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ANNEX 3

to Commission Implementing Decision on the ENI East Regional Action Programme 2017 Part 2 (including two actions on budget 2018 and two actions on budget 2018 & 2019), to be financed from the general budget of the European Union

Action Document for EU4Environment

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 section 5.3.3 concerning grants awarded directly without a call for proposals.

<p>1. Title/basic act/ CRIS number</p>	<p>EU4Environment CRIS numbers: - ENI/2017/040-280 - ENI/2018/040-314 - ENI/2019/040-315 financed under European Neighbourhood Instrument</p>
<p>2. Zone benefiting from the action/location</p>	<p>Six Eastern neighbourhood countries: Armenia; Azerbaijan; Belarus; Georgia; the Republic of Moldova; and Ukraine.</p>
<p>3. Programming document</p>	<p>Regional East Strategy Paper (2014-2020) and Multiannual Indicative Programme (2017-2020)</p>
<p>4. Sector of concentration/ thematic area</p>	<p>Environment</p>
<p>5. Amounts concerned</p>	<p>Total estimated cost: EUR 20 050 000 Total amount of EU budget contribution: EUR 19 000 000 The contribution is for an amount of: - EUR 3 000 000 from the general budget of the European Union for 2017 - EUR 10 000 000 from the general budget of the European Union for 2018, subject to the availability of appropriations following</p>

	<p>the adoption of the relevant budget</p> <ul style="list-style-type: none"> - EUR 6 000 000 from the general budget of the European Union for 2019, subject to the availability of appropriations following the adoption of the relevant budget <p>Co-financing by implementing partners: EUR 1 050 000</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> - UNIDO for an amount of EUR 510 000 - OECD for an amount of EUR 240 000 - World Bank Group for an amount of EUR 300 000 			
6. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <ul style="list-style-type: none"> - Direct management: grants (direct award) - Indirect management with the United Nations Industrial Development Organisation (UNIDO) 			
7 a) DAC code(s)	<p>41010 (Environment Policy): 80%</p> <p>25010 (Business support services): 20%</p>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	<ol style="list-style-type: none"> 1. Global Climate Change Alliance + (GCCA+) 2. EU Biodiversity for Livelihoods Initiative (EUBLI) 3. SWITCH TO GREEN: supporting private sector led inclusive green growth 4. FLEGT: improving forest law enforcement, governance and trade 7. Trade integration for green and inclusive growth 12. Climate-change mitigation: supporting low-carbon development. 			
10. SDGs	<p>Main SDG Goal: 12 Sustainable consumption and production patterns</p> <p>Secondary SDG Goal(s):</p> <ul style="list-style-type: none"> • Goal 3 Good health and well-being 			

	<ul style="list-style-type: none"> • Goal 7 Affordable and clean energy • Goal 8 Decent work and economic growth • Goal 9 Industry, innovation and infrastructure • Goal 11 Sustainable cities and communities • Goal 13 Climate action • Goal 15 Life on land • Goal 17 Partnerships for the goals
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SUMMARY

The European Union for Environment (EU4Environment) initiative aims to bring a higher level of environmental well-being for citizens in the Eastern Neighbourhood while also enabling the six partner countries to grasp opportunities of greener economic growth and preserve their natural capital.

EU4Environment will help delivering further policy and legislative changes, making planning and investment greener, stimulating the uptake by the enterprise sector of innovative products and technologies, adopting new business models, and creating green jobs. It will also promote better environmental governance, improved management of protected areas and forests, and sustainable trade.

The Initiative will use international and EU benchmarks and tools for speeding up progress towards an economy that is environmentally friendly, inclusive, and corruption-free.

EU4Environment will integrate into one strategic framework activities that have been carried out in the past under several projects.

Based on an EU contribution of EUR 19 million, it will consolidate and scale up reforms that have been launched. EU4Environment will target both public and private sector actors, aiming to strengthen the corps of reform promoters and create a critical mass of capacity for greener growth. It will further develop the network of “grass root” clubs uniting enterprises that wish to achieve resource efficiency and cleaner production and will provide enterprise-level support through pilot projects.

The Initiative will translate into action priorities outlined in the Eastern Partnership Ministerial Declaration on Environment and Climate Change of October 2016.

EU4Environment will also be a platform for knowledge sharing and will ensure the link to global processes aiming at a green transformation.

1 CONTEXT

1.1 Sectoral context

Environmental action and economy greening can significantly increase societies' wealth in Eastern Partnership (EaP) countries. Studies¹ estimate that benefits of some EUR 9 billion are to be gained annually if environmental management in these countries is aligned with European Union benchmarks. This includes benefits for human health, preserved ecosystem services, and gains from greener economic growth. Greening the economy creates opportunities for the region, *e.g.* through resource and energy efficiency, waste recycling, cleaner transport, organic agriculture, etc. Promoting new sectors and business models can result in economic diversification, increased competitiveness and access to new markets. Greener economy and preserved ecosystem services are important factors of resilience, especially at community level, as well as peace and security in the region.

Having departed from a low baseline in the 1990s, the environmental well-being of citizens in partner countries remains low in comparison with the EU and other regions. The social costs of air pollution², for example, amount to 35.2% of the Gross Domestic Product (GDP) in Georgia and 26.7% and 23.5% in Ukraine and the Republic of Moldova³, respectively (2010 data). Partner countries are facing large-scale problems of municipal, industrial, and hazardous waste management. Limited access to safe drinking water and water sanitation persists, and both water quality and quantity raise concerns. Climate change is likely to exacerbate these problems. Its impact will often be most severely felt by poor and socially marginalised groups whose capacity to adapt is limited, especially in rural areas.

Countries' competitiveness, as well as resilience of economies and ecosystems are hindered by the inefficient use of energy and materials in production processes, by utilities, and households. Even though energy efficiency has been improving, all countries (except Ukraine) have considerably increased their energy consumption per capita since 2000. Despite of positive trends in resource efficiency during the transition period, material consumption in the six partner countries substantially exceeds world average, according to most recent data⁴.

The countries' natural capital is not adequately preserved. Ecosystems continue to be degraded and biodiversity is in decline: 59 species are critically endangered, 52 of which are in the South Caucasus. Illegal logging and mining have intensified in certain areas. Missing economic opportunities are often believed to be behind illegal use of natural resources though there is a persistent problem of weak rule of law. Besides environmental impacts, lack of enforcement undermines sustainable trade policies.

¹ "The economic and environmental implications for the EU of strengthening cooperation with the Eastern Neighbourhood countries." A study produced by STELLA Consulting for the European Commission. ec.europa.eu/environment/international_issues/pdf/STELLAConsulting_Final_EaPstudy_Apr2015.pdf.

² WHO Regional Office for Europe, OECD (2015), Economic cost of the health impact of air pollution in Europe: Clean air, health and wealth. http://www.euro.who.int/_data/assets/pdf_file/0004/276772/Economic-cost-health-impact-air-pollution-en.pdf?ua=1
http://www.euro.who.int/_data/assets/pdf_file/0004/276772/Economic-cost-health-impact-air-pollution-en.pdf?ua=1.

³ Hereinafter referred to as Moldova.

⁴ UN Environment Programme, 2013.

Although to a varying extent, EaP countries face important challenges related to environmental governance. There is often a weak evidence base for decision-making. When information is available, its use by policy-makers is insufficient, especially at the nexus of economic and environmental goals. People are unaware of benefits that greener growth could offer them individually and collectively. Public participation, transparency, and accountability remain at the level of procedural requirements rather than routine practice. Consultations with those who are likely to be affected by the public policy lack impact. Policy implementation is poorly costed and exposed to funding gaps. Sometimes deficient inter-ministerial and cross-sectorial co-ordination affects coherence between policies thus reducing the credibility and benefits of policy action. The significance of environmental assessments that should accompany sector or project level development and investment is poorly understood, including in terms of financial risks management. Hence, such assessments are irregular. Compliance with, and enforcement of, environmental requirements are weak. In part, this is rooted in a regulatory framework that is complicated, burdensome, and costly to both the administration and industry. In some partner countries, e.g. Georgia, deregulation went to the other extreme leaving an environmental regulatory vacuum. Challenges remain in coordination and monitoring of public policies at the implementation stage. Sector's exposure to corruption should be regarded very seriously, particularly because of reliance on commodities for revenue. All these problems prevent people and economic actors from grasping the benefits of better environmental policies and green economy.

1.1.1 Public Policy Assessment and EU Policy Framework

Environment remains a priority for regional cooperation involving the six partner countries and the European Union. The Riga EaP Summit of 2015⁵ re-affirmed earlier decisions⁶ on the need to work together in this field. The Review of the European Neighbourhood Policy⁷ (ENP) highlighted the importance of addressing environmental challenges and building a resource-efficient economy. It also pointed out the importance to put into application the 2015 Paris Agreement and other climate action priorities, as well as highlighted the EU's strong support for the implementation of the 2030 Agenda for Sustainable Development. The revised ENP reinvigorated the relations between the European Union and its neighbours, with a greater focus on stabilisation, resilience and security. ENP implementation⁸ has demonstrated the value of stronger joint ownership and flexibility, which is achieved by recognising different aspirations and diversity of each partner. Remaining a priority for the EaP, environmental action has been integrated into the Joint Staff Working Document⁹ "*Eastern Partnership – 20 Deliverables for 2020: Focusing on key priorities and tangible results*".

The First EaP Ministerial Meeting on Environment and Climate Change (October 2016) adopted a Declaration¹⁰ that re-affirms the importance of addressing environmental issues jointly and making the link to economic development. The Declaration calls to step up cooperation, outlining clear priorities and the need for tailored assistance based on a strategic

⁵ See the text of the Joint Declaration of the summit, in particular paragraphs 13-14 and 23:
http://www.consilium.europa.eu/en/meetings/international-summit/2015/05/Riga-Declaration-220515-Final_pdf/.

⁶ The Joint Declaration of the Warsaw Summit in 2011 had a very strong green economy element:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/124843.pdf.

⁷ http://eeas.europa.eu/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf.

⁸ https://eeas.europa.eu/headquarters/headquarters-homepage/26371/joint-report-european-parliament-council-european-economic-and-social-committee-and-committee_en.

⁹ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/near-eeas_joint_swd_2016467_0.pdf.

¹⁰ http://ec.europa.eu/environment/international_issues/pdf/declaration_on_cooperation_eastern_partnership.pdf.

sector-wide approach, active engagement, and continuity. An Action Plan is under preparation by the thematic EaP Panel.

The partner countries remain actively involved in relevant international processes. They have signed and implement up to twenty Multilateral Environmental Agreements each and have joined – alongside the EU Member States – several recent initiatives, for example the 2016 Batumi Initiative on Green Economy (BIG-E) within the "Environment for Europe" process¹¹.

