This action is funded by the European Union

**ANNEX 2**

of the Commission Implementing Decision on the Annual Action Programme 2015 in favour of the ENI South countries

**Action Document for**

"Enhancing Investment, Innovation and Growth in the Southern Neighbourhood"

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**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following section concerning calls for proposals: 5.3.2; and in the following section concerning grants awarded directly without a call for proposals: 5.3.1.

| 1. **Title/basic act/CRIS number** | "Enhancing Investment, Innovation and Growth in the Southern Neighbourhood"
|   | CRIS number: 2015/038-299
|   | financed under the European Neighbourhood Instrument
| 2. **Zone benefiting from the action/location** | ENI South region.
|   | The action shall be carried out at the following locations: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Israel, Palestine\(^1\) and Lebanon.
| 4. **Sector of concentration/thematic area** | Private sector development
| 5. **Amounts concerned** | Total estimated cost: EUR 10 760 000
|   | Total amount of EU budget contribution: EUR 10 000 000
|   | Budget line: 21.03.01.02

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\(^1\) This designation shall not be considered as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.
This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 760,000

| 6. Aid modalities and implementation modalities | Project Modality  
Direct management:  
- grants – direct award  
- grants – call for proposals |
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**SUMMARY**

Stimulating economic reforms, investment and innovation for jobs and inclusive growth is a key objective of the South Neighbourhood Policy. The deteriorated economic and business environment, a consequence of the political and socio-economic upheavals that the region faces since 2011, and the unstable economic global environment, have caused significant decreases in economic activity and local and foreign investment. This led to a rise in unemployment in particular among young people. The region faces common challenges, in particular a lack of economic competitiveness and integration, as well as inefficient innovation systems.

A regional programme on investment and innovation will allow promoting common approaches, peer-review and enhancement of the regional and international cooperation to support partner countries in the region in the adoption of modern public policies in line with best international practices. The activities under this programme will assist partner countries' ownership and capacity to implement policies and initiatives aiming to attract investment, innovate, diversify and integrate economies in the region to achieve positive and sustainable growth rates and generate much-needed jobs.

The activities of this action programme are fully in line with the objectives placed in the context of the Foreign Affairs Council Conclusions of December 2014 to increase international collaboration and accelerate investment opportunities in the Mediterranean Countries (AMICI).
1 CONTEXT

1.1 Regional context/Thematic area

It is widely recognised that foreign direct investment (FDI) triggers technology and innovation transfers and productivity spill-overs, assists human capital formation, fosters exports and improves competitiveness, with positive effects on growth. However, the Middle East North Africa (MENA) region only captured around 6% of total FDI inflows to developing countries in 2013 (compared to 13% in 2008); FDI inflows in the South Neighbourhood region decreased by more than 50% between 2008 (a peak year) and 2013; and intra-regional investment flows remain very low. Economic growth and employment prospects for the region, especially among the youth, are also very challenging for the region in the coming years.

As a driver of economic and social development, innovation offers significant opportunities for Mediterranean countries to develop and exploit their assets for the benefit of their economies and of their peoples. Increased knowledge, research and innovation are keys to the successful deployment of specific products, processes, technologies and concepts which, in turn, may deliver economic, environmental and social benefits on a wider scale. As is emphasised by the Communication "Research and innovation as sources of renewed growth" new growth opportunities come from providing new products and services derived from technological breakthroughs, new processes and business models, non-technological innovation and innovation in the services sector, in other words, from innovation in its broadest sense.

Against this background in the EU's Southern Neighbourhood, and the necessity to advance in political and economic support in the different partner countries, a Mediterranean investment coordination initiative (AMICI) was adopted in December 2014 by the EU Foreign Affairs Council. In its conclusions the Council expressed the need to increase coordination by the international community in investment related programmes and to provide renewed support for policy dialogue and regional cooperation aiming at smart, inclusive and sustainable economic growth, private sector development and job creation. The activities of this action programme are fully in line with the AMICI objectives.

1.1.1 Public Policy Assessment and EU Policy Framework

Boosting private investment and job creation opportunities will require improving the business climate, in particular through the establishment of a transparent, inclusive and open investment regime for both domestic and foreign investors, support to innovation and facilitating access to finance to micro and Small and Medium sized Enterprises (SMEs) as well as strengthening market institutions. The recently adopted EU Green Paper towards a new European Neighbourhood Policy includes as one of the focal areas the promotion of trade, economic development and enhancing employment to help in the economic dynamism and integration of the region.

