The European Neighbourhood Policy (ENP) was developed in 2004 and renewed in 2011 in order to avoid the emergence of new dividing lines between the enlarged EU and its neighbours and to strengthen the prosperity, stability and security of all. Within the ENP the EU offers our neighbours a relationship, building upon a mutual commitment to common values (democracy and human rights, rule of law, good governance, market economy principles and sustainable development). Spreading peace and prosperity across the borders of the EU prevents artificial divisions and creates benefits for the ENP partners and the EU alike.

The Neighbourhood Investment Facility (NIF) is one of the tools introduced in the framework of the ENP to boost EU support for its neighbours’ economic development. Private investment flows to most countries in the EU’s Neighbourhood region remain insufficient compared to the overall needs of the region and more finance is needed to develop crucial infrastructure in the Neighbourhood countries. The NIF therefore aims to maximise the impact of EU funding and loans provided by European Finance Institutions on critical infrastructures and support to SMEs. Implemented by EuropeAid and financed through the interregional programme, the NIF has been available to Southern and Eastern neighbours since 2008.
Officially launched in May 2008, the Neighbourhood Investment Facility (NIF) is an innovative financial instrument of the European Neighbourhood Policy (ENP). Its primary objective is to finance key infrastructure projects in the transport, energy, social and environment sectors with a mixture of grants and loans as well as to support private sector development (in particular SMEs) in the Neighbourhood Region.

GEOGRAPHICAL SCOPE

Projects must be located in an ENP partner country that has signed an Action Plan with the EU to be eligible for a grant contribution from the NIF. However, other countries may also benefit from NIF interventions on a case-by-case basis and taking into account regional or specific circumstances.

SECTOR PRIORITIES

Projects supported by the NIF have as their main objective:

- Establishing better energy and transport infrastructure interconnections between the EU and neighbouring countries and among neighbouring countries themselves.
- Addressing threats to the environment, including climate change.
- Promoting equitable socioeconomic development and job creation through support for small- and medium-sized enterprises and the social sector.

Financing and implementing large infrastructure projects requires considerable financial resources. The NIF is designed to create a partnership, pooling together grant resources from the EU budget and the EU Member States and using them to leverage loans from European Finance Institutions as well as own contributions from the ENP partner countries. A project must therefore be financed by an eligible European Finance Institution to receive a grant contribution from the NIF.

ELIGIBLE EUROPEAN FINANCE INSTITUTIONS

- **Multilateral European Finance Institutions:** currently, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) and the Nordic Investment Bank (NIB);
- **European bilateral development finance institutions from one of the Member States:** currently, the Agence Française de Développement (AFD), the Agencia Española de Cooperación Internacional para el Desarrollo (AECID), the KfW Entwicklungsbank (KfW), Oesterreichische Entwicklungsbank AG (OeEB), the Società Italiana per le Imprese all’Estero (SIMEST) and the Sociedade para o Financiamento do Desenvolvimento (SOFID).
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It is with great pleasure that I am presenting you this activity report of the Neighbourhood Investment Facility (NIF), covering its first five years of operations and its impressive results.

After five years of constant growth, the NIF is reaching its maturity and achieving continuously its objectives, as shown by the conclusions of the Mid-Term Evaluation carried out in 2012, an independent testimony of its success.

Let me underline that the NIF is already a well-established mechanism amongst our partners which has reinforced our relationship by offering a comprehensive and practical approach to our cooperation.

I am glad to testify that the NIF has proven an indispensable tool for the EU to respond to the increasingly important political and economic challenges in the EU Neighbourhood. Supporting inclusive economic development is at the centre of our priorities for the Neighbourhood region and the NIF has demonstrated to be an efficient tool facilitating the investment needed to strengthen private sector and creating jobs. Equally, it has helped to build infrastructure links in the areas of transport and energy paving the way for further integration in both East and South regions.

In the South, while most of our eligible Arab partner countries are more than ever facing major socioeconomic and financial challenges, the EU shall continue to invest into inclusive development and regional economic integration. To that end, the EU is working closely with donors under the G-8 Deauville Partnership initiative, which coordinates international efforts.

Turning to our Eastern Neighbourhood, over the last years the EU has concluded negotiations for establishing Association Agreements, including Deep and Comprehensive Free Trade Areas with Georgia, Moldova and Ukraine, foreseen to be signed at the Eastern Partnership Summit in Vilnius in November 2013. These agreements will further deepen the integration of our markets and create new opportunities for trade and economic development, thus creating a stable and predictable policy framework which is crucial to attract investments to the region.

I am particularly sensitive to the efforts made thanks to the NIF to improve access to finance for local Small and Medium sized Enterprises (SMEs) on a sustainable basis. Our main objective with this support is to maintain and create jobs in our partner countries. To address this challenge, NIF has increasingly supported during the years several initiatives in this field, both in the East and the South, delivering smart and sustainable growth through SME support.

Let me recall the impressive results obtained since the launch of the Neighbourhood Investment Facility: Since 2008, € 589.8 million of funding from the NIF has been approved for a total of 66 projects. This funding has helped to mobilise total investments of over € 18.4 billion. In practical terms, by providing its funding, the NIF makes it considerably easier for our partner countries in the East and South to raise finance to build big infrastructure projects for the long-term benefit of their populations.

I would like to conclude that NIF funding has been and will continue to be used for a multitude of key projects, notably to repair roads, increase the use of public transport, reduce energy losses, develop renewable energies and improve water supply and sewerage systems. The EU stands by its partner countries to set up new, long-term and environmentally-friendly infrastructure projects that improve the living standards of their populations. It is work in progress but much has already been achieved, as is featured in this report.

Štefan Füle
Commissioner for Enlargement and European Neighbourhood Policy
NIF resources allocated to approved projects
> € 589.8 million
EAST: € 254.7 million, SOUTH: € 335.1 million

EFIs resources leveraged
> € 8.1 billion
EAST: > € 4 billion, SOUTH: > € 4.1 billion

NIF Portfolio
% of total NIF contributions

by sector
- Social: 8%
- Multisector: 2%
- Transport: 29%
- Energy: 26%
- Water/Sanitation: 17%
- Private sector: 18%

by type of support
- Investment grant: 54.7%
- Risk capital: 4.7%
- Guarantees: 6.3%
- Technical assistance: 34.3%

At a glance
At 31.12.2012

66 projects supported with a total project value of > € 18.4 billion
EAST: 37 projects worth > € 7.9 billion - SOUTH: 29 projects worth > € 10.5 billion

EU Member States
ENP countries directly eligible under the NIF
Other ENP countries

29%
2%
26%
17%
8%
18%

Transport
Multisector
Social
Energy
Water/Sanitation
Private sector

Total volume of NIF contributions approved

Regional South
€ 64 M / 6 projects
Morocco
€ 94.8 M / 7 projects
Algeria

€ 2.2 M / 1 project
€ 122.3 M / 9 projects
€ 14 M / 2 projects
€ 33.1 M / 5 projects
€ 55.9 M / 6 projects
€ 64 M / 6 projects
€ 37.8 M / 4 projects
€ 70.1 M / 11 projects
€ 94.8 M / 7 projects
€ 23.7 M / 6 projects

66 projects supported with a total project value of

> € 18.4 billion

EAST: 37 projects worth > € 7.9 billion  -  SOUTH: 29 projects worth > € 10.5 billion
Since it was launched in 2008, the NIF has provided support for 66 projects, drawing on a total of nearly €590 million from the EU budget.

The NIF contribution has succeeded in mobilising over €8 billion of financing from European Finance Institutions since 2008, i.e. €13.50 for every euro provided by the NIF.

The geographical distribution of NIF funds (€589.8 million) has been fairly balanced between the South (57% and 29 projects) and the East (43% and 37 projects) covering all eligible countries.

Between 2008 and 2012, €182 million of NIF funding can be reported as actions to help combat climate change (Rio markers 1 and 2), representing nearly two thirds of the NIF projects and investments of around €5.2 billion.

In the South, the NIF contributed to various Union for the Mediterranean (UfM) initiatives: one is the Renewable Energy and Energy Efficiency Project Preparation Initiative, which provided €5 million of support to 10 to 20 renewable energy projects (especially wind and solar energy). This is part of the UfM Mediterranean Solar Plan to develop an extra 20 gigawatts of renewable energy in the region by 2020.

As a continuation of a project approved in 2009 under the NIF, in 2010 and 2011 the Board decided to support the expansion of the existing water and wastewater treatment plants as well as the water supply distribution and wastewater collection systems in a highly populated region of Egypt called Upper Egypt. Together with a project to study the investment needs for the treatment of wastewater sewerage of industrial zones in Tunisia, both are part of the UfM’s Horizon 2020 Initiative as they significantly contribute to the depollution of the Mediterranean Sea.

Regional interconnectivity is one of the priorities of the NIF. Thus, in 2012 it supported the Modelectrica Transmission Network Rehabilitation Project to rehabilitate an existing power transmission network, strengthen regional interconnections and links with the European electricity system. These links will facilitate the integration of Moldova’s transmission grid into the European Network of Transmission System Operators for Electricity (ENTSO-E).

Likewise, NIF supported the rehabilitation of the East-West Highway project in Georgia, which is part of the pan-European corridor linking the EU with Central Asia through the Caucasus (TRACECA).
Analysis of the portfolio of projects from 2008 until 2012

A total of 66 projects have received final approval since the launch of the Neighbourhood Investment Facility in 2008. The total NIF grant contribution assigned to these projects came to €589.8 million with an overall potential investment cost of over €18.4 billion.

Geographical breakdown

The overall geographical distribution of the NIF funds has been fairly balanced, with €335.1 million of NIF funds approved (57% of all NIF contributions) shared out among 29 projects in the South and €254.7 million (43%) shared out among 37 projects in the East. There is a growing trend for the NIF to finance regional projects. The total number of regional projects in the NIF portfolio nearly doubled in size from eight (five in the East and three in the South) in 2011 to fourteen (eight in the East and six in the South).

Sector distribution

Transport still leads the field in terms of the share of NIF funding it receives (29% as opposed to 34% by end 2011) while energy stays in second place with the same percentage (26%). Next comes the private sector, which is holding steady with a 18% share, the water and sanitation sector (remaining the same 17%) and the social sector (8%), that has almost double its share since the end of 2011.

Joint European Operations

Increasingly, projects receiving NIF funding are being funded by more than one European Finance Institution (EFI). This was particularly noticeable in 2012. Of the eight projects in the South, five involved two Eligible Finance Institutions (EFIs), one involved three EFIs and one even brought together four EFIs. Of the ten projects in the East, four involved two or more EFIs.

On the overall NIF portfolio 2008-2012, 42 operations out of the 66 were presented by a consortium of European Finance Institutions, representing more than 76% of the NIF contributions.

The NIF continues to be an excellent example of joint European operations as well as harmonisation and coordination among donors.
Financial and qualitative leverage

In total, over € 8 billion of financing were provided by European Finance Institutions to projects since the launch of the NIF, i.e. a multiplier effect of more than 13.5:1 or € 13.50 for each euro provided by the NIF, which represents considerable financial leverage (the financial leverage ratio in 2012 was 8.6:1). Overall projects costing 18.4 billion euro were funded at a ratio of 31:1.

Besides this financial leverage, the NIF has proven that it also provides a qualitative leverage on projects. This could be defined as a valuable (albeit not financially measurable) improvement in the overall social and environmental quality of the projects supported. Most difficulties can be overcome with extra funding, i.e. to finance mitigation or security measures identified in an environmental and social impact assessment, alternative routing for infrastructure near a protected area, etc. It is in such cases that the NIF grant adds more than just a financial leverage and becomes a key part of an agreement between the parties, helping to ensure the smooth implementation of a project.

Type of NIF support

The majority of NIF support (35%) was channelled to projects in the form of a contribution to the project investment cost (i.e. as an investment grant) combined with technical assistance. The next highest percentage (30%) came in the form of investment grants only, followed by technical assistance (24%) and guarantees (4%). The higher number of projects benefiting only from TA (31) compared to those benefiting from investment grants alone (16) reflects the generally smaller size of TA contributions as opposed to investment grants.

Fifteen projects in the portfolio received support both in the form of TA and investment grant, two projects received support for TA and risk capital/guarantees operations. In one project, the Green for Growth Fund, support came in the form of TA plus the financing of shares, and another project, SME Guarantee Facility, provides guarantees through an effective risk management tool.

Absorption of funds

Since 2008, 60 of the 66 projects approved to date have already been partly or fully contracted, representing more than 90% of total grant amounts approved to date. The disbursement rate has been maintained year after year at satisfactory levels with a total amount effectively paid to either partner countries or Lead Finance Institutions of some € 401 million, i.e. some 68% of all NIF contributions approved since the launch of the Facility. Such deployment rate demonstrates the efficiency of NIF in fully responding to the most urgent investment needs of its final beneficiaries and the fact that its procedures and governance are functioning well.

Implementation Status

The implementation of projects that have been approved to date is very much on track. As of the end of 2012, for over two thirds of projects approved, tendering of the NIF-financed components had started. In over half of the applicable cases, construction of the underlying infrastructure project had also already started. Where the NIF financed, in part or exclusively, TA services, in over 50% of the cases advisory services under the TA contract had already begun to be provided to the final beneficiaries.
## NIF Final approvals up to 31/12/2012 by country and by sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Energy</th>
<th>Multisector</th>
<th>Private</th>
<th>Social</th>
<th>Transport</th>
<th>Water / Sanitation</th>
<th>Total NIF contributions</th>
<th>Number of projects</th>
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<td></td>
<td>€ m</td>
<td>N°</td>
<td>€ m</td>
<td>N°</td>
<td>€ m</td>
<td>N°</td>
<td>€ m</td>
<td>N°</td>
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<tr>
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<td><strong>Total East</strong></td>
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<td>12</td>
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<td>49.58</td>
<td>6</td>
<td>103.58</td>
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<td>Egypt</td>
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<td>10</td>
<td>1</td>
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<td>Lebanon</td>
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<td>Tunisia</td>
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<td>28</td>
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<tr>
<td>Regional South</td>
<td>5</td>
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<td>1</td>
<td>54</td>
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<td>64</td>
<td>6</td>
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<td><strong>Total South</strong></td>
<td>91</td>
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<td>103.58</td>
<td>10</td>
<td>168.65</td>
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### Bar Chart

- **Water / Sanitation**
- **Transport**
- **Social**
- **Private sector**
- **Multisector**
- **Energy**
The NIF was asked for a contribution to finance a Combined Renewable Energy Masterplan for Egypt, encompassing a number of studies aimed at increasing the share of Egyptian power production from renewable energies to 20% by 2020.