In a national context, priorities on environment are spelled out in many policy documents, be it in overall country development papers, such as in the "Azerbaijan 2020 Strategy for Sustainable Development", mid-term government plans, such as in Ukraine, the Framework Environmental Strategy and the National Environmental Action Plan, such as in Moldova and Georgia, the "Green Economy Action Plan" in Belarus, or dedicated roadmaps for Association Agenda implementation and sectoral strategies and plans. Policy priorities are often similar across the region.

Public environmental policies in the partner countries have seen some improvement over the last years. Primarily, this includes a reformed legal framework on environmental assessments (*e.g.* in Belarus and Moldova), on waste (*e.g.* in Moldova and Georgia), or on water (*e.g.* in Belarus and Ukraine), to name a few domains. Georgia, Moldova, and Ukraine are engaged in a process of legislative approximation following the adoption of Association Agreements. Increasingly, the business actors in the region, especially small and medium-sized enterprises are enabled to harness opportunities of greener growth. Many enterprise-level assessments of energy and resource efficiency have been conducted showing significant environmental effects and costs savings. Donor programmes for the disposal of hazardous pesticides made a real impact in the partner countries some of which, such as Azerbaijan and Moldova, are advanced in solving the problem of obsolete chemicals, even in comparison with EU Member States. Efforts have been made in some countries to address illegal logging and promote sustainable forestry.

Several countries, notably Georgia, Moldova and Ukraine, have developed and adopted comprehensive Public Administration Reform (PAR) strategies and Public Finance Management (PFM) programmes. Such cross-cutting reforms help enhancing the soundness of policy-making and establish incentives for public servants to act with integrity. They also help boosting the financial feasibility of policy measures and ensure consistency across sectors. The environmental sector will certainly benefit from PAR and PFM initiatives. In addition, sector-specific administrative and financial management reforms have been carried out or need to be launched, especially as concerns environmental enforcement.

Framework economic policies are being improved across the region. Examples of progress include simplification of business-related legislation, improvement of the regulatory frameworks pertaining to the financial sector, development of specific instruments to support the small and medium-sized enterprises (SMEs). Aligning these policies with the imperative of an environmentally sustainable development is crucial for decoupling of economic development from environmental degradation.

The EU has provided substantial technical assistance for addressing environmental and climate change issues in the Eastern Neighbourhood. In 2007-2013, an amount of more than EUR 80 million has been devoted to projects in this area out of the regional action budget and more than EUR 90 million from cross-border cooperation budget. Ten regional projects on environment and climate change for some EUR 60 million were on-going in 2016, most of

¹¹ <https://www.unece.org/fileadmin/DAM/env/documents/2016/ece/ece.batumi.conf.2016.6.e.pdf>.

which are coming to an end in 2017. Related actions supporting the greening of enterprises and improving energy efficiency at municipal level have been funded, such as the Covenant of Mayors East, the Green for Growth Fund, and similar initiatives.

Nevertheless, policy reforms in the region unfold slowly and project achievements often remain encapsulated in specific pilot projects without due upscale and a wider cross-sectorial approach. In support of further progress towards more prosperous and fair societies, there is a clear need for inclusive and evidence-based policy and legal frameworks, tools, and human capacity that would help preventing systemic failures are needed. Together with the EU, the partner countries could further harness the opportunity of growing sustainably, including from an environmental perspective. Support from the EU at all phases of the policy cycle, including policy implementation, is instrumental for enabling greener growth and greener living. The partner countries' Governments and Civil Society Organisations alike are keen to see EU's increased involvement in this area of cooperation.

The EU can serve as an example of positive developments at the nexus of environmental action with economic growth and good governance. In the EU, jobs related to environmental goods and services have increased from 2.9 to 4.3 million between 2000 and 2012. Initiatives such as Natura 2000, LIFE Programme, and the new Natural Capital Financing Facility with the European Investment Bank are working to show the rewards in recognising the economic potential of good environmental practice. The Environmental Implementation Review process was launched by the EU in 2016 to strengthen policy implementation in the Member States. Globally, the EU supports several green economy actions (including under the SWITCH to Green Flagship initiative) that help building synergies with private sector development, trade, agriculture, and energy, to name a few. The European External Investment Plan (EEIP) is intended to unlock finance to speed up progress towards the achievement of the Sustainable Development Goals (SDGs).

1.1.2 Stakeholder analysis

Achieving environmental goals, especially at their nexus with economic goals, imply the need for many stakeholders to be engaged. Nevertheless, public policy remains a principal driver for aligning various goals and interests. Hence, public authorities are the key target group of the action. At the same time, capacities of non-state actors will be mobilised and further strengthened. Feedback from various actors was essential for drafting this action. Its objectives, key elements, and the intervention strategy were presented to, and discussed by, the members of the Eastern Partnership Panel on Environment and Climate Change and the Eastern Partnership Civil Society Forum. In a recent policy brief¹², the Forum has stressed the importance of working on priorities outlined in the action.

State actors

Due to a gradual improvement in the understanding of economic implications of environmental factors and opportunities of green economy, the engagement of **Ministries of Economy** is increasing in the region. Their role as the steering force for green economy development will have to be conserved and reinforced. **Ministries of Finance**, which are key institutions for ensuring that public policies are coupled with sufficient financial resources, will be involved systematically. The role of **Supreme Audit Institutions** (SAIs) will need to be enhanced for promoting accountability, orientation of results and cost-effectiveness in the process of greening the economy. The action will aim to equip these institutions with specific

¹² http://eap-csf.eu/wp-content/uploads/Policy-Brief_for-publication.pdf.

knowledge and tools, e.g. on financing strategies of green economy or assessment frameworks.

Ministries of Environment have been key players of environmental action in all six partner countries. Unfortunately, they remain poorly resourced and exposed to high staff turnover, deficiencies in capacity, as well as frequent structural changes. They need further support, both at the political and technical levels, for promoting more effective policies.

Line ministries will be involved through a greening of sector-specific policies, but also through intra-government coordination mechanisms that focus on green economy promotion and capacity building. Such a support shall also include the Ministries in charge of horizontal public administration reforms to ensure that innovations in the policy development and coordination system in the environmental sector is in line with relevant reforms applying horizontally to the whole public administration, and *vice versa*. Increased trade with the EU also raises demands for addressing environmental standards; national agencies responsible for standardisation and certification thus could be among stakeholders.

Overcoming the practice of working in silos is necessary to speed up the green transformation¹³. There is a clear need to establish or strengthen specific mechanisms, e.g. **inter-ministerial working groups**. Such mechanisms are working or emerging in several countries, enabling dialogue and coherence across sectors, as well as oversight and coordination of the green economy transition.

Due attention will be paid to the role of municipalities, regional and **local authorities**, especially there where decentralisation processes are unfolding. Synergies with EU supported cross-border cooperation actions, like the Cross Border Cooperation Black Sea Basin Programme, will be encouraged and links initiatives, such as the Covenant of Mayors and Mayors for Economic Growth, will be ensured.

Actors outside the executive branch will also be reached, especially **Parliaments**.

Non-state actors

Beyond state actors, academia, civil society organisations and businesses will be involved. **Universities and schools** that educate and empower youth are playing the key role towards increased awareness about, and public participation in, environmental matters. They will benefit through support for curricula development. The community of **civil society organisations** is active in the region, including through the Civil Society Forum. The role of CSOs in promoting, shaping up, and monitoring reforms will only increase. CSOs have sufficient capacity to participate in policy dialogue and other activities carried out within the action. CSOs will be informed about activities and involved as experts in implementation.

Addressing **private sector actors** is of increasing relevance for environmental action. Accounting for 95% of enterprises in the EaP region, SMEs are important drivers of the economy. Progress has been made in demonstrating to SMEs opportunities for greener development. Thanks to EU support, SMEs across the region have been made aware of green economy opportunities and started using them. Resource Efficiency and Cleaner Production (RECP) Clubs are active in all six countries. RECP approaches have helped many SMEs to save energy and resources. It is essential to further build capacity of enterprises to become more competitive and to access new markets. This would also contribute to the creation of new, green and greener jobs. Where relevant, also farmers will be reached out. The banking

¹³ See conclusions of the report "Environmental integration into other sector policies and legislation in the Eastern partnership countries" produced under EuropeAid/132574/C/SER/Multi contact.

sector – be it domestic or international – will need to be further convinced of the financial soundness of green investment. Currently, through blending mechanisms, EU is helping to promote greener investments and build the capacity of local banks in this domain.

Development partners

The international community has an important impact on policy evolution in Eastern Partnership countries. Many EU Member States offer multi-country and bilateral aid in the field of environment. International inter-governmental organisations with global and regional coverage, such as UNDP, UNECE, and the UN Environment Programme are the most active in the field of environment. Cooperation with other institutions that focus on economic analysis, such as the OECD, helps as well to promote reforms. Several International Finance Institutions are present both in terms of policy dialogue and investment. The information and participation of all these actors will be ensured through relevant platforms, primarily the Eastern Partnership Panel on Environment and Climate Change.

1.1.3 Priority areas for support/problem analysis

Despite progress in re-designing policy frameworks, the pace of green transformation of economies and societies remains modest and slow in the EaP countries. Against the background of increased affordability of greener technological solutions, critical policy and investment decisions are to be made in the next two-three years. Speeding up reforms is critically important. This requires comprehensive action across policy areas and stakeholders. Based on the accumulated experience in the region and already established networks of policy-makers and experts, the action will focus on high-impact actions. A systemic approach will be applied, based on several pillars, as follows:

i. Enabling strong political ownership, new decision-making patterns, and cross-sector interaction

Awareness of benefits stemming from greener growth remains limited among corporate and public sector decision-makers in the region resulting in a lack of strategic vision, financial risks, negative environmental impacts, and distrust by citizens. This also erodes government credibility and effectiveness. The use of specific decision-support tools, such as Strategic Environmental Assessment (SEA) remains sporadic despite progress in SEA incorporation into national law. Also, the use of the project-level Environmental Impact Assessment (EIA) is erratic resulting sometimes in environmentally and financially unsustainable investments. For upholding the green economy transition on national political agendas, it is necessary to foster the understanding of its social, environmental and economic benefits. This also requires to enhance knowledge and transparency of information and decision-making, develop analytical skills in the public sector, as well as strengthen inter-sectorial and inter-ministerial co-ordination and public-private partnerships. It is also important to educate the public at large and improve public participation in planning and decision-making. Involving institutions responsible for horizontal public administration reforms is crucial.

ii. Scaling up economic opportunities offered by sustainable production and greener lifestyles

Progress has been made in demonstrating opportunities for greener development in partner countries. For example, thanks to previous EU support, SMEs across the region are aware of green economy opportunities and have started using them. Resource Efficiency and Cleaner Production Clubs are active in all six countries following support from “Greening Economies in the Eastern Neighbourhood” (EaP

