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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX

of the Commission Implementing Decision on the financing of the annual action plan in favour of the NDICI Neighbourhood South Region for 2022

Action Document for “Neighbourhood Investment Platform (NIP) for 2022 in favour of the Southern Neighbourhood”

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title OPSYS Basic Act	Annual Action Programme “Neighbourhood Investment Platform (NIP) for 2022 in favour of the Southern Neighbourhood” OPSYS Business reference: Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe) OPSYS business reference: ACT-61493 ABAC Commitment level 1 reference: JAD.1099245
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in the following locations: (a) European Neighbourhood Policy (ENP) South countries with an ENP Association Agenda/Action Plan in force: Egypt, Israel (assistance to be provided in line with the Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards), Jordan, Lebanon, Morocco, Palestine ¹ , and Tunisia. Israel is usually only eligible under regional projects, having the status of developed country;

¹ This designation shall not be construed as a recognition of the State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

	<p>(b) Other ENP countries², and other third countries, as set out in Art. 4 of Regulation (EU) No 2021/947³ of the European Parliament and the Council, in particular in case of projects of a continental or trans-regional scope;</p> <p>(c) In duly justified case of extended geographic scope of a global, trans-regional or regional nature, and in accordance with Article 43 of Regulation (EU) No 2021/947, the eligibility of the action extends exceptionally to Sub-Saharan Africa⁴ and Gulf countries⁵, as their participation constitutes a substantial element to ensure the coherence and effectiveness of Union financing or to foster regional or trans-regional cooperation.</p>
4. Programming document	Commission Implementing Decision adopting a multiannual indicative programme for the Southern Neighbourhood Region for the period 2021-2027 ⁶
5. Link with relevant MIP(s) objectives/expected results	This action contributes to the 2021-2027 Multiannual Indicative Programming's objectives under priority areas 2: 'Strengthening resilience, build prosperity, and seize the digital transition'; and 4: 'Green Transition'
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	<p>120 – Health</p> <p>140 – Water Supplies & Sanitation</p> <p>160 – Other Social Infrastructures & Services</p> <p>210 – Transport and Storage</p> <p>230 – Energy</p> <p>240 – Banking and financial services</p> <p>250 – Business and other services</p> <p>310 - Agriculture, forestry, fishing</p> <p>321 – Industry</p> <p>410 – General Environment Protection</p> <p>430 – Multisector</p> <p>520 - Development Food Assistance</p>
7. Sustainable Development Goals (SDGs)	<p>Goal 1 – No poverty</p> <p>Goal 2 – Zero hunger</p> <p>Goal 3 – Good Health and wellbeing</p>

² Algeria, Libya and Syria³ [Regulation \(EU\) No 2021/947](#) establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe⁴ Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao-Tome-and-Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.

³ [Regulation \(EU\) No 2021/947](#) establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe⁴ Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao-Tome-and-Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.

⁴ Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Liberia, Madagascar, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao-Tome-and-Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.

⁵ Iran, Iraq, Yemen

⁶ Commission Implementing Decision adopting a multiannual indicative programme for the Southern Neighbourhood Region for the period 2021-2027 C(2021) 9399

	<p>Goal 4 – Quality education</p> <p>Goal 5 – Gender equality</p> <p>Goal 6 – Clean Water and Sanitation</p> <p>Goal 7 – Affordable and Clean Energy</p> <p>Goal 8 – Decent Work and Economic Growth</p> <p>Goal 9 – Industry, Innovation and Infrastructure</p> <p>Goal 10 – Reduced inequalities</p> <p>Goal 11 – Sustainable Cities and Communities</p> <p>Goal 12 – Responsible Consumption and Production</p> <p>Goal 13 – Climate Action</p> <p>Goal 17 – Partnerships for the goals</p>
8 a) DAC code(s)	<p>11120 - Education facilities and training</p> <p>12110 - Health policy and administrative management</p> <p>14010 - Water sector policy and administrative management</p> <p>14020 - Water supply and sanitation – large systems</p> <p>14022 - Sanitation - large systems</p> <p>14030 - Basic drinking water supply and basic sanitation</p> <p>14050 - Waste management/disposal</p> <p>15110 - Public sector policy and administrative management</p> <p>15170 - Women's equality organisations and institutions</p> <p>16020 - Employment creation</p> <p>16050 – Multi-sector aid for basic social services</p> <p>21010 – Transport policy and administrative management</p> <p>22020 – Telecommunications</p> <p>23010 – Energy policy and administrative management</p> <p>23183 - Energy conservation and demand-side efficiency</p> <p>23210 - Energy generation, renewable sources - multiple technologies</p> <p>23630 - Electric power transmission and distribution</p> <p>24030 - Formal sector financial intermediaries</p> <p>25030 - Business development services</p> <p>31110 - Agricultural policy and administrative management</p> <p>31120 - Agriculture development</p> <p>32130 – SME development</p> <p>41010 – Environment policy and administrative management</p> <p>52010 – Food assistance</p>
8 b) Main Delivery Channel @	<p>13000 – Third Country Government (Delegated cooperation)</p> <p>40000 – Multilateral organisations</p> <p>42000/42004 – European Investment Bank (EIB)</p> <p>46000 – Regional Development Bank</p> <p>46015 – European Bank for Reconstruction and Development</p> <p>47000 - Other multilateral institution</p>

