



ANNEX I

of the Commission Implementing Decision on the Special Measures in favour of the Republic of Belarus for 2018

Action Document for "EU4Belarus: Resource Efficiency Facility for Belarus"

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

The following sections concern calls for proposals:

5.3.1. Grants: Calls for proposals (direct management)

1. Title/basic act/ CRIS number	EU4Belarus: Resource Efficiency Facility for Belarus CRIS number: ENI/2018/041-516 financed under the European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Belarus The action shall be carried out mainly at the following location: Brest and Grodno regions of Belarus	
3. Programming document	Not available (Special Measure)	
4. Sector of concentration/ thematic area	Connectivity, energy efficiency, waste management, environment and climate change	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 18 000 000 This action is co-financed by grant beneficiaries for an indicative amount of EUR 3 000 000 Total amount of EU budget contribution EUR 15 000 000	
6. Aid modality(ies) and	Project Modality Direct management:	

implementation modality(ies)	<ul style="list-style-type: none"> • procurement of services • grants – call for proposals 			
7 a) DAC code(s)	41010 – Environmental policy and administrative management 23110 – Energy policy and administrative management 43032 – Urban development			
b) Main Delivery Channel	Public Sector Institutions –10000 Other (includes 'for profit', consultants and consultancy firms) – 52000			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	X	
	Aid to environment	<input type="checkbox"/>		X
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			
10. SDGs	Main SDG Goal(s): SDG 7 – Industry, Innovation and Infrastructure SDG 11 – Sustainable Cities and Communities SDG 12 – Responsible Consumption and Production SDG 13 – Climate Action			

SUMMARY

The overall objective of the program is to enhance the efficiency of the use of energy and other resources at the national and local (rayon) level in the Brest and Grodno regions of the Republic of Belarus.

The specific objectives are:

- Resource and energy efficiency policy designed, implemented and enforced more effectively by all relevant stakeholders;

- Potential for development energy/resource efficient modernisation of public infrastructure/industrial enterprises enhanced;
- Feasibility of energy efficiency gains demonstrated.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The Belarusian authorities maintained macroeconomic and financial stability amidst a challenging environment in 2015-16, implementing prudent budgetary and monetary policies. In 2017 Belarus's economy grew again (by 2.4% in real terms) after two years of recession. GDP growth accelerated to 3.7% year-on-year in January-August 2018 supported by a favourable external environment and strong domestic demand. An agreement reached with Russia to restore crude oil supplies to ordinary annual volumes, the resumption of disbursements by the Eurasian Fund for Stabilisation and Development and successful placement on international debt markets of Eurobonds in mid-2017 and early 2018 helped to mitigate short-term funding pressures and supported the economic recovery. Mid-term growth prospects, however, remain constrained by structural deficiencies such as low productivity in the large state-owned sector. Stabilisation of the exchange rate, muted demand-side price pressures as well as generally conservative macroeconomic policies have all helped to bring inflation down since 2017. As a result, consumer price inflation reached record low 4.1% year-on-year in July 2018.

Over the last few years, Belarus has made notable progress transitioning from a planned system to a market-based economy. It improved business regulations including transparency of required permits and clearances (referred to as administrative procedures in Belarus) and reduced their number, improved rules related to business inspections; established a collateral registry, and more recently made progress in harmonization of quality regulations with the international standards and practices. The country has notably improved its ranking in the global Doing Business Report: from 91 in 2011 to 38 in 2018. However, the country's business regulations are still cumbersome, fragmented, contradictory and poorly understood by businesses.

Since the beginning of the 1990s, Belarus has pursued a consistent governmental policy aimed at improving energy efficiency. The country is currently implementing its third 5-year State Programme on Energy Saving (i.e. the one for the period 2016-2020). The current energy and energy efficiency policy is aimed at development and modernisation of the efficiency of the energy sector on both the demand and supply side, as well as to enhance its energy security by diversifying its resources. Heavy efforts are being put into restructuring and modernising industrial and utility sector based on energy efficient technologies. Ambitious goals have been set to reduce energy intensity of GDP (from 2005 level) by 60% in 2020; and share of domestic energy resources in the energy balance up to 32% in 2020. The 5 years national program on energy efficiency is being implemented on annual basis with regional focus. I.e. each oblast and city of Minsk has own set of targets, indicators and budget. Such policy goals cannot be attained without a significant amount of investment, both public and private. The pilot regions Brest and Grodno have defined broad energy efficiency targets; a reduction of energy consumption by 4.1% and 5% respectively by 2020 (reference date 2016).