Working towards the development of a "Common Knowledge and Innovation Space" is underlined as a cooperation priority. This approach was further reaffirmed during the Euro-Mediterranean Conference on Research and Innovation held in Barcelona in

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2012, calling for a renewed partnership in Research and Innovation that should be based on the principles of co-ownership, mutual interest and shared benefit.

The Communication "Strengthening the Role of Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" recognises that the private sector is the key driver of employment, growth, investment, trade and innovation and that it has a central role to play in achieving poverty reduction, sustainable development and inclusive growth. The Foreign Affairs Council noted in its conclusions of 23 June 2014 that the efforts to address key challenges for private sector development in partner countries should be reinforced by appropriate policy and political dialogue aimed at fostering an enabling environment and institutions for sustainable business and investment activities and to create a level playing field for improved competitiveness, building on comparative advantages.

The activities included in this Action programme will contribute to develop these objectives, in particular in the fields of investment and innovation.

1.1.2 Stakeholders / Problem analysis

The main stakeholders in the projects will be investment and innovation support organisations (innovation clusters, business incubators, innovation poles i.e. science parks, technology parks, technology transfer offices etc.), as well as institutional authorities and administrations in charge of investment and innovation policies – in particular the various Ministries of Industry / SME Development / Research / Trade and Investment, and relevant national agencies involved in the promotion of innovation and foreign investment.

In addition, the programme aims at linking up public sector and innovation support structures to private initiatives, such as business angels, industry leaders and private accelerators.

In relation to investment, most of the partner countries in the region have Investment Promotion Agencies (IPAs) in place, e.g. Tunisia's Foreign Investment Promotion Agency, Algeria's National Investment Development Agency, Morocco's Investment Department, Egypt's Ministry of Investment, Jordan's Investment Board, Lebanon's Investment Development Authority, Palestine’s Investment Promotion Agency. However some of these IPAs are small and insufficiently effective to attract foreign investment, others function as a unit within a ministry. In the past, countries have made advances in improving their policies and administrative structures, but there needs to be a paradigm shift in the overall approach if substantial progress is to be made.

Against the background of the substantial drop of FDI in the region, countries are currently redoubling efforts to improve their regulatory and administrative environment to attract much needed investments. In October 2014, a new investment law was enacted in Jordan and a new institution, the Jordan Investment Commission, merging three previous bodies, was established. In Tunisia, an Investment Code is under preparation which foresees the establishment of a new investment promotion institution playing a coordination role. Egypt is actively working towards a unified investment law and a revised institutional mechanism for investment promotion, fostering and streamlining the role of the General Authority for Investment (GAFI).

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The Investment Charter of Morocco is currently under revision and the Agence marocaine de développement des investissements (AMDI) has a dynamic role in attracting significant foreign investors. Other investment reforms are on-going in several countries in the region (such as Algeria and the Palestinian Authority), as well as at the regional level with the recent efforts of the League of Arab States to foster regional investment integration.

In this context, the support to reforms of the investment framework and the capacity building of investment promotion agencies should be further encouraged with a view to implementing sound and attractive private sector development and investment policies and establishing effective institutions able to attract more and better investments. Attention will also be paid to promote investment frameworks with a high development and employment impact.

In relation to innovation ecosystems, the lack of proximity and trust between public and private sector stakeholders, rigid administrative frameworks, poorly trained Research & Development (R&D) managers and governance problems all represent major hurdles preventing Mediterranean countries from pushing forward dynamic innovation policies. Countries in the Mediterranean region have fallen behind other regions on different levels. Mediterranean partner countries are not only quite low ranking in terms of innovation performance, they are also losing their positions despite the introduction of proactive policies and infrastructures in some partner countries. Yet, new initiatives are already under way with for example, the fostering of a new culture of entrepreneurship, innovation and creativity across the Mediterranean as well as the creation of South-South partnerships involving key partners in innovation.