To tap into Egypt’s vast solar energy potential, the grant sought was to carry out a feasibility study to determine i.a. the final site, size and technological options for a Concentrated Solar Power (CSP) plant. Subject to the results of the feasibility study, the estimated budget for a CSP plant of 100 MW installed capacity is today in the range of € 500 million. The study provides a sound basis for future investments by the European Finance Institutions in Egypt’s renewable energies sector.

The project concerns a multi-component investment programme in the Egyptian 220-500 kV transmission network. The investments contribute to providing a reliable electricity supply to meet the increasing demand in the country, in part connecting new wind energy generation facilities to the grid and enabling future interconnections to neighbouring country networks, notably to the Gaza strip.

The aim of the project is to increase regional integration in the field of energy and help in the creation of a Mediterranean energy ring. The project is therefore strengthening Egypt’s key role in the energy field in the region. A contribution from the NIF to the project was sought to reduce the global cost of financing for the borrower and fund Technical Assistance, providing the promoter with access to international expertise and best practices in the areas of overall project management and monitoring, in particular with regard to transparent procurement, environmental and social due diligence.

SOUTH

**29 projects** were approved in the South for a total NIF contribution of € 335.1 million.

**ENERGY**

<table>
<thead>
<tr>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Renewable Energy Masterplan</td>
</tr>
<tr>
<td>Total cost: € 500 million</td>
</tr>
<tr>
<td>NIF grant: € 3 million (fully financed out of the NIF Trust Fund)</td>
</tr>
<tr>
<td>Lead Finance Institution: KfW</td>
</tr>
<tr>
<td>Co-financing Institutions: AFD and EIB</td>
</tr>
<tr>
<td>Type of NIF support: Technical Assistance</td>
</tr>
<tr>
<td>Year of approval: 2010</td>
</tr>
</tbody>
</table>

The NIF grant sought was to carry out a feasibility study to determine i.a. the final site, size and technological options for a Concentrated Solar Power (CSP) plant. Subject to the results of the feasibility study, the estimated budget for a CSP plant of 100 MW installed capacity is today in the range of € 500 million. The study provides a sound basis for future investments by the European Finance Institutions in Egypt’s renewable energies sector.

**Egyptian Power Transmission**

<table>
<thead>
<tr>
<th>Egypt</th>
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<tbody>
<tr>
<td>Egyptian Power Transmission</td>
</tr>
<tr>
<td>Total cost: € 762 million</td>
</tr>
<tr>
<td>NIF grant: € 20 million (of which € 4 million out of the NIF Trust Fund)</td>
</tr>
<tr>
<td>Lead Finance Institution: EIB with a loan of € 260 million</td>
</tr>
<tr>
<td>Co-financing Institutions: AFD and KfW with loans of € 50 million each</td>
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<tr>
<td>Type of NIF support: Investment Grant and Technical Assistance</td>
</tr>
<tr>
<td>Year of approval: 2010</td>
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</table>

The project concerns a multi-component investment programme in the Egyptian 220-500 kV transmission network. The investments contribute to providing a reliable electricity supply to meet the increasing demand in the country, in part connecting new wind energy generation facilities to the grid and enabling future interconnections to neighbouring country networks, notably to the Gaza strip.

The aim of the project is to increase regional integration in the field of energy and help in the creation of a Mediterranean energy ring. The project is therefore strengthening Egypt’s key role in the energy field in the region. A contribution from the NIF to the project was sought to reduce the global cost of financing for the borrower and fund Technical Assistance, providing the promoter with access to international expertise and best practices in the areas of overall project management and monitoring, in particular with regard to transparent procurement, environmental and social due diligence.
NIF-funded Technical Assistance was sought to support the Egyptian New and Renewable Energy Authority (NREA) in the preparation phases for the construction of the most powerful grid-connected photovoltaic solar plant in the Mediterranean region.

The project was proposed by the NREA with the objective of diversifying Egypt’s energy mix and increasing the country’s production capacity. The project is in line with the Mediterranean Solar Plan and its objective to install 20 GW of renewable energy in the Mediterranean region by 2020. Based on the outcome of the studies and actions financed, resulting investment could be co-financed by the AFD, EIB and KfW. The overall objective of such a pilot project is to give Egypt the opportunity to become a leading player in photovoltaic technology, enabling it to export its know-how in the Mediterranean region.
Reinforcement of the Jordanian transmission network is deemed essential to enhance the electricity trade in the Mediterranean region, notably in the MEDRING context. This was the first NIF-funded operation in Jordan.

The project concerns a multi-component investment programme in the Jordanian transmission network. Project components are included i.a. the reinforcement of the high voltage transmission corridor from Aqaba to Amman, the connection to future renewable energy units (Kamsha and Fujeij wind farms) and the interconnection with the West Bank network. NIF Technical Assistance was sought to finance the feasibility study for the main component of the investment programme, i.e. the reinforcement of the South-North high voltage transmission corridor. The aim is to ensure adequate project preparation in accordance with international best practices, in particular with regard to social and environmental issues, paving the way for a successful participation of European Finance Institutions in project financing.

There are frequent power cuts in Lebanon lasting from three to 13 hours per day. Energy demand is estimated to grow at an average of 3%-5% per year for the coming ten years, meaning that the Lebanese electricity sector will face further challenges unless substantial investments and structural reforms are undertaken urgently. Energy efficiency and renewable energy projects have considerable potential. Two key stumbling blocks are a lack of long-term funding and the limited knowledge of financial institutions in appraising such projects.

The credit line provided by EIB/AFD allows financial institutions to provide long-term funding to individual projects with the possibility of fixing interest rates, terms that are currently not available on the Lebanese market.

The credit line takes the form of an Apex sovereign loan for financing energy efficiency and renewable energy investments carried out by private companies in Lebanon, with particular attention to SMEs. The main intermediary and promoter of the project is the Lebanese central bank, Banque du Liban, which will channel the funds to the final beneficiaries via selected Lebanese banks. In the long run, the project will help the Lebanese commercial banks build capacity and strategies in the field of energy efficiency/renewable energy.

The NIF is helping Jordan reinforce its transmission network to enhance the electricity trade in the Mediterranean region.
Morocco

Reinforcement of the high voltage transmission network

- Total cost: € 411 million
- NIF grant: € 15 million
- Lead Finance Institution: AFD with a loan of € 57 million
- Co-financing Institutions: EIB with a loan of € 180 million and KfW with a loan of € 100 million
- Type of NIF support: Investment Grant and Technical Assistance
- Year of approval: 2012

In the medium term, Morocco is aiming for renewable energy to account for 42% of its installed power capacity (6,000 megawatts). In 2009, Morocco launched the Moroccan Solar Plan, which aims to install 2,000 megawatts (MW) of power between 2015 and 2019. It announced a 2,000 MW wind power programme in 2010. Power from hydroelectricity will make up the remaining 2,000 MW.

The overall aim of the programme is to reinforce the national electricity network and thereby improve people’s economic productivity and wellbeing by providing reliable and competitively priced energy.

It will link up vital renewable energy plants (e.g. the Ouarzazate concentrated solar power plant) and thus facilitate the integration of renewable energy sources into the national energy grid. Around € 40 million will be used to finance the lines and substations connecting the electricity transport network to renewable energy plants. Following the existing master plan, the programme also aims to ensure the transportation of electricity in the best conditions in terms of cost and security.

The NIF contribution for Technical Assistance aims at strengthening the capacities of the ONEE (Office National de l’Electricité et de l’Eau potable or National Office for Electricity and Drinking Water in English) in terms of sector planning, environmental and social management of its activities and financial management.

Ouarzazate Solar Power Plant

- Total cost: € 807 million
- NIF grant: € 30 million
- Lead Finance Institution: EIB with a loan of € 300 million
- Co-financing Institutions: AFD with a loan of € 100 million and KfW with a loan of € 115 million
- Type of NIF support: Investment Grant
- Year of approval: 2011

This project is the first phase of the Moroccan Solar Plan, whose objective is to develop solar power generation and related local industry with a target capacity of a minimum of 2,000 MW (to be installed by 2020).

This initial project concerns the development of a 500 MW solar power complex located close to Ouarzazate. The contribution from NIF, together with loans from EIB, AFD and KfW, was sought to co-finance the initial investments aiming at building a solar plant with a production capacity of between 125 and 160 MW using CSP parabolic technology.

This is the largest energy project so far co-financed by the NIF in the Southern Neighbourhood (estimated total cost of about € 807 million). It comes under one of the Union for the Mediterranean major initiatives: the Mediterranean Solar Plan. As a result, Morocco is expected to diversify its energy sources to meet national electricity supply as well as gain the capacity to export its energy production to the EU.

The use of solar energy contribute to mitigate climate change effects.
### Tunisia

**Feasibility Study for a solar thermal power plant**

- **Total cost:** € 90 million
- **NIF grant:** € 1 million
- **Lead Finance Institution:** KfW (amount tbd)
- **Co-Finance Institutions:** EIB, AFD (amount tbd)
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2008

The NIF grant was sought for a study to determine the feasibility of a 50 MW Concentrated Solar Power Plant (CSP) plant and of a 10 MW Photovoltaic (PV) solar power plant which would contribute to global climate protection by producing environmentally sound electrical energy and avoiding the generation of CO₂ with a reasonable economic effort.

Tunisia has excellent natural conditions for the production of solar power. In the medium run, solar power could also become an export product to the EU.

Other countries in the Mediterranean region, notably Egypt, Morocco and Algeria, have begun to invest in such plants. The current costs of CSP technologies are still above the costs of production alternatives, thus still need financial support with a substantial grant component.

### Regional


- **Total cost:** € 5 million
- **NIF grant:** € 5 million
- **Lead Finance Institution:** EIB
- **Co-financing Institutions:** AFD, KfW, AECID and any other eligible finance institutions interested in the initiative
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2012

Launched in 2008 in the framework of the Union for the Mediterranean (UfM), the MSP has two main objectives to be achieved by 2020: developing an additional 20 GW of renewable energy production capacities and achieving significant energy savings throughout the region.

The MSP-PPI is supporting the preparation of projects in the area of power generation from renewable energy sources (mainly wind and solar technologies), and energy efficiency and renewable energy transmission capacity for connection to the grid through small NIF-funded Technical Assistance operations (from € 50,000 up to € 0.5 million). The project aims to accelerate the development of projects, helping partner countries to fulfil their national and regional targets.

The objective of the MSP-PPI is to support ten to twenty projects (notably in wind and solar energy) proposed by the participating eligible financial institutions as being financially bankable and implementable in a reasonable time frame. Promoters can apply and present their investment projects for financial assistance from the MSP-PPI directly by contacting only one participating EFI. There are no calls for proposals, and financial assistance is granted on a first come, first served basis, within the limits of the given budget.

Feasibility studies for a concentrated solar power plant and a photovoltaic solar power plant in Tunisia are being carried out with NIF funding.
The Technical Assistance financed by the NIF for the Mediterranean Urban Projects Finance Initiative (UPFI TA) aims to develop sustainable and innovative urban projects that represent best practices and that are potentially replicable. The programme helps to accelerate the implementation of such urban projects and make them bankable according to the standards of European Financial Institutions (EFIs). The overarching goal is to help improve living conditions in the Mediterranean partner countries, where the urbanisation growth rate is rapidly increasing due to demographic and environmental pressure.

The work performed during the Projects Identification Study (Stage 1) focuses on establishing an indicative pipeline of projects that would be eligible for support under UPFI. Phase 2 of this identification study is in process. The steering committee, which met on 5 June 2013, established a ranking list of forty projects in nine countries. At the end of this process, ten to fifteen innovative sustainable urban projects will be identified and financed by the IFIs.

Knowledge sharing and networking opportunities will be organised for urban operators, policy makers, middle management in the public sector and urban experts.

The SME Guarantee Fund is a NIF-supported regional project that aims to increase lending from local banks to SMEs. Most businesses in the Mediterranean partner countries are SMEs and microenterprises representing between 80 to 95% of all local enterprises (depending on the country) and accounting for between 20 to 40% of all private sector employment in these countries. However, these SMEs are severely constrained by lack of access to finance.

The objective of the project is an increase in local banks’ lending to SMEs, improving access to finance for SMEs on a sustainable basis. The ultimate objective of the project is to promote job creation.

The Facility provides an effective risk management tool aiming to encourage local commercial banks to increase their financing to SMEs in the Mediterranean partner countries thus deploying local currency resources mobilised from their domestic market. Portfolio guarantees provided on a large scale are not common in the region and this scheme is expected to boost local lending significantly.

The SME Guarantee Facility (Jordan, Egypt, Morocco, Lebanon, Tunisia)

Total cost: € 320 million
NIF grant: € 24 million
Lead Finance Institution: EIB with a commitment of € 120 million
Co-financing Institution: AFD with a commitment of € 40 million
Type of NIF support: Guarantees / first loss coverage
Year of approval: 2012

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The SME Guarantee Fund is a NIF-supported regional project that aims to increase lending from local banks to SMEs.
Medium to long-term finance, especially in local currency, is particularly hard to obtain for the millions of Micro-, Small and Medium enterprises (MSMEs) in Middle East / North Africa (MENA) countries. As a result, MSMEs have less opportunity to make the necessary investments and create new jobs.