Policy on energy efficiency in Belarus is not the same as tariff policy. Tariff policy is regulated by the Council of Ministries and Ministry of Antimonopoly Regulation and Trade and is out of control by the Ministry of Energy, Department for Energy Efficiency or local/regional authorities. Currently, Belarus has made plans to reach costs recovery in electricity tariffs by 2020, but not the heat tariff, which cost recovery deadline has not yet determined.

The National plan for green economy development in Belarus until 2020 was discussed and consulted among main stakeholders and was finally approved by the governmental decision. The number one priority of the plan is to improve the people's quality of life through increasing economic competitiveness, investment and innovative development. "Taking into account the national context and global challenges, the state determines green economy as a strategic priority. The plan of action should result in a gradual transformation of the national economy based on the green economy principles, the implementation of the Sustainable Development Goals, and the harmonization of economic, environmental and social interests," the document reads. Although the document lacks precise targets, actions and budget, its adoption proves the intention of Belarusian authorities move to higher resource efficiency and green development.

Belarus' commitment to the green economy approach is also laid down in the government's main program documents, including the national Strategy for sustainable social and economic development through 2030. The main objective of the Strategy at the first stage of its implementation (2016-2020) is to switch to a high-quality and well-balanced economic growth through the structural and institutional transformation of the economy taking into account the green economy principles, the focus on high-tech manufacturing that will make the foundation to enhance the country's competitive ability and the people's quality of life. The major goal of the second stage (2021-2030) is to reach sustainable development and high-quality human potential based on green economy and advanced high-tech manufacturing.

The positive developments in EU – Belarus relations impact not only the overall amount of bilateral assistance but also widen the spectrum of available instruments. This opens the way to work with International Financial Institutions to invest in areas such as transport connectivity, sustainable energy, waste and water management. In particular since mid-2017 Belarus can on an ad-hoc basis benefit from the Eastern Europe Environmental and Energy Efficiency Partnership (E5P) and the Neighborhood Investment Facility (NIF, now Neighborhood Investment Platform, NIP), while general improvements of the macroeconomic predictability and business climate can help in leveraging private resources. However, as daily practice shows, Belarusian authorities, especially on a regional level, do not have a clear understanding on how International Financial Institutions work. Also, even in case of clear need, they often lack justified offers and estimates for potentially bankable pilots.

Despite the fact of high centralization, the ideas of sustainable local and energy development are highly popular in Belarus. For instance, within EU Initiative "Covenant of Mayors" towns and cities in Belarus are working to increasing energy efficiency and the use of renewable energies sources in their territory. Currently, 41 Belarusian cities are actively participating in the Covenant of Mayors (five times growth in 5 years). Current signatories in the Brest region are Brest, Beryoza, Kobryn with 5 more potential signatories (Pinsk, Drogichin, Ivanovo, Pruzhany, Zhabinka). Current signatories in the Grodno region are Ashmyany, Ivie, Masty, Novogrudok and Vaukavysk, Grodno city considering to join the initiative. EU Initiative

"Mayors for Economic growth" is also very popular: the number of participants grew 3 times in the last 3 years; some of them already implement commitments to reduce CO2 emissions and energy use. In this regard this new Programme would bring synergies, consistency and value added to already existing EU policy on supporting resource efficient local development in Belarus.

1.1.1 Public Policy Assessment and EU Policy Framework

The EU continues to follow a policy of critical engagement with Belarus, which translates into incremental engagement with the country while paying great attention to the human rights situation. Since 2016 EU-Belarus relations are positively developing. In February 2016 the Council reiterated its firm commitment to strengthening the EU's engagement with the Belarusian people and civil society. The Council also decided to accelerate the implementation of measures aimed at enhancing EU-Belarus cooperation in a number of economic, trade and assistance related fields, with the goal of modernising Belarus and its economy and for the benefit of the Belarusian people. Both sides are finalising discussions on joint Partnership Priorities which will set the strategic framework for further cooperation in the coming years.

In the joint Declaration agreed in the 2017 Brussels Eastern Partnership Summit, Belarus and the other Summit participants reconfirmed their shared commitment to this strategic and ambitious Partnership, based on common values, mutual interests and understanding, shared ownership and responsibility, differentiation and mutual accountability, bringing Belarus and the Eastern European partner countries closer to the European Union. Under the four priorities reconfirmed at the 2017 Eastern Partnership Summit in Brussels, 20 key areas with targets for 2020 were identified for Belarus and the other Eastern Partnership countries and are conceived as our joint working tool.