It is worth noting that there are large differences at country level. Morocco launched an Innovation strategy in 2009 to strengthen the innovation value chain. In Tunisia, the new "national industrial strategy up to 2016" lays the foundations for innovation policy based on a strategy implemented by the Agency for the Promotion of Industry and Innovation. There was a broad reflection in Egypt on the creation of a national innovation system, as a result of work carried out by the Research, Development and Innovation programmes. In Jordan, the Science, Technology and Innovation Policy and Strategy for Jordan (2013-2017) was launched in 2013 including the establishment of a National Centre for Innovation with the aim to coordinate all innovation-related activities in the country. The private sector is quite active in the field of innovation in Jordan with the support of the Jordan Enterprise Development Cooperation (JEDCO). In Algeria, no official innovation support policy has been developed, although public authorities in these countries are aware of its importance. Lack of coordination between ministries play a role and concrete initiatives are struggling to emerge. In Lebanon, the Science, Technology and Innovation Policy (STIP) for Lebanon focuses on the innovation activities in industrial, forms and information, communication and technology sectors. The Lebanese Berytech Technological Pole launched in 2008 has become a national reference for innovation and start-up support.

In Palestine, the decision for the establishment of a Higher Council for Creativity and Innovation and several centres of excellence marks an increasing interest and emerging innovation and start-up culture despite severe restrictions of the Palestinian economic and social life.
Generally speaking, the private sector still shows relatively low commitment to innovation, but is also undergoing change. A new generation of entrepreneurs and innovative SMEs is coming up, the venture capital industry is developing and there is a broader involvement of the major groups, along with the introduction of increasing numbers of innovation support programmes at national and international levels. Innovation, technology and quality issues are becoming a core concern for leaders of competitive enterprises and pose a major challenge to Mediterranean SMEs which have to operate in the context of a globalised economy. An improvement in the performance of the innovation ecosystems is thus essential for industrial development and job creation.

1.1.3 Priority areas for support

This Action programme will address the following priorities for support:

- Support to the implementation of sound and inclusive investment frameworks and policies, capacity building to investment promotion agencies in the region and networking, in particular with EU counterparts, to attract further investment and job creation.

- Support to the formulation and implementation of innovation policies and increased capacity improvement and networking, in particular with EU counterparts, to assist innovation organisations and clusters in the region in generating value-added activities, new sources of economic growth and employment.

2 Risks and Assumptions

The main risks of the programme can be synthesised as follows:

1. Political and socio-economic instability in the region;
2. Weak socio-economic dialogue in some countries to allow public authorities and entities to give priority to the areas of action envisaged in this programme and to implement inter-sector co-operation and modern reforms;
3. Lack of innovation and specialisation in local economies and weak regional integration which renders foreign investments and integration into global value chains unattractive, thus preventing employment generation in high-paying jobs.

The risks linked to political and socio-economic instability in the region should be mitigated through continuous monitoring. The proposed results are formulated in a way that ensures that the project is flexible, taking into account each country's specific capacities and circumstances as well as the regional dimension; implementation does not depend on a participation of all the countries in all foreseen activities.

Assumptions encompass the willingness and commitment of the stakeholders in the Mediterranean partner countries throughout the different project implementation activities; the synergies and complementarities with other regional activities; good project management; an enabling environment in partner countries for stakeholder participation. Public-private dialogues and awareness on activities and networking will be promoted by the programme.
LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

This programme will capitalise on the results and recommendations of previous related programmes and projects.

In the field of investment, the EU provided support to partner countries in partnership with the OECD under the Investment Security in Mediterranean initiative (ISMED) during the years 2012-2014, which included activities to improve the legal conditions for infrastructure investment in the Mediterranean. Support to broader economic governance reforms is also being provided by the EU in partnership with OECD through the Support for Improvement in Governance and Management (SIGMA) programme.

This regional programme takes account of the activities and results of previous and existing cooperation initiatives targeting the general investment framework and the enabling environment, and will focus its activities on delivering investment advisory services to each partner country in a customised and practical manner, e.g. by enhancing the institutional and administrative capacity to promote and attract investments in the most promising sectors.

In the field of innovation, a number of initiatives were implemented at regional level, notably the ERA-WIDE (European Research Area Wide) programme, to reinforce capacities of research centres; MEDSPRING, to support policy dialogue on research and innovation; ERA-NETMED, to enhance coordination between National Research Programmes; European Cluster Collaboration Platform (ECCP), an EU initiative aiming at developing a set of good practices for training and to foster relations between European and international clusters; EUMEDCONNECT, to support a dedicated network to connect research and education institutions and keep them linked to a globalised world; and Invest in Med, strengthening SME partnerships in the region. At bilateral level, several EU-funded programmes promoted innovation policies and private sector development in specific countries (the Projet d’Appui au Système de Recherche et de l’Innovation (PASRI) in Tunisia, the Support to Research, Technological Development and Innovation (SRTD) in Jordan and the Research, development and innovation programme (RDI) in Egypt.

