## EUROPEAN COMMISSION EUROPEAN EXTERNAL ACTION SERVICE

## VADEMECUM ON FINANCING IN THE FRAME OF THE EASTERN PARTNERSHIP

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## PART I An Overview of the Eastern Partnership

#### 1. Introduction

The Eastern Partnership (EaP) launched in Prague on May 7, 2009 foresees a substantial upgrading of the level of engagement of the EU with the six Partner Countries in the East (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine). To address the *new* co-operation needs specifically linked to the Eastern Partnership, the Commission has earmarked  $\leq$  600 million for the period 2010-2013, including  $\leq$  350 million of fresh funds. This  $\leq$  350 million top up adds to existing funds for the six Partner Countries within the framework of the European Neighbourhood and Partnership Instrument.

Various stakeholders including Partner Country administrations, EU Member State administrations and civil society organisations have requested practical information about the use of these funds, such as: What activities will receive financial support? How does one go about obtaining funding for a project? What requirements must be met? What procedures must be followed?

The present vademecum aims to provide straightforward answers to such questions and to guide the reader to sources of more detailed information.

#### 2. What will be financed?

The €600 million earmarked for the EaP are part of the European Neighbourhood and Partnership Instrument (ENPI) and the rules guiding their programming and implementation are those set up in the ENPI Regulation<sup>1</sup>. The funds constitute about a quarter of the total funding that will be made available to Eastern Partnership countries over the period 2010-13.

These resources will be used for three main purposes:

- Comprehensive Institution Building programmes aimed at supporting Partner Countries reforms (approximately €175 million);
- Pilot regional development programmes aimed at addressing regional economic and social disparities within Partner Countries (approximately €75 million);
- Implementation of the *Eastern Partnership multilateral dimension* in the framework of the ENPI Regional East Programme 2010-2013 (approximately € 350 million).

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<sup>&</sup>lt;sup>1</sup> Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, O.J. L310 of 9.11.2006, p.1

#### Comprehensive Institution Building programmes (CIB)

The Association Agreements (that include *inter alia* the establishment or the objective of establishing a DCFTA- Deep and Comprehensive Free Trade Agreement) and the long term goal of visa liberalisation require considerable further reform efforts within the Partner Countries' institutions which implement the related obligations. The *Comprehensive Institution Building* programmes under the Eastern Partnership aim to support this process. The preparation of CIB programmes and initial activities have started in 2010.Implementation of the CIB programme is foreseen starting with 2011, subject to timely signature of Financing Agreements with Partner Countries.

Twinning will be at the core of the implementation of the CIBs. Other possible measures may include high-level advice, training and exchanges, professional placements and internships, secondment of personnel to sister-institutions in interested Member States, scholarships for professional training. Funding can also be made available for equipment complying with EU norms and specialised infrastructure (e.g. laboratories) needed for their operation.

#### Pilot Regional Development Programmes

Some EaP Partners have structural problems stemming from sharp economic and social disparities between their regions and population groups. To address these challenges, funding will be provided to support pilot regional development programmes addressing local needs for infrastructure, human capital, and small and medium sized enterprises (SMEs) modelled on EU cohesion policy. The programmes will be based on the needs of the respective Partner Country and take into account its territorial organisation. It is expected that these programmes will be agreed between the Commission and the Partner Countries by mid 2012.

### Supporting the Eastern Partnership multilateral dimension

The Eastern Partnership adds a new multilateral dimension to the co-operation between the EU and the six Eastern Partners. It introduces a new co-operation framework based on four policy Platforms; namely on democracy, good governance and stability; economic integration and convergence with EU policies; energy security; and contacts between people, with the aim of bringing the partners closer to the EU. It also establishes a Civil Society Forum. Finally it foresees the launch of a number of Flagship Initiatives in the following areas: Integrated Border Management; support to Small and Medium-sized Enterprises (SMEs); Civil Protection; Electricity interconnections /Energy efficiency /Renewable Energy Sources and Environmental Governance.

EU support to Flagship Initiatives will come mainly in the form of projects in the framework of the Regional East Programme 2010-2013.

Alongside these new initiatives continuous support will be provided to existing regional initiatives on energy and transport such as INOGATE and TRACECA.

#### 3. Who will benefit?

State level public administrations will be the main beneficiaries of EaP assistance The CIB will be specifically designed to support capacity building in core institutions and a number of the activities financed under the Regional East Programme will promote exchange and networking between such institutions of different countries.

Local level public administrations will also benefit from assistance notably under the pilot regional development projects and through the new trans-border cooperation programmes to be established at the borders between Partner Countries. They will also benefit from assistance in the area of sustainable energy in particular through targeted support to ENP cities that join the Covenant of Mayors Initiative.