This action is in line with the objectives of the Eastern Partnership Priority 3: Connectivity, energy efficiency, environment and climate change and the following Deliverables for 2020: 14: Increase energy supply security, 15: Enhance energy efficiency and the use of renewable energy; reduce Greenhouse Gas emissions; 16: Support the environment and adaptation to climate change.

1.1.2 Stakeholder analysis

The Department for Energy Efficiency (DEE) of the State Committee for Standardisation of the Republic of Belarus (which is empowered energy efficiency national authority) is responsible for pursuing the state policy with regards to the efficient use of fuel and energy resources, including renewable energy resources. The Department is also responsible for setting technical rules, standardisation and conformity assessment of energy-using products, works and services, regulations and requirements as regards the efficient use of fuel and energy resources; state supervision of the efficient use of fuel, electricity and heat.

The DEE will be in charge of the design, overall co-ordination and implementation of both components, acting as the key partner, both on local (rayon) and central levels, and the direct beneficiary of the programme.

Other key project partners will include:

- Ministry of Economy, responsible for regional and local development and investment policy in the country;
- Ministry of Utilities and Housing, responsible for the management of public infrastructure as boiler houses, wastewater treatment plants, etc.;
- Ministry for Natural Resources and Environmental Protection of the Republic of Belarus (MNREP), responsible for environment policy and climate change mitigation actions;
- State Committee on Science and Technology of the Republic of Belarus, responsible for innovation policy;
- Ministry of Energy, responsible for management of energy sector and energy policy;
- Ministry of Industry, responsible for the management of state owned industrial enterprises;
- Oblast Executive Committees of Brest and Grodno, implementing state policies at regional/local levels;
- Rayon Executive Committees of the respective rayons, where pilots will be implemented;
- Construction and energy/resource efficiency specialists, energy auditors and other relevant services providers;
- Local NGOs;
- IFIs.

Belarus is a presidential republic with a high centralization of powers. Local (rayon) bodies have the following functions: resolving issues of local significance, proceeding from national interests and interests of the people who reside in the corresponding territory; implementing decisions of higher state bodies. At the same time local authorities set own targets and they have to follow and implement state policies, which often have regional indicators. Currently, Belarusian local (rayon) and regional (oblast) authorities are taking an increasing role as regards the implementation of related national strategies, for instance those devoted to specific sectors as energy efficiency, waste management, protection of the fauna and flora or water management, which call for specific action at local level. Currently, civil society is hardly involved in any policy making processes.

The main beneficiaries of the program will include relevant departments of the Oblast and Rayon Executive Committees, administrations of infrastructure and social sector institutions, CSOs and the resident population as a whole. Deconcentrated branches of central authorities involved in the programme (many ministries, as Ministry of Housing and Utilities, DEE, MNREP and other are represented at regional and local level executive committees) will be fully involved in the programme and ensure coordination of the activities supported by the programme with the relevant national strategies in place. Modalities of this coordination still need to be set up. Public and social infrastructure entities and the community categories/groups would derive benefits from the project, including obtaining new equipment, knowledge, expertise, potentially bankable project documents (pre- and feasibility studies, energy audits). Thus, in turn, would lead to improved quality of life for the inhabitants.

IFIs (EBRD, WB, EIB and others) also play important role in modernising public infrastructure in Belarus. They will be invited to take part in project implementation meetings, where relevant and regular dialogue will be organized on policy priorities under this programme.

1.1.3. Priority areas for support/problem analysis

Belarus does not have sufficient primary energy sources and is heavily dependent on oil and gas imports, mainly from the Russian Federation. Imports of fuel and energy are around 85% of the total consumption of primary energy resources. The current prices for energy, e.g. gas and oil, do not encourage people to save energy however the price of oil and gas has been increasing steadily, and people are beginning to understand that energy prices will continue to increase in the future. These factors determine the key principles of the state energy policy: ensuring energy security through improving the fuel and energy mix in parallel with the rational use of energy resources, increased use of local fuels and renewable energy sources (RES) and promotion of energy efficient and environmentally friendly clean technologies in all sectors of the economy.

Since the beginning of the 1990s, Belarus has pursued a consistent governmental policy aimed at improving the energy efficiency of the economy, including the establishment of a regulatory framework, an institutional infrastructure, mechanisms of state support and incentives, a system of key performance indicators and state programmes with respective monitoring instruments.