Overall, these regional and bilateral innovation initiatives were successful, yet they were scattered, often overlapping, lacking harmonisation and exchange of best practices. Moreover, they did not sufficiently integrate the value chain from research to innovation and encompassing public and private sector entities.

3.2 Complementarity, synergy and donor coordination

- Close complementarity and coordination will be ensured with the on-going regional programmes, in particular the Enhancement of Business Environment project (EBESM), the EUROMED Invest project that promotes private investments and business partnerships, the projects in support to the development of Clusters in Cultural and Creative Industries in the Southern Mediterranean and other initiatives in support to mobility of young entrepreneurs in SMEs.

- Coordination and complementarity will be ensured with the EU-funded initiative SWITCH-Med which aims at promoting the shift to more sustainable consumption and production patterns.
Coordination and complementarity will be ensured with other relevant EU private sector and investment programme activities at country level, by involving closely the Delegations in activities of each of the two components of the programme, including consultation on proposals submitted to the Steering Committees, as well as organisation of specific events and coordination meetings in each country with relevant stakeholders.

Moreover, the activities of this programme – e.g. the modernisation of investment frameworks and the financing of SME's emerging for innovative clusters – may create new opportunities for financing under the Neighbourhood Investment Facility.

Close co-ordination with the Secretariat of the Union for the Mediterranean will also be ensured through invitation to participate in the Steering Committees of the two components of the programme.

The activities of this programme are fully in line with the donor coordination objectives of the AMICI initiative to enhance inclusive growth and investments in the region and donor coordination regarding these activities. This will be the case regarding common action with the OECD and other Deauville Partnership partners related initiatives to support good governance reforms to attract investment and enhance private sector development.

### 3.3 Cross-cutting issues

The programme promotes broad reforms to improve administrative capacity, innovation and investment, disseminates standards and principles of good governance, works to strengthen regional and international partnerships, and supports sustainable, smart and inclusive economic growth across the region. Particular attention will be provided through the activities of the programme to enable new economic development opportunities for the youth and women. In addition, investment and innovation partnerships with the international community and EU counterparts will also have a positive side long-term effect on competitiveness and value-added job creation. Given the challenges in the ENP South region, the programme will facilitate and promote resource efficiency, sustainable production and eco-innovation in view to enhancing green growth.

### 4 Description of the Action

#### 4.1 Objective

*The overall objective of the programme* is to assist partner countries' ownership and capacity to implement policies and initiatives regarding innovation and investment aiming to enhance inclusive and sustainable growth and employment.

#### 4.2 Main activities and expected results

The programme will consist of two components:

4.2.1 **Support to investment policies and investment promotion in the Southern Neighbourhood**

The expected results are as follows:

1. Enhanced design and implementation of sound investment policies and strategies targeting investments with high growth potential and development effects, designed to impact on job creation (with a focus on youth and
women), territorial development and enhancement of the local economy while taking into account sustainability goals and climate change.

2. Improved capacity of investment promotion agencies (IPAs) and related institutions in building professional and efficient services to investors and streamlining procedures; stronger network of IPAs, exchange of investment practices and opportunities with a view to attract more and better investments to the region and foster intra-regional investments;

3. Enhanced institutional co-ordination and monitoring on investment policies and promotion, and conducive public-private dialogue on investment reforms; increased international networking in particular with EU counterparts; raising awareness and visibility in the MENA region to attract further investments.

The type of activities envisaged are:

- Regional and national policy dialogue and networking (including with the business community): with exchange of experiences and peer-review and peer-learning mechanisms;
- Capacity-building and technical assistance: diagnostic studies, policy analysis and recommendations, advisory services, practitioners' handbooks, technical workshops, and training courses for policy-makers and experts;
- Monitoring and evaluation (through result-oriented indicators), data collection, visibility including development of communication tools to disseminate information (conferences, investors’ guides, newsletters, brochures, etc.).