9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers @	Not targeted	Significant objective	Principal 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"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	/
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Tags	YES	NO	/

digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
transport	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

BUDGET INFORMATION

12. Amounts concerned	Budget line(s) (article, item): 14.020110 Total estimated cost: EUR 180 000 658.00 Total amount of EU budget contribution : EUR 180 000 658.00
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MANAGEMENT AND IMPLEMENTATION

13. Implementation modalities (type of financing and management mode)	<u>Indirect management</u> This contribution to the Neighbourhood Investment Platform (NIP) shall be implemented in indirect management by the entities indicated in section 4.3.1 in accordance with the Neighbourhood Investment Platform's award procedure.
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1.2. Summary of the Action

The Neighbourhood Investment Platform (NIP) is a blending facility, combining European Union grant contributions or financial instruments, with other public and private sector resources such as loans and equity in order to leverage additional non-grant financing. It forms part of the European Fund for Sustainable Development Plus (EFSD+) as foreseen in Article 32 of the NDICI – Global Europe Regulation.

The key objective of the NIP is, within the framework of the NDICI – Global Europe Regulation, the EuroMed partnership and the Eastern Partnership, to contribute to achieving the Sustainable Development Goals (SDGs), creating sustainable jobs and infrastructures, and addressing some root causes of migration.

To achieve this objective, vital capital investments must be made to rehabilitate, modernise or build essential infrastructures needed for safe and efficient transport of goods and people; enhance food security and resilience to shocks; safe production, transport and consumption of energy; effective environmental protection (in particular to ensure the quality of air, water and soil); sustainable waste management; climate change-related issues, and digital transformation of societies. In addition, capital is need for the provision of basic social services such as health and education; as well as economic growth through the support to private sector development, in particular micro, small, and medium size enterprises (MSMEs).

The projects financed in the framework of the NIP shall greatly contribute to key Flagships identified in the Economic and Investment Plan⁷ annexed to the Joint Communication of the Commission and the High Representative on a Renewed partnership with the Southern Neighbourhood⁸.

⁷ Renewed partnership with the Southern Neighbourhood – ‘A new agenda for the Mediterranean’ JOIN(2021)2

⁸ SWD(2021) 23 final

2. RATIONALE

2.1. Context

In accordance with Regulation (EU) No 947/2021 of the European Parliament and the European Council⁹ ('NDICI – Global Europe Regulation'), the European Union shall seek the most efficient use of resources available in order to optimise the impact of its external action. That should be achieved through coherence and complementarity between the Union's instruments for external action, as well as the creation of synergies between the instruments, and, where appropriate, the use of financial instruments that have leverage effect. Furthermore, in accordance with Art. 8 of the Treaty on the European Union (TEU), the Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.

The adoption of the new Multiannual Financial Framework 2021-2027 and the Neighbourhood, Development and International Cooperation Instrument – Global Europe sets a new legal framework whose objective is to uphold and promote the Union's values and interests worldwide, in order to pursue the objectives and principles of its external action, as outlined in the Article 3(5), 8 and 21 of the TEU.

When establishing its relations with the Southern Neighbourhood, the Union has adopted and is currently reviewing joint documents, while at regional level, the Agenda of the Union for the Mediterranean (UfM) and the UfM Roadmap, as well as other regional priorities, will continue to inspire the identification of regional interests and activities for the Euro-Mediterranean partnership. This partnership remains a strategic imperative for the Union, as the challenges the region continues to face require a common response, especially considering the long and short-term effects of the war in Ukraine and the COVID-19 pandemic.

The Joint Communication of the Commission and the High Representative on a Renewed partnership with the Southern Neighbourhood and its Economic and Investment Plan was adopted on 9 February 2021. It proposed a new, ambitious and innovative Agenda for the Mediterranean drawing on the full EU toolbox in order to relaunch our cooperation turn the common challenges into opportunities and realise the untapped potential of our shared region. It also focused on measures aiming to mitigate the long-term impact of the COVID-19 pandemic and reflected the Commission's objective of ensuring a recovery in a sustainable manner.