With the current social and economic conditions (see 1.1.1 for the sector context), prospects, and international obligations in mind, the priority areas of the green economy approach will include the development of further construction of energy-efficient housing and better energy-efficiency of the housing stock, reduction in energy intensity of GDP and better energy efficiency and improved use of renewable energy resources.

There is a huge potential for energy saving in Belarusian buildings. Technically, energy saving of 50% to 70% can be achieved and in most school buildings for instance, low cost measures can be implemented to reduce the energy consumption by 20 to 25% in a profitable way. Energy efficiency measures in the educational and social sector buildings can bring significant benefits on a global scale through the corresponding abatement of greenhouse gas emissions. The buildings sector in Belarus accounts for 40% of the total heat consumption. Better energy performance of buildings, including those in the social sector, will reduce fuel consumption (which, in turn, will lead to abatement of greenhouse gas emissions) and budget expenditures related to payment for the consumed fuel and energy resources.

A government plan of action will be implemented as part of the state programs envisaged for implementation in 2016-2020 with available funding, including extra-budgetary resources, foreign funds and other resources.

In line with national policy orientations highlighted during the programme identification mission in January 2018 in Minsk, this programme will tackle the issues of resource and energy efficiency (as a part of green economy and smart city approach), in particular through the preparation of the set of potentially bankable projects and support to modernisation of municipal public infrastructure and industrial enterprises.

This program will use the Brest and Grodno regions of Belarus as pilot regions.

2. RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures

	(H/M/L)	
Long and complicated procedures of state registration	M	<p>The program will coordinate the process of state registration with all relevant state ministries. High interest in implementation and its results would be an incentive to relevant parties to speed up the process. Continuous dialogue with the Ministry of Foreign Affairs and Ministry of Economy on the issue of state registration is ensured.</p> <p>In the case of procurement, special care should be given to (i) realistic estimates of prices in grant applications; (ii) transparent public procurement procedures; (iii) realistic estimates of possible delays in delivery.</p> <p>Enhanced policy dialogue and close monitoring of implementation will be ensured.</p>
Slow progress in purchasing of equipment or procurement of public works.	M	
Assumptions		
<ul style="list-style-type: none"> ▪ Sufficient institutional capacity/maintenance of key leadership and technical staff as well as strong planning, implementation and coordination capacity in beneficiary institutions; ▪ Overall relatively stable macroeconomic environment; ▪ Central authorities and local (rayon) executive committees are fully committed to take part to project activities, including participation in sharing part of the projects cost; ▪ IFIs willing to participate and finance projects once they are developed; ▪ Belarus is committed to implementation of the commitments undertaken under the Eastern Partnership Joint Declaration; this will be reflected in relevant policy dialogues. 		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Government ownership remains the key challenge in implementing EU development projects in Belarus. A purely donor driven approach, with ambitious reform agenda often results in the reluctance of Belarusian authorities to participate in activities. It is therefore essential that technical assistance is provided in close cooperation and coordination with the beneficiary, i.e. Terms of Reference and proposed activities should be prepared in close cooperation with the relevant Belarusian authorities.

While direct procurement via works and supply contracts does not provide proper ownership, grants have proven to be a useful efficient instrument for sustainable interventions at the local

level (previous projects show that local authorities are able and willing to finance 10-30% of total costs by co-financing the action).

Central and local authorities have a strong capacity to effectively collaborate and achieve large and sometimes complex multi-level actions as demonstrated in previous operations in the field of environment and energy efficiency such as 2012 "Green Economy in Belarus", 2010 "Support to Belarus in the Field of Norms and Standards Related to Energy Efficiency of Consumer Goods and Industrial Products", Covenant of Mayors programs, programs on NSA/LA and others.

3.2 Complementarity, synergy and donor coordination

The proposed action builds on the results and is deeply synergetic with the Action 2010 "Support to Belarus in the Field of Norms and Standards Related to Energy Efficiency of Consumer Goods and Industrial Products", 2011-2013 programme "Support to regional and local development in Belarus" and 2012 programme "Green Economy in Belarus".