The SANAD (Arabic for ‘support’) fund offers market-based financial instruments in the form of loans (including in local currency), subordinated debt and equity to local partner financial institutions in the MENA region, accompanied with necessary support in the form of Technical Assistance.

The fund also fosters responsible finance principles in the region, further develops local financial markets on sustainable and market-based principles, mobilises local liquidity through risk-sharing and harmonises donor initiatives through a joint fund approach. The job creation potential for the local population is very high given that MSMEs are the backbone of our Mediterranean partners’ economy.

By end of 2012 the fund signed contracts for senior loans, also in local currency, with five Partner Institutions (PIs) in three countries (Lebanon, Jordan and Palestine) amounting to a total of USD 26.5 million. On the sub client level, roughly 3,500 loans have been disbursed to MSME in Lebanon and Jordan.

The measurements taken by the technical assistance facility are of great importance and amount to 21 projects with a total volume of USD 1.8 million approved financing by end of 2012.
Egypt, Morocco and Tunisia

Southern and Eastern Mediterranean Project Preparation Framework to fast-start EBRD support to the region

<table>
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<th>Total cost: € 15 million</th>
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<tr>
<td>NIF grant: € 15 million</td>
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<tr>
<td>Lead Finance Institution: EBRD</td>
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<tr>
<td>Type of NIF support: Technical Assistance</td>
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<td>Year of approval: 2011</td>
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The NIF contribution to this project allows the EBRD to prepare investment operations in countries of the Southern and Eastern Mediterranean.

The NIF finances Technical Assistance for the preparation of investment projects in the following priority sectors: i) modernisation of the agribusiness value chain to improve food security, enhance the efficiency of farming techniques including water usage, strengthen the distribution chain and develop this sector that accounts for a high share of the country employment; ii) modernisation of the financial sector so that it can contribute to support economic growth; iii) increase of the role of clean sources of energy and improvement of energy efficiency so as to improve energy security and enhance economic competitiveness with a cleaner environment; iv) mobilisation of private sector power, energy and transport infrastructure investment that will accelerate economic development; v) decentralisation of municipal infrastructure development in order to improve the quality of urban public services.

€ 3 million has been allocated for the work in the financial sector under the Southern and Eastern Mediterranean (SEMED) Regional Project Preparation Framework approved initially for Egypt, Morocco and Tunisia, with Jordan included at a later stage through an amended Contribution Agreement. To date, several TA projects under this allocation have been completed and several are being implemented. Several workshops have been held in Egypt to develop SME lending in the region and bridging the gap for SMEs to the access financing.

The Framework has also supported several Regional SEMED TA programmes in the area of trade finance. Finally, the Framework will support the first phase of the SEMED Regional Sustainable Energy Finance Facility (SEMED SEFF) implementation, approved by NIF Board in early 2013. SEMED SEFF is expected to be a € 110 million SEFF financing facility and will be extended to eligible banks in Jordan and Morocco. SEMED SEFF will be implemented as a joint investment between EBRD, KFW, EIB and AFD. Procurement for the Consultants to be engaged under SEMED SEFF has already started with the aim to start their assignment in Q4 2013.

Egypt

Integrated and Sustainable Housing and Community Development Programme

<table>
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<th>Total cost: € 175 million</th>
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<td>NIF grant: € 30 million</td>
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<tr>
<td>Co-lead Finance Institutions: EIB with a loan of € 45 million and AFD with a loan of € 30-40 million</td>
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<tr>
<td>Type of NIF support: Investment Grant and Technical Assistance</td>
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<tr>
<td>Year of approval: 2012</td>
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This housing and community development programme covers urban areas in Egypt, in particular Greater Cairo. It can be broadly split into two programmes – the EIB/NIF financed Community Development Programme (CDP) and the AFD/NIF financed Unplanned Areas and Slums Upgrading Programme.

The Community Development Programme (CDP) could encompass (i) completion of unfinished urban settlements; (ii) micro-credits to support self-help housing improvement programmes; (iii) improving the connectivity of electricity, water and sanitation infrastructure for low income and informal settlements; and (iv) credit lines to support SME participation in the supply chain of investments in community development. This programme in particular targets Cairo but other major urban centres may also be included.

The Integrated Upgrading Programme for Large Scale Unplanned Areas focuses on providing public services and utilities, community development activities and implementation of pilot interventions in selected areas.
Morocco

Support programme for the education sector

Total cost: € 1.9 billion
NIF grant: € 15 million (and € 93 million from Morocco’s National Indicative Programme)
Lead Finance Institution: AFD with a loan of € 50 million
Co-financing institutions: EIB with a loan of € 200 million
Type of NIF support: Investment Grant and Technical Assistance
Year of approval: 2009

This project supports the reform of the education sector in Morocco and entails the implementation of a national action plan involving the reinforcement of educational infrastructure throughout the country. The aim of the project is to improve access to education, reduce regional disparities, improve general educational standards throughout the country and ultimately a more equitable socioeconomic development that will generate positive externalities for the Moroccan economy.

The NIF contribution to the project, used partly as an Investment Grant, is improving the overall financing conditions of the project and for the Technical Assistance is strengthening the institutional capacity of the Moroccan Ministry of Education in managing such an ambitious investment programme.

NIF has helped Morocco with its education sector reform.

Egypt

Cairo Metro Line 3 Phase 3

Total cost: € 2 billion
NIF grant: € 40 million
Lead Finance Institution: AFD with a loan of € 300 million
Co-financing Institution: EIB with a loan of € 600 million
Type of NIF support: Investment Grant and Technical Assistance
Years of approval: 2011 and 2012

Cairo is suffering from a highly congested road network and insufficiently integrated public transport solutions. This is generating high levels of air pollution, causing large numbers of fatal accidents, reducing the city’s attractiveness and impeding the growth of economic activities.

The construction of phase 3 of line 3 of Cairo Metro aims at improving the transport conditions of Cairo’s inhabitants. This 17.7 km phase will extend line 3 to the west and complement the existing network of lines 1 and 2, which are already in operation. This is a key component of the Greater Cairo transport master plan as it will unlock two densely populated districts (Imbaba and Boulak El Dakrour), benefiting the socially disadvantaged population and providing safe and reliable access to the city centre and the central business districts. Ultimately, with phase 4, this line will offer direct access to Cairo International Airport, cutting travel time by threefold and will reduce congestion, greenhouse gas emissions, and noise pollution on this major East-West road corridor.

Lines 1 (44 km) and Line 2 (21.5 km) have been in operation since the 1990s and provide a cost-efficient transport solution for 2.4 million passengers every day. The first construction phase of line 3 (4.2 km, 5 stations) has been recently opened and phase 2 to Haroun station (7.2 km, 4 stations) is expected to be completed in 2014.
Egypt

Alexandria public transport project - feasibility study

Total cost: n.a.

NIF grant: € 0.5 million (fully financed out of the NIF Trust Fund)

Lead Finance Institution: AFD

Co-financing Institution: EIB

Type of NIF support: Technical Assistance

Year of approval: 2011

The NIF contribution has covered the cost of a feasibility study exploring alternatives for a rapid public transit project in the city of Alexandria.

The project, as defined by the study, aims to contribute to the city’s sustainable urban development by improving public transport conditions (e.g. reducing travel time and cutting air and noise pollution and greenhouse gas emissions). The project is expected to foster inclusive growth, improve the environment and help in the fight against global warming.

It is expected to contribute towards improving the East-West axis, which is the major growth axis of the Alexandria conurbation and the public transport backbone of the city.

Morocco

Tramway of Rabat

Total cost: € 354 million

NIF grant: € 8 million

Lead Finance Institution: AFD with a loan of € 45 million

Co-financing Institution: EIB with a loan of € 15 million

Type of NIF support: Investment Grant and Technical Assistance

Year of approval: 2008-2009

The aim of the project is to achieve a sustainable improvement in mobility and in the urban environment in Rabat-Salé through the construction of a tramway network with a total length of 32 km and 32 stations. The NIF grant was approved in two different phases, € 5 million NIF Technical Assistance support in 2008 and an additional € 3 million Investment Grant in 2009.

The construction of the tramway network, which has already started, supports an environmentally-friendly transport system, improving access to public transport for lower-income groups and promoting sustainable socio-economic development with a positive impact on climate protection.
### Morocco

**Second national programme for rural roads PNRR2**

- **Total cost of the programme**: €397 million
- **NIF grant**: €9.8 million
- **Lead Finance Institution**: EIB with a €60 million loan
- **Co-financing Institution**: AFD with a €60 million loan
- **Type of NIF support**: Investment Grant and Technical Assistance
- **Year of approval**: 2008

The aim of the programme is to promote balanced economic and social development of the Moroccan rural areas allowing access to rural communities, improving the flow of goods and people, better access to basic infrastructure and social services. It will help to reduce disparities in accessibility between the provinces better served and those that are not.

The construction or development of 15,500 km of rural roads under the programme is intended to open up rural population access so that this moves from an accessibility rate of 54% in 2005 to 80% at the end of the programme, improving the accessibility of more than three million people.

Through the successful first and second National Programme of Rural Roads (PNRR 1 and 2), the Government has been able to significantly increase the level of rural accessibility and to ensure the year-round access of isolated people to basic infrastructure and social services.

### Tunisia

**Tunis High Speed Urban Railway**

- **Total cost**: €550 million
- **NIF grant**: €28 million
- **Lead Finance Institution**: AFD with a loan of €50 million
- **Co-financing Institution**: EIB with a loan of €177 million and KfW with a loan of €70 million
- **Type of NIF support**: Investment Grant and Technical Assistance
- **Years of approval**: 2009 and 2010

The project aims to improve the lives of people by facilitating access to the social and economic opportunities of the city, managing the economic and social costs of urban transport and reducing environmental degradation.

The project entails the modernisation of certain priority sections of the high speed urban railway network in the city of Tunis, in particular the construction of two new lines along a total length of 29 km and the acquisition of new rolling stock. The project is part of a modernisation strategy for the Tunisian transport sector is fully in line with the EU Action Plan for Tunisia. The upgrade of the light railway network contributes to the improvement of access for the local population to public transport and promote more equitable and environmentally friendly socio-economic development with a positive impact on climate protection.

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**WATER / SANITATION**

**Egypt**

**Improved Water and Wastewater Services Programme (IWSP)**

- Total cost: € 295.1 million
- NIF grant: € 5 million (and € 29 million financed by the EC 2008 Annual Action Programme for Egypt)
- Lead Finance Institution: KfW with a loan of € 70 million
- Co-Finance Institutions: AFD and EIB with loans of € 40 million and € 70 million respectively
- Year of approval: 2008

The objective of the project is to improve sustainable water and wastewater services in four governorates in the Nile Delta with a population of 16.3 million. The project targets the physical infrastructure of the wastewater collection system and treatment process as well as water supply networks and treatment plants. In line with the EU Water Sector Reform Programme, the IWSP support the ongoing reform process which needed to focus on sanitation and developing the capacity of the local operating companies.

**Egypt**

**Improved Water and Wastewater Services Programme Upper Egypt (IWSP 2)**

- Total Cost: € 303 million
- NIF grant: € 13 million
- Lead Finance Institution: KfW with a loan of € 57 million and grant of € 2 million
- Co-financing Institutions: AFD with a loan of € 57 million and EIB\(^2\) with a loan of € 57 million
- Type of NIF support: Technical Assistance
- Years of approval: 2010 and 2011

The project concerns the rehabilitation and expansion of existing water and wastewater treatment plants as well as water supply distribution and wastewater collection systems in four governorates with a population of 15.3 million in Upper Egypt. The project was developed along the lines of the first IWSP project, which focuses on the Nile Delta region (some 400-600 km north of the IWSP II area) and was approved by the NIF Board in 2008 and that is under implementation. In line with the EU Water Sector Reform Programme, IWSP II support the reform process which needed to focus on sanitation and developing the capacity of local operating companies.

NIF grant contribution co-finances the high TA needed for this project, ensuring the successful and timely implementation of the project.

\(^2\) EIB contribution initially estimated in € 62 million.
Lebanon

**Kesrwan Wastewater Project**

- **Total cost:** € 214 million
- **NIF grant:** € 10 million
- **Lead Finance Institutions:** EIB with a loan of € 70 million
- **Co-financing Institution:** AFD with a loan of € 20 million
- **Type of NIF support:** Investment Grant and Technical Assistance
- **Years of approval:** 2009 and 2012

The Kesrwan area in Lebanon is a densely populated area which is also a tourist and economic hub. However, 90% of the coastal population is connected to a poorly maintained sewer system and there are no treatment facilities. The result is that household, industrial and agriculture wastewater is not treated at all, with raw sewage being discharged into the Mediterranean sea and water courses and rivers.

The project is part of the Lebanese National Action Plan for pollution reduction leading to the completion of the Coastal Pollution Control Programme for the entire central coast of Lebanon. Its two overarching objectives are to improve the sanitary conditions of the population of the Kesrwan area and to keep the Mediterranean sea clean.

The project focuses on reducing the pollution of the inshore waters of Jounieh Bay, in the Kesrwan area, as well as pollution of the rivers, watercourses and groundwater of the area. It also entails an upgrade and extension of the existing wastewater collection network in the city of Jounieh and the surrounding suburbs, the construction of two new wastewater treatment plant and two sea outfalls (pipes that take the treated sewage out to sea, away from the coast).

Morocco

**Drinking Water Efficiency Programme**

- **Total cost:** € 101 million
- **NIF grant:** € 7 million
- **Lead Finance Institution:** KfW with a loan of € 40 million
- **Co-financing Institutions:** AFD with a loan of € 30 million
- **Type of NIF support:** Investment Grant and Technical Assistance
- **Year of approval:** 2011

The programme aims at securing a permanent drinking water supply in approximately 30 urban centres in Morocco. Apart from giving Moroccans a permanent drinking water supply, it is expected to reduce health risks through waterborne diseases caused by polluted water.

