. For example in the Neighbourhood East, cooperation with regional programmes for Eastern Neighbourhood aiming at enabling a more positive investment climate, such as INOGATE (the EU's regional energy cooperation programme), including support to energy diversification (e.g. Southern Corridor) and security of supply, TRACECA (the EU's regional transport cooperation programme), the SME Flagship Initiative, the EaP Environment Governance Flagship and municipal development initiatives such as the Covenant of Mayors. Furthermore, the NIF is complementing support to the countries related to the requirements arriving from the Association Agreements and the DCFTAs by strengthening in particular the ability of the private sector to respond to the new challenges and opportunities.

In the Neighbourhood South, NIF operations can be complementary to other national and regional initiatives, for example: in the field of energy, the NIF support the Mediterranean Solar plan, in the area of power generation from renewable energy sources; energy efficiency and energy savings; renewable energy transmission capacities for connection to the grid; and cross-border transmission connections. The NIF can also support transport projects which are on the Trans-Mediterranean Transport Network (TMN-T), as endorsed at the 2013 UfM Mediterranean Ministerial Conference in Brussels. NIF can contribute to projects in line with the Horizon 2020 initiative to de-pollute the Mediterranean Sea and the National Action Plans under the Barcelona Convention focusing on sustainable urban development and pollution reduction (waste water, municipal solid waste and industrial emissions) related to the main pollution hotspots of the region, in particular those ending up in the Mediterranean Sea, as emphasised by the 2014 UfM Ministerial meeting on Environment and Climate Change. The NIF will complement various climate change-related activities in the region, both at regional and bilateral level (such as CLIMA South project, the activities of the newly established UfM climate change expert group, and bilateral projects including twinning). Since the beginning of 2011 the NIF has also included a Climate Change Window (CCW) to support the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. The NIF CCW is managed in a streamlined way and has in general the same rules and the same financing and implementation modalities as the NIF. It enables the tracking of all climate change related projects funded by the EU. According to the OECD-DAC[2] categories, these projects should be earmarked as Rio Marker 2. They can target either mitigation or adaptation or both of them and should contribute to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere. Operations could address all relevant fields in line with the ones of the facility.

[2] The Organisation for Economic Co-operation and Development's Development Assistance Committee.

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

2.5. Donor coordination

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

The NIF governing bodies are providing a very suitable arena for coordination amongst EFIs and amongst Member States. These platforms allow regular discussions on pipelines, priority projects and synergies between projects.

3. DETAILED DESCRIPTION

3.1. Objectives

The NIF's main purpose is to promote additional investments in sustainable infrastructure in transport, energy, environment, including climate change mitigation and adaptation, and to support social and private sector development in Eastern and Southern Partner Countries. In particular the Facility will support the growth of micro and SMEs by making available a range of financial instruments in particular through risk-sharing capital mechanisms.

The leverage effect of the NIF contributions is expected to generate at least a multiplying factor of 4 to 5 times the amount of the NIF contributions. The input of the financial institutions will increase the leverage effect on policy dialogue and additional resources to be directed towards the neighbourhood beneficiary countries.

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

This financing decision concerns the 2015 European Union contribution to the Facility. NIF annual contributions are programmed at Neighbourhood-wide level; they are complemented by specific funds from Neighbourhood regional programmes and/or bilateral programmes, as well as by direct additional contributions from Member States, which are kept in the NIF trust fund managed by the European Investment Bank (EIB). Concerning the former, they are as follows:

a) In the East:

- An allocation of EUR 18.84 million from the East Neighbourhood regional cooperation envelope to the NIF to contribute to finance priority projects in the Eastern Partnership, such as SME support programmes related to the DCFTA;
- An allocation of EUR 40 million supporting the SME sector in Ukraine to respond to the economic situation in general and the challenges offered by the DCFTA in specific. The allocation is part of the EU support to Ukraine to re-launch the economy.

b) In the South:

- An allocation of EUR 30 million from the Morocco's bilateral envelope (Single Support Framework) to the NIF, to support the sustainable development and competitiveness of the private sector;
- An allocation of EUR 46 million from the Egypt's bilateral envelope (Single Support Framework) to the NIF, to contribute to investments in the sustainable energy and water and sanitation sectors, including climate change considerations therein;
- An allocation of EUR 20 million from the South Neighbourhood regional cooperation envelope to the NIF, to contribute to finance the development of SMEs in the Southern Mediterranean countries in the context of inclusive sustainable development.