GREEN) project. With EU support, public procurement agencies and companies were trained on sustainability criteria and their application. Due to capacity building, revenue from organic agriculture and trade with the EU has increased. Waste management frameworks have improved. There is demand for continued support within the enterprise sector, including along value chains, to harness green economy opportunities. Assistance is needed for the adoption of new business models and development of realistic business plans. More efforts are needed for greening supply chains and small businesses and for promoting environmentally-friendly lifestyles. The EU Circular Economy Package can provide a useful framework in this context.

iii. *Promoting a level playing field through improved implementation and administrative capacity*

The EU continues to provide important support in this area through governance and economic development programmes. In December 2015 OECD/SIGMA delivered a comprehensive assessment of the functioning of Public Administration in Moldova against the Principles of Public Administration¹⁴; similar assessments are planned in Georgia and Ukraine in 2017. Simultaneously, supporting structural reforms and higher administrative capacity is necessary in the environmental sector, which often lags behind other sectors. Lately, the political and economic landscape in EaP countries has not been favourable for systematic compliance and enforcement of environmental requirements. With an increase in trade with the EU, strengthening environmental law implementation becomes a matter of guaranteeing a level playing field for businesses. Key priorities include promotion of smarter environmental regulation and public-private partnerships, improved environmental liability regimes, better enforcement of environmental law and combating environmental crime, more effective public finance which can mobilise private investment, and broadened transparency and accountability at the economy-environment nexus. Administrative capacity in competent authorities clearly needs to be strengthened.

iv. *Raising resilience through natural capital preservation and its better management*

Preserving natural capital is vital for development. Ecosystems provide important services, such as carbon sequestration, pollination, or water purification, to name a few. The establishment of a coherent system of protected sites by building up the Emerald Network has been an important contributor towards natural capital preservation. As of 2020, the Emerald Network together with the EU Natura2000 sites shall form shared pan-European nature protection space. Further support is necessary for strengthening countries' capacities to plan conservation objectives and manage their Emerald network sites and monitor and report on conservation status according to European standards. Also the objective of effectively fighting illegal logging and ensure legal timber trade, while involving communities in forest conservation, is important. The issue of imports into the EU of illegal timber from the region is a growing concern amongst EU Member States competent authorities in charge of the EU Timber Regulation. Experience has already been gained within the "Forest Law Enforcement and Governance" (FLEG) Programme's two phases. While the programme has supported a range of activities relating to the sustainable use of forest resources, today one needs to strengthen its contribution towards addressing illegal

¹⁴ The Principles of Public administration and the related assessment methodology are available on the SIGMA website <http://www.sigmaweb.org/publications/principles-public-administration.htm>.

logging and ensuring legal timber trade, and extend its scope to cover issues such as local communities' resilience.

v. *Diffusion of best practices catalysed through regional-level interaction*

In many instances, economies of scale can be achieved through regional work. Where national-level action is better suited, benchmarking and experience exchange on a regional level remains beneficial. Special attention needs to be devoted to sharing information on adoption and application of EU standards.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of full political commitment to implementation	M	Regular political dialogue with the countries of the region, clarification of political and technical responsibilities for implementation of policies and legislation
Delays because of heavy bureaucratic procedures within the beneficiary governments	M	Systematic involvement of the EU Delegations and provision of support to project implementers, blended with careful planning of activities and good knowledge of procedural requirements by the beneficiary governments; regular policy dialogue on PAR and PFM
High staff turnover and erosion of institutional memory	H	The widest possible involvement of technical staff and mid-level managers
Delays and marginal ownership of activities due to failure in registering the action at country level	H	Designation of National Focal Points in ministries and systematic involvement of EU delegations to secure the registration of the action as swiftly as possible
Institutional tensions among various stakeholders, including governmental authorities	H	Involvement of influential stakeholders able to facilitate the achievement of compromise; involvement of civil society in monitoring reforms; strategic (internal and external) communication to support reform paths
Changing policy priorities	M	Careful monitoring of policy reforms, promoting involvement of civil society in monitoring reforms and advocating for public availability of implementation reports
Lack of absorption capacity in beneficiary countries	M	Sequencing of activities, donor coordination and building capacity of the public administration
Problems in hiring national experts	L	Transparency of recruitment procedures
Political and social unrest	H	Flexibility in reallocating resources to other countries if activities are at the

		country level
Counterpart capacity (staff availability, skills), data availability	M	Involvement of counterparts early, joint planning, engaging wide range of gov. agencies, joint actions with other donors
Assumptions		
<ul style="list-style-type: none"> • Beneficiaries remain interested in, and available for, programme activities; • Alignment with needs identified by the government translate into full support by the authorities in the implementation phase; • Decision-making by recipient authorities is overall timely and coherent; • Selected implementation arrangements are effective and not contested by beneficiary countries; • Coordination mechanisms are operational – within governments, with partners, and other donors; • Beneficiaries provide systematic feedback on programme implementation; • Policy priorities do not suffer sudden and radical changes; • Political, social and economic stability is preserved in the entire region; • Interest in cooperating with the EU is maintained; • Resources for implementation are available timely; • Programme’s governance is effective. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The policy dialogue within the Eastern Partnership and other processes, such as the "Environment for Europe", as well as interaction with partners as part of technical assistance delivery are avenues for constant learning and re-calibration of specific objectives and tools of cooperation. The last three meetings of the Panel on Environment and Climate Change (in February and May 2016 and March 2017) have been particularly useful in this regard. On a systematic basis, implementation of environmental programmes has been evaluated based on result-oriented monitoring (ROM) of specific projects. For example, important lessons can be extracted from the ROM report on progress with the EaP GREEN project, prepared in 2016. A comprehensive assessment of the EU regional support on environment was finalised in January 2015 by independent experts. The key lessons learnt through these mechanisms, but also consultations with staff in the EU Delegations, and the day-to-day programme management, include the following:

- ***Demand for support related to environmental action remains high and relevant, both at national and at municipal level:*** The message on the need for EU support has been constant, at all levels of interaction with stakeholders from the region;
- ***There is differentiation among the countries in the way reforms evolve:*** For the countries with signed Association Agreements – Georgia, Moldova, and Ukraine – the process of approximation to the EU environmental directives drives important policy and legal reforms hence the need for intensive work on such reforms. The reform agenda seldom matches the capacity to undertake such reforms. The other three countries – Armenia, Azerbaijan, and Belarus – are much more interested in concrete demonstration/pilot projects, which then need to be scaled up through policy reform as well;

- ***Institutional weaknesses need to be considered as they seriously undermine action:*** Administrative and technical capacities in the Ministries of Environment remain weak. Coordination and leverage with other Ministries also remain problematic, which, among others, makes it difficult to define and implement green economy policies and practices;
- ***Thinking more holistically and acting in an integrated way, across all sectors of the government, will be vital:*** In making development greener, the real challenge is not the novelty of the green economy concept, but rather its complexity and the challenge of addressing conflicting interests and overcoming policy fragmentation, shortcoming in environmental governance, and limited access to financial resources. In order to be more prominent on government agenda, environmental challenges need to be reframed as economic and social development challenges, and environmental policies need to be seen as contributing to growth, resilience and improved well-being of the citizens. Ownership of the environmental agenda needs to be created in economic, finance and line ministries, and within the private sector. This can also ensure policy coherence and implementation. Policies also need to combine long-term benefits with short-term benefits, which are well-tailored to the needs of specific stakeholder groups;
- ***Despite substantial EU assistance, the countries continue to suffer from poor implementation and enforcement record of laws and policies:*** This is commonly due to weak or non-existing (regulatory/fiscal) impact assessments of proposed laws and policies, poor inter-ministerial coordination and external (public) stakeholder consultations. Therefore, assistance envisaged under this action will pay attention to the quality of the law-and policy-making processes and will respect the key principles of public administration and the 'Better Regulation' approach. A general lesson learned is that EU assistance has sometime contributed to building capacities in one particular sector and to create sectorial isolated 'islands of excellence', which are rarely sustainable in the overall administrative environment.
- ***The policy framework is not yet supportive for green investments:*** Green infrastructure and innovation, technology transfer and upscaling of new technologies, and support for small businesses - all require investment, which sometimes is perceived as risky. Uninformed investment choices can have long-term implications such as the lock-in of existing technologies, for example. Regular review and long-term analysis of the environmental and social impacts of investment decisions are necessary for a green economy transition.
- ***Despite progress made, environmental awareness as a whole remains low:*** Education for sustainable development, public awareness and effective communication based on modern information technology to promote the benefits of a green economy are essential. The role of civil society in monitoring and evaluating progress towards green economy is also important.
- ***Overall political and economic instability causes frequent changes in priorities creating problems of continuity and delays in implementation:*** Continuity, meaning building on the results of previous assistance/project, focus on specific tools and policy implementation, increased country ownership and extensive involvement of stakeholders outside government structures, as well as careful prioritisation and sequencing are required in light of the above. A greater implementation effort by the partner countries as concerns national level policy reform, upscaling of pilot projects'

results, and catalysing action at lower levels of governance are essential ingredients for speeding up progress. In order to maximise impact, policy dialogue needs to reach high-level officials, technical staff and the general public.

- ***The link between donor action, investment, and national policies needs to be strengthened:*** In this vein, IFIs input needs to be factored in. While any action will have to be tailor-made and take account of heterogeneity of the EaP countries, environment area's global character calls for enhanced regional cooperation. A more systematic and structured donor coordination will benefit the region. Regional organisations and governments need to be part of regular meetings to share information on on-going and planned donor aid. Involvement of EU Delegations is essential to the success of the action.

A pre-requisite for any new activities should be the translation of past recommendations into policy and legislative changes in accordance with a transparent, inclusive and evidence-based process. This will help consolidate achievements and build trust. Overall, the new phase of cooperation on environmental governance and green growth needs to go beyond building a common language and experimenting with pilot projects.

3.2 Complementarity, synergy and donor coordination

Coherence and complementarity of the proposed action will need to be achieved ***across several dimensions***: with policy dialogue conducted within the Eastern Partnership framework, with other activities funded by the EU, including through IFIs, with other EU instruments and policies, and with other donors and initiatives. Synergy between regional and bilateral assistance is also important. In this context, several on-going processes need to be taken into account.

As already mentioned, ***policy dialogue*** is on-going at all levels with the Eastern Partnership. Ministerial meetings provide longer-term political guidance on shared priorities. The 2016 EaP Ministerial on environment and climate is among the high-level events preparing the next EaP Summit in November 2017. The Panel on Environment and Climate Change enables implementation. The Panel has provided useful feedback as concerns past programmes and their effectiveness, and priorities for further work. It will be regularly informed of progress with action implementation. Links to other regional processes (such as "Environment for Europe", for example) and international initiatives will have to be ensured throughout action's lifespan.