The following actions, which are highly complementary to the present intervention on climate and energy solutions, will be closely monitored and managed by the Delegation of the European Union to Belarus to promote synergies with other EU funded programs and initiatives:

- *Covenant of Mayors East (CoM East)* – the project helps municipalities, who has signed up the CoM, to prepare and implement Sustainable Energy Action Plans, reducing dependency on fossil fuels, improving the security of energy supply, and allowing them to contribute more actively to climate change mitigation. The proposed action will complement targets on energy efficiency, renewable energies and climate related issues that strengthen sustainable local development and resilient economic growth.
- *Covenant of Mayors – Demonstration Projects (CoM-DeP)* – the programme aims to bridge the gap between Sustainable Energy Action Plans and their practical implementation in selected municipalities with less than 200,000 inhabitants, through the implementation of demonstration projects;
- *EU4Energy* – regional program to support the elaboration and implementation of energy policies that reduce their energy dependence and intensity, bolster their resilience and open up new opportunities for efficient low-carbon economies that further advance citizens' well-being;
- *Mayors for Economic Growth*, providing capacity building and grants to local authorities/cities based on their formal commitments to pilot the participatory economic development, planning/budgeting, good governance, accountability and transparency reforms.
- *Eastern Europe Energy Efficiency and Environment Partnership (E5P), Neighbourhood investment Platform (NIP, as part of the European Investment Plan, EIP), Northern Dimension Environment Partnership (NDEP)* and other blending facilities.

Strong attention and efforts will be paid to promote proper communication and synergy with other donors programs as "Green Cities in Belarus" (UNDP/GEF) and the EBRD's Green

Economy Transition approach (sustainable investments to mitigate and/or build resilience to the effects of climate change and other forms of environmental degradation).

The proposed program will establish coordination and synergy with all other bilateral and regional technical assistance projects in Belarus supported by multilateral and bilateral donors, including Member States. Coordination mechanisms and synergies would be discussed during Steering Committee meetings. DEE as the responsible state body will also produce regular reports to the EUD on on-going and planning programs.

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.

Synergies will be ensured with regional programmes addressing other Eastern Partnership priorities, as well as with the EU Technical Assistance and Information Exchange (TAIEX) instrument and Twinning projects. Currently, there are a few environment-related projects supported by TAIEX and Twinning but beneficiaries can wider use these instruments. If necessary, complementary proposals for TAIEX projects will be prepared for addressing specific issues of convergence with EU environmental legislation.

3.3 Cross-cutting issues

This action will be implemented following a rights-based approach, encompassing all human rights. The five working principles below will be applied at all stages of implementation: Legality, universality and indivisibility of human rights; Participation and access to the decision-making process; Non-discrimination and equal access; Accountability and access to the rule of law; Transparency and access to information.

The program will make a positive contribution to mainstreaming gender into the development and climate policies. In particular, gender considerations will be taken into account and mainstreamed through the whole program implementation. Gender disaggregated indicators will be proposed for the national policy instruments/plans.

Gender will be mainstreamed and the gender dimension integrated in all needs assessments, public consultations, policy discussions and trainings. A gender perspective will be taken into consideration when choosing bankable projects and potential grant applications. Additionally, some of the demo pilots will target social infrastructure as hospitals, schools and pre-schools. Such facilities are a good target area since its modernisation will have a positive impact on women's possibility to take part in the labour market.

The program will be in line with EU policies on environment. Environmental Impact Assessments and Strategic Environmental Assessments will be carried out if required by the EU legislation. The project implementation may also contribute to the creation of green jobs for both, men and women, both directly (conduction of energy audits, design and construction) and indirectly (by supporting suppliers of equipment and services, as well as developers of relevant technologies).

An important component of the project will be the know-how transfer via training of construction specialists in the installation of energy-efficient equipment and housing and utility sector specialists in the maintenance of this equipment.

The program will contribute to national SDGs implementation and reporting. Beyond SDG 13 on Climate Action, the project will indirectly contribute to the achievement of other SDGs (SDG 7 – Industry, Innovation and Infrastructure; SDG 11 – Sustainable Cities and Communities; SDG 12 – Responsible Consumption and Production; SDG 13 – Climate Action). This contribution will be possible through enhanced national planning capacities, reducing vulnerability of economic sectors to climate risks, spearheading mitigation action in energy production and energy consuming sectors.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the program is to enhance the efficiency of the use of energy and other resources at the central and local level in the Brest and Grodno regions of the Republic of Belarus.

The specific objectives are:

- Design, implement and enforce resources and energy efficiency policy more effectively for all relevant stakeholders;
- Enhance the potential for development energy/resource efficient modernisation of public infrastructure and industrial enterprises;
- Demonstrate the feasibility of energy efficiency gains in a systematic way.