The indicative pipeline of project proposals for the East and the South is included as appendix to the Action Document.

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

3.2. Expected results and main activities

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

(1) Better and more sustainable transport infrastructure, notably:

- better (faster, cheaper, disaster resilient, more sustainable and safer) transport infrastructure within beneficiary countries and between them;
- better interconnection between the EU and the Neighbours through the extension of the Trans-European Network to the East and South;
- faster and cheaper movement of people and goods between the EU and its neighbours, and between neighbours and the Member States particularly on the sub-regional level, while respecting EU environmental standards.

(2) Better and more sustainable energy infrastructure, notably:

- the improvement of transit connections between EU and Neighbour countries as well as between partner countries, thus increasing security of energy supply for the EU and for the Neighbours;
- the improvement of safety and security of energy infrastructure and respect of EU environmental standards;
- the improvement of energy efficiency and energy savings;

- the increase of production and use of renewable energy (wind, solar energy).

(3) Increased protection of the environment and enhanced resilience to disasters and climate changes impacts in synergy with low carbon development, notably:
  - the promotion of sustainable integrated waste management (household, municipal and industrial) including necessary related infrastructures, as well as relevant climate change considerations;
  - the introduction of sustainable integrated water management, including necessary related infrastructure;
  - the reduction of air, soil and water (including marine) pollution including monitoring infrastructure when needed;
  - the promotion of climate change related investments, i.e. renewable energy, energy efficiency and saving, sustainable consumption and production including resources efficiency and other climate and environment friendly techniques.

(4) Support to trade facilitation, notably:
  - support to SMEs to finance investments to comply with standards and technical trade regulations;
  - support to SMEs to facilitate its trade with the EU and other regions;
  - support DCFTA relate infrastructure and equipment (in particular laboratories).

(5) Improved social services and infrastructures, notably:
  - better access to health care and improved health services installations in urban and rural areas;
  - better education facilities, increased access to education in urban and rural areas;
  - improved vocational training facilities.

(6) Creation and growth of SMEs and improvement of the employment situations:
  - better access to financing for micro and SMEs (availability of a larger range of financial products than what is currently available) at the different stages of enterprise creation, restructuring, modernisation etc.;
  - Supporting SMEs through the use of risk-sharing capital mechanisms by investing in private equity and venture capital funds; investing in microfinance; providing guarantees to microfinance or other innovative instruments such as co-investing alongside Business Angels, Incubators and Accelerators and investing in innovation and technology transfers;
  - Support to human capital development infrastructure such technical vocational and knowledge centres, creation of technological poles, enterprise incubators etc.

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

- Direct investment Grants
- Interest rate subsidies
- Guarantees

- Technical assistance;
- Risk capital operations;
- Any other risk sharing mechanisms.

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

3.3. Risks and assumptions

The main assumptions are:

- A stable political and security climate on the regional level in general and on the country level in particular is needed to promote and secure investments.

- Partner countries are ready to increase the level of investments on their own resources as well as through loans.

- The pipelines of operations is of sufficient quality and volume and provide sufficient additionality.

- Partner countries and other local beneficiaries are supportive to the projects prepared by the eligible European Financial Institution.

The main risk is:

- External debt sustainability as some countries in the Neighbourhood are already close to the debt limit set by the IMF.

3.4. Cross-cutting issues

Partner countries and eligible financial institutions will ensure that all projects financed with EU budget respect Union principles in terms of environmental and social impact, public procurement, state aid, and equal opportunities. Infrastructure projects should take account of risk assessments to identify project's vulnerability to disaster risks, including longer-term expected effects from climate change. Risk-sensitive infrastructure should be promoted.

3.5. Stakeholders

The final beneficiaries of the Facility will be the Partner countries, either directly or indirectly through their central, regional and local administrations or semi-public institutions.

Other final beneficiaries will be the private sector and in particular SMEs for categories of operations dedicated to the private sector development.

Partner countries listed in Annex I of Regulation (EU) No 232/2014 and being part of the Eastern Partnership policy will be eligible for NIF financing following the signature of an ENP Action Plan. This does not apply to countries that do not qualify for ENI support because of their level of development. Other countries may be eligible for NIF funding, under certain conditions, to be decided on a case-by-case basis (e.g. regional interest).