Civil Society Organisations (CSOs) in general may benefit from the implementation of the Pilot Regional Development and new trans border cooperation programmes at the borders between Partner Countries. CSOs active in the areas of Youth and Culture will be among the beneficiaries of a Culture programme and of a programme dedicated to Youth.

Small and Medium Size enterprises (SMEs) will benefit from the SME Flagship Initiative which will provide management and business advisory services. In addition the SME Facility to be established by the EIB and the EBRD will provide loans and risk capital to SMEs.

In the following paragraphs, the institutions receiving assistance are referred to as "beneficiary" or "recipient". These may or may not be the institutions implementing the project (see next section).

#### 4. Who will implement?

The financial responsibility for tendering and contracting the activities financed through the ENPI will be with the European Commission and in particular with the EU Delegations in Partner Countries for procedures launched at country level and with EuropeAid for procedures launched at regional level. Typically contracts are awarded through public tenders (for services, works or supplies) and are implemented by commercial operators (eg., consultancy firms, equipment suppliers, or construction firms depending on the nature of the contract); Grants, are awarded through Calls for Proposals and are implemented by the grant beneficiaries themselves; Twinning projects are implemented jointly by Partner Countries and Member States' administrations. The procedures guiding the award of contracts and grants are detailed in the Practical Guide to Contract procedures for the EC External Actions (PRAG).

For further information on implementation procedures and on the Practical Guide, click on the following link:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical\_guide/index\_en.htm

For further information on the Twinning instrument, click on the following link:

http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning en.htm

## 5. Timing

The €600 million of EaP financing, as proposed in the Communication on the Eastern Partnership, will cover a four year period with a growing profile (see below).

### Indicative breakdown of EaP financing 2010-2013

	2010	2011	2012	2013	Total
Eastern Partnership Funding	85,0	110,0	175,0	230,0	600,0

The implementation of the *Eastern Partnership* multilateral dimension has started in 2010. As of 30 June 2010 four (out of five) Flagship Initiatives have been launched (Integrated Border Management; Regional Energy Markets, Energy Efficiency and Renewable sources; PPRD – Civil Protection; Environmental Governance). The launch of the SME Flagship initiatives is foreseen for the 2nd half of 2010.

The funds allocated in the 2010 EU budget for the EaP multilateral dimension will further contribute to the Integrated Border Management, Support to SMEs and Energy Efficiency Flagships, and will support the activities of the EaP Platforms and the Civil Society Forum. They will also support the set up of a Facility with the Council of Europe to benefit EaP partners.

The implementation of the *Comprehensive Institution Building programmes* is foreseen to start in 2011.

The implementation of the *Pilot Regional Development Programmes* is envisioned for 2012.

As a general rule funding will become available for tendering and contracting in the second half of each year and contracts (or grant agreements, as applicable) are signed in the following year.

## PART II Frequently asked questions (FAQs)

## 6.1 How will the EaP funding be allocated to the six Partner Countries?

In accordance with Art. 7 of the ENPI Regulation, funds are allocated on the basis of a number of criteria reflecting the "needs" and the "reform performance" of Partner Countries. These criteria have also been used to allocate the "bilateral" component of the EaP funds (CIB and Regional Development). The financial envelope to support the multilateral dimension of the EaP has been determined on the basis of estimated needs. The full text of the ENPI regulation is available at:

#### http://ec.europa.eu/world/enp/pdf/oj\_l310\_en.pdf

### 6.2 How will the Commission programme these funds?

It must be recalled that the Eastern Partnership is a policy initiative of the EU and is not focussed on financial assistance, although an increased budget for assistance is also foreseen.

The priorities for the use of funds in support of the EaP multilateral dimension have been set in the ENPI Regional East Strategy Paper and Indicative Programme 2010-13.

Concerning *CIB* and *Pilot Regional Development programmes*, funds have been first broken down by country and then been added for each country to the 2011-13 country cooperation envelopes, as reflected in the respective National Indicative Programme 2011-13. Throughout the entire process, Partner Countries' government, civil society and other stakeholders are consulted.

These documents were adopted by the European Commission on March 2<sup>nd</sup> 2010 and are available on the internet at the following address:

#### http://ec.europa.eu/world/enp/documents en.htm

# 6.3 How will the Commission define in detail the specific measures that will be financed each year?

On the basis of the adopted Strategy Papers and Indicative Programmes, Annual Action Programmes will be elaborated by the European Commission including the objectives to be pursued, the fields of intervention and the expected results. These programmes are normally adopted by the European Commission in the second half of the relevant budget year. Adopted Annual Action Programmes can be found at the following internet address:

#### http://ec.europa.eu/europeaid/work/ap/index\_en.htm

The European Commission needs to ensure that its financial assistance maintains a policy-driven character. Identification of the specific measures to be financed under Annual Action Programmes is being done together with Partner Countries' governments. Discussions take place at country level between the Partner Country's appointed National Coordinator and the EU Delegation, with regular support ensured at EC Headquarters level (particularly in EuropeAid).