Moreover, in September 2020, leaders from Bahrain, Israel and the United Arab Emirates signed agreements to normalise their diplomatic relations (the so called "Abraham Accords"). On 10 December 2020, Israel and Morocco also signed a similar normalisation agreement. These series of agreements, opening up relations between Israel and three Arab states, are contributing to an important shift in the region in which these Arab states choose to cooperate more closely with Israel on various topics such as security, trade, energy and environmental issues. The open character of the new relations allows for cooperation, also on a people-to-people level. While the benefits of this regional normalisation are still to materialise for the Middle East Peace Process, the first agreement with the UAE coincided with the indefinite postponement of Israel's official plan to annex parts of the West Bank. The EU seeks to encourage and build upon the recent establishment of diplomatic relations between Israel and a number of Arab countries.

In December 2021, the Joint Communication "Global Gateway"¹⁰ has underlined the ever-growing necessity for countries to invest and develop the infrastructure they need to create sustainable prosperity, jobs and services for their local communities. This global need for infrastructure not only holds the key for sustainable

⁹ Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument

¹⁰ Global Gateway – JOIN(2021)30 final (01/12/2021)

development across the world but is a crucial part of the puzzle for fighting climate change and protecting the environment, improving global health security and boosting the competitiveness of the world economy. Global Gateway aims at working around the world, adapting to the needs and strategic interests of different regions, while remaining values-driven. It focuses on physical infrastructure – such as fibre optic cables, clean transport corridors, clean power transmission lines - to strengthen digital, transport and energy networks. It also provides an enabling environment to make sure projects deliver, by offering attractive investment and business friendly trading conditions, regulatory convergence, standardisation, supply chain integration, and financial services.

Blending, via the NIP still aims at mobilising private and public investments to partly implement the objectives of the Joint Communication of the Commission and the High Representative on a renewed partnership with the Southern Neighbourhood and its Economic and Investment Plan, and the Global Gateway for the Southern Neighbourhood region.

Finally, Russia's unjustified and unprovoked aggression against Ukraine since 24 February 2022 has contributed to the emergence of a new diplomatic landscape, where risks of fragmentation are exacerbated by the increasingly severe economic consequences of the conflict on numerous countries: food insecurity, limited access to energy and raw materials due to trade disruptions, as well as macro-economic repercussions such as high inflation and rising debt levels are affecting many countries directly or indirectly, and the Southern Neighbourhood is one of the regions hardly affected. The economic consequences of these adverse supply shocks could in some countries spark social unrest and political destabilisation. In this challenging context it is crucial for the EU to engage with third countries as a reliable partner and a constructive global actor striving for the cohesion of the international community.

Based on the above-described context, the European Commission renews the NIP through the NDICI, in support to the implementation of the cooperation frameworks defined for bilateral assistance such as Partnership Priorities (or equivalent documents) and the NIP Strategic Orientations for 2021-2027 (being approved by the NIP Board on 16 June 2022).

2.2. Problem Analysis

Short problem analysis

The Joint Communication highlights as one of the priorities of the EU cooperation with Southern partner countries to spur their long term socio-economic recovery and to strengthen their resilience, to support the green and digital transition by investments; and to develop employment opportunities, in particular for the youth and women. The dramatic impact of the war in Ukraine on Southern partner countries' socioeconomic context can only but reaffirm these priorities. The EU is committed – in partnership with European and International Finance Institutions – to promote investments and development initiatives that contribute achieving inclusive growth and to improving the living conditions of citizens, in line with the principles outlined by the European Green Deal¹¹. Moreover, actions to strengthen partnerships with the private sector should be promoted, and the use of innovative approaches such as blending grants, loans, and guarantees, as an essential way of leveraging additional resources and increasing the impact of the EU's aid should be fostered.

For many years, the Southern Mediterranean region is facing governance, socio-economic, climate, environmental and security challenges, many of which result from global trends and call for joint action by the EU and Southern Neighbourhood partners. Protracted conflicts continue to inflict terrible human suffering, trigger significant forced displacement, and weigh heavily on the economic and social prospects of entire

¹¹ The European Green Deal – COM(2019)640 final (11/12/2019)

societies. Economic growth in the Southern Neighbourhood has not kept pace with demographic growth. The region has one of the lowest levels of regional economic integration in the world. Unsustainable use of natural resources and climate change jeopardise access to water, food, and energy, accelerate desertification and loss of biodiversity, and threaten lives and livelihoods. Significant economic and gender inequalities persist, and governments struggle to meet the aspirations of today's youth.