The National Authority for Drinking Water is reducing drinking water losses in water production and distribution and optimising the efficiency of its operations.

This project contributes to the adaptation of Morocco’s water sector to climate change by protecting scarce water resources. The Water Efficiency Programme is closely linked to a previous NIF co-financed programme in this sector, called the National Sanitation Programme, which helps improve the sewerage, sanitation and hygiene situation of 260 small urban centres.

The Drinking Water Efficiency Programme is in line with the country’s ENP Action Plan, which puts particular emphasis on the protection of human health and the promotion of a rational use of natural resources – especially a sound management of water resources.

NIF support has been provided to the Kesrwan Wastewater Project to improve sanitary conditions and keep the Mediterranean sea clean.

3 Initially estimated at € 40 million.
### Morocco

**National Sanitation Programme**

- **Total cost:** € 176 million
- **NIF grant:** € 10 million
- **Lead Finance Institution:** AFD with a loan of € 20 million
- **Co-financing institutions:** EIB with a loan of € 20 million and KfW with a loan of € 38 million
- **Type of NIF support:** Investment Grant and Technical Assistance
- **Year of approval:** 2010

The project is the first phase of the Moroccan water and wastewater investment programme aimed at increasing the collection and depuration rate in small and medium-sized cities, in line with the objectives of the National Sanitation Programme approved by the Moroccan government in 2005 (60% treatment rate for collected water and 80% connection rate to the wastewater network in urban areas by 2020).

The contribution from the NIF increases the concessional character of the overall European financing to the project. The project is fully in line with NIF strategic objectives of support to the environment and equitable socio-economic development and falls within the framework of the Union for the Mediterranean as well as the Horizon 2020 Initiative - Mediterranean Hot Spot Investment Programme.

### Tunisia

**Study for the wastewater sewerage of industrial zones**

- **Total cost:** € 1.6 million
- **NIF grant:** € 0.8 million (fully financed out of the NIF Trust Fund)
- **Lead Finance Institution:** KfW with a grant of € 0.8 million
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2011

The study aims at identifying the most appropriate solutions for the wastewater treatment of nine industrial zones in Tunisia. Its objectives are to assess the existing institutional and infrastructural needs of the sector and to help prepare the related investments.

Treatment of all collected wastewater is a major objective given the importance of tourism for the Tunisian economy and environmental protection requirements, in particular the protection of scarce freshwater resources against pollution.

This project follows previous initiatives in the country addressing the rehabilitation of urban water sewerage infrastructure (the STEP programme) and is expected to have a very positive impact on the environment, contributing to the depollution of the Mediterranean in line with the objectives of the Union for the Mediterranean and the Horizon 2020 Initiative.
The project entails the rehabilitation and extension of 19 wastewater treatment plants and 130 pumping stations throughout Tunisia. Its main aim is to protect the environment, in particular ground and underground water resources, and to improve the sanitary and general living conditions for the local population (potentially 1.1 million people by 2021).

A €3 million NIF grant in favour of this project was approved by the NIF Board in 2008. In 2009, the Tunisian authorities requested an additional €5 million Investment Grant contribution from the NIF to improve the project’s overall financing conditions and its long-term financial sustainability.
EAST

37 projects were approved in the East for a total NIF contribution of € 254.7 million.

**ENERGY**

**Georgia**

**Enguri Hydropower Plant Rehabilitation**

- **Total cost:** € 47 million
- **NIF grant:** € 5 million
- **Lead Finance Institution:** EBRD with a loan of € 20 million
- **Co-financing Institution:** EIB with a loan of € 15 million
- **Type of NIF support:** Investment Grant and Technical Assistance
- **Year of approval:** 2010

The project concerns the preparation and implementation of the final stage of rehabilitation (phase III) of the Enguri hydropower plant and the Vardnili Cascade. Built in the 1970s and located in North West Georgia, the EU has been involved in the rehabilitation of the plant (phases I and II), with phase III focusing on works at the two remaining units at Enguri HPP and safety works on the Vardnili dam and water channel. Enguri HPP supplies around half of the electricity consumed in Georgia and is an essential part of the Caucasus energy system. The immediate added value of the project is the increased capacity for energy production and safer and more reliable operation of the hydropower plant. It complements another NIF-funded project, the Black Sea Energy Transmission Project, which was approved in 2008.

A NIF Technical Assistance grant (€ 1 million for independent engineer services) was tendered and engaged on 23 June 2011. The main tasks of the consultants are the design of rehabilitation work and preparation/evaluation of tenders, and supervision and certification of the work. The design and tendering stage for most of the rehabilitation work is complete.

For the Investment Grant portion (total € 4 million), the first tranche of € 2 million has been transferred to the State Treasury account of Georgia’s Ministry of Energy. Some of the work has been completed while tenders are being prepared for other parts of it.

**Georgia**

**Black Sea Energy Transmission System**

- **Total cost:** € 280 million
- **NIF grant:** € 8 million
- **Lead Finance Institution:** KfW with a loan of € 100 million
- **Co-Finance Institutions:** EBRD and EIB with loans of € 80 million each
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2008

The overall project comprises the construction of a new 500 / 400 KV substation with a ‘back-to-back’ facility at the Turkish border, the construction of 315 km of a new transmission line allowing the link between the power supply systems of the Southern Caucasus countries with Turkey and Europe and the adaptation of two further substations in Georgia. The system stabilises the domestic power supply systems and reduce transmission losses and also make the region independent from single supply sources. The NIF contribution was used for financing (i) the cost of supervising consultants, (ii) the additional cost of realigning the transmission line in an environmentally sound manner, and (iii) the cost of environmental compensation and mitigation works. About € 7 million have been disbursed on (i) and (ii); the measures under (iii) are presently being determined in contacts with the Georgian authorities.
Moldova

Moldelectrica Transmission Network Rehabilitation Project

- **Total cost:** € 36.6 million
- **NIF grant:** € 8 million (fully financed out of the NIF Trust Fund)
- **Lead Finance Institution:** EBRD with a loan of € 14.3 million
- **Co-financing Institution:** EIB with a loan of € 14.3 million
- **Type of NIF support:** Investment Grant and Technical Assistance
- **Year of approval:** 2012

The aim of the project is to rehabilitate the existing internal power transmission network of Moldelectrica, the state-owned Moldovan transmission system operator, in order to strengthen regional interconnections and to develop trade in regional electricity. The project also aims to strengthen links with the European electricity system, which is a priority for Moldova as it will help cement its association with the Energy Community Treaty. These links will facilitate the integration of Moldova’s transmission grid into the European Network of Transmission System Operators for Electricity (ENTSO-E).

The project includes the design and rehabilitation of a number of substations and transmission lines. This rehabilitation is expected to lead to improved security in the transmission network and energy efficiency. The replacement of the existing fleet of transformers is expected to lead to an efficiency gain of about 30%, reducing CO₂ emissions by about 15,000 to 20,000 tonnes of CO₂ per year.

Currently the consultant for the Project Implementation Unit and supervision support is being contracted and the procurement of the project will start in the second half of 2013.

Moldova

Moldovan Residential Energy Efficiency Financing Facility (MoREEFF)

- **Total cost:** € 41.8 million
- **NIF grant:** € 5 million
- **Lead Finance Institution:** EBRD with a loan of € 25 million
- **Type of NIF support:** Investment Grant
- **Year of approval:** 2011

The aim of the project is to increase the energy efficiency of the residential buildings in Moldova. MoREEFF provides long-term commercial financing to participating commercial banks to finance energy efficiency measures in residential houses in the country. MoREEFF generates investment in high-performance energy efficiency technologies, promoting local suppliers, installers of equipment and engineers’ activities related to these technologies. The project also aims to raise public awareness about the economic and environmental benefits of energy efficiency in this sector.

Some examples of the technological improvements are the use of thermal protection of building envelopes, the increased efficiency of building services and the use of renewable energy sources (solar, biomass) for buildings. These technologies will lead to reductions in the quantity of energy losses in buildings, thus significantly cutting greenhouse gas emissions levels. Thanks to these energy savings, the electricity network will be in a better position to meet increases in demand.

EBRD contracted the Project Consultant (IVEL Consult Bulgaria) in 2012. Four banks: Moldinconbank, Moldova Agroindbank, ProCredit Bank and Mobiasbanca – Groupe Generale have joined the framework since it was launched on 2 October 2012, bringing EBRD commitments to € 15 million.

To date MoREEFF has financed 192 sub-loans totalling € 437,362 and representing 192 households who have made energy and money saving improvements to their homes. These projects are helping save an estimated 970 MWh per year - which is enough energy to drive a car over 1,455,191 kilometres. As a result, CO₂ emissions have been reduced by 220 tonnes per year, which otherwise would require 8,156 trees to absorb.

MoREEFF was launched in 2012. In May 2012, EBRD Board approved the increased size of MoREEFF from € 25 to 35 million. As a result EBRD has added a request to the NIF pipeline for an Investment Grant to support the increased financing.
Moldova

2nd Phase of the Moldova Sustainable Energy Efficiency Finance Facility (MoSEFF2)

Total cost: € 23.3 million
NIF grant: € 4.5 million
Lead Finance Institution: EBRD with a loan of € 22 million
Type of NIF support: Investment Grant and Technical Assistance
Year of approval: 2011

Moldova’s high dependency on external sources of energy together with energy being wasted at the end-user level and the poor condition of energy infrastructure result in high carbon intensity and costs which could be reduced by improving energy efficiency practices and by promoting the use of renewable energy sources (especially biomass from agriculture).

MoSEFF offers long-term finance to local participating banks which then on-lend these funds to their clients for individual projects designed to cut energy consumption and CO₂ emissions as well as to improve energy use in industries, SMEs, agriculture and commercial buildings.

Technical Assistance was requested from the NIF to improve the local banks’ capacity to appraise and finance this type of project. Local engineers also benefit from support by improving their technical expertise to better identify and prepare technically feasible and bankable projects. The final beneficiaries receive much needed support to engage in such energy-related investments.

EBRD appointed Fichtner Gmbh & Co KG and Allplan Gmbh, the consultants engaged under MoSEFF I, to continue project implementation under MoSEFF II from March and August 2012 respectively.

Under MoSEFF II, EBRD has signed four loan agreements with partner banks in Moldova for a total of € 14.4 million. Discussions continue with a potential fifth bank, but signing is not expected to take place until later in 2013.

So far, a total of sixteen sub-projects with a combined loan value of € 1.46 million have been signed under MoSEFF II. The project consultants continue to deliver marketing events to improve awareness of energy management amongst SMEs in Moldova and to conduct training with the partner banks to develop the skills of loan officers in identifying and assessing sustainable energy investments.

* Initially foreseen as € 15 million.

Ukraine

Power Transmission Efficiency Project

Total Cost: € 78.3 million
NIF grant: € 1.8 million
Lead Finance Institution: KfW with a loan of € 65.5 million
Type of NIF support: Technical Assistance
Year of approval: 2011

The project is part of a far-reaching investment programme into the Ukrainian power transmission system to preparing the integration of the Ukrainian power system into the European Network of Transmission System Operators for Electricity (ENTSO-E) as set out in the EU-Ukraine Association Agenda.

The major constraint encountered by the Ukrainians is the general deterioration of high voltage facilities, which entails massive levels of investment. The EBRD and EIB are already participating in this vast programme in other components, for which the NIF has already provided € 10 million in 2009 for Technical Assistance.

The project concerns a different set of substations that need rehabilitation. This strategic action is closely linked to previous investments and ensures that further progress on the full programme is achieved in order to improve energy security and reliability and to contribute to the energy interconnection between Eastern Europe and the EU.
**Ukraine**

**Ukraine Preparatory studies for the modernisation of Ukraine's gas transit and storage**

- **Total cost:** € 2 billion
- **NIF grant:** € 2.5 million (fully financed out of the NIF Trust Fund)
- **Lead Finance Institution:** EBRD
- **Co-financing Institution:** EIB
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2010

This Technical Assistance focuses on the preparation of a feasibility study for the modernisation of Ukraine's gas transit corridors and underground gas storage facilities as well as an environmental and social assessment report focusing on the environmental and social impacts of the project proposed in the feasibility study. Both studies are a prerequisite for the financing by European Finance Institutions and the World Bank (WB) of investments worth € 1.2 billion in the gas transit infrastructure of Ukraine, a key strategic interest of the European Neighbourhood Policy. The immediate added value for the beneficiary, NAK Naftogaz, will be the availability of sound studies, prepared by international experts, supporting the company in its decision-making process for new investments in the sector. In the long run, the project contributes to increased regional integration in the field of energy, including cross-border linkages with the EU. This will facilitate increased gas supply from the Eastern neighbours to the EU market, thus improving the energy security of European countries.

Associated EBRD/EIB loans related to implementation remain subject to EC, WB, EIB and EBRD reform conditionalties which remain under discussion with the Ukrainian authorities. A further EC-funded WB trust fund related to project implementation and reform advisory also remains under discussion.

**Ukraine**

**Hydropower rehabilitation project**

- **Total cost:** € 398.6 million
- **NIF grant:** € 3.6 million
- **Lead Finance Institution:** EBRD with a loan of € 175 million
- **Co-financing Institution:** EIB with a loan of € 175 million
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2009

The aim of the project is to upgrade the hydro-mechanical and electro-mechanical equipment of 17 hydropower plant units for a total installed capacity of 1,396 MW, producing an expected capacity increase of up to 10%. This is in line with the Ukrainian Energy Strategy to 2030, which calls for large-scale upgrades in the power sector to achieve adequate power supply and meet technical requirements for the Ukrainian power system's integration into the European transmission system (UCTE) and into the EU's internal energy market. The project goal is to improve energy security and contribute to increased regional integration between the EU and Ukraine in the field of energy. By replacing fossil fuel-fired power generation units, it further contributes to reducing CO₂ and other harmful gas emissions.
Ukraine

Power Transmission Network project

Total cost: €1.1 billion
NIF grant: €10 million (of which €2.23 million out of the NIF Trust Fund)
Lead Finance Institution: EBRD with a loan of €400 million
Co-financing Institution: EIB with a loan of €400 million
Type of NIF support: Technical Assistance
Year of approval: 2009

The project targets selected investments in the Ukrainian high-voltage power network, focussing on technical loss reduction, overall improvement of network reliability/stability and fulfilment of requirements for the full synchronisation of the whole Ukrainian power network system with the rest of Europe.