For the CIB, detailed discussions on priorities will also take place between the Partners Countries' governments and the EU in the process of developing Framework Documents and Institutional Reform Plans.

#### 6.4 How will EaP funds be implemented?

Funds may be used to fund projects through calls for proposals open to Civil Society Organisations (grants) or may be contracted out to the private sector – after a tendering process - in case of procurement of goods and services. Depending on the specific action/objective to be pursued, and the intended beneficiary, the funds may also be implemented by Member States', through the secondment of national experts, and Partner Countries' administrations (ex: twinning contracts).

#### 6.5 What are the rules guiding the implementation of projects under the EaP?

The rules governing the implementation of projects will be identical to those already provided by the Financial Regulation and Implementing Rules applicable to the general budget of the European Communities. Particular reference will be made to the Practical Guide on contract procedures for EC external assistance (PRAG).

More details about the Financial Regulation and Implementing Rules can be found on:

http://ec.europa.eu/europeaid/work/procedures/legislation/financial\_regulation/index\_en.htm

### 6.6 How can prospective recipients apply for funding under EaP?

EaP funding will follow the same modalities used for other programmes financed under the ENPI. Potential beneficiaries are invited to participate in the Calls for Proposals and Calls for Tenders as published by the EuropeAid on its website and by Delegations in the 6 EaP countries. In addition, funds made available in complement to loans by European Financial Institutions will be channelled primarily through the Neighbourhood Investment Facility (NIF). In such cases, the specific rules used in NIF-funded projects will apply. More information on published Calls for Proposals and Calls for Tender can be found at:

## http://ec.europa.eu/europeaid/work/funding/index\_en.htm

Information on funding through the NIF can be found at:

http://ec.europa.eu/europeaid/where/neighbourhood/regionalcooperation/irc/investment en.htm

### 6.7 Can other donors co-finance Eastern Partnership activities?

The ENPI regulation opens up the possibility for co-financing from other donors (including EU Member States). Co-financing can be parallel (supporting complementary activities through the programmes established by the different donors) or joint (pooling resources together).

In the case of joint co-financing the Commission can either receive funds from other donors and implement them on the basis of the ENPI regulation alongside the EU budget funding or give funds to other donors to be implemented according to their rules.

In the process of preparation of the programming documents the Commission has widely consulted with EU Member States and other donors and offered to interested Member States the possibility of doing joint programming exercises. This has allowed a closer alignment of programmes with those EU Member States that have taken up this offer.

Following the approval of the programmes the Commission is open to further coordination with EU Member States and other donors to explore the prospect for enhanced co-ordination in the design of specific measures provided for in the programming documents that may lend themselves to parallel or joint co-financing. Member States are invited to identify, on the basis of the ENPI programming documents areas where they consider possible further co-operation and contact the relevant Commission services in that respect.

More information on relations with EU Member States and other donors is also available on

http://ec.europa.eu/europeaid/work/procedures/implementation/international\_organ isations/index\_en.htm

## 6.8 How can EU Member States and other donors contribute to the implementation of the Comprehensive Institution Building programmes?

The CIB offers a framework for common work between EU Member States and the Commission (and other donors). To better exploit this opportunity a network of CIB contact points is being established with the aim of ensuring appropriate circulation of information.

A first area of concrete co-operation between the Commission and EU Member States in the implementation of the CIB concerns the provision of expertise and training and the offer of secondments. For a successful implementation of the CIB it will be essential that a sufficient number of high quality experts from EU Member States can be made available. To that effect the Commission will maintain close contacts with the Twinning contact points in the Member States. Ways of funding Member States experts within the CIB include twinning, TAIEX, and other flexible technical assistance measures.

A number of EU Member States have also indicated that they may be able to contribute to the implementation of CIB through the provisions of expertise, training and other assistance financed under their own programmes. Others may consider providing cofinancing through the Community budget. In order for the CIB to tap into these resources the Commission will keep Member States informed about the development of the framework documents and provide early indications about the core institutions in Partner Countries that are likely to be targeted. On that basis Member States will be able to express their interest to contribute and indicate in which country and to which Institutional Reform Plan. From then onwards contributing Member States will be fully involved in the process leading to the preparation of the Institutional Reform Plans and in its implementation and monitoring (joint missions, participation in the steering and monitoring mechanisms). The Commission should ensure a well-coordinated EC-EU support to Institutional Reform Plans. Key donors in Partner Countries interested to contribute to the implementation of the CIB will also be associated in a similar way.