This fragile situation has been recently aggravated by the impact of the war in Ukraine. The disruptions of supply chains and trade flows have already put huge pressure on the markets, finances, stocks, producers, and consumers in the region. Moreover, prices for food, commodities and energy have risen. The economic impact of the war on the region is already very significant and visible as many countries have close economic ties with and dependencies on Russia and Ukraine.

Moreover the Southern Neighbourhood region is one of the most food imports-dependent regions in the world. Food essentials' shortage, rising commodity and food prices or reduced subsidies may not only lead to economic crisis, but also to hunger among the poor; particularly in Egypt, Syria, Lebanon, Libya, Morocco and Tunisia, which rely on Russia and Ukraine for their wheat imports. Combined with a severe draught in some countries, these dynamics affect heavily the already fragile post-COVID-19 recovery and may cause social unrest and in some instances tensions between local and refugee populations. In addition, oil-poor countries are negatively affected by rising energy prices and might have to devalue their national currencies' exchange rates to compensate for rising prices.

The current state of the legal and regulatory framework, as well as the fragile public finance situation, aggravated by the consequences of the COVID-19 pandemic, the war in Ukraine and reduced fiscal space of many partner countries tend to limit both the private and public sector's investment capacities and level of borrowing. Furthermore, some countries are already nearing the debt ceilings agreed with the International Monetary Fund (IMF). Therefore particular attention should be paid when approving specific proposals in order to help preserving the long-term debt sustainability.

The NIP will continue to be used to mobilise funding for the response to the COVID-19 pandemic and the impact of the war in Ukraine in the Neighbourhood, following a Team Europe approach. It is crucial for EU relations with Neighbourhood partner countries that necessary financial support is provided, in particular public infrastructure investments and private sector development, mitigating the economic downturn and reducing adverse long-term impact. This response will build on existing NIP instruments and facilities that can deliver fast and tangible results. The NIP will also contribute to the efforts to get back to a normal functioning of societies and economies and to sustainable growth, integrating inter alia the green transition and the digital transformation in the Neighbourhood region.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action

The final beneficiaries of the NIP will be the partner countries directly or indirectly, either through their central, regional and local administrations or semi-public institutions. Other beneficiaries will be the private sector, and in particular MSMEs, for categories of operations dedicated to the private sector development. Multilateral, national, International and European development finance institutions will be direct partners and crucial stakeholders of the Platform.

2.3. Lessons Learned

Allocations to the NIP from the Union's budget have reached since 2008 a total of EUR 2,023 billion for the Southern Neighbourhood. Additionally, Member States have contributed to the NIP Trust Fund with a total of EUR 87.75 million. This has enabled the launching of 128 projects with NIP support. The NIP has

succeeded in mobilising approximately EUR 16.6 billion of financing from European and International Financial Institutions since 2008 for the Southern Neighbourhood, with a total investment amount of circa EUR 27.1 billion, leveraging approximately 12.1 times in investment for every euro provided by the NIP.

The success of the NIP as an instrument in the Southern Neighbourhood to leverage investments and achieve greater development impact is also evidenced by a greater demand for resources and in top-ups from the regional and bilateral budgets.

An overall evaluation on blending was conducted between July 2015 and July 2016¹² incorporating all regional investment facilities active during the period 2007-2014. The findings of the evaluation presented some recommendations on how to further improve the use of the blending and aid modality as follows:

- Focus more on the additionality of the blending operations;
- Expand the number and specialisation of IFI/EUFI partners;
- Sharpen the alignment of the blending projects with national policies and priorities;
- Expand the use of risk-sharing instruments in view of pro-poor and pro-development risk taking;
- Improve the development impact of blending projects by placing greater focus on job creation and poverty alleviation.

A second evaluation mission is under implementation to assess the overall impact of NIP projects in the period 2015-2021. Results will be available at the end of 2022 and will be considered for the preparation of subsequent NIP Programs.

3. DESCRIPTION OF THE ACTION

NDICI-Global Europe defines the scope of geographic programmes, under which the NIP is financed, as including the following sectors: a) good governance, democracy, the rule of law and human rights, including gender equality; b) eradicating poverty, fighting against inequalities and discriminations, and promoting human development; c) migration, forced displacement and mobility; d) environment and climate change; e) inclusive and sustainable economic growth and decent employment; f) peace, stability and conflict prevention; and g) partnerships.

3.1. Objectives and Expected Outputs

The key objective of the NIP is, within the framework of the objectives of the European Neighbourhood Policy (ENP), the Global Gateway, and the NDICI, to contribute to achieve the Sustainable Development Goals (SDGs), thus creating sustainable jobs, focusing on promoting additional investments in sustainable infrastructure in transport, energy, environment, contributing to mitigation and adaptation to climate change, and addressing some root causes of migration. The NIP will furthermore support social and private sector development in the Neighbourhood. In particular the NIP will support the growth of MSMEs by making available a range of financial instruments, notably through risk-sharing capital mechanisms under the EFSD+ guarantee mechanisms.