The investment is part of the Ukraine Energy Strategy to 2030, which stresses the need to implement large-scale upgrades of the Ukrainian power grid in order to accommodate predicted growth in peak demand and electricity consumption, improve energy security and reliability and prepare for the Ukrainian power system's integration with the UCTE. Technical Assistance was requested from the NIF to support the project's preparation and implementation and to contribute to the introduction of social and environmental considerations at a very early stage of project conception and development.

Ukraine

Technical Assistance for Ukrenergo high voltage transmission networks

Total cost: €301.3 million
NIF grant: €0.8 million
Lead Finance Institution: EBRD with a loan of €150 million
Co-Finance Institution: EIB with a loan of €150 million
Type of NIF support: Technical Assistance
Year of approval: 2008

The full corporatisation of the National Energy Company Ukrenergo is one of key project/loan covenants of EBRD/EIB parallel loans for the Rivne-Kyiv High Voltage Line Construction Project, a project that will substantially improve the efficiency, quality and reliability of electricity generation and transmission in Western and Central Ukraine. Technical Assistance from the NIF was sought to assist the government of Ukraine and Ukrenergo to legally and commercially corporatise the national transmission system operator, introduce modern management information systems and help the new entity address and implement a corporate sustainable development strategy. The TA assignment has been completed. The implementation of the consultant’s recommendations is being done by the Ukrainian authorities.

Ukraine will be improving its power transmission network with the help of the NIF.
The Green for Growth Fund (GGF) is a structured fund (public private partnership) providing financing and Technical Assistance for energy efficiency and renewable energy. It provides refinancing for investments in energy efficiency and renewable energies to small and medium-sized enterprises and households, primarily via local financial institutions. It was established in 2009 to operate in Southeastern Europe. The NIF grant in 2012 provided part of the funding needed to extend its operations to Armenia, Azerbaijan, Georgia, Moldova and Ukraine.

Although the energy intensity of these countries has generally fallen since the 1980s, there is still considerable potential for savings in the field of energy consumption. For example, Armenia, Georgia and Ukraine have high potential in terms of generating renewable energy, especially in the field of hydropower.

The project will also help promote energy efficiency and renewable energy lending products and measures, which will further contribute to reducing energy consumption and diversifying the energy mix. This will reduce dependence on energy imports and enable the countries to improve the competitiveness of their industries, especially in the SME sector. The GGF is also expected to contribute to the development, transfer and promotion of technologies and know-how in the target countries. The financing of pilot projects and marketing campaigns will help to create awareness and understanding of the profitability of energy efficiency and renewable energy investments for banks, local companies and the broader public.
MULTISECTOR

Ukraine

Technical Assistance support for Ukrainian Municipalities

- Total cost: € 135 million
- NIF grant: € 5 million
- Lead Finance Institution: EBRD with a loan of € 108 million
- Type of NIF support: Technical Assistance
- Year of approval: 2008

The EBRD has developed several investments in Ukraine in municipalities such as Zhytomyr, Lviv, Dniproptrovsk, Lutsk, and Luhansk in the water, district heating and urban transport subsectors. The technical Assistance under this action supports investments in the form of:

- feasibility studies to help the municipal companies prepare bankable investments designed on the basis of a long-term development plan.
- corporate development to help the municipal companies identify and implement the necessary corporate, financial and operational improvements.
- implementation assistance to help the companies in the implementation of the investments, including all aspects of procurement, engineering supervision, etc.

To date, € 2.85 million has been committed in support of either technical assistance assignments for three projects. Total investments costs are currently € 348 million (a leverage of 1:121).

PRIVATE SECTOR

Moldova

Wine Sector Upgrading

- Total cost: € 391.3 million
- NIF grant: € 2 million (fully financed out of the NIF Trust Fund)
- Lead Finance Institution: EIB with a loan of € 75 million
- Type of NIF support: Technical Assistance
- Year of approval: 2010

The project aims to address structural weaknesses in the Moldovan wine industry sector while improving the quality of wine production. The wine sector, almost exclusively composed of small and medium-sized enterprises (SMEs), accounts for about 30% of the Republic of Moldova’s exports and employs approximately 15% of the economically active population. The sector is therefore of paramount importance for the Republic of Moldova, both economically and socially. The project targets selected investments in the wine production process, from vineyard to final packaging and dispatch, related to the production of bottled quality wines of Protected Designation of Origin or Protected Geographical Indication.

A contribution from NIF was sought to fund much-needed Technical Assistance to facilitate the successful absorption of the EIB loan by the Moldovan wine sector. The aim of the project is to contribute to the diversification and expansion of Moldova’s export markets for wine, improve the sector’s revenue base and support rural employment.

Diversifying and expanding Moldova’s export markets for wine and supporting rural employment are among the aims of the above NIF supported project for Moldovan Wine Sector Upgrade.
Access to finance is still one of the biggest obstacles to the expansion of Micro, Small and Medium-sized Enterprises (MSMEs) in many of the Eastern Partnership countries.

The EBRD SBS programmes - the Enterprise Growth Programme (EGP) and Business Advisory Services (BAS) - help MSMEs in the Eastern Partnership countries to improve their competitiveness and ability to attract external financing by improving the financial literacy of senior managers and by facilitating their firms’ access to high quality business support services, enhancing managerial capacity in all areas and striving to develop the capacity of the local consultancy market to deliver the services needed. The SBS programmes seeks to achieve enterprise level change and the development of a sustainable infrastructure of business advisory services in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

The project tracks the performance of EGP and BAS assisted enterprises using metrics such as ownership, annual turnover and number of employees. The need for, and ability of, MSMEs to attract finance and investment will also be monitored.

Since 2010, 21 EGP clients in the Eastern Partnership countries have secured financing of € 83.7 million from EBRD with the total financing amount of € 117.4 million. In the case of BAS, 216 client companies in the Eastern Partnership region have reported that they had secured over € 97 million of finance.

The project is expected to build on the SBS programmes currently being funded by the EU under the Eastern Partnership SME Flagship Initiative. In total 53 EGP projects and 643 BAS projects and market development activities had begun by the end of May 2013. A strong project pipeline for both EGP and BAS projects has been built in all six Eastern Partnership countries.

The project falls under the SME Flagship initiative of the Eastern Partnership and is part of a swift response from the European Union and European Development Finance Institutions to reduce the impact of the financial crisis on access by small and medium-sized enterprises (SMEs) to bank loans in the Eastern Neighbourhood.

Covering all Eastern Partnership partner countries, it combines EBRD, EIB and KfW loans or guarantees to participating financial intermediaries for on-lending to eligible SMEs, including micro-enterprises, with EU grant resources for credit enhancement and Technical Assistance. The facility focuses on economic growth and employment while contributing to the strengthening of the banking and SME sector in the region. It further complements the European Neighbourhood Small Business Growth Fund (ENBF), approved by the NIF Board in 2009.

Under the EBRD/KfW window, the NIF contribution is used for participating financial intermediaries (PFIs) to enhance their lending to the SME/MSME segments. To date three types of projects, covering three countries (Georgia, Moldova and Ukraine), have been identified: Ukraine SME Energy Efficiency, Moldova SME Leasing and Georgian Agricultural Finance Facility (GAFF). At present 10 PFIs have been identified and the respective loan agreements signed.
Regional

European Neighbourhood Fund (ENBF)

- Total cost: Up to € 70 million
- NIF grant: € 10 million (of which € 5 million out of the NIF Trust Fund)
- Lead Finance Institution: KfW with an investment of € 11 million
- Co-financing Institution: OeEb with an investment of € 3 million
- Type of NIF support: Risk capital
- Year of approval: 2009

The global financial crisis has produced severe strains on the economies of the Eastern Neighbourhood, with Micro, Small and Medium-sized Enterprises (MSMEs) being particularly affected. The Fund, created as a specific sub-fund of the successful European Fund for Southeast Europe (EFSE) and devoted to ENP Eastern countries, aims at improving access to finance throughout the region for such enterprises, thus providing stimulus to growth and employment in the private sector.

Indirectly, it also supports the development of domestic and regional capital markets. The NIF grant was sought to contribute to a first-loss tranche which is used to leverage additional mezzanine and senior tranches from Intermediary Finance Institutions (IFIs) and commercial banks. This is the first risk capital operation to have been financed under the NIF in the ENP Eastern countries.

Regional

Financial sector Institution Building and Crisis response

- Total cost: € 12 million
- NIF grant: € 12 million (fully financed out of the NIF Trust Fund)
- Lead Finance Institution: EBRD provides Technical Cooperation
- Type of NIF support: Technical Assistance
- Year of approval: 2009

This NIF Technical Assistance was sought to restore access to credit for Micro, Small and Medium-sized Enterprises (MSMEs) in the Eastern Neighbourhood region by providing assistance to financial institutions which have been particularly affected by the financial crisis. This was the first NIF operation to be financed entirely out of the NIF Trust Fund.

The sub-projects approved to date under this facility have been mainly focused on assisting banks in analysing their Non-Performing Loans (NPL) portfolios, providing training in loan restructuring, making organisational changes to existing procedures for dealing with NPLs, risk management, corporate governance, internal audit and enhancements of operational efficiency.

EBRD has supported several other technical cooperation assignments that are contributing to a constructive information exchange and support to the market stabilisation process.

The implementation of the action commenced in November 2009. In total 23 sub-projects were submitted for approval to the EU NIF Secretariat, amounting to € 9.64 million. Out of the 23 sub-projects, sixteen have been completed, six are ongoing and one has been cancelled. To date 42 financial institutions have benefited from this through this programme. In terms of regional coverage, sub-projects were implemented in Armenia, Azerbaijan, Belarus, Georgia, and Ukraine.

An Eastern Partnership Finance Facility has been set up to reduce the impact of the financial crisis on SME access to bank loans.
Regional
Framework for Capacity Building to support Financial Intermediaries
Total cost: € 38.3 million
NIF grant: € 2.9 million
Lead Finance Institution: EBRD with loans up to € 34.6 million
Type of NIF support: Technical Assistance
Year of approval: 2008

NIF Technical Assistance for financial institutions in Azerbaijan and Georgia was sought for two purposes. First, they aim to improve the local financial sector’s efficiency, effectiveness and transparency, which would result in the provision of better access to financing for enterprises, particularly Micro, Small and Medium Enterprises. Second, they aim to create successful and healthy institutions that finance the real economy, operate on market principles and follow sound business practices. The overall goal is to help to create sustainable financial intermediaries.

The implementation of the action commenced in July 2009. And by the end of June 2012, six sub-actions had been approved by the EC. The overall amount approved currently stands at € 2.4 million out of the total available funding of € 2.9 million. Of these sub-actions two are ongoing, one project has been suspended and subsequently terminated, one has been cancelled and de-committed and two have been completed.

In terms of regional coverage, five sub-projects were located in Azerbaijan and one in Georgia.

Social
Moldova
Capacity assessment and modernisation of the Republican Clinical Hospital (RCH) in Chisinau
Total cost: € 22.8 million
NIF grant: € 3 million
Lead Finance Institution: CEB with a loan of € 9 million
Type of NIF support: Investment Grant and Technical Assistance
Year of approval: 2008

The project aims to improve the efficiency of health assistance in Moldova by modernising one of the main hospitals of the country located in Chisinau. More specifically, by strengthening the surgical profile and better integrating the different specialities, this hospital will become a centre for the performance of surgery at regional level, in the best interests of the 25,000 in-patients and some 100,000 out-patients per year.

The NIF contribution has been fully disbursed. The construction of the new surgical block is now 40% complete. An agreement has been signed with the Japanese Government (JICA) to finance medical equipment for several hospitals, including for the Republican Clinical Hospital’s new surgical block.

One of Moldova’s main hospitals, in Chisinau, is being modernised with the support of the NIF.

5 Estimated cost initially € 18 million.
Yerevan Metro project

- Total cost: € 16.6 million (first phase) and € 17.1 (second phase)
- NIF grant: € 10 million (€ 5 million for each one of the phases)
- Lead Finance Institution: EBRD with a loan of € 5 million for each one of the phases
- Co-financing Institution: EIB with a loan of € 5 million for each one of the phases
- Type of NIF support: Investment Grant
- Years of approval: 2009 and 2012

As part of a plan to improve and reform public transport services in the capital of Armenia, refurbishing the entire metro system (in particular via safety upgrades and general maintenance work) has been identified as a priority.

The entire metro system of Yerevan needs to be refurbished. The vision for the future is that a restructured and efficient municipal transport system will operate a network of key routes with the metro and buses, complemented by a regulated and transparent minibus sector operated by the private sector.

The project is implemented through phases; the first NIF contribution to the project was approved in 2009, while the contribution to the second phase was approved at the end of 2012. The first phase of investments covered emergency rehabilitation needs: refurbishment of rolling parts in carriages, rehabilitation of worn-out track and power supply system components, purchase of a maintenance trolley and the replacement of pumping stations to mitigate the water ingress problem. The result of these investments has been the urgently needed upgrade of the metro infrastructure, leading to improved operational safety and comfort.

As per mid-2013, the first phase has been successfully implemented to date. Tenders came in lower than originally envisaged and there was savings of € 2.1 million. These savings were used for metro car rehabilitation to enhance the comfort of the commuters. The operations team of EBRD is impressed by the enhanced institutional capacity of the Metro Company during the implementation of the project, both on the operating side with the introduction of a Public Service Contract, and on the project implementation side where the company now comfortably runs international tenders independently.