## 6.9 How can Member States and other donors contribute to the implementation of the Flagship Initiatives?

The flagship initiatives provide a framework for donor co-ordination and joint action. The EU budget will provide a certain amount of financing for their implementation. Member States and other donors are first and foremost invited to contribute to their implementation through the implementation of specific projects under their bilateral assistance programmes. They may also wish to consider providing funds directly to the Commission for joint co-financing. International Financing Institutions (IFIs) are also closely associated with the development of EaP flagship Initiatives (SME, Energy). In the case of EU Member States, EaP Platform meetings may provide a forum for the discussion on possible involvement into implementation of Flagships Initiatives.

#### 6.10 Where can more details on the Flagship Initiatives be found?

Information about the EaP Flagship Initiatives can be found at the following internet address:

### http://eeas.europa.eu/eastern/initiatives/index\_en.htm

## 6.11 Can new initiatives be proposed in the context of the work of the multilateral Platforms?

The financial allocation for the Platform activities, in the framework of the ENPI Regional East Programme, amounts to €24 million over 4 years (2010-2013). This budget is intended to cover the functioning of the 4 Platforms and of other panels, seminars, studies which come out from the Work Programmes of each Platform. This allocation supports also the functioning of the Civil Society Forum. Other ancillary and supporting activities (e.g. studies, seminars) can be financed if and when funding remains available after the implementation of Platforms' Work Programmes.

The decision to finance a Project from the EU budget in the context of the multilateral framework of the EaP is **the exclusive responsibility of the Commission**. The Commission may decide to consult the relevant Platform on the subject. Project proposals can only be considered if:

- resources remain available in the budget of the platforms,
- the proposal is sufficiently developed in terms of objectives, inputs, outputs budget etc. to allow an assessment of its merits
- there is a multilateral dimension and
- the proposal fits within the agreed Work Programme priorities and, preferably, is essential to its implementation.

Once the project is accepted for EU support, the contractual arrangements for its implementation will follow the standard competitive procedures (call for tenders or call for proposals) or any other authorized procedure.

That said, any member of a Platform can propose an initiative and take a lead in bringing it to fruition. This proposal should also include a suggestion for the budget for its implementation. Its specific details should be presented to Partner Countires and EU Member States during the working sessions of the Platform in question.

#### 6.12 Can Partner Countries co-finance the Eastern Partnership?

Partner Countries are asked to contribute to the implementation of co-operation initiatives under the Eastern Partnership by providing co-financing or contributions in kind. Co-financing will be required under the CIB programmes when it comes to equipment procurement or infrastructure investment.

## 6.13 How are the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) involved?

The Commission is in close contact with both EIB and EBRD with regard to the Flagship Initiatives. In this respect the Commission will examine appropriate co-financing mechanisms according to the action/sector under discussion. The Commission will pursue cooperation with EIB and EBRD in order to encourage both institutions to increase their lending volumes, notably by facilitating the required technical assistance with Community funding.

## 6.14 Will any additional funds be available for the Eastern Partnership from the EIB or the EBRD? If so, how will they be allocated?

In general, the Neighbourhood Investment Facility (NIF) is designed as the principal instrument to leverage EBRD and EIB funds. In the framework of the EaP, the NIF aims at fostering investments in the field of transport and energy interconnection; environment; socio-economic development. More information on the NIF and how it operates can be found on the following web site:

## http://ec.europa.eu/europeaid/where/neighbourhood/regionalcooperation/irc/investment\_en.htm

Concerning the specific needs of SMEs, the Commission is supporting the establishment of an SME Facility with the objective of leveraging a substantial amount of additional EBRD and EIB resources.

## 6.15 Are TAIEX and Twinning / the only tools to implement project under the Eastern Partnership?

No. The EaP projects will be implemented using all the tools available under the ENPI regulation. More information at:

http://ec.europa.eu/europeaid/where/neighbourhood/overview/index\_en.htm

# 6.16 Can the Partners countries' regions and local authorities participate in projects implemented under the EaP?

The European Commission intends to present a wide range of options for direct cooperation with Partners' regions, including through the trans-border cooperation programmes as well as through pilot projects based upon the EU Cohesion Policy aiming at mobilising regional resources and investing in the under-developed regions. The scope

of this cooperation is yet to be determined taking into account the interest and the specific needs of the Partner Countries.

## 6.17 How can I obtain further information?

For any further information, please send an e-mail to: <u>EEAS-EASTERN-PARTNERSHIP@eeas.europa.eu</u>