The expected results are:

Component 1

1. Strengthened capacities of central government in formulating and regulating policy in key areas of energy/resource efficiency;
2. Strengthened policy dialogue, coordination among and synergy between key sector stakeholders (local politicians; civil servants and CSOs involved in energy efficiency);
3. Improved capacities of key external stakeholders (services providers) in areas of energy/resource efficiency;
4. Increased knowledge on energy/resource efficiency of industrial enterprises;
5. Project pipeline for modernising municipal public infrastructure/industrial enterprises established;

Component 2

6. Strengthened capacities of local authorities (in piloted regions) to implement and enforce policy in key areas of energy/resource efficiency and circular economy;
7. Upgraded accessible municipal infrastructure in the piloted regions.

4.2 Main activities

Component I: Support to applied resource- and energy efficiency

Belarus is in a relatively advanced stage in implementing resource and energy efficient policies. However, such efforts should be supported and strengthened, especially on local level. Technical support will be provided to authorities at both central and local (rayon) level (pilot regions), with a focus on enhancing the policy and regulatory environment and policy dialogue between different stakeholders, donors, potential investors and other players.

While Belarus is in the process of improving relations with the EU, it opens and widens financial instruments and volumes to attract investments in infrastructure. However, as daily practice shows, Belarusian authorities, especially on regional and local levels, do not have a clear understanding on how international financial institutions work. Also, even in case of clear need, often they lack justified offers and estimates for potentially bankable pilots. This component will tackle potentially bankable business cases while considering scale, market, profitability, liquidity, quality of management, customers, technology, and value added proposition. In most of cases, such approach means a need for a feasibility study. A feasibility study is intended to provide an overview of the primary issues related to a potential pilot (business case) and determine whether the proposed modernisation makes sense. A typical feasibility study will look at possible opportunities, and different operational and financial obstacles. With a completed pre- and feasibility studies, the pipeline for potential interventions from the side of financial institutions (commercial and development banks) will be established, in consultations with CSOs in the sector.

The main activities within component:

- Elaboration of 10 pre- and feasibility studies on resource efficiency for local enterprises, with the global goal to support modernisation of municipal public infrastructure (waste water, municipal solid waste, public buildings, district heating etc.);
- Preparation of 10 energy/resource audits of industrial and infrastructure enterprises (food industry, machinery, chemical industries, boiler houses, wastewater treatment plants, etc.), carrying out of an CO2 emissions inventory and elaboration of recommendations on improving business processes;
- Development of 3-5 bankable applications for the EU blending facilities on energy efficient modernisation of public infrastructure or modernisation of private industrial enterprises (NIF/P, E5P, NDEP) or IFIs (EIB, EBRD, NEFCO etc.).
- Conduction of 3-5 audits of industrially polluted sites and development of recommendations for environmentally neutral rehabilitation;
- Capacity building of the regional and municipal staff to identify priority needs in the community, to design, manage and monitor local projects on sustainable energy;
- Regular meetings and policy dialogue on energy efficiency improvements among all relevant players and stakeholders will be central in the programme, including CSOs (representing women and men, as well as other vulnerable and/or marginalised groups);
- Training programs for construction, housing & utility sector specialists, energy auditors, specialists in the installation of energy-efficient equipment;
- Awareness raising activities by CSOs to women and men of the Brest and Grodno regions on how to reduce energy usage and how to apply hygienic and sanitary standards, waste water and animal dung in an environmental manner.

Component II: Resource Efficiency Support Facility in Brest and Grodno region

Call for Proposals for local (rayon) authorities in partnership with civil society in pilot regions to support the upgrade of municipal infrastructure, to invest in energy efficiency, green and resource efficient technologies in order to achieve actual energy savings, reduction of CO₂ and lower operational costs and ensure friendly and accessible infrastructure for local citizens.

Objectives, priorities and targets of the Call will be determined later by the EUD in close cooperation with the relevant central and local authorities and CSO organisations. Introduction of principles of energy and resource efficiency, smart specialisation, modern and sustainable urban development, sustainable waste and water management in line with circular economy principles, accessible and inclusive development on local level will be potentially eligible actions with general objective to contribute to circular economy and save after modernisation not less than 20% of energy or CO₂ emissions. The selection of the proposals will be done by EUD staff. Civil society involvement will be a crucial element of all eligible actions.

Gender equality, inclusive development and innovation will be specifically targeted in the Call since gender equality integration in innovation policy has tremendous potential for strengthening innovation.

4.3 Intervention logic

While the Belarusian government has rather ambitious plans for the development and improvement of its energy efficiency policy to reduce energy consumption and tackle climate change actions, the problem analysis shows that there is a general lack of investment proposals for such modernization. It concerns basic studies (such as energy audits, prefeasibility and feasibility studies made according to EU standards or best practices) as well as detailed design specifications and estimates.