From an economic point of view, blending and budgetary guarantees will serve distinct purposes and will be complementary to each other. The main purpose of the NIP is to provide concessionality ('softening' of financial terms) to investment projects through blending grants, notably technical assistance grants and investment grants. The EU contribution should be the minimum necessary in order to render the project in question economically and financially viable, as per the principle of 'minimum concessionality'. The key

¹² Evaluation of Blending – [Final Report \(December 2016\)](#)

objective of EFSD+ guarantees is to reduce risk for implementing partners and/or other investors in order to increase investment capacity in the region and crowd in public and private sector investments.

Depending on the nature of the investment project or investment programme in question, the EFSD+ will make it possible to combine blending interventions with budgetary guarantees.

The leverage effect of the NIP funding is expected to be at least 4 to 5 times the amount of the NIP contributions. The input of the Finance Institutions will increase the leverage effect on policy dialogue and additional resources to be directed towards the Neighbourhood beneficiary countries. Operations financed by Finance Institutions pooling their loan resources in combination with NIP support will allow increasing risk and crediting ceilings to the benefit of the partner countries and promote the financing of categories of investments, which at present cannot be financed either by the market or by development Finance Institutions separately.

The objectives and expected outputs are also based on the NIP Strategic Orientations for 2021-2027, which take into account:

- Previous sets of NIP Strategic Orientations (2007-2010; 2011-2013; 2014-2020);
- Evaluations of the NIP Operations in the period 2014-2020, including the 2014 European Court of Auditors' Special Report on the Commission's external blending instruments, the 2016 DEVCO Strategic Evaluation of Blending (2007-2014), including the NIP and the 2021 Results Data Collection (RDC) exercise for the Neighbourhood region
- EFSD+ ex-ante assessment discussing the most efficient ways of deploying budgetary guarantees and blending support in the period 2021-2027, based on an analysis of market failures and suboptimal investment situations.

These conditions will be consulted with the relevant regional operational boards.

Priorities in the Southern Neighbourhood have been further developed along key cooperation sectors: a) green, blue and natural resources, b) transport, connectivity and municipal infrastructure, c) private sector development, d) public and social sector developments, e) digital transition and f) food security.

Priority areas for support

The NIP will support projects prepared by eligible European and International Financial Institutions, in line with the key strategic objectives of the EU aiming to contribute to achieving the SDGs.

a. Green transition and natural resources:

Investments in this sector will address the following SDGs: No 6 "Clean water and sanitation"; No 7 "Affordable and clean energy"; No 9 "Industry, innovation and infrastructure"; No 13 "Climate action"; No 14 "Life below water"; and No 15 "Life on land".

Key investment areas will include renewable and sustainable energy (including clean hydrogen), enhanced electricity interconnections, with the finality of greening the energy mix, boosting energy efficiency and ensuring energy security in the Southern Neighbourhood.

Projects in natural resources management will include safeguarding water, particularly in rural areas. Water sector infrastructure investments will continue being highly relevant for all countries in the Southern Neighbourhood, where water scarcity is a major burden for economic growth.

Investments will, to the maximum extent, account for research and innovation actions, particularly in the context of the UfM adopted roadmap on renewable energy and climate change, acknowledged in the declaration adopted at the 1st UfM Research and Innovation Ministerial meeting (June 2022).

Increasing urbanisation in many Southern Neighbourhood countries also requires enhanced infrastructures for the provision of public services such as waste management, wastewater treatment and overall demand-side management of resources. Investments will thus also target regional development and enhanced municipal services, notably via the implementation of Sustainable Energy and Climate Action Plans (SECAPs) and urban residential rehabilitation programmes.

Significant opportunities exist to use digital technologies to support the green and blue transition, i.e. by better monitoring the environment, increasing the transparency of the environmental footprint, optimising the value chains and supporting citizen-driven approaches.

b. Transport, connectivity and municipal development

This domain will address the following SDGs: No 9 “Build resilient infrastructures”; No 10 “Reduced inequalities”; No 11 “Sustainable cities and communities”.

Investments in this sector aim to strengthen core transport links at continental, regional (including via the future Trans-Mediterranean Transport Network to be connected with the TEN-T), national and local levels (such as sub-national regions and tier-2 cities) by promoting access for all to qualitative infrastructures based on digital and low carbon emission solutions. Cooperation in this sector also has the key finality of improving air, road, rail, maritime, and inland waterway connections, and the usage that people and businesses can make of these connections.

c. Private sector

This domain will contribute towards all SDGs, as all operations will chiefly be aimed at crowding in private sector actors and investments. Activities in this sector will particularly contribute towards SDGs No 8 “Decent work and economic growth”; No 9 “Industry, innovation and infrastructure”; No 12 “Responsible consumption and production”.