Close coordination will be warranted with two ***EU-funded regional environmental programmes*** that started implementation in 2016 focusing on water resources management and information for evidence-based policy making, namely the EU Water Initiative Plus for Eastern Partnership (EUWI+) programme and the Shared Environmental Information System East Project. Coordination needs to be ensured in relation to marine environment based on the Environmental Monitoring of the Black Sea (EMBLAS) initiative and other programmes on the Black Sea basin. As concerns climate policies, coordination will be ensured with a new EU-funded programme targeting EaP countries. Links will be sought with the Commission's ***Neighbourhood Investment Facility*** (NIF) and other blending mechanisms that are used for complementing loans with various types of support. Environmental investments remain a priority for NIF and the relevant blending facilities. The latter include:

- The *Eastern Europe Environment and Energy Efficiency Partnership* (E5P), which provides investment grants thus unlocking investments into energy efficiency and environment. This can also serve as a platform for interaction with other donors;
- The *Municipal Project Support Facility* (MPSF), which provides technical assistance for the preparation of investment projects that can at later stage be implemented through loans;
- The *Green for Growth Fund*, which contributes in the form of a public-private-partnership with a layered risk/return structure towards enhancing energy efficiency and fostering renewable energy sources.

Synergies will be ensured with regional programmes addressing other Riga Summit priorities, as well as with the EU Technical Assistance and Information Exchange (TAIEX) instrument and Twinning projects. Currently, there are environment-related projects supported by TAIEX and Twinning but these instruments are under-used. Only Azerbaijan, Georgia, and Ukraine have on-going Twinning projects related to the environment. The EaP Panel on Environment and Climate Change will serve as a platform for regional-level interaction. If necessary, complementary proposals for TAIEX projects will be prepared for addressing specific issues of convergence with EU environmental legislation.

A close relationship will be ensured with the SIGMA Programme (Support for Improvement in Governance and Management), which is a joint initiative of the European Union and the OECD, as well as the EU4Business and the OECD Eurasia Competitiveness Roundtable. Further synergies will be forged with the "Supporting SME Competitiveness Reforms in the Eastern Partner countries" project which assists the six Eastern Partnership countries with the implementation of policy reforms based on policy recommendations stemming from a first Small Business Act for Europe (SBA) assessment carried out in 2010-2012.

Synergies will further be ensured with the European Union's "SWITCH to Green" flagship initiatives, the Partnership for Action on Green Economy (PAGE), and the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP).

Coordination with *bilateral support programmes* managed by EU Delegations will be ensured through close collaboration with EU delegations. Bilateral cooperation (e.g. in Azerbaijan, Georgia, and Moldova) takes account of environmental challenges too, to the extent demanded by countries themselves. Environment and climate change have proven particularly successful EU-Belarus cooperation sectors for the past five years with two large programmes implemented and a third one - SAQEM (Strengthening Air Quality and Environmental Monitoring) - of EUR 14,5 million expected to start in summer 2017. Bilateral allocations on environment (and climate change) exist in all Single Support Frameworks but remain low. Besides environment-related programmes, synergies will be ensured with relevant cross-cutting and sectoral initiatives.

Finally, coordination will be ensured with regional and bilateral programmes implemented by *other donors*, including the EU Member States. For example, synergies will be ensured with the Integrated Biodiversity Management in the South Caucasus (2015-2019) Project funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Austrian Development Cooperation (ADC) and the Sustainable Forest Governance in Georgia: Phase II (2015-2019) supported by ADC. Existing platforms, such as the UNECE Committee on Environmental Policy and OECD's GREEN Action Task Force will be used to this end.

3.3 Cross-cutting issues

Economic and environmental sustainability and addressing *climate change* will be at the heart of the programme. Through energy and resource efficiency at the enterprise level, climate change mitigation goal will be pursued. Maintaining green infrastructure is a crucial contribution to both climate change adaptation and mitigation. Climate-related criteria will be integrated into Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA). There will be many other entry points for supporting the implementation of the Paris Climate Agreement and the Sustainable Development Goals.

The programme will promote a participatory approach thus reinforcing the *role of citizens and civil society*. The cross-sector coordination mechanisms will take full account of the need for CSOs to be represented in debates and decision-making. Also the SEA and EIA instruments will promote a participatory approach in environmental decision-making. Regulatory reforms in the environmental sector will also be shaped up through involvement of CSOs.

The action will encourage *gender equality*, equal opportunities and the participation of women in all its activities. It will contribute to mainstreaming gender-related issues into environmental decision-making. Special attention will be given to women's organisations participation in awareness raising and educational activities.

The programme will also contribute towards promoting *good governance* and accountability, by supporting the implementation of transparent green growth policies; access to public information is to be considered as a cornerstone for transparency and accountability. Efforts will be devoted to the fight against corruption in environmental authorities.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The *general objective* is to help partner countries preserve their natural capital and increase people's environmental well-being by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts. The action will continue the process of adjusting policy and market incentives, and institutional capacity for greener growth. This is to be done through involving those who will be affected by the public policies and on the basis of analytical inputs. Better incentives and capacity are essential to speed up behaviour changes among economic actors and households. This will contribute towards higher wealth and resilience in the region by securing citizens' rights for a clean environment, by preserving the integrity of ecosystems and natural capital, and by boosting competitiveness and business opportunities. The action is relevant for 9 out of 17 Sustainable Development Goals (SDGs) and will support the implementation of environmental chapters of Association Agreements, where relevant. The action will serve to enable the achievement of shared objectives defined in the Eastern Partnership Ministerial Declaration on Environment and Climate Change.

The more specific objectives of the action are as follows:

Specific objective #1: Further align knowledge, decision-making, and stakeholder interaction mechanisms with environmental imperatives and make political leaders, civil servants and the general public aware and supportive of green growth

- Specific objective #2:** Scale-up public and private action on circular economy and sustainable production and lifestyles;
- Specific objective #3:** Improve incentives and governance mechanisms that aim at correcting market failures related to the environment thus ensuring a level playing field in the context of intensified economic exchange with the EU
- Specific objective #4:** Boost resilience through the preservation of ecosystem services, with a focus on forests and protected areas
- Specific objective #5:** Facilitate regional knowledge sharing and coordination

Special attention will be paid to the trans-boundary and climate adaptation dimensions, which will need to guide the implementation of all specific objectives. Links to national policy processes will be ensured, including through specific national action plans and action governance arrangements.

The **expected results** include:

- Result for SO#1** **Greener decision-making:** Mechanisms strengthened for ensuring integrated environmentally-friendly decision-making at all levels and environmental awareness of economic decision-makers raised
- Result for SO#2** **Circular economy and new growth opportunities:** Incentives strengthened and capacity raised for sustaining positive trends in resource and energy efficiency
- Result for SO#3** **An environmental level playing field:** Distortions of the level playing field for businesses corrected or prevented and administrative capacity improved in the environmental sector with a focus on environmental enforcement, accountability, and better management of public finances related to the environmental sector
- Result for SO#4** **Ecosystem services and livelihoods:** Countries' natural capital better conserved and more resilient livelihoods ensured
- Result for SO#5** **Knowledge sharing and coordination:** Innovative policies and practices diffused through regional interaction; improved metrics and monitoring of green economy and policy reform

4.2 Main activities

The activities outlined below have been identified based on discussions with relevant stakeholders. They draw upon the draft Action Plan developed as follow up to the 2016 EaP Ministerial meeting on Environment and Climate Change. An important element for identifying these activities was the need to ensure continuity and follow up of implemented programmes to which EUR 27 million were allocated in a previous phase, namely: (i) Greening Economies in the Eastern Neighbourhood (EaP GREEN); (ii) Improving

capacities to eliminate and prevent recurrence of obsolete pesticides as a model for tackling unused hazardous chemicals in the ENPI East region and Central Asia; (iii) Forest Law Enforcement and Governance Programme (FLEG); and (iv) Emerald Network.

Strong demand for continued support was expressed during the First EaP Ministerial on Environment and Climate Change and the follow up Panel meeting. At both meetings, good progress and achievement were highlighted by the partner countries and EU Member States. Keeping momentum is key, including in the light of Commission's focus on achieving tangible results by 2020.

Result 1: Greener decision-making

Output 1.1: Green economy ownership, policy coherence and cross-sectorial coordination boosted

The action will support existing inter-ministerial policy dialogue platforms on green growth and extend their systematic functioning to at least another three countries. Such platforms help building consensus and political ownership of the green growth agenda, ensure policy coherence, and coordinate action from a cross-sectorial perspective. They may further serve as mechanism for national level coordination of the action as a whole, where appropriate, through engaging National Focal Points and closely involving EU Country Delegations. Stakeholders such as Parliaments and Supreme Audit Institutions, academic circles, CSOs, as well as regional and local authorities will be involved in this work. The action will provide analytical support for platform discussions and will mobilise relevant experience from other countries to raise knowledge about and support for green economy benefits, tools, and specific measures. In addition, peer reviewing new policies and regional development strategies and monitoring progress will be part of support. Complementary activities will include capacity development within economic, finance and line ministries, as well as other key stakeholder groups. This will help enhance political ownership, coherence of policies at national and local levels, and ensure mainstreaming of green economy.

Output 1.2: Sectoral investment planning and comparative analysis of costs and benefits supported

The action will assist at least three countries with investment needs assessments and comparative analysis of costs and benefits. This will be done based on the identification of means and technologies required to leverage a green transition in targeted sectors. Feasible mechanisms for providing finance will be defined, including to sectors where economic actors are small and fragmented. Work will be tailored to national circumstances, taking account of economic diversification needs. This will help putting into practice greener growth goals and could contribute to effectively using the European External Investment Plan with a view to attracting private sector finance.

Output 1.3: Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA)¹⁵ further operationalised

Building on achievements to date, the effective application of SEA and transboundary EIA will be supported for integrating green economy targets and other sustainability issues, such as climate change and energy efficiency, into strategic and territorial planning, project development, and related decision-making processes. Partner countries will be assisted in further enhancing and consolidating their national legislative and institutional frameworks and capacities for SEA and EIA application. The capacity building activities will support: pilot implementation of SEA and transboundary EIA procedures, awareness raising and training events, preparation of sector- or issue-specific guiding documents to complement existing general national guidelines; and the exchange of experience and knowledge about the SEA and EIA implementation in the EU Member States. The work will contribute to developing good governance and transparency and accountability in planning and decision-making, through creating capacities – both within the governmental authorities, and among SEA/EIA practitioners, and civil society – to coordinate and carry out SEA and EIA as standard decision-making tools that function in full compliance with EU and UNECE benchmarks. Specific additional tools to this end would include databases and registers (e.g. for experts, documentation, procedures) for SEA implementation. Activities will take account of national rules governing policy development, regulatory impact assessment and costing of policy proposals. They shall contribute to further clarifying rules which regulate, in detail, the procedures and processes of policy development and legal drafting within the ministries in partner countries.