Multilateral and national European development finance institutions will be direct partners and important stakeholders of the Facility.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it may be foreseen to conclude financing agreements with the partner countries, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 120 months from the date of entry into force of the financing agreement or, when none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. ENI Blending Framework

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

The operational governance of the NIF will be organised in a two level structure:

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

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

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

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

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

The Board will also be responsible for:

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

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

The recommendations of the Board must be incorporated in relevant Commission decisions for the EU budget as mandated by the relevant Financial Regulation and its Implementing Rules/Rules of Application.

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

- review and discuss the pipeline to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political objectives as well as to available resources. Results of the pipeline discussion shall be transmitted to the Board.
- assess project proposals submitted by a so called Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other EFIs for peer review and possible written comments. In particular, such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability.
- facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

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

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

4.3.2. Contribution to the Neighbourhood Investment Facility

In accordance with Article 4.1.(e) of the Regulation (EU) No 236/2014 this contribution may be implemented through indirect management whenever possible under the lead of the EIB in line with its external mandate under Decision No 1080/2011/EU, a multilateral European financial institution such as the EBRD, or a bilateral European financial institution, e.g. bilateral development banks. Unless otherwise specified in section 4.3.3 the Lead Financial Institutions are not definitively known at the adoption of this Action but are indicatively listed in the appendix of this document. Once they will be known, a complementary financing decision needs to be adopted in order to fulfil all the requirements of Article 84.3 of Regulation (EU, Euratom) No 966/2012.

The Lead Financial Institution will be awarded a contract for an individual operation based on its operational and financial capacity.

The Commission will only entrust budget implementation tasks to Lead Financial Institutions which have been assessed through the pillar assessment pursuant to Article 60 of Regulation (EU, Euratom) No 966/2012 and have transparent, non-discriminatory, efficient and effective review procedures in place.

Some of the possible entrusted entities are International Organisations (EBRD, Council of Europe Development Bank (CEB), Nordic Investment Bank (NIB)) that are currently undergoing the ex-ante assessment in accordance with Article 61 (1) of Regulation (EU, Euratom) No 966/2012. Other possible entrusted entities are public bodies or bodies governed by private law with a public service mission (AFD, KfW, the Spanish Agency for International Development Cooperation (AECID) and the Italian Società Italiana per le Imprese all'Estero (SIMEST)) will undergo the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 related to financial instruments. In both cases and in anticipation of the results of such assessments the responsible authorising officer deems that, based on a preliminary evaluation and on the longstanding and problem free cooperation with these entities, they can be trusted with budget implementation tasks under indirect management.

The entrusted budget implementation tasks consist of the launch of public procurement and grant award procedures and of concluding and managing the resulting contracts as well as execution of payments.. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it.

In addition, budget-implementation tasks may be sub-delegated by the entrusted entity to the partner country in accordance with 4(7) of Regulation (EU) No 236/2014. The entrusted budget-implementation tasks shall be carried out according to the rules assessed and approved by the Lead Financial Institution. Payments may be executed by the partner country under the control by the Lead Financial Institution.

4.3.3. Individual projects identified for financing by the Facility

The following projects have been identified for the financing of the NIF under this Action Document in line with key ENP priorities at present, and have received a positive opinion during the NIF Board meeting of 6 February 2015:

- Eastern Neighbourhood (see project descriptions in Annex 2 of this Commission Implementing decision):

    1. Regional programme: Deep and Comprehensive Free Trade Agreements (DCFTA) Facility (Lead Financial Institution EBRD);
    2. Regional programme: DCFTA Initiative East (Lead Financial Institution EIB) ;
    3. Regional programme: Women in Business Programme in the Eastern Partnership (EaP) (Lead Financial Institution EBRD).

Additional projects approved under this decision will be the subject of the complementary financing decision, as referred to in the above section 4.3.2.

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 shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution in EUR thousands (indicative, where known)
Contribution to the Neighbourhood Investment Facility East	105.54	
Contribution to the Neighbourhood Investment Facility South	189.50	
Totals	**295.04**	

4.6. Reporting and Performance monitoring

In accordance with Regulation (EU) No 236/2014, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the NIF including the details laid down in Article 140 of Regulation (EU, Euratom) No 966/2012. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. Policy impact of actions will be communicated to the political level on a regular basis in relation to key aspects of the agreed policy.