Phase two builds on phase one by extending the existing drainage tunnel and other measures in the metro tunnel aimed at remedying the water ingress problem as well as additional track and safety improvements and the refurbishment and modernisation of metro cars. Additional safety measures to be financed will reduce the current level of fire risk and improve the protection of workers and passengers who work and travel on the metro.

The project will contribute to improve the quality of public transport services, encouraging citizens to use the metro, thus reducing reliance on private cars and contributing to the reduction of CO₂ emissions.

The implementation of Phase II is ongoing with the first tender awarded as per mid-2013. This first tender covers rehabilitation of metro cars, with disbursements already ongoing. The tender preparation for the tunnel rehabilitation (water ingress remediation) is under completion and will be launched in Q3 2013.

Armenia has been granted more NIF support in 2012 to make further improvements to the metro system in the city of Yerevan.
**Armenia/Georgia**

**Modernisation of the Bagratashen, Bavra and Gogavan Border Crossing Points (MBBG)**

<table>
<thead>
<tr>
<th>Total cost: € 60.6 million</th>
<th>NIF grant: € 12 million</th>
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<tbody>
<tr>
<td>Lead Finance Institution: EIB with a loan of € 30.3 million</td>
<td>Co-financing Institution: EBRD with a loan of € 10.3 million</td>
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<tr>
<td>Type of NIF support: Investment Grant</td>
<td>Year of approval: 2012</td>
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The purpose of the project is to facilitate cross border movement of persons and goods while at the same time maintaining secure borders through the provision of all the necessary conditions for the effective performance of border checks, customs checks and other checks. The project is expected to contribute to improved regional integration and connectivity and to the economic and social development on both sides of the border.

The project involves the construction and upgrading of three Border Crossing Points (BCPs) between Armenia and Georgia at Bagratashen, Bavra and Gogavan in Armenia. The BCPs are: Bagratashen: (the busiest one in the north of Armenia); Bavra: (a new BCP that is due to be constructed close to the Armenia-Georgia border, around 1 km away from the existing BCP); and Gogavan: (check point used to be the busiest one between Armenia and Georgia before the 1990s because of its geographical location).

The project also includes the improvement of access roads within and near to the BCPs and associated infrastructure, including a new bridge at Bagratashen and the reconstruction of the 7.4 km main road leading to the Gogavan BCP. All three BCPs are planned as 24/7 multidiirectional road crossing points for international cargo and passengers’ traffic, equipped to deal with automobiles and pedestrians.

**Azerbaijan**

**Regional Roads Reconstruction Project**

<table>
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<th>Total cost: € 681 million</th>
<th>NIF grant: € 3.4 million (fully financed out of the NIF Trust Fund)</th>
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<tr>
<td>Lead Finance Institution: EBRD with a loan up to € 570 million</td>
<td>Type of NIF support: Technical Assistance</td>
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<td>Year of approval: 2012</td>
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Many roads in Azerbaijan are in a poor state of repair. The government of Azerbaijan sees the rehabilitation and reconstruction of its principal road corridors and key regional roads as a priority, facilitating trade and regional co-operation with its neighbours, thus economic development across the country.

This project focuses on developing the regional road network in order to help with the diversification of the Azeri economy by stimulating non-oil sectors (in particular agriculture). The key purpose of the project is to contribute to the reconstruction of the key regional roads either feeding into the key corridors or directly leading to key border crossings with Georgia and Iran.

Three tranches of loans will be provided, with the first being used to finance the reconstruction of the relevant sections of the R18 road, the Mingachevir–Bahramtapa road, for which the detailed design consultant has been identified and chosen in February 2013. Improved road conditions will generate additional traffic but emissions linked to additional traffic will be offset by lower carbon emissions per traffic unit.

The contract for Procurement and Supervision Assistance financed by the NIF is expected to be signed in Q1 2014.
Georgia

Georgia East-West Highway

Total Cost: € 592.1 million
NIF grant: € 20 million
Lead Finance Institution: EIB with a loan of € 200 million
Type of NIF support: Investment Grant
Year of approval: 2011

The East-West highway is the main artery for long distance road traffic in Georgia. It is used by traffic from Azerbaijan and Armenia to the Black Sea ports and Turkey, as well as long distance traffic to and from Tbilisi.

This 185 km long highway is also on the pan-European corridor linking the EU with Central Asia through the Caucasus and is part of the TRACECA programme.

The development and upgrading of this key highway, which started in 2006, is one of Georgia’s top priorities as it will enhance the country’s position as the main conduit of regional trade and passenger movements.

Taken as a whole, the project is expected to enhance the safety conditions of this major route for transport of goods and people between Asia and Europe, thus improving trade and boosting the region’s economy.

Tbilisi Railway Bypass Environmental Clean-up project

Total cost: € 253.5 million
NIF grant: € 2.4 million (fully financed out of the NIF Trust Fund)
Lead Finance Institution: EBRD with a loan of € 100 million (cancelled in 2011)
Type of NIF support: Technical Assistance (€ 6 million Investment Grant was cancelled in 2011)
Year of approval: 2009

The project concerns the construction of a new railway route bypassing the central area of the city of Tbilisi. Its aim is to improve the efficiency and safety of rail operations by relocating and consolidating the existing rail facilities currently located in the city centre. As a result of railway infrastructure relocation, the project also provides an impetus to regeneration and urban redevelopment projects. The project addresses environmental and social mitigation measures, including assessing environmental liabilities associated with potentially contaminated sites in central Tbilisi.

Furthermore, by supporting trans-European transport axes (in particular the railway corridor connecting the Caspian and the Black Sea) and facilitating interconnection, the project is fully in line with the NIF’s strategic objectives.

The construction of the new railway route started in 2010 and was due for completion in July 2013. However, construction is behind schedule; currently, only 60% of the construction works have been completed and a completion delay in excess of 18 months is expected.

In 2011, the EBRD investment loan was cancelled at the request of Georgian Railway, the project execution entity, which decided to finance the project with internally generated excess cash and proceed from the Eurobonds. The NIF Investment Grant was consequently cancelled, while Technical Assistance of € 2.5 million remained in place with support of the EBRD. Two consultancy assignments, financed by NIF Technical Assistance funds, are now complete.

Georgia’s East-West highway, the main artery for long distance road traffic in Georgia, is being developed and upgraded with help from the NIF.
Moldova

**Balti Trolleybus Company**

- **Total cost:** € 5 million
- **NIF grant:** € 1.6 million (fully financed out of the NIF Trust Fund)
- **Lead Finance Institution:** EBRD with a loan of € 3 million
- **Type of NIF support:** Investment Grant
- **Year of approval:** 2012

The Municipal Enterprise ‘Balti Trolleybus Department’ (the ‘Company’), a trolleybus company in the City of Balti (Moldova’s second largest city in size and economic importance and third in population) operates 33 high-floor trolleybuses on three routes and carries on average 16 million passengers annually. The current fleet of trolleybuses is old and run-down.

The overall aim of the project is for the trolleybus system to become the clean energy backbone of Balti’s public transport system. The loan and the NIF grant proceeds were sought to finance the purchase of 23 new low floor trolleybuses (that will operate on the three trolleybus routes forming the backbone of Balti’s urban transport system), spare parts, power supply infrastructure components, office and maintenance equipment.

The total number of trolleybuses will be sufficient to run a frequent service on the three routes without interruptions and will thus enable the Company to provide good services to the passengers. Parts of the loan and grant will be used to upgrade infrastructure to ensure that the power supply to the trolleybuses is adequate and to minimise the risk of interruptions as well as for maintenance equipment. The modernisation of the fleet is expected to generate energy savings of 4.7 million kWh and a CO₂ reduction of 2.23 tonnes over ten years.

**Chisinau Public Transport project**

- **Total cost:** € 15.5 million
- **NIF grant:** € 3 million
- **Lead Finance Institution:** EBRD with a loan of € 5 million
- **Co-financing Institution:** EIB with a loan of € 5 million
- **Type of NIF support:** Investment Grant
- **Year of approval:** 2010

The aim of the project is to improve public transport services and ensure the sustainability of an energy-efficient and environmentally-friendly transport system by upgrading Chisinau’s trolleybus fleet. The backbone of Chisinau’s public transport system is the trolleybus service, which ensures the mobility of citizens along all major corridors in the city. Due to insufficient financing, the average age of the fleet is now 17 years and service levels are declining.

This operation will have a significant environmental and social impact on the capital of Moldova. Electric trolleybuses will ensure that the project complies with the highest EU standards and leads to the lowest possible noise levels. The modernisation of the trolleybus fleet strengthens public transport alternatives, improves air quality, and reduces passenger congestion in Chisinau. The project also improves social services and social infrastructure, primarily benefitting the lower-income population of the capital.

The project has been successfully implemented and the City of Chisinau has acquired 102 new trolleybuses.

© European Commission

The NIF has helped the Moldovan town of Chisinau acquire 102 new trolleybuses.
Moldova

Technical Assistance for the Chisinau Airport Modernisation Project

- Total cost: € 46.3 million
- NIF grant: € 1.8 million
- Lead Finance Institution: EBRD with a loan of € 25.5 million
- Co-Finance Institution: EIB with a loan of € 19 million
- Type of NIF support: Technical Assistance
- Year of approval: 2008

Chisinau's airport is a main gateway to Moldova's external trade and a key asset to the country's economic development. The operation involves rehabilitation and upgrades of the airside facilities at Chisinau International Airport and further commercialisation of the airport. The Technical Assistance financed with NIF funds was sought to facilitate the timely and effective implementation of the project by procuring the services of a consulting firm to assist the Project Implementation Unit.

The implementation of the project has been postponed due to the decision of the government to put the airport under concession.

Moldova

Moldova Roads Rehabilitation (Phases II and III)

- Total cost: € 181.2 million
- NIF grant: € 28.2 million (€ 12 million for Phase II and € 16.2 million for Phase III)
- Lead Finance Institution: EBRD with a loan of € 75 million
- Co-financing Institution: EIB with a loan of € 75 million
- Type of NIF support: Investment Grant and Technical Assistance
- Years of approval: 2008 and 2011

The aim of the project is to continue with the rehabilitation of the country road network in line with the government’s 2008-2017 Land Transport Infrastructure Strategy. The strategy envisages more investment in road maintenance and rehabilitation to stop the road infrastructure from deteriorating whilst having a positive impact on the country’s economic growth, trade and regional integration.

The country’s largely agriculture-based economy is highly dependent on good land transport infrastructure and its deteriorating road network constrains the country’s ability to seize new trade opportunities.

The rehabilitation of the road section financed by NIF for the second phase is expected to be finalised in July 2013. The NIF grant approved in 2011 finances for the third phase of the programme works on several sections of the Chisinau-Ungheni-Sculeni road: one of the main roads connecting Moldova to the EU and part of a central East-West corridor linking Romania, Moldova and Ukraine.

As Phase III is part of the extension of the Trans-European Transport Network, the project contributes to transport interconnections. Safer road infrastructure and more transport efficiency, reducing CO₂ and other gas emissions, are other expected benefits. The contract for the rehabilitation of the Ungheni bypass financed by the NIF was signed in August 2013 and works are starting soon after that.

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ARMENIA

Armenian Solid Waste Management Programme – Kotayk Solid Waste Project

Total cost: € 8.5 million
NIF grant: € 3.5 million
Lead Finance Institution: EBRD with a loan of € 3.5 million
Type of NIF support: Investment Grant
Year of approval: 2011

In Armenia, the uncontrolled dumping of waste poses a real threat to the environment and to the population.

The project, part of the Armenian Solid Waste Management Programme, focuses on improving solid waste management in this region via the construction of the country’s first sanitary landfill to be used by eight municipalities. The project also supports the establishment of an ordinary waste collection system as well as the establishment of a waste management company.

This programme is fully in line with the EU Landfill Directive, which aims to prevent or reduce negative effects on the environment (e.g. the pollution of surface water, groundwater, soil and air and greenhouse gas emissions) as well as any resulting risk to human health of the use of landfills to dispose of waste.

The project is expected to raise awareness among the population and the local, regional and central administrations about the positive impact of modernising the country’s solid waste management system.

In late 2011, the Asian Development Bank (ADB) launched a nation-wide strategy development for the solid waste sector in Armenia. The implementation of this strategy exercise has taken quite some time, with the recommendations for the selected consultants presented to national stakeholders only in June 2013. The proposed strategy envisages a regional organisation of the solid waste sector, under which the Kotayk solid waste project would fit comfortably. During the strategy discussions among national stakeholders, a number of issues for clarification have emerged. The contract for Kotayk project will be signed once the national strategy has been finally approved.
Georgia

Water supply and sewerage of Batumi and surrounding villages

<table>
<thead>
<tr>
<th>Total cost: € 125.1 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIF grant: € 8.5 million</td>
</tr>
<tr>
<td>Lead Finance Institution: KfW with a loan of € 42.5 million (for Phase 3)</td>
</tr>
<tr>
<td>Type of NIF support: Investment Grant</td>
</tr>
<tr>
<td>Years of approval: 2010 and 2012</td>
</tr>
</tbody>
</table>

Underinvestment and inadequate maintenance are the key problems facing Georgia’s water and wastewater management system and the reason why, at present, this type of infrastructure is outdated and severely run down.

The project is the third and final phase of a rehabilitation programme of municipal infrastructure facilities in Batumi and the surrounding villages in the Southern Khelvachauri District. The general objective of the programme is to contribute to the socio-economic development of Batumi and its surrounding communities by ensuring a 24-hour supply of hygienically sound water and by improving the controlled disposal and treatment of wastewater for the population of Batumi and nearby Chakvi villages in the Southern Khelvachauri District. The overall programme is expected to have cross-border impacts by improving the quality of coastal water in Batumi, which is situated close to the Turkish border.