Support to MSMEs will feature highly, as these are the main employment providers in the Neighbourhood region. Activities will support MSMEs capacity in accessing finance by improving their bankability variables (such as their financial sustainability, collaterals and compliance with financial regulatory requisites), and therefore opportunities for financial inclusion. Activities will pay particular attention to underserved market segments — such as women-owned business and young entrepreneurs—, social businesses; as well as innovative, digitally-enabled and climate-smart companies.

Targeted beneficiaries will be at different development stages (e.g. start-ups, business angel investors, venture capital and mature equity). Activities will also strive to integrate MSMEs in value chains ecosystems within the EU, allowing them to increase their value-adding potential.

d. Public and social sectors (including health)

This domain will directly contribute to SDGs No 3 “Good Health and wellbeing”, No 4 “Quality education” and No 10 “Reduced inequalities”. It includes all topics addressing social impact, including social protection (protection or assistance systems), education (including Technical and Vocational Education and Training (TVET), secondary and higher education), sanitary (health), living conditions (affordable and green housing, urban residential rehabilitation) and provision of e-services, including e-health, in particular to remote and rural communities. Following the COVID-19 pandemic, a specific support to the pharmaceutical sector could possibly be considered.

e. Digital transition

This domain will address the following SDGs: No 8 “Decent work and economic growth”; No 9 “Industry, innovation and infrastructure” and 10 “Reduced inequalities”.

Investments in this area will aim to accelerate universal access to affordable broadband and open internet. This will not only allow citizens to move into the digital age, but also provide opportunities for companies to improve their use of key digital technologies (including Cloud, AI, Big Data), facilitate access to finance and business support services to boost digitally enabled entrepreneurship. E-services will be deployed at a faster pace, contributing to the development of digital economies for achieving SDGs. At the same time, projects in this sector will feed the objectives of other priority areas in this NIP.

f. Food security

This domain will address the following SDGs: No 2 “Zero hunger” and 10 “Reduced inequalities”.

Investments in this area will aim at supporting people – and specifically the most vulnerable groups (women, children, refugees) - in meeting their basic needs (in particular considering the impact of the war in Ukraine on food security). Actions will also contribute to enhancing countries’ resilience to commodity shortage emergencies, while implementing more sustainable agricultural practices (improved agriculture yields thanks to modernised equipment along the whole value chain, larger and more climate-resilient storage capacities, better access to market for seeds and green fertilizers, agriculture diversification...). Investments will also provide gender-sensitive innovative solutions to the lack of financing mechanisms adapted to farmers, fishermen and agri-entrepreneurs, particularly for smallholders, cooperatives and agricultural MSMEs.

The expected results of the NIP are increased investments in the above-mentioned sectors, contributing to:

a. Better and more sustainable energy infrastructure, notably:

- Greening of the energy mix (solar, wind, renewable hydrogen),
- Decentralised renewable energy and industrial decarbonisation,
- Increased energy efficiency in key sectors of the economy,

Increased protection of the environment and resilience against natural and man-made disasters, in synergy with low-carbon development, notably:

- Better and more sustainable use of land,
- Increase of nature-based solutions,
- Enhanced water sector management (supply and demand),
- Better waste and wastewater management systems, in line with the principles of circular economy, including necessary related infrastructures,
- Better irrigation systems (nexus food-water-energy),
- Implementation of Sustainable Energy and Climate Action Plans (SECAPs),
- Promotion of climate change-related investments.

b. Better and more sustainable transport infrastructures, notably:

- Increase of sustainable and smart mobility (including the Trans-Mediterranean Transport Network) with a focus on active mobility,
- Better regional transport infrastructures, as identified in the "Strategic Corridors and Urban Systems in Africa" (CUSA), the Programme for Infrastructure Development in Africa (PIDA), the Union for the Mediterranean Regional Transport Action Plan (UfM RTAP) and other sub-regional plans, including the links with the adjacent strategic corridors in Sub-Saharan Africa,
- Promotion of low-carbon emission solutions,
- Adoption in infrastructure projects of international transport standards, regulations to ensure optimum interoperability and maintenance measures, in line with those arising from the relevant component of

the Africa Continental Free Trade Agreement (AfCFTA) negotiations and the deployment of the Single African Transport Market (SAATM).