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

a) Transport

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

b) Environment/Water and Sanitation, and climate change

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

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

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

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

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

4.7. Evaluation and audit

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

Operations can be the subject of financial control by the Commission (including by OLAF) as well as by the European Court of Auditors.

4.8. Communication and visibility

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts.

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

For each individual project, a communication and visibility plan will be prepared by the lead EFI in cooperation with the EU, allowing in particular the involvement of the EU Delegations at key stages of the projects. The European Commission will publish an annual activity report providing an overview of the financed projects.

ANNEX 1 – Appendix 1: NIF East Indicative Pipeline 2015

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	NIF estimated Request (M€)
East	Armenia	EBRD	SME Equity Finance and Development	SME	tbc	15
East	Armenia	EIB	M6 Interstate Road	Transport	111	12
East	Armenia	EIB	Northern Tranche of the North South Road Corridor	Transport	160	12
East	Georgia	AFD	Access to rural credit	Financial Sector + Agriculture	15-20	3
East	Georgia	CEB	Municipal Infrastructure	Environment and Transport	63	6
East	Georgia	EIB	Water Infrastructure Modernization III	Water, Waste Water	260	10
East	Georgia	EIB	East West Highway II	Transport	1000	25
East	Georgia	KfW	Ksani-Stepantsminda Power Transmission System	Energy	25 (estimated)	2
East	Georgia	KfW	Water Supply & Sanitation in rural communities of Adjara	Water, Waste Water	30	4
East	Moldova	EBRD	Moldova Residential Energy Efficiency Financing Facility (MoREEFF)	Multisector	9.78	1.50

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	NIF estimated Request (M€)
East	Ukraine	EIB	Ukraine Higher Education	Energy Efficiency	172	32
East	Ukraine	EIB	Railway infrastructure preparation and implementation support	Transport	850	4
East	Ukraine	KfW	Kakhovska Hydropower Plant	Energy	390	17
East	Ukraine	KfW	Municipal Investment Program (Water & Sewage Treatment Chernivtsi)	Water, Waste Water	17	3
East	Ukraine	KfW	Power Transmission Efficiency Project	Energy	tbd	12
East	Regional	EBRD	Support to improve local capital markets and increase local currency lending for SMEs	SME	50-100	11
East	Regional	EBRD	Women in Business Programme in the Eastern Partnership countries	SME	54.3	5.035
East	Regional	EBRD	DCFTA Facility	SME	422.5	19.42
East	Regional	EIB	Municipal Project Support Facility - Phase	Energy Efficiency	530	8

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	NIF estimated Request (M€)
			2 - Approved in principle but requires board confirmation upon available resources			
East	Regional	EIB	DCFTA East	Private	842	62.25

Note : The preparation of projects for the transport sector need to coordinated with the works and priorities established by the "EaP Transport Panel"

ANNEX 1 – Appendix 2: NIF South Indicative Pipeline 2015

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	NIF estimated Request (M€)
South	Egypt	AFD	Solar Power plant PV-20MW	Energy	53	2.8
South	Egypt	KFW / AFD	Wind Power Farm 200 MW Golf of Suez	Energy	340	30
South	Egypt	AFD	Urban development Alexandria	Urban	45	25
South	Egypt	KFW	Integrated Water Resources programme	Water	260	40
South	Jordan	EIB	NEPCO grid transmission corridor	Energy	107	10.7
South	Jordan	EIB	Jordan Highway Road R15	Transport	132	12
South	Jordan	EIB	Wadi Al Arab Water System	Water	152.4	25.4
South	Jordan	EIB	Jordan Renewable Energy Programme	Energy	240	10
South	Lebanon	EIB	Lebanese Highways	Transport	150.4	4.5
South	Morocco	AFD	Programme national d'assainissement – phase 2	Environment	80	tbd
South	Morocco	EIB	Technopoles developement	Private sector	288	9
South	Morocco	EIB	3eme ligne d'interconnexion electrique Maroc/ Espagne	Energy	tbd	tbd
South	Palestine	EIB	Palestine Deposit Insurance Corporation	Private sector	80	16.5
South	Tunisia	AFD	H2020 Assainissement des zones cotiers	Water & Environment	110	8
South	Tunisia	EIB	H2020 Mise en terril du phosphogyse á Gabes	Environment	200	20