4.2.2 Support to innovation policies and innovative clusters in the Southern Neighbourhood

The expected results are as follows:

1. Improved regulatory environments in the field of innovation by supporting coherent and strategic innovation policies promoting innovative SME cluster growth including cross-sectoral cooperation and by providing technical assistance in order to strengthen innovation ecosystems and in particular innovation support structures.

2. Increased capacity of innovation stakeholders; provision of a regional platform to facilitate dissemination, dialogues and exchanges of good practices; networking in particular with EU counterparts.

3. Promotion of innovative SME clusters in the region, through the dissemination of successful experiences, including networking in particular with EU counterparts.

The areas of intervention for the envisaged action will be:

i) at macro level: support to the enabling environment for innovative entrepreneurship; stimulating the development and networking of innovation stakeholders (public, private and academic sectors), in particular to reflect on the regulatory framework at country / regional level, in line with the "Small Business Act" for Europe and its implementation process in the Mediterranean countries; upscaling of activities implemented in the context of the EBESM project relating to the principle 8 of the SBA (enterprise skills and innovation) and in line with the
Common Euro-Mediterranean Innovation Agenda launched by the Euro-Mediterranean Group of Senior Officials in Research and Innovation.

ii) at meso level: capacity building, networking and exchange of good practices between innovation support structures and other relevant stakeholders (e.g. clusters, technology parks, business incubators, technology transfer offices, seed accelerators, business angels and early stage investors), including international networking in particular with EU counterparts.

iii) at micro level: direct support and capacity building provided to selected innovation clusters, networks and members.

The type of activities are: advisory services, diagnostics studies, support to public-private policy dialogues, training, workshops, sector studies and recommendations, organisation of conferences, visibility tools including website, newsletters and information dissemination.

5 IMPLEMENTATION

5.1 Financing agreement

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

5.2 Indicative implementation period

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

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

5.3 Implementation modalities

5.3.1 Grant: direct award “Supporting investment policies and promotion in ENP South” (direct management)

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

To improve investment policies and promote investment in the South neighbourhood region through advisory and capacity-building activities, improved coordination and national-regional/public-private dialogue in cooperation, and enhanced regional/international networking in particular with EU counterparts.

The areas of intervention and expected results are:

1. Sound investment policies and strategies targeting investments with high growth potential and development effects, in particular designed to impact on inclusiveness and sustainability, in terms of job creation (with a focus on youth and women), territorial development and enhancement of the local economy.
2. Increased capacity of partner countries in reforming and improving their investment policy frameworks in accordance with international best practices, including fostering legal protection, coherence, predictability and transparency, as well as supporting regional harmonisation and consistency.

3. Improved capacity of negotiating and implementing international investment (and trade-related) agreements (bilateral investment treaties, regional agreements (e.g. the Arab League Investment Agreement and the Agadir Agreement) and international negotiations (e.g. DCFTAs and other FTAs)), as well as preventing and managing investment disputes.

4. Enhanced institutional co-ordination on investment policies and promotion, conducive public-private dialogue on investment reforms on the national and regional levels, stronger policy advocacy role of the private sector.

5. Improved capacity of investment promotion agencies (IPAs) and related institutions in:
   – building professional and efficient services to investors, streamlining procedures and enhancing staff skills;
   – building a network of IPAs in the region and with the EU counterparts, exchanging investment practices and opportunities with a view to attract more and better investments to the region and foster intra-regional investments;
   – enhancing business linkages between multinational enterprises and local companies.

6. Monitored investment reforms, better availability of data in particular on FDI statistics through implementation of international guidelines for compiling FDI (including the OECD Benchmark Definition of FDI – BDM4) and increased awareness in and visibility of the MENA region to attract further investments.

(b) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to OECD.

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action has specific characteristics requiring a specific type of diagnostics, benchmarking and advisory services in the area of investment by a recognised international organisation and the OECD is considered to be placed as best public institution in this regard. The OECD as a public organisation has a long-standing experience and specialisation in this area to partner with the EU and has indeed been working for a number of years with the partner countries through the OECD MENA investment programme with established contacts to the Investment Promotion Agencies in the region5. This action will provide beneficiary countries with access to a range of interesting services and capacity building tools to improve its regulatory investment framework and investment promotion agencies to expand domestic and

5 www.oecd.org/mena/investment.
international investment opportunities in line with best EU and OECD international experience.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90% of the eligible costs of the action.