So, the first area of intervention is policy advice and recommendations, capacity development of DEE and other central and regional authorities, as well as elaboration of audits, assessments, investment proposals and feasibility studies in order to find and prepare potentially bankable projects with high resource efficiency potential applicable for further EU funding (via E5P, NIF/P, NDEP, etc.). Ideally, the set of such estimates and design documents would allow to rank them into a pipeline and to meet the demands from IFIs and local banks.

This component will apply to both central and local level (Breast and Grodno regions). These activities (intervention) are to be implemented via service contract. ToR will be developed later in close cooperation with central and local authorities.

The second component will have regional aspect. Although local (rayon) and regional (oblast) authorities do follow the state policy and set own targets/policies at local level, they have to meet all set by central government targets, i.e. reduce energy intensity and energy consumption. So, they are very much interested in external investments, including donors funds, in outdated, inefficient infrastructure (e.g., heat pipes), energy inefficient buildings, boiler houses, switch to the use of local fuels, modernise public transportation, etc. which can help them to achieve goals on EE and use of RES. So, the second area of intervention is to introduce new approaches and implement new energy-efficient technologies at demo sites in the pilot regions of Brest and Grodno.

Implementation is proposed to be done via Call for Proposals (CfP). In CfP certain indicators and targets will be later determined and set for eligible actions (like % of energy savings, savings in CO₂ emissions, water savings, implementation of EU standards on EE

modernization of buildings, implementation of EU standards on circular economy, certain percentage of co-financing, etc.). Local authorities will voluntarily propose the best EE modernization of infrastructure and other actions, while evaluation committee, governed by the EUD, will choose the best proposals.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

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

5.3. Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹.

5.3.1.1. Grants: Call for proposals "Resource Efficiency Support Facility in Brest and Grodno region" (direct management), Component II

One Call for Proposal for demonstration projects will be launched.

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

The aim of the CfP is to assist local authorities in Brest and Grodno region with the implementation of energy efficient measures, in line with the activities described in section 4.2.

(b) Eligibility conditions

The CfP will be open to all local authorities in Brest and Grodno regions. Associations of municipalities and local NGOs will be eligible and needed co-applicants.

(c) Essential selection and award criteria

The essential selection criteria are 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.

¹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call should not exceed (80)% of the eligible costs of the action.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

Second trimester of 2019.

5.3.1.2 Procurement (direct management), Component I

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance	Services	1	Second trimester of 2019

5.4 Scope of geographical eligibility for procurement and grants

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

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.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Component I – Support to applied resource and energy efficiency		

5.3.1.2 Procurement (direct management)	4 600 000	N.A.
Component II – Resource Efficiency Support Facility in Brest and Grodno Region		
5.3.1.1 Call for proposals (direct management)	10 000 000	3 000 000
5.8 Evaluation, 5.9 Audit	100 000	N.A.
0 – Communication and visibility	300 000	
Totals	15 000 000	3 000 000

5.6 Organisational set-up and responsibilities

All contracts, as well as activities related to evaluation, audit, communication and visibility, will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

A Steering Committee shall be set up to oversee and validate the overall direction and policy of the project (or other responsibilities to be specified). The project Steering Committee shall meet at least twice a year. The project Steering Committee shall be made up of the relevant representative(s) of the Beneficiary country, of the implementing partner and of the Delegation of the European Union to Belarus and of representatives of the CSOs carrying out the activities.

5.7 Performance monitoring and reporting

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

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

5.8 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation(s) may be carried out for this action or its components via independent consultants contracted by the Commission.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

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

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in Q3 2020 and Q4 2022.

5.9 Audit

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

Indicatively, one contract for audit services shall be concluded under a framework contract in Q2 2022.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with 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, such as EU4Business, 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) ²

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year, by 2020)	Sources and means of verification	Assumptions
Overall objective: Impact	To enhance efficiency of the use of energy and other resources at the national and local level in the Brest and Grodno regions of the Republic of Belarus	Amount of fuel (ton of oil equivalent (toe)) saved during the program implementation at pilots/pilot regions	37 m toe as gross consumption of fuel and energy resources (FER) by Belarus in 2017	Positive trends contributing to the target set by the government of 4.7% of fuel savings would continue and negative trends would slow down or start reversing	National economic, social and environmental statistics; Reporting on progress with SDGs implementation, State Program on Energy Saving, Green economy Action Plan, Paris agreement	Political ownership and public support; Stability and peace; Progress in economic and EE reforms
Specific objective 1: Outcome	Resource and energy efficiency policy designed, implemented and enforced more effectively by all relevant stakeholders	National planning and decision-making mechanisms address resource efficiency needs from both local and central perspectives taking into account a citizen perspective. Increased effective citizen	Basic legislation is in place, however coordination between central and local authorities to new opportunities lacks consistency	Progress towards adopting and using planning and decision-making mechanisms that are well adapted to enable resource efficient growth at national level	National economic development policies and reports on implementation Programme reporting	Relevant officials are participating in project activities and training sessions All key parties agree with this based on dialogue

² Indicators, targets, outputs and activities will be refined and elaborated later in consultation with beneficiaries, and, where necessary, defined later on, at the beginning of implementation..