Sub-region	Country	Lead Finance Institution	Operation's Title	Sector	Estimated Total Investment cost (M€)	NIF estimated Request (M€)
South	Tunisia	KFW	Energy efficiency in the waste water sector	Water & Environment	51	5
South	Tunisia	KFW	Centrale Solar PV -10 MW (Tozeur)	Energy	61	5
South	Regional	EBRD	SEMED SME Financial Inclusion programme	Private sector	100	25
South	Regional	EIB	transport sector support facility(*)	Transport	10	10
South	Regional	EIB	PPP Project preparation facility (phase2)	Private sector	5	5
South	Regional	EIB	DCFTA South Initiative	Private sector	75	30
South	Regional	EBRD	SEMED DCFTA initiative	Private sector	51	20
South	Regional	KFW	SANAD MSME financing	Private sector	90	22

(*) Programme coordinated under the SNAP-T transport coordination initiative

ANNEX 2

of the Commission Implementing Decision on the European Neighbourhood wide Action Programme 2015

Action Fiches for projects identified for financing under the Neighbourhood Investment Facility (NIF)

1- Regional East - DCFTA Initiative East

Investment Facility	NIF
Opinion of the Operational Board	POSITIVE OPINION
Sector/DAC code	32130, 31120, 33120
Partner country/region	Ukraine, Moldova, Georgia
Lead FI	European Investment Bank (EIB)
Co-financiers	European Investment Fund
EU contribution requested	62.25 million EUR
Total cost of the project (including EU contribution)	842 million EUR
Objectives to be fulfilled (main)	"DCFTA[1] Initiative East" initiative, grants will be required to fulfil the following priority objectives in the DCFTA countries over an agreed period: i. Providing wider access to finance, in form of first loss SME loan portfolio guarantees. ii. Supporting Microfinance Institutions, including Credit Cooperatives, with the purpose of providing financing to local microenterprises. iii. Agriculture and rural development: supporting agroindustry sectors and their modernisation throughout the entire value chain.
Description of the activities	*Risk Capital* The Facility will be structured through co-investment agreements between the Commission and the EIB. The equity funding in the form of a first loss piece from the Commission will lead to a mobilisation at the Facility level of at least 3x (through the investment of EIB own resources). Other IFIs could eventually benefit from the first loss piece provided by the Commission. *Market Access* (i) Credit enhancement schemes These schemes will alleviate the constraints facing SMEs in accessing finance, particularly in the form of partial credit guarantees, in that they help close the financing gap by

[1] Deep and Comprehensive Free Trade Area.

	partly substituting collateral provided by a borrower with credit protection provided by an external guarantor. (ii) Incentive payments Businesses that comply with EU certification/national equivalent shall be eligible for an incentive payment. Typically, such incentive will be provided as an investment incentive for a sub-loan which involves the purchase of assets deemed instrumental to the modernisation and upgrade of SMEs eligible activities.. Guarantee Facility The Guarantee Facility would be structured as a mandate from the Commission to the EIB and governed by the appropriate type of contract. The EIB will subcontract EIF that would undertake the management of the Guarantee Facility and most importantly, to issue the guarantees to the financial intermediaries. This cooperation would be governed by an internal agreement between the EIB and EIF reflecting the terms of the EC.
Foreseen results	The DCFTA Initiative East will directly support the implementation of the DCFTAs in Moldova, Georgia and Ukraine by providing support to local SMEs along main components: (i) wider access to finance through the provision of local currency financing and the mitigation of the risks associated with import-export activities; (ii) improvement of the investment climate through the provision of risk-sharing instruments; (iii) provision of risk capital instruments, namely Microfinance Institutions. The overall aim is therefore providing a wide range of instruments able to facilitate credit access for SMEs at a regional and local level with a particular focus on the agroindustry sectors and their modernisation throughout the entire value chain.
Expected leverage	Investment leverage ratio: 14.7:1 Total eligible FI leverage ratio: 7.4:1
Location	Ukraine, Moldova, Georgia
Duration i.e. implementation period and indicative implementation timetable	Tentative time table: - Pre-appraisal & appraisal missions: Q1&Q2 2015 - Starting date: 2 months after signature of the agreement with the European Commission - Internal board approval: Q4 2015 - End of activities financed by EU grant: 12/2025 - End of project activities: 12/2026
Justification/additionality of the EU grant	**Risk Capital** There is a significant need to attract larger funds and to professionalise management in order to reach the critical mass needed to have a greater impact in the financing to local SMEs **Market Access**