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

(e) Indicative trimester to conclude the grant agreement

2nd Quarter 2016.

5.3.2 Grant: call for proposals – Supporting innovation policies and innovation clusters in ENP South

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

The objective identified for this call is to support policies and initiatives stimulating the development of the innovation ecosystems in Southern Mediterranean countries and to contribute to driving new innovation dynamics across the Mediterranean – in line with the Common Knowledge and Innovation Space priorities –, involving in particular the private sector as well as other relevant stakeholders in the region.

The areas of intervention and expected results are:

1. Enhanced capacity for the formulation and/or the implementation of coherent and strategic innovation policies; reinforced public-private dialogue, improved regulatory framework for innovation, in line with the "Small Business Act" for Europe and its implementation process in the Mediterranean countries; activities relating to principle 8 of the Small Business Act (innovation) are up-scaled.

2. Improved capacity of innovation ecosystems and innovation support structures in charge of implementing strategies and actions for innovative SMEs (e.g. technology parks, business incubators, technology transfer offices, innovation clusters at regional level); through capacity building, coaching and training; exchange of good practices between innovation support structures, including stakeholders such as business angels networks, academic spin-offs, early stage investors, industry leaders.

3. Increased regional cooperation by stimulating the development and networking of innovation stakeholders (public, private and academic sectors) at country / regional level and encouraging links to their European
counterparts; organisation of international business and innovation weeks (brokerage events) involving the whole innovative ecosystem in each country.

4. Strengthened innovative SME clusters in the region through targeted support to selected clusters in most promising sectors (e.g. water and agrifood, new energies, transport and logistics, Information and Communication Technologies and creative industries). This includes support for innovation management capabilities and enhanced competitiveness; capacity building activities, matchmaking events for innovation projects to promote industrial partnerships with other South ENI countries or EU countries. Targeted support schemes are made available to promote young and women innovators/entrepreneurs (e.g. enhanced opportunities for younger entrepreneurs to work in business incubators and science parks in the region).

5. Increased availability of information on innovation ecosystems through analysis of innovation policy schemes and initiatives being developed in the Southern Mediterranean region as well as identification of relevant innovation stakeholders; update of previous mappings.

6. Visibility of the actions undertaken by the programme is ensured through the valorisation of selected innovative initiatives in the region; innovation awards; dissemination for awareness and engagement; promotion of best practices by setting up a regional platform to facilitate dissemination, dialogues and exchanges of good practices.

(b) Eligibility conditions

- be legal persons, and
- be non-profit-making, and
- be specific types of organisations such as: non-governmental organisations, public sector operators, local authorities, international (inter-governmental) organisations as defined by Article 43 of the Implementing Rules to the EC Financial Regulation, and
- be established in a Member State of the European Union or a country that is a beneficiary of the ENI Regulation, a country that is a beneficiary of an Instrument for Pre-Accession Assistance set up by Council Regulation (EC) No 1085/2006 (IPA) or a Member State of the EEA, and
- be directly responsible for the preparation and management of the action with the co-applicants and affiliated entities, not acting as an intermediary.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90% of the eligible costs of the action.
In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

1st Quarter 2016.

5.4 Scope of geographical eligibility for procurement and grants

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

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

5.5 Indicative budget

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</table>

5.6 Organisational set-up and responsibilities

A Steering Committee will be established for each component of the programme with participation of the Commission, the implementing organisation, the partner countries, the Secretariat of the Union for the Mediterranean and other stakeholders as appropriate.

The Steering committees will meet at least in an annual basis to provide the strategic direction of the programme activities, approve annual work-plans and monitoring the performance of activities. Sharing of information, joint activities and sharing of experience between the two components of the programme will be promoted when feasible.
5.7 **Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 **Evaluation**

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components contracted by the Commission.

Where an evaluation is foreseen and is to be contracted by the Commission: The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

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

5.9 **Audit**

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

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

5.10 **Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.
This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with a specific visibility budget within each grant contract.