Through the overall programme, an installed and functioning water supply and wastewater disposal system will be set up in all parts of the Municipality of Batumi and the surrounding villages of the southern Khelvachauri district. This includes the construction of a modern wastewater treatment plant with mechanical and biological water cleaning. A functioning stormwater discharge system will be implemented as well. In addition, the NIF contribution finances the supply and installation of about 37,300 individual water meters in multi-apartment buildings. These households will be billed based on metered consumption. Thus, the per capita consumption of water in these households is expected to be reduced from about 750 litres per day to below 200 litres per day.

Armenia

Armenian Small Municipalities Water Project

<table>
<thead>
<tr>
<th>Total cost: € 20.8 million</th>
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</thead>
<tbody>
<tr>
<td>NIF grant: € 7.6 million</td>
</tr>
<tr>
<td>Lead Finance Institution: EBRD with a loan of € 6.5 million</td>
</tr>
<tr>
<td>Co-financing Institution: EIB with a loan of € 6.5 million</td>
</tr>
<tr>
<td>Type of NIF support: Investment Grant and Technical Assistance</td>
</tr>
<tr>
<td>Year of approval: 2009</td>
</tr>
</tbody>
</table>

The project targets the improvement of the municipal water supply and the rehabilitation of water treatment plants and sewerage collectors in a number of municipalities in Armenia. It will primarily benefit lower-income groups, improving access to social services and local development capacities and helping to reduce regional disparities.

The leverage of the NIF grant is relatively moderate due to the severe affordability constraints among the Armenian population and the need to satisfy concessionality objectives regarding external financing agreed between the International Monetary Fund (IMF) and Armenia. NIF-funded Technical Assistance was sought to provide the promoter with access to international best practices in project implementation and procurement as well as advice on specific technical issues.

As per mid-2013, physical implementation had started, with the first loan disbursements made in May 2013. Implementation is proceeding according to plan. € 612,000 has been disbursed to date. The EIB loan was ratified by the Armenian Parliament on 20 June 2013.
Moldova

Water Utilities Development Programme

Total cost: € 31.5 million
NIF grant: € 10 million
Lead Finance Institution: EBRD with a loan of € 10 million
Co-financing Institution: EIB with a loan of € 10 million
Type of NIF support: Investment Grant
Year of approval: 2010

The project focuses on the improvement of the water supply and waste water treatment infrastructure in six selected municipalities (Floresti, Hincesti, Leova, CciadLunga, Orhei, and Soroca) in the Republic of Moldova. The project is a follow-up to the Moldovan government’s Strategy for Water Supply and Sewage Disposal in the Communities of Moldova and complements efforts by the Moldovan government and other donors, including the World Bank, the EU, the Austrian, Czech, and Swiss governments, to increase investments in the water sector outside the capital Chisinau on a long-term, sustainable basis. The project, which foresees regionalisation of the selected water utilities by expanding their operations into neighbouring localities, is designed to become a pilot scheme with demonstration effects. The NIF grant contribution to the project was critical for its successful implementation considering the severe local affordability constraints of the country.

Signed in 2010, project implementation has notably delayed due to the difficulties setting up the Project Management Unit (PMU), which started operating in early August 2011.

The first disbursement under the project towards the compliant utilities was made in October 2012 and since then disbursements have been processed on an ongoing basis. As of end of 2012 nearly € 3m have been disbursed (i.e. nearly € 1m from each of the EU NIF, EBRD, and EIB). Physical progress of the project differs from municipality to municipality and works continue.

Georgia

Water Infrastructure Modernisation I &II

Total cost: € 166 million (€ 86 million in Phase I and € 80 million in Phase II)
NIF grant: € 12 million
Lead Finance Institutions: EIB with a loan of € 40 million for each one of the phases
Type of NIF support: Investment Grant and Technical Assistance
Year of approval: 2010 and 2012

The overall aim of the project is to build, rehabilitate and modernise municipal water sector infrastructure. The project is an intermediary step towards the ultimate goal of providing a water supply of acceptable quality to all of the urban population in Georgia 24 hours per day. The Georgian government has made a commitment to ensure that every household in all urban areas receive a reliable and safe water supply 24 hours per day by 2020.

Water sector investment schemes have been rolled out throughout the United Water Supply Company of Georgia’s service area to upgrade water supply infrastructure, connect new users to the water supply network, ensure a higher service level (longer or even permanent supply) and reduce water losses in the network.

The improvement in the water supply and water quality has a positive impact on public health, while the improved wastewater collection and wastewater treatment ameliorates the environmental situation in lakes and rivers. Reductions in leakage, the renewal of pumps and a move to a gravity-based water supply also have a positive impact on energy efficiency and reduce the emission of harmful substances into the atmosphere.

The NIF contribution to the first phase (€ 4 million) funded the Technical Assistance to the newly created water and sewage company, UWSCG, which is in immediate need of external assistance to strengthen its capabilities in terms of project planning, preparation and implementation and to support its corporate development. Specifically, the TA was sought to support the promoter in preparing and supervising the implementation of the sub-projects proposed for EIB and EBRD financed under the respective loan agreements.
Moldova

**Feasibility Study for the Improvement of Water and Sanitation System in Chisinau**

- **Total cost:** € 59 million
- **NIF grant:** € 3 million
- **Lead Finance Institution:** EBRD with a loan of € 15 million
- **Co-Finance Institutions:** EIB and KfW (with potential loans of € 15 million each)
- **Year of approval:** 2008

In 2010, this comprehensive feasibility study was launched to assess the City’s existing water and sanitation system, identify deficiencies, investigate remediation, rehabilitation and replacement measures as well as elaborate technical solutions to cope with present, medium and long term requirements.

The feasibility study was completed in 2012 and has formed the basis for a large scale phased investment programme aimed at the improvement of water supply and sewage collection and treatment in Chisinau. The proposed investments will enable the Company to reduce water losses and increase operating efficiencies with energy savings and reach compliance with the EU Water and Wastewater Directives in its service area. The living conditions of the population of Chisinau (approx. 800,000 inhabitants) will thereby be improved and environmental impacts will be reduced.

Regional

**Integrated Solid Waste Management in the Southern Caucasus (Georgia, Azerbaijan, Armenia)**

- **Total cost:** € 66 million
- **NIF grant:** € 6 million
- **Lead Finance Institution:** KfW with a loan of € 60 million
- **Type of NIF support:** Technical Assistance
- **Year of approval:** 2012

The countries of the Southern Caucasus so far lack a national policy approach towards modern solid waste management. The lack of proper solid waste management results in the pollution of ground water, uncontrolled methane gas leaks and toxic dump fire fumes, thus damaging the environment and the health of the population.

The overall objective of the project is to contribute to a sustainable and environmentally sound Integrated Solid Waste Management (ISWM) in the Southern Caucasus that considers all stages of the solid waste management cycle (reduce, reuse, recycle and disposal). To this end, an Integrated Solid Waste Management system will be set up in a pilot municipality in each country (Georgia, Azerbaijan and Armenia). The projected ISWM activities include the closure of existing dump sites, construction of new landfills according to the EU Landfill Directive (99/31/EC), improvement of collection and transport and the introduction of recycling practices.

The ISWM systems save resources and reduce greenhouse gas emissions, particularly through the avoidance of methane (‘landfill gas’), an efficient use of resources (recycling) and the use of waste to produce energy.

© European Commission

Pluvial Sewerage Project in Moldova: the Mayor of Chisinau, Dorin Chirtoaca, inspects the state of play of the project.
Objectives

The main objectives of the NIF CCW are:

1. To set up a tracking system for climate change-related operations;
2. To ensure the transparency of the EU funding for climate change projects, including by distinguishing between programmed funds within geographic instruments and new, additional resources;
3. To guarantee and boost the EU’s visibility in its efforts to combat climate change;
4. To mainstream the fight against climate change in projects (co-) financed by the EU;
5. To attract additional resources for climate change-related projects.

The NIF's CCW is managed in the same way as the NIF in general and follows the same rules and implementation arrangements. Specifically, the CCW aims at generating investments in both:

1. Mitigation measures, such as:
   - The mitigation of climate change by limiting the man-made emissions of GHGs;
   - Improved energy efficiency and energy savings;

Addressing climate change issues, both via mitigation and adaptation, requires a huge amount of funding. According to the Commission’s Communication of November 2009, entitled ‘Stepping-up climate finance’, developing countries will need around $30 billion per year up to 2012 and up to $100 billion in 2020.

Specific Climate Change Windows (CCWs) have been set up in EU regional blending mechanisms such as the NIF in order for the EU to meet its climate change commitments. The CCWs were announced by EU Commissioners Füle, Hedegaard and Piebalgs in November 2010. The ‘windows’ indicate the source of the financing and ensure that all the climate change-related projects funded by the EU and other European Finance Institutions through mechanisms such as the NIF can be tracked. The CCWs relate to both public and private investments in strategic areas such as transport, energy, environment, water, sanitation and forestry. They also support the implementation of the programmes or strategies that help partner countries to tackle climate change through mitigation and/or adaptation measures.

Several NIF-supported projects are specifically designed to combat climate change.

Results

Between 2008 and 2012, €182 million can be reported as climate action support (Rio markers 1 and 2). The 41 projects (20 in the East and 21 in the South) represent a total amount of some €5.2 billion invested to some extent to combat climate change.

The East benefited from NIF support of €98 million for 20 projects that come under the CCW (i.e. with a Rio marker of 1 or 2) out of a total of €254.7 million of NIF support to the region. Out of the €98 million, €59 million can be reported as Climate Action support according to the Rio Convention on Climate Change (Rio marker 1: 40% of the NIF grant; Rio Marker 2: 100% of the NIF grant amount).

By comparison, 21 projects in the South benefited from €234.1 million of NIF support out of a total of €335.1 million for the overall the region. Out of the €234.1 million, €122.9 million can be reported as Climate Action support according to the same Rio Convention on Climate Change. This means that 38.5% of NIF support for the East went on climate change projects. The comparable figure for the South was 70%. Rio marker 1 projects accounted for 25.5% of the total NIF support for the East (€64.9 million out of €254.7 million) and 55.2% of the total NIF support for the South (€185.3 million out of €335.1 million).

Projects where 100% of the NIF grant amount is to be used to combat climate change are given a Rio marker of 2, the highest under the objectives of the Rio Convention on climate change.

The climate change projects under the NIF CCW are tracked according to their contribution to the mitigation and/or adaptation objectives of the Rio Convention on climate change:

- **Rio marker 1** - projects for which such a contribution is a significant objective: 40% of the NIF grant amount can be reported as supporting action to combat climate change;
- **Rio marker 2** - projects for which such a contribution is the main objective: 100% of the NIF grant amount can be reported as support.

Out of the 66 projects supported so far by the NIF, nearly two thirds (41) were low-carbon and climate resilience projects and received NIF contributions worth €332.1 million (€98 million in the East and €234.1 million in the South). That represents progress by comparison with last year’s report, which noted that half (31) of the then 52 projects were low-carbon and climate-resilience ones.

A full list of projects approved by the NIF Board to date is provided in Annex 1 and 2. It includes the detailed amounts by project to be reported as supporting action to combat climate change according to the Rio Markers.
Getting visible

The communication tools of all partners involved - European Commission, EU Delegations, European Finance Institutions – and the media constitute as many different means that can be used to spread information about the NIF results. Year after year, the NIF guarantees good EU visibility, both towards our partner countries of the Neighbourhood and towards their populations when the projects materialise.
The NIF on the websites of partner countries of the Neighbourhood and towards their used to spread information about the NIF results. Year after and the media constitute as many different means that can be getting visible.

- KfW signing with Georgian (Frankfurt, August 2011)
- Signature ceremony of SANAD
- The Tramway of Rabat (February 2011)
- Commissioner Füle visiting Signature of STEP, water and wastewater
- The EU /flag on the new trolleybuses in Chisinau
- Commissioner Füle in Batumi
- Closing ceremony of Agreement (January 2009)
- Signature of the NIF Trust Fund

**NIF Annual Reports**

**OPERATIONAL ANNUAL REPORT** Facility

- Agreements in Rabat (January 2012)
- NIF projects
- EBRD’s website featuring NIF projects

**Press pack on the Mediterranean Solar Plan**

**SANAD press releases in German**

**ENPI Info Center case studies**

**NIF leaflet**

What is the NIF?

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A Mid-Term Evaluation (MTE) of the Neighbourhood Investment Facility 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 evaluation was carried out based on the following OECD/DAC evaluation criteria: relevance, effectiveness, efficiency, impact and sustainability. The evaluation process was guided by the Reference Group composed of the European Commission, the European External Action Service, Financial Institutions’ and Member States’ representatives.

This chapter summarises some of the main conclusions and recommendations stemming from this evaluation7.

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**RELEVANCE TO THE OBJECTIVES**

The MTE states that NIF has proven to be an effective instrument within the European Neighbourhood Policy and highlights that 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 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.

**Strategic Objectives of the Neighbourhood Investment Facility:**

1 Establishing better energy and transport infrastructure interconnections between the EU and neighbouring countries and among neighbouring countries themselves;
2 Addressing threats to our common environment, including climate change;
3 Promoting smart, sustainable and inclusive growth, in particular by supporting small- and medium-sized enterprises

---

Climate Change Window

The opening of the Climate Change Window has helped to put more focus on the impact of NIF-supported projects on the global climate. Overall, the NIF has a positive impact on climate and the environment.

With regard to the Climate Change Window, the Mid-Term Evaluation report says the following in its conclusions:

“The opening of the Climate Change Window is highly relevant to the new commitment of the Commission to global challenges. The Finance Institutions’ project design process and procedures do take into account domestic climate change policies and sectoral analysis of beneficiaries.”

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 point 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, such as 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 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.

Rating according to Rio Markers

A rating according to Rio Markers is attached to all NIF investments, as shown in the following table, which covers investments made up until 31/12/11.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Environment / climate change objective</th>
<th>Rio Marker 2</th>
<th>Rio Marker 1</th>
<th>Rio Marker 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>65%</td>
<td>10</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Water / Sanitation</td>
<td>100%</td>
<td>0</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Transport</td>
<td>67%</td>
<td>0</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>SME support / Social</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
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<td>10</td>
<td>25</td>
<td>22</td>
</tr>
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</table>

As reflected in the conclusions of the NIF Mid-Term Evaluation (MTE), the NIF has been generally successful and has been relevant to its strategic objectives and the European Neighbourhood Policy. Moreover, it has achieved its goal of leveraging significant financial resources through grants.