- c. Creation and growth of MSMEs, and improvement of the employment situation and support to trade facilitation, notably:
- Foster the capacity of MSMEs to match eligibility criteria by financial service providers to pave the way for financial inclusion (financial sustainability, collaterals, regulatory pre-requisites),
 - Support to MSMEs through the use of risk-sharing mechanisms by investing in private equity, venture capital funds, microfinance, guarantees, and other innovative financial instruments,
 - Support to human capital development, TVET, higher education, and specialised infrastructure,
- d. Improved social services and infrastructures, notably:
- Better access to healthcare and improved health services infrastructures in both urban and rural areas,
 - Improved education and TVET facilities,
 - Improved vocational training facilities.
- e. Sustainable, human-centric digital transformation, notably:
- Development of secure and sustainable digital infrastructures, available across territories,
 - Reduction of the digital divide and increased access to digital services for women, youth and rural communities
 - Increased opportunities for digital skills development in formal education and TVET, and funding for digital entrepreneurship,
 - Increased uptake of digital technologies by companies, in particular SMEs,
 - Increased availability of digital public services, including e-health, in particular for rural populations.
- f. Food security, notably:
- Reduced number of people in malnutrition,
 - Increased agricultural yields, output and income together with increased agriculture diversification,
 - Increased local food conservation (e.g. climate resilient storage facilities...), processing and value adding,
 - Number of new sustainable jobs and income-generating activities in rural and peri-urban areas,
 - Better access to financing mechanisms adapted to farmers, fishermen and agri-entrepreneurs, particularly for smallholders, cooperatives and agricultural MSMEs.

3.2. Indicative Activities

This Action Document concerns the 2022 EU contribution to the NIP for the Southern Neighbourhood, amounting to EUR 180 000 658.00. The contribution includes funds from the Southern Neighbourhood regional and bilateral programmes. The 2022 EU contribution for the Southern Neighbourhood includes the following:

- An allocation of EUR 80 000 000.00 from the NDICI to the NIP, in order to support investments in line with the NIP Strategic Orientations;
- An allocation of EUR 26 000 658.00 from the Southern Neighbourhood regional co-operation programme to the NIP, to support indicatively SME's/private sector development and/or investments in renewable energy/energy efficiency;
- An allocation of EUR 67 000 000.00 from Tunisia bilateral cooperation for investments indicatively in energy, private sector development, and agriculture in order to support the response to the food crisis resulting from the war in Ukraine;
- An allocation of EUR 7 000 000.00 from Palestine bilateral cooperation for investments indicatively in private sector development.

Considering the Union’s indicative commitment to dedicate 40% of budget expenditure under the NDICI – Global Europe Regulation to climate objectives, an appropriate contribution to this objective through blending operations under the NIP will be promoted. Interventions financed by the NIP will be aligned as much as possible with partner countries’ climate objectives, as for instance expressed in the Nationally Determined Contributions and/or Climate Adaptations Plans.

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

- Direct investment grants;
- Interest rate subsidies;
- Guarantees;
- Technical assistance;
- Risk capital operations;
- Any other risk sharing mechanisms.

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

In the future, the deployment of EFSD+ guarantees schemes at regional level might require dedicated technical assistance to accompany the guarantees’ implementation. Should the occasion arise, this Action shall provide the necessary funding for such technical assistance, subject to the favourable opinion of the EFSD+ Regional Operational Board.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

According to Article 25.5 of NDICI-Global Europe Regulation: “Appropriate environmental screening, including for climate change and biodiversity impacts, shall be undertaken at the level of actions, in accordance with the applicable legislative acts of the Union, [...], comprising, where applicable, an environmental impact assessment, including the impact on climate change, ecosystems and biodiversity, for environmentally sensitive actions, in particular for major new infrastructure”.

Gender equality and empowerment of women and girls

The Gender Equality and Women’s Empowerment in External Action 2021-2025¹³ aims at promoting gender equality and women’s empowerment throughout all EU external action. Furthermore, in the sustainable development framework, gender equality is a specific goal and cross-cutting vector for achieving the Agenda 2030 for sustainable development (SDG No 5 “Gender equality”).

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G.1. This implies that gender equality and empowerment of women and girls will be mainstreamed and integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying each action.

Disability

¹³ EU Gender Action Plan (GAP) III – An ambitious agenda for Gender Equality and women’s empowerment in EU external action – JOIN(2020)17 final (25/11/2020)

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disabilities will be mainstreamed where relevant in the design of individual actions, but will not be included in the sets of indicators accompanying these actions.