	The EIB has already identified a pipeline of "Loans for SMEs and Mid-Caps" in the three DCFTA countries for an amount in excess of EUR 1.5 billion over the next three years. It is estimated that approximately 20% of such amount will be on-lent to SMEs falling within the rather restrictive eligibility criteria as set out in the current application. As a result, and keeping into account an expected leverage of approximately 10 times, the amount requested under this pillar is fully justified. **Guarantee Facility** Given that this financial instrument is a guarantee, it should be financed only through a grant. A typical SME loan guarantee operation with a bank should at least be in the magnitude of at least 10 million to motivate the bank to assign resources for its implementation. 3 operations in Ukraine of a total EUR 50-55 million are envisaged, and another 4 in Moldova and Georgia of a total EUR 30-35 million.

2- Regional East - EU DCFTA Facility, EBRD DCFTA Programme

Investment Facility	NIF
Opinion of the Operational Board	POSITIVE OPINION
Sector/DAC code	24030 – Formal sector financial intermediaries 24040 - Informal/semi-formal financial intermediaries
Partner country/region	Georgia, Moldova and Ukraine
Lead FI	EBRD - European Bank for Reconstruction and Development
Co-financiers	Tbc
EU contribution requested	EUR 19.42 million (for 2015)
Total cost of the project (including EU contribution)	The total project value for Year 1 is EUR 422.5 million (total estimated over three years is EUR 1,282.7 million)
Objectives to be fulfilled (main)	The primary objective of the Programme is to support DCFTA-related priority improvements in SME's operating in Georgia, Moldova and Ukraine following the signing of AA/DCFTAs in 2014.
Description of the activities	The EBRD's DCFTA Programme will combine various components to address the challenges of MSMEs and it will be implemented under 4 different windows: (i) Window 1 – Enhancing SMEs' ability to implement DCFTA-related projects with investment grants and improved access to long term debt. This Window will improve: (a) the SMEs' ability to afford the DCFTA-related project through access to investment grants; (b) the terms, particularly the tenor of the financing the SMEs can access from PFIs; and (c) the willingness and ability of PFIs to accept SME risk. (ii) Window 2 – Enhancing short and medium term trade financing access for businesses to facilitate cross border trade and domestic distribution operations. (iii) Window 3 – Business advice for SMEs to enhance their technical, managerial, market knowledge and investment project development capacity; (iv) Window 4 – Policy Dialogue to improve domestic operating environment for SMEs.
Foreseen results	(i) Increase the number of investments that enable SMEs to respond to challenges and opportunities created by the DCFTA. (ii) Improve the availability and terms of long term funding for businesses in Georgia, Moldova and Ukraine by increasing the number of locally operating financial intermediaries that actively pursue funding to SMEs and increasing the overall long term funding amounts that are

	lent to SMEs. (iii) Facilitate cross-border trade operations and domestic distribution by ensuring that sufficient volumes of sophisticated trade finance and factoring instruments are available to local companies. (iv) Provide SMEs with access to business advice in DCFTA priority areas to stimulate exports, enhance competitiveness and enable them to modernise their businesses and adapt to EU standards. (v) Contribute to the overall and sustained improvements in operating environment of local businesses through a systemically targeted policy dialogue with country authorities.
Expected leverage	Investment leverage ratio: Year 1: 18 (402.5/22.5) Total eligible FI leverage ratio: Year 1: 17 (380/22.5)
Location	Georgia, Moldova and Ukraine
Duration i.e. implementation period and indicative implementation timetable	Tentative time schedule: • Completion date of environmental and social impact assessments: n/a (only on sub project level 2015 +) • Appraisal mission: May 2014 – May 2015 • Dates of approval by EFIs Boards: Lead Financier, Other co-financing EFIs: October 2015 + • Target date of signature of EU Delegation Agreement with Lead FI: September 2015 • Target date of signature of EU Financing Agreement with Beneficiary: n/a • Start of activities financed by the EU grant: 05/2015 • End of activities financed by the EU grant: 12/2025 • End of project activities: 12/ 2026
Justification/additionality of the EU grant	The key value added of the Programme could be summarised as follows: (i) Innovative, multifaceted programme addressing challenges across economy and achieving results across PD, SMEs direct and indirect activity (capacity building and financing) and trade; (ii) Sustainable increased access to finance; (iii) Higher leverage of EU funds; (iv) Blending EBRD's balance sheet resources with the EU funds. (v) Complementing other IFI resources and capacity, in particular the EIB and EIF. The value added of the EU grant will be highlighted and specified in loan agreements with PFIs/Policy Statements.