Output 1.4: Awareness, education and public acceptance of the Green Economy transition supported

Work will be conducted for better reflecting issues of green economy, environmental sustainability and sustainable lifestyles in education, such as in curricula and specific courses. This will be done in collaboration with governments, universities, and schools. When developing educational curricula, focus will be put on formal and informal education in economic and finance specialities. Communication campaigns will be designed to maximally reach and engage the public at large. This will be done by illustrating benefits and opportunities that a green and circular economy brings to people.

Result 2: Circular economy and new economic opportunities

Output 2.1: Resource Efficient and Cleaner Production among SMEs scaled up

Small and medium-sized enterprises (SMEs) will be further assisted to systematically integrate sustainability factors in strategic and daily decision-making. This will be done by helping them to consider impacts all along the life cycle of processes, products and services. Work will focus on: (a) Replication of Resource Efficiency and Cleaner Production (RECP) Clubs of enterprises in new municipalities and regions;

¹⁵ Outlined objectives and activities are based on the needs expressed by the relevant Governments in the framework of the UNECE Espoo Convention and its Protocol on SEA; and are reflected in the work plan for 2017 – 2020 adopted in June 2017.

(b) support the institutionalization of RECP service providers in Armenia, Azerbaijan, Belarus, and Georgia; and (c) large-scale capacity building and knowledge sharing on RECP best practices and case studies, and the introduction of further advanced RECP-centred approaches such as Eco-Design/Eco-Labeling, Circular Economy, and Eco-Industrial Parks (EIP). As a means of introducing circular economy principles the action will aim to assess waste sources from production activities available in the key sectors and identify recycling options (waste to source) where circular economy models can be demonstrated. Tools, such as “waste maps”, will be considered for application on a pilot bases; as this is a pilot activity it will be tested in 3-4 countries (depending on expression of interest). Throughout all envisaged activities enterprises will receive technical support and business-to-business links will be fostered.

Output 2.2: EU concepts and tools related to the Single Market for Green Products promoted

This activity will be aligned with efforts made by the European Commission to “develop a common methodology on the quantitative assessment of environmental impacts of products, throughout their life-cycle, in order to support the assessment and labelling of products” as part of its initiative on the Single Market for Green Products (SMGP). Although the EU has not decided exactly what the policy measures will be, it is widely expected that this initiative will have an impact on companies that export to Europe. By raising awareness on this initiative and giving an introduction on the approach to industries, countries will be able to gauge whether adopting this or similar labelling schemes are feasible and applicable within their national context. Key sectors and companies with potential of export to Europe will be identified in all six countries and assisted to integrate labelling practices into production systems. Guidelines will be developed to support sector-specific labelling schemes based on SMGP principles.

Output 2.3: Green Public Procurement and complementary tools further operationalised

Shifting public spending towards more sustainable goods and services can help drive markets in the direction of innovation and sustainability, and fostering the transition to a green economy. Building on the previous methodological work and pilot projects, the action will support the elaboration and implementation of green public procurement policies in compliance with international benchmarks and obligations, as well as scale up activities by assisting the development of procurement guidelines, verification schemes and tender documents, and launching public tenders for selected product groups. This will help steer public expenditure towards sustainably produced goods and services. The activity will be carried on in cooperation with the institutions centrally responsible for developing and oversight the public procurement regulation. Challenges faced by companies in terms of trade and sustainability standards will be. This will be done through a combination of awareness raising, capacity building, technical assistance, and consultation activities engaging various stakeholders along the supply chain and in Ministries. Country experience and lessons learnt will be shared for further inspiration and accelerate the transition. As a result, national markets will be strengthened through increased domestic demand and capability of companies to supply sustainable products and services.

Output 2.4: The use of strategic approaches on waste management enabled

The action support to address countries' overarching waste management challenges through development of comprehensive sustainable waste management policies and policy instruments, for example, drafting Action Plans for National Waste Strategies, where needed. Tailored to national needs and priority, the action will also provide targeted assistance to address challenges in specific waste streams. Building on previous work, the action will assist countries to develop transparent, sound and sustainable Extended Producers Responsibility (EPR) schemes for priority product streams, such as for example Electric and Electronic Equipment Waste, end of life vehicles, or packaging. It will also assist designing legal and institutional arrangements for monitoring performance, and sharing experience from applying the systems to various products and product groups. Experience from EaP countries that piloted EPR schemes will be shared. As a complementary action, consideration will be given to sustainable models of chemicals management.

Output 2.5: Reforms in priority green economy sectors supported

Countries have identified several sectors as key drivers for green growth through various green economy assessments, national strategies and plans, such as energy efficiency, agriculture/food, construction, sustainable tourism or regional development. In order to fully capture the green development potential of these sectors, the action will provide technical assistance for the elaboration and introduction of enabling policies, policy instruments and legal changes necessary for the transformation of priority sectors. The assistance will lay the ground for sound decision-making and ensure a comprehensive green economy approach for the introduction and implementation of policies taking into account cross-cutting policy areas. The action will also support targeted pilot initiatives to demonstrate quantitative on-the-ground impact in terms of economic benefits, job creation, and social inclusion to further promote and secure countries' green economy transformation.

Output 2.6: Ecological value-chain and product innovation among SMEs rolled out

Eco-innovation is one of the key enabling instruments identified by the EU for the transition to a more resource efficient economy. Eco-innovation has helped SMEs find solutions to recover precious metals from high-tech devices that would have otherwise been lost, helped identify ways to treat waste waters and re-use them in agriculture, facilitated the design of new solutions to reduce the use of raw materials or helped find novel ways to extend the life of products. In line with available tools and approaches, the action will assist SMEs in evaluating their position in the value chain, analysing the hotspots that affect their business and seeking innovative solutions in collaboration with value chain partners to strengthen their market position and competitiveness. Through work on business plan development, the action will also help pilot SMEs adapt their production processes or product design. In such a way, they will be able to better reap economic opportunities in the context of new legislation or policy changes, in particular in conjunction with Result 1. Public institutions will also be engaged in a dialogue to promote policy incentives and create enabling conditions for innovation. They will also be trained to ensure continuity of assistance.

Result 3: An environmental level playing field

Output 3.1: “Smart” regulation of environmental impacts promoted

Work will continue to support countries in establishing differentiated, effective and efficient regimes for strengthening environment and economic performance of industrial and energy production operations and large emission sources. Work will be undertaken to reform regulatory regimes for large emission sources, including State Owned Enterprises (SOE), with a view to enhancing their effectiveness and efficiency, reducing administrative and compliance costs to industry while not compromising environmental objectives. Special attention will be paid to reducing the regulatory burden and to the simplification of environmental procedures low-risk installations, majority of which are Small and Medium Sized Enterprises (SMEs) while respecting the overall legal administrative framework and appropriate environmental requirements. The use of information-based instruments for promoting environmental performance will be supported. Coordination between all relevant ministries and involvement of civil society, including the private sector, will be ensured.

Output 3.2: Environmental compliance assurance and environmental liability regimes strengthened

Strengthening the efficiency and effectiveness of enforcement institutions and instruments, such as e.g. environmental taxes, other monetary payments and penalties for pollution, will be carried out to enhance compliance with the environmental requirements while not stifling economic performance of the regulated community. Special efforts will be attached to working with business associations as agents of compliance promotion. This work will also address the issue of environmental liability. This task will be done to take into account the provisions of Environmental Liability Directive. Furthermore, work will be carried out to enhance administrative capacity for compliance assurance, including by developing interaction between relevant authorities. Judiciary will be involved in capacity building too. Cooperation will be enhanced with relevant EU and international bodies.

Output 3.3: Domestic public finance, subsidy reforms and public-private partnerships reinforced and private finance mobilised for green investment

To strengthen the investment planning capacity of governments, the new work will focus on assisting interested countries in designing and costing green public investment strategies and programmes and conducting related training. In order to ensure credibility and sustainability of public investment programmes, the Ministries of Finance will be systematically associated to these activities. This work can also include reviewing and strengthening of existing and structuring / setting up of new domestic public finance mechanisms and public-private partnerships that can finance green investments. Subsidy reform and improved targeted support for the poor and vulnerable will be integrated into this work. As a result, the investment planning and management capacity of governments will be strengthened, the efficiency and effectiveness of public spending will be increased, and efforts to raise additional funding from the public and private sector for green projects will be made.

Output 3.4: Administrative capacity for environmental management strengthened

In many partner countries the capacity of public administration shows to be a major obstacle for green growth reforms. This relates to the capacity of environmental ministries to draft policies and regulations, to oversee the implementation at the sub-national level, and to co-ordinate green initiatives with sectorial ministries. Related major challenges of environment public administration are: low salaries of civil servants that prevent retaining of the experienced and well qualified staff, pressures to downsize the public administration at all levels without a clear understanding of needs and impacts, lack of continuity of reform and slow progress in achieving tangible results. The project will aim to improve administrative capacity. Interventions will include, for example, assessment of administrative capacity in the environmental sector, benchmarking, provision of advice, and, if feasible, establishing and making sustainable “policy and reform” support units that can combine the knowledge of local conditions (via local experts) in conjunction with international experience, and the catalytic role of international assistance. SIGMA’s Principles of Public Administration and experience from the establishment of the Reform Support Teams in Ukraine¹⁶ will be used as guidance.

Result 4: Ecosystem services and livelihoods

Output 4.1: A shared network of protected areas involving EU and neighbouring countries launched

In view of its intrinsic value and the ecosystem services that it provides, biodiversity constitutes a natural asset that needs to be preserved and handed on to future generations. Its preservation is relying on the protection of natural habitats. A special tool for European natural habitats was established within the Bern Convention: the Emerald Network. In 2010, the Standing Committee to the Bern Convention adopted an ambitious calendar for its implementation with the overall objective to launch of the Emerald Network by 2020. The EU has helped partner countries to complete the first two phases in the network's constitution that resulted in the submission of candidate sites for adoption by the Standing Committee to the Bern Convention. In a last stage, support is needed for the Implementation of management, monitoring and reporting measures for each designated site. This will include activities such as site prioritisation; setting site conservation objectives and performance indicators; setting up protected area management agencies; developing site management plans (including estimation of costs) and defining mechanisms for securing funding, as well as establishing monitoring systems able to assess progress against objectives. Further communication with the public is also necessary to explain Emerald Network objectives and how citizens could contribute. Efforts will be made to promote agri-environment-climate measures and support knowledge transfer to farmers. The action will continue bringing together public authorities and external stakeholders from partner countries and EU Member States at the biogeographical region level to address common challenges, including on cross-border issues. This will be done also in conjunction with the implementation of the EU Action Plan for nature, people and the

¹⁶ A joint initiative of the EU, EBRD and the Government of Ukraine to help with reform delivery and implementation of Ukraine's Public Administration Reform Strategy 2016-20.

economy adopted in April 2017. Support will be provided only after the national adoption of the designated sites. This output will result in increased area of well managed protected areas in the network. It will produce modern management (incl. financing) plans endorsed by relevant national authorities. It will establish structures for cross-border joint management (incl. with EU member states) and public awareness.