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year, by 2020)	Sources and means of verification	Assumptions
		participation in decision making on energy efficiency matters (number of CSOs and citizens – disaggregated by sex – participating in relevant advocacy / decision-making)	No effective participation mechanism in place	A participation mechanism is in place, including a variety of relevant stakeholders	Opinion polls Reports on the results of inter-ministerial and public consultations CSO reports and surveys	

Outputs	Output 1: Strengthened capacities of central government in formulating and regulating policy in areas of energy/resource efficiency	Introduction of amended regulatory acts setting energy efficiency requirements Regular meetings Number of people trained (disaggregated by sex)	Some positive developments on EE	Further integration of resource and EE mechanisms in national policy making and planning	National economic, social and environmental statistics; Reporting on progress with SDGs implementation, Green economy Action Plan, Paris agreement	Government commitment Access to information and expertise High-quality services provided by experts Supportive administrative procedures
	Output 2: Strengthened coordination among key sector stakeholders and enhanced policy dialogue	Introduction of amended, improved regulatory acts and policies setting energy efficiency requirements Formalisation of a policy dialogue and number of targeted public institutions that consult with CSOs and/or citizens	Basic coordination policy exists but no on-going policy-dialogue among main stakeholders in place No ongoing policy dialogue among main stakeholders in place	Further integration of resource and EE mechanisms in national policy making and planning A policy dialogue platform is in place and key CSOs are regularly consulted	Surveys Meeting reports (by institutions and by CSOs)	
	Output 3: Improved capacities of key external stakeholders in areas of energy/resource efficiency	Network of stakeholders in energy/resource efficiency created and operational	A very few programs and trainings are in place but they lack EU standards, best practices and targets	A policy dialogue platform is in place and key CSOs are regularly consulted		

Specific objective 2: Outcome	Potential for development energy/resource efficient modernisation of public infrastructure/industrial enterprises enhanced	Pipeline of financially viable projects established	No applications submitted to IFIs yet	Potential investments identified and applications submitted for is and are	Investment plans Applications	IFIs are willing to finance projects
Outputs	Output 1: Increased knowledge on energy/resource efficiency of industrial enterprises Output 2: Project pipeline for modernising municipal public infrastructure/industrial enterprises	Number of audits, estimates and studies	None	10 pre- and feasibility studies 3-5 applications for IFIs 3-5 bankable applications for the EU blending facilities on energy efficient modernisation of public infrastructure or modernisation of industrial enterprises	Project reports Meetings with IFIs Studies and estimates Project applications Project reports	All information is available professional experts hired All information is available professional experts hired
Specific objective 3: Outcome(s)	Feasibility of energy efficiency gains demonstrated	- % of energy savings by target institutions	Baselines will be defined once the target institutions will be identified.	20% of energy savings at target institutions	Project documentations Energy audits	High interest and support from local authorities and including provision of 20% co-financing
Outputs	Output 1: Strengthened capacities of local authorities (in piloted regions) to implement and enforce policy in key areas of energy/resource	Introduction of amended regulatory acts setting energy efficiency requirements Regular meetings Number of people trained	Basic understanding and regulations are in place but they lack EU standards, best practices and targets	Further integration of resource and EE mechanisms in national policy making and planning on local level	National economic, social and environmental statistics	Government commitment High-quality services provided by experts Supportive administrative

	efficiency	(disaggregated by sex)				procedures
	Output 2: Upgraded accessible municipal infrastructure (via the Call for proposals)	At target institutions: -reduction of energy losses in the heat networks; - number of equipped buildings with metering devices; - number of kilowatt hours, cubic meter of gas and CO2 emissions saved - number of public awareness campaigns; - opinion polls	Baselines values will be calculated or gathered in the inception phase of the project.	20% of energy savings at target institutions	Project documentations Energy audits	High interest and support from local authorities and including provision of 20% co-financing