Other considerations

Human Rights, democracy, conflict sensitivity, peace and resilience and disaster risk reduction will be integrated in the design of individual actions, whenever relevant, and will be included in the set of indicators accompanying these actions.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1 ¹⁴	External debt unsustainability as some countries in the Southern Neighbourhood are already close to the debt limit set by the IMF	Moderate to high	Moderate to high	Regular monitoring in line with IMF guidelines and recommendations

External Assumptions

- A stable political and security climate at regional level in general and at country level in particular is needed to promote and secure investments.
- Partner countries are ready to increase the level of investments on their own resources as well as through loans.
- The pipelines of operations are of sufficient quality and volume and provide sufficient added value.
- Partner countries and other local beneficiaries are supportive to the projects prepared by the eligible Finance Institutions.

3.5. Intervention Logic

The underlying intervention logic for this action is that – in line with section 4.3.1 – each Lead Financial Institution will be awarded a contract for an individual operation, based on its operational and financial capacity and reflecting the overall NIP Strategic orientations. Each individual action will be accompanied by a set of indicators adapted to the specificities of this action.

The strategic orientations and the implementation modalities of each action will be discussed with beneficiary countries in dedicated strategic meetings, under the ownership principle of the EU’s development cooperation. Strategic discussions with Member States, beneficiary countries and relevant regional organisations will take place. Financial Institutions will participate to the discussions as observers.

¹⁴ Risk related to the external environment

3.6. Indicative Logical Framework Matrix

N/A as will be defined for each individual project.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, financing agreements may be concluded with the partner countries.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 240 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

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 measures¹⁵.

4.3.1. Indirect management with pillar assessed entities: Contribution to the Neighbourhood Investment Platform (NIP South)

This Contribution to the Neighbourhood Investment Platform (NIP South) (a blending facility within the meaning of Article 159 of Regulation (EU, Euratom) 1046/2018) may be implemented under indirect management with the entities, called Lead Finance Institutions, whenever possible under the lead of the EIB, a multilateral European Finance Institution such as the European Bank for Reconstruction and Development (EBRD), or a bilateral European Finance Institution, e.g. bilateral development banks.

The following European Lead Finance Institutions are recognised as eligible to the extent they have fulfilled relevant conditions under the pillar assessment process:

- [European Investment Bank \(EIB\)](#)
- [European Bank for Reconstruction and Development \(EBRD\)](#)
- Nordic Environment Finance Corporation (NEFCO)
- Agence Française de Développement (AFD)
- [Kreditanstalt für Wiederaufbau \(KfW\)](#)
- [Österreichische Entwicklungsbank AG \(OeEB\)](#)
- [Società Italiana per le Imprese all'Estero \(SIMEST\)](#)
- [Sociedade para o Financiamento do Desenvolvimento \(SOFID\)](#)
- [Agencia Española de Cooperación Internacional para el Desarrollo \(AECID\)](#)

¹⁵ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)
- Cassa depositi e prestiti S.p.A., (CDP)
- Bank Gospodarstwa Krajowego (BGK)
- Agenzia Italiana per la Cooperazioneallo Sviluppo (AICS).

Proposals from other European Lead Finance Institutions that have fulfilled relevant conditions under the pillar assessment process shall also be welcomed, in the spirit of Article 8(7) of the NDICI – Global Europe Regulation.

In addition, the following International Lead Finance Institutions are recognised as eligible to the extent they have fulfilled relevant conditions under the pillar assessment process. Their involvement as lead implementing partners is foreseen subject to the provisions of Article 27(7) of the NDICI – Global Europe Regulation:

- International Finance Corporation (IFC)
- International Fund for Agricultural Development (IFAD)
- African Development Bank (AfDB).

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act 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 on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Indirect management with pillar assessed entities: Contribution to the Neighbourhood Investment Platform (NIP South) cf. section 4.3.1	180 000 658.00
Totals	180 000 658.00

4.6. Organisational Set-up and Responsibilities

See section 4.3.2 above.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. 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 Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

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).

Roles and responsibilities for data collection, analysis and monitoring: At the level of individual operations, data collection, analysis and monitoring will be carried out under the responsibility of the Lead Financial Institution, and will be organised according to the requirements of each project. These elements will be communicated to the Commission through the release of annual project reports.

5.2. Evaluation

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

In the past, a mid-term evaluation of the NIP took place (in 2013, covering the period 2008-2011). The European Court of Auditors published in 2014 a Special Report on the Commission's external blending instruments, including the NIP. In 2016, DG DEVCO published the Strategic evaluation of Blending (2007-2014), that also included the NIP.

An overall evaluation on blending was conducted between July 2015 and July 2016 incorporating all regional investment facilities active during the period 2007-2014.

More recently (2021), an evaluation was launched of the implementation of blending in the EU Neighbourhood between 2015 and 2021. Results will be available at the end of 2022 and will be considered for the preparation of subsequent NIP programmes and projects.

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

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. 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.

5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

For communicating on Team Europe Initiatives, the EU and its Member States can rely on the specific guidance on the Team Europe visual identity.