Output 4.2: Community action facilitated

This work will build on examples of community monitoring of illegal logging and selected actions in support of forest conservation and sustainable use by dependent communities. Community actions will be further developed and supported to increase non-timber goods production, energy efficiency related to biomass and other similar action. Good experiences from demonstration activities will be disseminated. Community-to-community dialogue will be fostered to replicate and scale-up results. Focus will be on rural job creation and diversification of economic opportunities. These demonstration activities (“good practices”) will support sustainable use of local renewable natural resources both in the target communities themselves and through active dissemination in other communities. The program will collaborate with agencies and officials in the energy sector to promote energy efficiency and sustainable use of renewable energy in rural and urban areas. The output will both generate new good practices and disseminate and scale-up selected good experiences piloted in previous programmes.

Output 4.3: Trade in illegal timber in a national and cross-border perspective limited

Illegal logging has a devastating impact on forests, and on the people who rely on the resources that forests provide. It undermines the legitimacy of the forest sector and hinders the efforts of governments to implement sustainable forest management and develop international trade. The EU is the largest consumer of timber products from eastern EU neighbours. EU can benefit by significantly lowering the risk of illegal timber entering the EU market (both EU Member States institutions and companies) while eastern EU neighbours can develop good governance in forest sector in order to promote exports to the EU in compliance with the EU Timber Regulation. Building on previously done work, the following activities will be carried out: analysis of trends in timber trade and other related aspects; analysis and further improvement of administrative and legislative aspects (documents accompanying trade and related procedures, cooperation with customs, etc.); best practices exchange, including twinning projects and study visits of competent authorities, customs, and other relevant institutions; setting up/using the existing networks for information exchange and updates. Cooperation with law-enforcement organisations will be strengthened with a focus on the EU Timber Regulation and tools for tracking timber, including electronic ones. Cooperation between chambers of commerce to inform and mobilise the wood sector will also be supported. Also, cooperation with stakeholders such as European associations of private forest owners, public owned forests and industry associations and scientific community will be developed.

Output 4.4: Strategies for funding natural capital conservation and sustainable utilization defined

Innovative financing schemes for sustainable management of ecosystem services will be identified, developed and endorsed by national governments. This would include

assessing the role and potential for private financing and – when feasible – financing plans for implementing the land use -related parts of the (I)NDCs. The program would develop six financing/investment plans with clear time-bound implementation schemes. These plans would (i) identify the potential that the sector provides for national development in terms economic growth, energy security, job creation, climate-smart development, biodiversity conservation etc.; (ii) analyse the baseline investment in each country and calculate the increase in investment (from international financing flows, domestic resource mobilization and private capital) that would be required to realize the potential of the forest sector to support green growth; and (iii) identify those areas that both the WBG and the EU – and other donors, e.g. the EU members states – could directly support in their future programming.

Result 5. Regional-level knowledge sharing facilitated and coordination ensured

Output 5.1: Action visibility and strategic communication ensured

Strategic communication is an essential element supporting reforms. Activities will be carried out to ensure the transparency, visibility, and impact of the Activity. This will also facilitate exchange of good practices. This includes ensuring action presence on social networks, maintaining its web page. Presence and visibility at meetings under various Platforms and Panels functioning as part of the Eastern Partnership architecture will be ensured, as well as communication with relevant EU institutions and presence during relevant international fora.

Output 5.2: Regional coordination and oversight

Under this output, the functioning of planning and oversight mechanisms, including a Steering Committee and a Partners' Coordination Board will be ensured. This is essential for coordination between different elements of the action. Shared planning tools at the operational level will be used such as list of events and missions, and lists of planned reports or other products. The Steering Committee meetings will be organised at least annually, with frequent and regular interactions of the Board in between.

Output 5.3: Monitoring of progress at the economy-environment nexus carried out

Work under this area will facilitate further monitoring of progress with integration of economic and environmental goals. This will include assistance to identify performance indicators and to set systemic data collection and processing mechanisms. Based on progress achieved under the EaP GREEN, the development of reports based on Green Growth Indicators will be facilitated. This will serve to promote policy debates on green growth and enable progress evaluation, peer review and benchmarking mechanism. The analysis of green growth indicators may also be deepened through specific thematic reviews. Links will be ensured with the System of Environmental and Economic Accounts (SEEA) and the use indicators that are being developed to measure progress towards SDGs. Coordination will be insured with the work done in conjunction with a Shared Environmental Information System (SEIS) and the SEIS Phase II project in Eastern partner countries.

4.3 Intervention logic and sustainability

Achieving positive and rapid results on greener growth requires interventions that would transform decision-making patterns and enable resource allocation in a way that preserves natural capital and people's environmental well-being, while grasping new economic opportunities.

When designed for impact in a short-term perspective, such interventions should necessarily be:

- Instrumental to overcome silos between sectors and stakeholders (Result 1);
- Aligned with the need to unlock investments, avoid technological path dependence and offering specific tools and scaled to sectors or enterprises (Result 2);
- Based on good governance principles and a well-functioning administrative system covering both economic opportunities but also environmental impacts (Result 3) and natural capital management (Result 4);
- Connected to knowledge and learning on a regional and global scale (Result 5).

As shown, the action's intervention logic is based on the above criteria. Through moving the green agenda up along the suggested lines on action – across the entire region, along value chains (which are rarely limited to one country), and with involvement of a large number of private and public actors, the action aims to create a critical mass of change to make it irreversible.

The Action Document is aligned with the Joint Staff Working Document SWD(2017) 300 final¹⁷ of 9 June 2017, which presents 20 deliverables by 2020. The "20 Deliverables for 2020" document aims to identify concrete tangible results for citizens as delivered by the EaP in the four priority areas agreed in Riga, on the basis of already existing commitments on both EU's and Partner Countries' side. The Action Document will help translating such political commitments into practice. All six Partner Countries have actively contributed, both in writing and through discussions in the EaP multilateral fora.

Environment is addressed in the Joint Staff Working Document under Deliverable 16. This document set milestones in relation to environmental results as part of cooperation within the Eastern Partnership framework. The action draws on this document. Its logic framework is detailed in Appendix 1 where the action's goals and outcomes/outputs are presented together with the corresponding activities. Both the outcomes/outputs and the activities will be further developed and adjusted during the project implementation and in cooperation with partner countries and other relevant players. The expected results/targets listed to be achieved will also be adjusted accordingly.

The strategy is going beyond Ministries of Environment and support country-level action, with a focus on countries that have signed Association Agreements with the European Union. Regionally, policy diffusion and peer review will be used to speed up progress.

Horizontally to all planned measures, the action will adopt an approach intended to maximise the capacity building effect and ensure sustainability of results. In particular:

- Any development of new strategic document and legislation/amendments will be carried out respecting all national procedures, especially those related to (fiscal/ regulatory) impact

¹⁷ See <http://data.consilium.europa.eu/doc/document/ST-10262-2017-INIT/en/pdf>.

assessments, public consultations, inter-ministerial coordination; fast-track adoption procedures will be avoided. Prior to legislative drafting support, assistance will facilitate early stage stakeholder involvement and will provide analytical prerequisites (concept support, option analysis). Actual development of policy and legislative outputs will be mainly done by the beneficiaries and even if particular textual drafting is partly done by experts, this work should be paired with capacity building of the beneficiary (introduction of international examples, detailed explanation of proposed texts etc.);

- Any IT development will respect the national standards for interoperability. Relevant consultations with the coordinating state authority(ies) for ICT shall be undertaken before launching of any tenders;
- Training measures involving a large number of representatives of different public administration institutions should preferably be organised in close cooperation with the relevant training institutions for the public sector;
- Any manual/guidelines will be mainly developed by the beneficiary institutions and will be simple enough to be regularly reviewed and updated by the beneficiaries without further external support. Any guidelines or procedures developed under this action will not contradict any legal provision of the country.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude any 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 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.

5.4 Implementation modalities

The action's implementation basis scenario is to carry out implementation as outlined below:

Action elements	Basis scenario
Result 1: Greener decision-making	UN Environment, UNECE and UNIDO – one contract with UNIDO
Result 2: Circular economy	UN Environment, UNECE and UNIDO – one contract with UNIDO
Result 3: An environmental level playing field	OECD
Result 4: Ecosystem services and livelihoods	The World Bank Group
Result 5: Knowledge sharing and coordination	OECD

The selection of the implementation modalities relates inter alia to the need of ensuring continuity, swift implementation, and access to first-hand innovative solutions. Thus, effectiveness and efficiency are both to be achieved. The Commission services will be closely involved in sharing best practices and policy solutions.

Both in indirect and direct management, the Commission will ensure that EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

5.4.1 Indirect management with the United Nations Industrial Development Organisation (UNIDO)

A part of this action may be implemented in indirect management with the United Nations Industrial Development Organisation (UNIDO) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation entails activities related to Results 1 and 2 and will also involve UN Environment (the United Nations Environmental Programme) and UNECE (United Nations Economic Commission for Europe).

This implementation is justified because of the cutting-edge experience, knowledge of specific needs of project stakeholders, and well-established networks in the region. In particular:

- As the UN's specialized agency responsible for inclusive and sustainable industrial development, UNIDO supports countries by working with the Government and the private sector to strengthen economic development, while at the same time promoting an environmentally sustainable industry. Through the Resource Efficient and Cleaner Production (RECP) approach, UNIDO has demonstrated that industries can increase their productivity and become more competitive, while improving their environmental performance. By working directly with the private sector, UNIDO has the advantage of being able to provide experience-based information to policy makers to help create an enabling environment which supports the transition towards a green and circular economy. UNIDO and UN Environment have collaborated through the RECP programme for over 20 years, including through the RECPnet, which works in over 60

countries demonstrating that the approach is applicable across a wide variety of sectors and economic conditions.

- UN Environment is the leading science-based global environmental authority that sets the global environmental agenda, promotes coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the environment. Since 2008 UN Environment has provided analysis and policy support to countries in their efforts to transition to an inclusive green economy. UN Environment has assisted the EU to build capacity in partner countries through different green economy programmes and initiatives, including the EaP GREEN project, the GPGC SWITCH to Green flagship initiatives (Switch Africa, Switch Asia, Switch Med), or the Partnership for Action on Green Economy (PAGE). UN Environment also serves as Secretariat for a number of global and sub-regional Multilateral Environmental Agreements and hosts the Secretariat of the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP), a global framework of action to enhance international cooperation to accelerate the shift towards sustainable consumption and production. As part of this effort, UN Environment has developed guidelines, methodologies and approaches in areas such as Sustainable Public Procurement (SPP), energy efficiency of buildings, consumer information (in particular eco-labeling), and eco-innovation and is the lead agency for the SPP and Sustainable Lifestyles Programmes. UN Environment is leading the UN Inter-Agency Task Force on Illicit Trade in Wildlife and Forest Products, partnering with the World Bank through the International Consortium on Combating Wildlife Crime (ICWC).
- By servicing the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) and its Protocol on Strategic Environmental Assessment the UNECE is best placed to support countries in the implementation of these policy tools. All the beneficiary countries are contracting Parties to the Espoo Convention; and Azerbaijan and Ukraine are also Parties to the Protocol on SEA. Linking its activities in the field of SEA and transboundary EIA to these treaties provides the UNECE with the advantage of direct communication with the key decision-makers and a legal framework for action and thus of a possibility to positively affect transposition and implementation of the principles and requirements of the international legislative framework, including the EU SEA and EIA Directives, and a good SEA/EIA practice. Also, its regional dimension allows UNECE to effectively promote cooperation and experience-sharing among the countries, which is one of the key aspects important for addressing likely transboundary environmental and health impacts.