The MTE also highlights the cost-effectiveness and swiftness of the procedures used under the NIF, which have been evolving positively since the NIF was set up.

It is clear from the MTE that the NIF has significantly contributed to the development of partnerships and has increased coordination and collaboration amongst Finance Institutions and the European Commission. However, there are a number of aspects, such as visibility, that will need to be reinforced and improved.

The findings of the MTE, together with the findings relating to the Africa Infrastructure Trust Fund, have been used, with other reports, by the Platform for Blending in External Cooperation (EUBEC) Platform. This coordinating platform was set up in December 2012 and covers various different EU facilities. The evaluation recognised the relevance of EUBEC and recommended continued support to its development.

EUBEC is taking a wide ranging look at many aspects of the EU’s blending facilities. It has already held two meetings of the policy group and considered a range of topics.

So far, transport has been the sector benefiting most from NIF funding (29%).
The report sets out the following as being among the issues to be discussed by EUBEC in view of harmonisation across blending facilities: i) Improved quality of the Project Fiche format ii) Improved verification of project proposals; iii) Criteria for increasing selectivity; iv) Representation of civil society in EU blending governance mechanisms; v) Development of a result-based framework; vi) Monitoring of all projects supported by blending; vii) Visibility and communication; viii) Reporting; ix) Harmonisation of climate change action.

The future structure and operation of the Neighbourhood Investment Facility will reflect the conclusions of the policy group, which are expected to be finalised and published in 2014.

Additionally, the entry into force of EU’s new financial regulations in 2014 might bring additional changes to the existing facilities.

Building on the success so far of the NIF and similar facilities, it is expected that blending will be an increasingly important tool for the EU in the next Multiannual Financial Framework (2014-2020).

The second biggest beneficiary of NIF funding has been energy (26%).
The organisation of the NIF follows the principles of the **three-tier governance architecture** agreed between the Commission and the Member States. This architecture ensures that projects supported by the NIF fully contribute to the achievement of the overall objectives of the EU’s Neighbourhood Policy and to the achievement of the ENP partner countries’ national strategies. The primary objective here is for EU development and cooperation policies to stay at the heart of decisions. The organisation of NIF ensures **visibility** and **political leverage** for the European Union, full and **transparent information** of the Member States and their participation in the decisions on grant allocations, as well as close coordination between the Commission and European Finance Institutions and amongst European Finance Institutions themselves. It also provides full **accountability** with regard to the management of funds towards the EU budgetary authority (European Parliament and Council) as well as EU supervisory bodies.

**Finance Institutions Group (FIG)**

The partner countries submit projects to the European Finance Institutions to seek finance. Between them, the European Finance Institutions designate a Lead Finance Institution, which presents the project to the Finance Institutions Group (FIG). The FIG is a group made up of all the eligible European Finance Institutions and chaired by the European Commission. The FIG assesses whether the projects are in line with the objectives of the EU’s Neighbourhood Policy, in particular the action plans agreed between the European Union and the partner countries and with the strategic orientations and eligibility criteria of the NIF. The FIG also assesses the justification of the NIF grant request and its value added.

**NIF Operational Board**

The Lead Finance Institutions then present the NIF grant requests to the Operational Board for final or provisional approval. Decisions are taken on the basis of the assessment provided by the FIG. The Operational Board is composed of the **EU Member States** and is chaired by the European Commission. All eligible European Finance Institutions attend as observers. In a restricted configuration of the NIF Operational Board limited to the Member States contributing to the NIF Trust Fund and the European Commission, the Trust Fund Executive Committee approves, when appropriate, the contributions of the NIF Trust Fund to projects.

**NIF Strategic Board**

The NIF Strategic Board, which is chaired by the European Commission and the European External Action Service, is composed of **representatives of the EU Member States** and meets once per year. The **ENP partner countries and eligible European Finance Institutions** participate as observers.

In 2012, the Strategic Board confirmed the validity of the 2011-2013 Strategic Orientations adopted two years before and their ability to cater for the new needs and challenges that arise both from the Arab Spring and a strengthened Eastern Partnership.

**NIF Secretariat**

2011 was a year of internal reorganisation within the Commission. A new Directorate-General for Development and Cooperation called EuropeAid, bringing together the former DG Development and EuropeAid, was created. It is responsible for designing EU development policies and delivering aid through programmes and projects across the world. Within this new structure, the NIF Secretariat was transferred into a new **Financial Instruments Unit** that is responsible for coordinating all the regional investment facilities managed by EuropeAid.

This coordination within EuropeAid makes it possible to manage all the investment facilities in a more efficient and streamlined way. The unit acts as the single entry point for requests for grants presented by the European Finance Institutions and for the organisation and follow-up of the whole assessment and decision-making process. The unit is responsible for bringing together the different elements of the Commission’s opinion on the grant requests after consultation with the relevant departments of the Commission, the EU delegations and approval by the competent authorising officer, i.e. the geographic director. The Financial Instruments Unit is also in charge of preparing the contracts relating to NIF contributions in cooperation with the geographic directorates while the EU delegations are responsible for monitoring their implementation.
The Neighbourhood Investment Facility (NIF) has grown from strength to strength since it was set up in 2008. Details of its achievements can be read in five operational reports for years 2008 to 2012.

Proof of the constant success of the Facility, the NIF approvals have been increasing every year, not only in number but also in total amount and average size. The NIF has been a catalyst for improving coordination and coherence of donor action and thus directly contributed to the principles agreed by the Paris Declaration and the Accra Agenda for Action. As a result of this enhanced collaboration, more than two thirds of NIF operations were funded by a consortium of eligible European Finance Institutions.

The NIF will undoubtedly be needed more than ever in the coming years given the difficult economic and financial challenges faced by the EU’s neighbouring countries in the East and South. The NIF plays an important role here by helping improve access to funding for crucial transport, energy and environment investments. While public investment is essential, it cannot alone come up with the considerable amounts of investment needed to build infrastructure across the entire EU Neighbourhood region.

Current levels of investment in infrastructure need a boost to ensure that growing populations in the area can achieve sustained growth; NIF contributions to projects help to achieve stronger development impact, to increase sustainability and project implementation speed. More importantly, it makes possible the financing of operations which could not otherwise have been financed either by the market or by the development finance institutions alone.

Additionally, the private sector needs also to be engaged, and the NIF is keen to receive proposals for Public Private Partnerships to help bridge the financing gap.

The situation in the Southern Neighbourhood is particularly difficult as the political changes there following the Arab Spring have markedly increased the risk perception of investors in some countries. The NIF continues to expand its work in this region, providing technical assistance to identify and develop bankable projects, and then Investment Grants and support to guarantee schemes to help implement them.

Building on the success of the NIF, the European Commission decided to create other Facilities achieving almost a worldwide coverage. In view of the reinforcement and improvement of these Facilities the Platform for Blending in External Cooperation (EUBEC), created in December 2012, is reviewing and discussing proposals concerning a wide range of topics, from which conclusions (expected for 2014) will shape the future structure and operations of the NIF and the other Facilities.

The NIF and other regional investment facilities have been confirmed as innovative financial instruments and there is of course always room for improvement. Thus, I would stress the need to keep enhancing coordination between stakeholders and reinforcing the link between the policy objectives agreed with the EU’s ENP partners and the NIF investments. As such, the NIF has played a major role in ensuring that much-needed infrastructure projects in ENP countries are financed and implemented. The Commission will continue endorsing Blending mechanisms and intends to devote a significant share of its funding under the new European Neighbourhood Instrument in the EU’s next Multiannual Financial Framework (2014 to 2020).

Fernando Frutuoso de Melo
Development and Cooperation - EuropeAid Director General
Annex 1: List of projects approved between 2008 and 2012 in the East

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of approval</th>
<th>Title of the project</th>
<th>Consortium of European Finance Institutions</th>
<th>Sector</th>
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<tbody>
<tr>
<td>Armenia</td>
<td>2009</td>
<td>Armenia Small municipalities water project</td>
<td>EBRD, EIB</td>
<td>Water/Sanitation</td>
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<tr>
<td>Armenia</td>
<td>2009</td>
<td>Yerevan Metro</td>
<td>EBRD, EIB</td>
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<tr>
<td>Armenia</td>
<td>2011</td>
<td>Kotayk Solid Waste project (Armenian Solid Waste Management Programme)</td>
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<td>Water/Sanitation</td>
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<td>Armenia</td>
<td>2012</td>
<td>Modernisation of the Bagratsashen, Bavra and Gogavan Border Crossing Points (MBBG)</td>
<td>EIB, EBRD</td>
<td>Transport</td>
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<tr>
<td>Armenia</td>
<td>2012</td>
<td>Yerevan Metro - 2nd phase</td>
<td>EBRD, EIB</td>
<td>Transport</td>
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<td>Azerbaijan</td>
<td>2012</td>
<td>Azerbaijan: Regional Road Reconstruction Project</td>
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<td>Transport</td>
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<tr>
<td>Georgia</td>
<td>2008</td>
<td>Black Sea Energy Transmission System</td>
<td>KfW, EIB, EBRD</td>
<td>Energy</td>
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<tr>
<td>Georgia</td>
<td>2009</td>
<td>Tbilisi Railway Bypass Environmental Clean up</td>
<td>EBRD</td>
<td>Transport</td>
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<tr>
<td>Georgia</td>
<td>2010</td>
<td>Enguri / Vardnili Hydro Power Cascade Rehabilitation</td>
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<td>Energy</td>
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<tr>
<td>Georgia</td>
<td>2011</td>
<td>Georgia East-West Highway</td>
<td>EIB</td>
<td>Transport</td>
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<td>Georgia</td>
<td>2010 &amp; 2012</td>
<td>Water Infrastructure Modernisation I &amp; II</td>
<td>EIB</td>
<td>Water/Sanitation</td>
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<td>Georgia</td>
<td>2010 &amp; 2012</td>
<td>Water supply and sewage of Batumi and surrounding villages I &amp; III</td>
<td>KfW</td>
<td>Water/Sanitation</td>
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<td>Moldova</td>
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<td>Capacity assessment and modernisation of the Republican Clinical Hospital (RCH)</td>
<td>CEB</td>
<td>Social</td>
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<td>Chisinau Public Transport project</td>
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<td>Transport</td>
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<td>Moldova</td>
<td>2012</td>
<td>Moldoelectrica Power Transmission Network Rehabilitation</td>
<td>EBRD, EIB</td>
<td>Energy</td>
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<td>2008</td>
<td>Technical Assistance Support for Ukrainian Municipalities</td>
<td>EBRD</td>
<td>Multisector</td>
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<td>Ukraine</td>
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<td>Ukrenergo Corporate Sustainable Development</td>
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<td>Energy</td>
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<td>Energy</td>
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<td>Ukraine</td>
<td>2009</td>
<td>Ukraine Power Transmission Network</td>
<td>EBRD, EIB</td>
<td>Energy</td>
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<td>Ukraine</td>
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<td>Preparatory studies for modernisation Ukraine gas transit and storage</td>
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<td>Ukraine</td>
<td>2011</td>
<td>Power Transmission Efficiency Project</td>
<td>KfW</td>
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<td>Framework for support Financial Intermediaries</td>
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<td>ENBF - European Neighbourhood Small Business Growth Facility</td>
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TOTAL
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<th>Type of NIF support</th>
<th>Status</th>
<th>Tendering of NIF-financed project components started?</th>
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<th>NIF-financed TA services started?</th>
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<th>Total project cost (€ million)</th>
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<th>Type of NIF support</th>
<th>Status</th>
<th>Tendering of NIF-financed project components started?</th>
<th>Construction of the project started?</th>
<th>NIF-financed TA services started?</th>
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## Annex 2: List of projects approved between 2008 and 2012 in the South

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<tr>
<th>Country</th>
<th>Year of approval</th>
<th>Title of the project</th>
<th>Consortium of European Finance Institutions</th>
<th>Sector</th>
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<tbody>
<tr>
<td>Egypt</td>
<td>2008</td>
<td>Improved Water and Wastewater Services Programme (IWSP)</td>
<td>KfW, EIB, AFD</td>
<td>Water/Sanitation</td>
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<td>Egypt</td>
<td>2008</td>
<td>200 MW Wind Farm in Gulf of El Zayt</td>
<td>KfW, EIB</td>
<td>Energy</td>
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<td>Egypt</td>
<td>2010</td>
<td>Combined Renewable Energy Masterplan</td>
<td>KfW, AFD, EIB</td>
<td>Energy</td>
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<td>Egypt</td>
<td>2010</td>
<td>Technical Assistance for the implementation of a 20 MW PV Grid Connected Power Plant</td>
<td>AFD, EIB, KfW</td>
<td>Energy</td>
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<td>Egypt</td>
<td>2010</td>
<td>Egyptian Power Transmission</td>
<td>EIB, AFD, KfW</td>
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<td>Improved Water and Wastewater Services Programme (IWSP II) in Upper Egypt</td>
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<td>EIB, AFD</td>
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<td>Tramway of Rabat</td>
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<td>Morocco</td>
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**TOTAL**
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<th>Sector</th>
<th>Total Project Cost (€ million)</th>
<th>NIF Contribution (€ million)</th>
<th>Amount to be reported as Climate Action Support (€ million)</th>
<th>Type of Support</th>
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<th>Tendering of NIF-financed Project Components Started?</th>
<th>Construction of the Project Started?</th>
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Neighbourhood Investment Facility

For more information:
European Commission
EuropeAid Development and Cooperation Directorate-General

Website:
http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/irc/investment_en.htm

Mailbox:
EuropeAid-NIF@ec.europa.eu