3- Regional East - EBRD Women in Business Programme in the Eastern Partnership

Investment Facility	NIF
Opinion of the Operational Board	POSITIVE OPINION
Sector/DAC code	24030 24040
Partner country/region	Armenia, Georgia, Azerbaijan, Belarus, Moldova and Ukraine
Lead FI	EBRD
Co-financiers	NA
EU contribution requested	EUR 5.035 million (*) (*) An amount of EUR 2.294 million is financed under the NIF AAP 2014 budget and the remaining EUR 2.741 million under this decision
Total cost of the project (including EU contribution)	EUR 54.3 million
Objectives to be fulfilled (main)	The overall objective of the Programme is to promote and support women entrepreneurship and more broadly women's participation in business by facilitating access to finance as well as non-financial business development services in the EaP countries.
Description of the activities	The Programme includes four main components: (i) Dedicated credit lines of up to EUR 43.4 million to eligible Partner Financial Institutions (PFIs) for on-lending to eligible Women SME. (ii) First loss risk cover ("FLRC") of up to EUR 4.3 million; up to 10% of the PFIs' loan portfolio under the Programme with a cap of 70% for any single sub-loan. (iii) Capacity Building Programme for the PFIs through Technical Assistance ("FI TA window") of up to EUR 1.8 million. (iv) Women in Business Small Business Support component ("SBS TA window") of up to EUR 4.8 million will be provided to increase Women SMEs access to know-how, non-financial business development services and networking opportunities. Existing and potential Women SMEs will be referred to SBS for tailored advisory services projects, training, mentoring and long-term coaching.
Foreseen results	With the successful implementation of the Programme, combined with TA provided to Women SMEs, thereby providing reassurance and know-how to the main stakeholders, it is expected that the PFIs' portfolio of smaller size sub-loans to eligible Women SMEs will increase.
Expected leverage	Investment leverage ratio: 54.3/4.8 = 11.3

	Total eligible FI leverage ratio: 43.4/4.8 = 9.0 Private loans/equity leverage ratio: NA
Location	Armenia, Georgia, Azerbaijan, Belarus, Moldova and Ukraine
Duration i.e. implementation period and indicative implementation timetable	Tentative time schedule: • Completion date of environmental and social impact assessments: 30/06/2015 • Appraisal mission: 30/06/2015 (EBRD meetings with stakeholders in respective countries) • Dates of approval by EFIs Boards: Lead Financier, Other co-financing EFIs: 01/07/2015 • Dates of signature of the loans with the beneficiary, Lead Financier, Other co-financing EFIs: 1/07/2015 – 31/12/2017 • Target date of signature of EU Delegation Agreement with Lead FI: 2015 • Target date of signature of EU Financing Agreement with Beneficiary: n/a • Start of activities financed by the EU grant: 2015 • End of activities financed by the EU grant : 31/12/2018 for TA assistance and 31/12/2023 for FLRC • End of project activities: 31/12/2023
Justification/additionality of the EU grant	The Programme addresses market failure associated with a banks' perceived risk towards the untested Women SMEs segment which has discouraged banks from lending to women entrepreneurs to date. EBRD allocates first loss risk cover to individual sub-projects (loans with PFIs) under specific conditions stated in a Policy Statement which forms part of the loan agreement signed with a PFI. Policy statement documents describe the conditions for use of the FLRC – usually limiting the use of FLC for sub-loans signed within a certain time period (for example FLC cover may only apply to sub-loans signed within a 3-year period from the signing of a loan agreement). TA to PFIs will be an essential part of the Programme. The EUR 0.5 million requested through this Application will complement EUR 1.3 million provided by other donors (Sida) to ensure full implementation and visibility of the Programme in the EaP countries.