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement, concluding and managing the resulting contracts, including making of the related payments.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented under direct management in accordance with the modalities detailed in section 5.4.4.

5.4.2 *Grants: direct award*

5.4.2.1 Direct award to the World Bank Group (direct management)

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

A direct grant will be awarded to the World Bank Group (WBG) for implementing activities related to Result 4.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the WBG, which has been identified as the most suitable entity.

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 World Bank is the largest multilateral development financing organisation (including providing technical expertise to selected EU member states). It has an active portfolio of investment finance, and technical assistance and advisory services across the six partner countries. This cross-sectoral portfolio covers fields directly related to the program outputs (e.g. natural resources management, forestry, protected areas management) as well as other sectors which have important, yet more indirect impact on environmental management (e.g. infrastructure, energy, water, human development).

World Bank's extensive country engagement in the region allows cross-sectoral coordination of both financing and advisory services. Linking natural resource issues to World Bank's work on private sector development, jobs creation, competitiveness and public sector reforms will ensure comprehensive "whole-of-government"-approach. World Bank has a growing environmental portfolio in all six countries: for example in Belarus, the World Bank Group is financing a forest development project, in Moldova a climate change adaptation and forestry project (in preparation) and in Azerbaijan rural investments for improved livelihoods. In all countries, the World Bank Group currently provides advisory in environmental sectors. It has country offices in all six countries.

The World Bank was leading the implementation consortium for the ENPI-FLEG Programme (European Neighbourhood and Partnership Instrument East Countries Forest Law Enforcement and Governance Program; two phases, 2008-2016). The Programme provided support to the six ENPI East countries and Russia to implement the St. Petersburg Declaration to address illegal logging from 2005. The Bank is also one of the founding members of the above-mentioned ICCWC.

The European Commission and the World Bank Group (WBG) share common goals of building sustainable and competitive economies as well as reducing poverty and social exclusion. A continued constrained growth and a tight fiscal environment in the region make it important for the Commission and the WBG to coordinate policy advice, where appropriate, and to allocate their resources in the region in the most strategic and effective way. In a context of increasing collaboration between both institutions, the EC-World Bank Partnership on Europe and Central Asia (EPP) was set up in 2014 to allow the Commission to benefit from the World Bank's analytical and policy capacity in achieving the goals of EU external action.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented under direct management in accordance with the modalities detailed in section 5.4.4.

(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 of the proposed action to the objectives 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 95%.

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

1st quarter of 2019.

5.4.2.2 Direct award to the Organisation for Economic Cooperation and Development (OECD) (direct management)

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

A direct grant will be awarded to the Organisation for Economic Cooperation and Development (OECD) for implementing activities related to Results 3 and 5.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the OECD, which has been identified as the most suitable entity.

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 OECD has a widely respected capacity for robust and credible analysis and evidence-based policy advice on economic and financial dimensions of environmental policies and regulations, as well integrating environmental consideration into sectoral policies and promoting greener economic growth in general. It also supports peer review mechanisms that gather around the table the OECD, EU and Eastern partner governments on an equal footing to exchange good practices in an impartial setting. In 2013-2017, the OECD has co-ordinated joint work under the EaP GREEN Programme. The organisation has also built a solid relationship with various parts of governments of EaP countries through the SIGMA Programme. Through its GREEN Action Task Force the OECD has built extensive partnerships with the international and bilateral development partners, including international finance institutions, to ensure synergies of development co-operation and create a critical mass for reform. The OECD has also established a network of local partner organisations (e.g. research institutions, think tanks and national experts, NGOs) that carry out local research and analysis on behalf of the OECD and

help co-ordinate local activities. The OECD also relies on an extensive network of expert practitioners from the OECD and EU Member states who provide in-kind support and policy expertise based on their own countries' experience in the form of lead reviewers and expert inputs to policy papers during seminars, working groups and peer reviews.

(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 of the proposed action to the objectives 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 95%.

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

1st quarter of 2018.

5.4.4 Changes from indirect to direct management mode due to exceptional circumstances and alternative scenario

It is sensible to consider an alternative implementation approach or an alternative beneficiary of grants should it reveal not possible to conclude the planned agreements detailed under sections 5.4.1 and 5.4.2 due to certain factors that cannot be mitigated at this stage. In particular the following risks have been identified:

- Change in contracting conditions that are not acceptable for international partners in light of their specific governance arrangements;
- Impossibility to secure adequate staffing because of internal procedures limiting new staff hiring;
- Failure to conclude a partnership between UN partners leading to overly fragmented implementation.

Grant; direct award to (a consortium of) EU Member States agencies

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

A direct grant will be awarded to (a consortium of) EU Member States for implementing activities related to Results 1 to 5.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to (a consortium of) EU Member States public entities amongst those that are most advanced in establishing policies and institutional frameworks for greener growth.

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 EU Member States public entities specialised in environmental management have a specific and unique knowledge of EU acquis. Thanks to their experience as public bodies entrusted with the implementation and enforcement of the relevant legal framework, these entities can be appropriate to accompany the EaP countries in implementing green growth reforms.

Identification and selection of the entity(ies) having the required qualifications, capacity and experience for implementing the planned activities will be done through a consultation of Member States administrations.

(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 of the proposed action to the objectives 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 95%.

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

1st quarter of 2018.

5.5 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.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with 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 realization of this action impossible or exceedingly difficult.

5.6 Indicative budget

The EU contribution to the action is EUR 19.0 million and will be complemented with EUR 1.05 million of third parties' contributions as shown in the table below.

The EU contribution will be provided from the 2017 budget (EUR 3.0 million), the 2018 budget (EUR 10.0 million), and the 2019 budget (EUR 6.0 million), subject to the availability of appropriations following the adoption of the relevant budget.

By implementation modalities

Action Results	EU contribution (in EUR)	Indicative third party contribution (in EUR)	Total project budget (in EUR)
5.3.1 – indirect management with UNIDO (Results 1 and 2)	9 700 000	510 000	10 210 000
5.3.2 – direct grant to World Bank Group (direct management) (Result 4)	5 500 000	300 000	5 800 000
5.3.3 – Direct grant to OECD (direct management) (Results 3 and 5)	3 800 000	240 000	4 040 000
Totals	19 000 000	1 050 000	20 050 000

By Action Results

	EU contribution (in EUR)	Indicative third party contribution (in EUR)	Total project budget (in EUR)
Result 1: Greener decision-making	2 800 000	140 000	2 940 000
Result 2: Circular economy	6 900 000	370 000	7 270 000
Result 3: An environmental level playing field	2 900 000	190 000	3 090 000
Result 4: Ecosystem services and livelihoods	5 500 000	300 000	5 800 000
Result 5: Knowledge sharing and coordination	900 000	50 000	950 000
Totals	19 000 000	1 050 000	20 050 000

5.7 Organisational set-up and responsibilities

The responsibility of the project lies with the European Commission. The steering of the project will be led by Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR).

National implementation roadmaps and a regional work plan will be developed within the first 6 months of implementation. The roadmaps will specify actions to be taken by the partner governments as contribution to implementation.

In order to review progress and provide strategic guidance, an annual steering committee meeting will be organised. The steering committee will be co-chaired by relevant Commission services. The EU Member States and partner countries will be the key actors in the decision-making process. Partner countries will be represented by both environment and economic ministries that will appoint national focal points. When possible, the steering committee meetings will be held back-to-back with events conducted within the Eastern Partnership framework of cooperation. Reporting on progress will also be provided to regular EaP Ministerial meetings.

At the operational level, regular meetings will be organised with action's implementation partners and Commission services.

Technical-level activities will also require appointment of counterparts by the relevant competent authority in the beneficiary partner countries. No pilot activity will be commenced without a clear outline of measures for upscaling its results.

5.8 Performance monitoring and reporting

A comprehensive monitoring framework will be developed for the project. Regular progress reports, annual reports, project completion report and special reports, as needed, will be drawn up by the implementing partner.

The day-to-day technical and financial monitoring of the implementation of projects will be a continuous process and part of the implementing partner's responsibilities. 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 log frame 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).

5.9 Evaluation

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

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that innovative actions on river basins management practices will be tested.

The Commission shall inform the implementing partners at least 2 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 countries and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner countries, jointly decide on the follow-up actions to be taken.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

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

5.10 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.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

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

5.11 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 the budget indicated in section 5.5 above.

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 shall be included in the financing agreements or delegation agreements.

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

Outreaching/awareness raising activities will play a crucial part in the implementation of the action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) will be strictly adhered to.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, DG NEAR, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

The implementing organisation shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the relevant EU Delegation's communication strategy under the "EU4Country" umbrella initiative.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁸

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Overall objective: Impact	Help partner countries preserve their natural capital and increase people's environmental well-being in conjunction with Sustainable Development Goals (SDGs) implementation	Trends in Green Growth Indicators (GGIs) and SDGs, with a focus on decoupling, productivity, health and employment indicators, national budget allocation to green economy related activities / investments	Some positive developments on the majority of green growth indicators (GGIs) in four EaP countries where indicator-based analysis was done	Positive trends on GGIs will at least continue and negative trends will slow down or start reversing	<ul style="list-style-type: none"> National economic, social, and environmental statistics National reports based on Green Growth Indicators Reporting on progress with SDGs implementation 	Political ownership and popular support Stability and peace Progress in the administrative reform Economic resilience Better financial and banking systems No major disasters
Specific objective 1: Outcome	Greener decision-making Further align knowledge, decision-making, and stakeholder interaction mechanisms with environmental imperatives	National planning and decision-making mechanisms address green economy and sustainable development needs from both short-term and long-term perspectives	Some elements exist but no country has a full-fledged and functional green planning and decision-making system that effectively serves for aligning policy, technological, and investment decisions and actions	At least 3 countries make considerable progress towards adopting and using planning and decision-making mechanisms that are well adapted to enable green growth at national level	<ul style="list-style-type: none"> National economic development strategies and policies and reports on their implementation Government decisions Programme reporting Opinion polls 	Government ownership Interest from non-environmental ministries Corporate sector engagement
Outputs	<p>Output 1.1: Green economy ownership, policy coherence and cross-sectoral coordination boosted</p> <p>Output 1.2: Sectoral investment needs assessment and finance strategies development supported</p> <p>Output 1.3: SEA and EIA in a transboundary context operationalised</p>	<p>Regular inter-ministerial and cross-sectoral coordination on green economy issues at national level and capacity within line ministries</p> <p>Evidence-based investment needs and technology options identified</p> <p>Fully compliant legislative framework</p> <p>Capacities for applying a fully-fledged SEA process</p>	<p>Coordination mechanisms on green economy established in 1 country; some individuals are aware and engaged in promoting a green transition</p> <p>None</p> <p>Two countries</p> <p>Capacity is scattered and insufficient for a consistent and</p>	<p>Participatory result-focused mechanisms established and sustained in at least 3 other countries, with some 50% of relevant civil servants trained</p> <p>At least in 3 countries</p> <p>At least in 5 countries</p> <p>Capacities adequate in at least 5 countries</p>	<ul style="list-style-type: none"> Analytical reports Investment plans Sector-specific policy and legal proposals SEA and EIA reports Summary records of relevant meetings SEA/EIA Manuals and guidelines Web-sites Educational materials Expression of interest from educational institutions 	Government commitment Access to information and expertise High-quality services provided by experts Supportive administrative procedures

¹⁸ The targets will be refined and elaborated in consultation with partner countries and, where necessary, defined later on, at the beginning of implementation..