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

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
APPENDIX - INDICATIVE LOGFRAME MATRIX

The expected outputs and outcomes and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

<table>
<thead>
<tr>
<th>Overall objective: Impact</th>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
|                           | To assist partner countries' ownership and capacity to implement policies and initiatives regarding innovation and investment aiming to enhance inclusive and sustainable growth and employment. | - Increase in foreign investment  
- Increase in domestic investment  
-New jobs created per sector / type of skills  
- Increase in the value-added of jobs created | The inception phase with the OECD will define the baseline of each country | The inception phase with the OECD will define the outcomes and targets in a country basis | Statistics from partner countries  
World Bank, OECD, UN /ILO reporting | - Political and democratic stability.  
- Governments committed to reforms and private – sector led growth.  
- Improvement of the World / European economies for innovation and investment linkages |

<table>
<thead>
<tr>
<th>Specific objective: Outcomes</th>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| 1. To improve investment policies and enhance investment in the South neighbourhood region through advisory and capacity-building activities, improved coordination and public-private dialogues and regional / international networking in particular with EU counterparts. | - Improved investment policies and regulatory frameworks with an inclusive approach.  
- Improved administrative capacity to attract investments.  
- Increased regional cooperation to integrate into global value chains and foreign investment | - Improved innovation policies and regulatory framework including | The inception phase with the OECD will define the baseline of each country | The inception phase with the OECD will define the outcomes and targets in a country basis | Reporting from EU – OECD programme implemented activities  
Reports from national authorities | - Strong Public-private dialogues and consensus to improve innovation and investment frameworks.  
- Willingness to cooperate at regional level to jointly promote and take advantage of regional opportunities.  
Regional strategy |
| 2. To support policies and initiatives stimulating the development of innovation ecosystems in the South | - Improved innovation policies and regulatory framework including | | | | | |

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neighbourhood region and to contribute to driving new innovation dynamics across the Mediterranean – in line with the EU Common Knowledge and Innovation Space priorities – and involving in particular the private sector and other relevant stakeholders in the region.

<table>
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<tr>
<th>incentives for ecosystems development - Strengthened innovative SMEs clusters in the region - Increased regional cooperation to build specialisation and complementarity</th>
<th>baseline of each country</th>
<th>country basis</th>
<th>implementing activities</th>
<th>Cooperation should complement related bilateral PSD, trade and investment actions.</th>
</tr>
</thead>
</table>

| (i) Improved capacity of partner countries in reforming and improving their investment frameworks in line with international best practice  
(ii) Improved capacity of investment promotion agencies (IPAs)  
(iii) Enhanced regional and international networking | Number of Studies & Recs to improve investment opportunities  
Number of legislative & administrative reforms introduced through a 3 years period  
Training seminars provided to IPAs. Increase in investment obtained through a 3-years period.  
Number of joint promotional activities undertaken in a regional basis  
MOU investment partnerships signed at regional and EU/international level | The inception phase with the OECD will define the country basis | The inception phase with the OECD will define the country basis | EU-OECD Programme reporting |

<p>| Outputs – Investment component | | | | |</p>
<table>
<thead>
<tr>
<th>Outputs</th>
<th>Innovation component</th>
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<tbody>
<tr>
<td>(i) Improved regulatory environments in the field of innovation by supporting coherent and strategic innovation policies promoting innovative SME cluster growth and by providing technical assistance in order to strengthen innovation ecosystems</td>
<td>Number of legislative &amp; administrative reforms introduced during the implementation period</td>
</tr>
<tr>
<td>(ii) Improved capacity of innovation ecosystems and innovation support structures; increased networking of innovation stakeholders, in particular with EU counterparts. Provision of a regional platform to facilitate dissemination, dialogues and exchanges of good practices.</td>
<td>Assessment of progress in implementing the SBA - 8b: Innovation policy framework for SMEs</td>
</tr>
<tr>
<td>(iii) Strengthened innovative SME clusters in the region through capacity building and networking, including with successful EU cluster initiatives.</td>
<td>Number of joint promotional activities undertaken in a regional basis</td>
</tr>
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</table>

Number of legislative & administrative reforms introduced during the implementation period

Assessment of progress in implementing the SBA - 8b: Innovation policy framework for SMEs

Number of joint promotional activities undertaken in a regional basis

Number of innovation SME-clusters supported

Number of young / women entrepreneurs supported

Number of partnerships between Southern countries’ clusters and clusters in the EU

Number of awareness workshops

Proposals submitted through the calls for proposals will define the baseline.

Proposals submitted through the calls for proposals will define the targets.

Statistics from partner countries

World Bank, OECD, UN / ILO reporting