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
	Output 1.4: Awareness and public acceptance of the Green Economy transition increased	Relevant tools developed and tested Educational institutions integrating green economy and sustainability elements/modules in curricula/courses, and awareness on green economy and sustainable lifestyles among the public at large raised	compliant application of SEA No sectoral guidelines and e-tools (registers, databases) Scattered initiatives	Tools available Sound basis established for structured awareness raising and educational action in support of sustainable lifestyles in at least three countries		
Specific objective 2: Outcome(s)	<i>Circular economy and new economic opportunities</i> Scale-up public and private action on circular economy and sustainable production	Share of environmental goods and services and green jobs, sectors related to circular economy and of Green / Sustainable Public Procurement	Existing but limited number of examples of utilising greening opportunities for economic growth	Scaled up practices showing benefits of greening the economic growth, with positive trends for all selected indicators	National statistics Analytical reports based on green growth indicators	Access to international markets and finance Increasing revenue per capita Supportive overall framework
Outputs	Output 2.1: Resource Efficient and Cleaner Production (RECP) and eco-innovation among SMEs scaled up Output 2.2: Concept and tools of the Single Market for Green Products promoted	Clubs of enterprises on RECP RECP assessments Eco-industrial parks (EIPs) Use of "waste maps" Advances on identification of export opportunities Use of sound labelling practices	2 regions of three countries Some 100 SMEs assessed Limited examples Limited examples Scattered experience Pilot activities in 2-3 countries	2 regions of each country At least another 60 SMEs Analysis of options in at least 2 regions of EaP countries "Waste maps" in 3-5 municipalities in each region; industries identified with potential for remanufacturing and recycling Key sectors and companies with potential of export to the EU identified in all six countries. At least 10 SMEs test	Programme reporting Public records Reports on enterprises audits Tender documents updated with sustainability criteria, Public expenditure for the purchase of sustainable products in pilot tenders Technical feasibility, economic viability, market study Priority product schemes for EPR schemes Quantitative impact of pilot	Private sector interest Access to high quality expertise Access to relevant information Full engagement of public authorities

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
	Output 2.3: Green Public Procurement and complementary tools operationalised	Use of sustainable procurement practices and eco-labelling schemes	Limited experience Pilot basis List of eco-labels for SPP compiled in 2 countries None 75 SMEs / public procurement authorities	international labelling practices; Increased awareness on opportunities and benefits of life-cycle assessment and labelling of export-oriented products Policies and tools for sustainable public procurement in up to 4 countries National eco-labelling systems established according to the Global Eco-labelling Network protocol and/or existing systems aligned with EU-labels in up to 4 countries Capacity built with procurement authorities and SMEs/businesses on eco-labelling and environmental standards and on the use of eco-labels for sustainable public procurement Training and technical assistance provided to businesses in obtaining eco-labels/certification	activities Existing barriers and possible incentives for eco-innovation (e.g. environmental quality standards, recycling and recovery quotas, technical standards, tax, subsidies) New business strategies for SMEs incorporating sustainability based on life cycle analysis	
	Output 2.4: The use of strategic approaches on waste management enabled	Application of EPR schemes	Pilot basis (10 producers) 5 pilot tenders	Public tenders launched for sustainable product groups (at least 20 new pilot tenders); awareness on the benefits built among 400 companies and stakeholders Process initiated to establish new Extended Producers Responsibility schemes for		
		Sectoral reforms	No experience			

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
	<p>Output 2.5: Reforms in priority green economy sectors supported</p> <p>Output 2.6: Ecological value-chain and product innovation</p>	<p>Increased capacity and sustainability performance for green economy innovation at SME level and enhanced competitiveness through systematic business innovation</p>	<p>Pilot basis</p>	<p>identified priority product groups in up to additional 3 countries</p> <p>Transformation of priority green economy sectors through the introduction of enabling policies, policy instruments and/or legal changes in up to three countries</p> <p>Capacity built to introduce enabling policies and policy instruments for eco-innovation</p> <p>Business plans based on the eco-innovation approach developed for 15-20 SMEs</p> <p>Public institutions, national technical institutions and SMEs trained on eco-innovation implementation</p>		

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Specific objective 3: Outcome(s)	<i>An environmental level playing field</i> Improve incentives and governance mechanisms in order to ensure an environmental a level playing field	Governance and regulatory frameworks designed to provide incentives for better environmental performance while not compromising productivity and competitiveness	Scattered elements of a functional governance system in place	Functional systems to ensure an environmental level playing field	<ul style="list-style-type: none"> • Programme reporting • Public and business opinion polls an surveys 	Government ownership and support Political and popular support Private sector engagement
Outputs	Output 3.1: “Smart” regulation of environmental impacts promoted Output 3.2: Environmental compliance assurance and environmental liability regimes strengthened Output 3.3: Domestic public	Application of differentiated regimes to regulate environment impacts Reform of compliance and enforcement regulatory and institutional framework that follow international good practices Engagement of the private sector and the public in the development and implementation of enforcement and compliance strategies High-level commitment to reallocation of funds from subsidies to investment	Limited progress in establishing special regimes for low-risk installations in two countries and no national strategies for reforming/ establishing environmental permits for large emission sources as in the European Union Industrial Emissions Directive (2010/75/EU – EU IED) No national strategies for reform of enforcement/non-compliance instruments and non-compliance assurance instruments Initial inventory of public support	Advanced revisions of the regulations and procedures for managing emissions from SMEs and large sources, using the approaches of the EU IED in up to four countries and launching the process in two others Advanced reform of regional and national enforcement/non-compliance systems and instruments in at least three countries with mandatory requirements and drawing up inspection plans accordingly to the EU IED Launch of mechanisms that allow reallocation of funds to	<ul style="list-style-type: none"> • Analytical reports • Sector-specific policy and legal proposals • Summary records of relevant meetings • Web-sites 	<ul style="list-style-type: none"> • Access to high quality expertise and information • Full engagement of public authorities • Supportive administrative procedures

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
	finance, subsidy reforms and public-private partnerships reinforced Output 3.4: Administrative capacity development	Additional funds mobilised for green investment, including from public, private and international sources Quantitative understanding of administrative capacity building needs and mechanisms	to environmentally harmful practices in all countries and reform of harmful subsidies in one country Limited efficiency and effectiveness of public spending and fragmented capacity for the mobilisation of green investment, from private and international sources 0	green investment away from harmful subsidies in all countries Strengthened investment planning capacity of governments and increased efficiency and effectiveness of public spending in all countries In all EaP countries		
Specific objective 4: Outcome(s)	Ecosystem services and livelihoods <i>Boosting resilience through the preservation of ecosystem services and extension of green infrastructure.</i>	Understanding and consideration of the value of ecosystem services Forest and protected areas surface	Limited and confined to environmental authorities Country-specific	Systematic consideration of forests and other natural resources governance and trade in governmental policies (“whole-of-government”) Policies and financing schemes in place to support positive trends in forest and protected areas surface Legal trade in wood and wood products increased		Increasing revenue per capita Supportive overall framework Absence of major natural disasters
Outputs	Output 4.1: A shared network of protected areas involving EU and neighbouring countries launched Output 4.2: Community action on ecosystem services facilitated Output 4.3: Illegal logging in a national and cross-border perspective limited	Progress in developing and enforcing forest laws and strengthening institutions Progress on identification and establishment of a shared network of specially designated protected areas. Progress in sustainable and legal production and in forest-based value chains.	Country-specific	Increased area of designated protected areas under the Emerald Network have systematic management plans under implementation. Improved management of existing designated areas. Improved livelihoods for people in target forestry-dependent communities and general awareness increased.	National statistics Programme reporting (household and enterprise surveys, field monitoring, Protected Areas Management Tracking Tool)	Support by local communities Government ownership Availability of expertise

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
	Output 4.4: Effective strategies for funding natural capital conservation defined	Progress in local engagement in natural resource management and governance		<p>Illegal logging addressed, use of electronic tools promoted and-awareness of EUTR and forest legality requirements among exporters improved.</p> <p>Forest governance and financing more effective, transparent and predictable</p>		
Specific objective 5: Outcome(s)	<p>Knowledge sharing and coordination:</p> <p>Facilitate regional knowledge sharing and coordination</p>	Innovative policies and practices diffused through regional interaction; improved metrics and monitoring of green economy and policy reform.	Occasional coordination on green growth	Well-established and systematically applied mechanism of coordination	Stakeholder surveys	Willingness to cooperate
Outputs	<p>Output 5.1: Action visibility and strategic communication ensured</p> <p>Output 5.2: Regional coordination and oversight</p> <p>Output 5.3: Monitoring of progress at the economy-environment nexus carried out</p>	<p>Number and diversity of stakeholders reached</p> <p>Frequency and quality of coordination</p> <p>Use of green growth indicators</p>	<p>0</p> <p>0</p> <p>Pilot application in 3 countries</p>	<p>All targeted government institutions and selected additional stakeholders reached</p> <p>Annual coordination events, mechanisms in place to coordinate action systematically and exchange information on a quarterly basis</p> <p>Systematic application in 3 countries and pilot use in another 3 countries</p>	<p>Project reports and publications</p> <p>Agendas, summary records and other materials</p> <p>Accounts on social media and relevant statistics</p> <p>Webpage</p> <p>Newsletters</p>	<p>Availability of information and adequate expertise</p> <p>Free and increasing use of social media and internet in partner countries</p>