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EXTERNAL RELATIONS DIRECTORATE GENERAL
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**VADMECUM 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. To address the *new* co-operation needs specifically linked to the Eastern Partnership, the Commission has earmarked € 600 million for the period 2010-2013.

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 attempts to provide a straightforward answer 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 Regulation¹. The funds constitute about a quarter of the total funding that will be made available to East partner over the period 2010-13.

These resources will be used for three main purposes:

- Support for partner country reforms through the implementation of *Comprehensive Institution Building* programmes (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* (approximately € 350 million).

Comprehensive Institution Building programmes (CIB)

The Association Agreements (that include *inter alia* the establishment or the objective of establishing a DCFTA) and the long term goal of visa liberalisation will require

¹ 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

considerable further reform efforts within the partner countries' institutions that will commit to implement the related obligations. The Comprehensive Institution-Building programmes of the Eastern Partnership aim to support this process. The preparation of CIBs and initial activities will start in 2010. Full implementation of the CIBs is foreseen to start in the first quarter of 2011.

Twinning will be at the core of the implementation of CIBs. Other possible measures could 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 EU-norm driven equipment 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 and territorial organisation of the respective Eastern Partnership country. It is expected that these programmes will be agreed between the Commission and the partner country by mid 2012.

Supporting the Eastern Partnership multilateral dimension

The Eastern Partnership adds to the co-operation between the EU and the six eastern partners a new multilateral dimension. It introduces a new multilateral 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 thematic platforms on various themes, with the aim of bringing the partners closer to the EU. It also establishes a Civil Society Forum. Finally it will launch a number of flagship initiatives in the following areas: Integrated Border management; SME development; Civil Emergency Protection; Diversification of Energy supplies; Electricity interconnections /Energy efficiency /Renewable Sources; Environmental Governance.

3. Who will benefit?

State level public administrations will be the main beneficiaries of the 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 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 cross border cooperation programmes. 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 Majors Initiative;

Civil Society Organisations in general may benefit from the implementation of the Pilot Regional Development and cross border cooperation programmes. CSOs active in the areas Youth and Culture will benefit from a specific Culture programme and the opening of the Youth in Action programme.

Small and Medium Size enterprises 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 that are awarded through public tenders are implemented by commercial operators (eg., consultancy firms, equipment suppliers, or construction firms depending on the nature of the contract); grants, awarded through Calls for Proposals are implemented by the grant beneficiaries themselves; Twinning projects are implemented by Member States’ administrations. Contracts and grants will be awarded on the basis of the Practical Guide to contract and procedures for the EC External Action.

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

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

5. Timing

The € 600 million of EaP financing will cover a four year period with a growing profile (see below).

Indicative breakdown of EaP financing

	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 will start in 2010. Full implementation of the CIB will start in 2011 and the Pilot Regional Development Programmes will start in 2012. As a general rule funding will become available for tendering and contracting in the second half of each year and contracts are signed in the following year. Implementation on the ground starts thereafter.

PART II Frequently asked questions (FAQs)

6.1 How will the EaP funding be allocated to the six eastern 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 ENPI regulation is available at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R1638:EN:NOT>

6.2 How will the Commission programme these funds?

Priorities for the use of funds in support the *EaP multilateral dimension* will be set in the ENPI Regional East Strategy Paper and Indicative Programme 2010-13. Actions to be undertaken in the frame of the EaP Thematic Platforms are identified in more detail in the Work Programme of each platform.

Concerning *CIB* and *Pilot Regional Development programmes*, funds have been first broken down by country and then added for each country to the 2011-13 country co-operation 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 will be adopted by the Commission in March 2010 and will be published on the internet as soon as adopted. The current Strategy papers and Indicative Programmes can be found at the following internet address:

http://ec.europa.eu/external_relations/sp/index_en.htm

6.3 How will the Commission define in details 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 Commission including the objectives to be pursued, the fields of intervention and the expected results. These programmes are normally adopted by the 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

For the CIB, detailed discussions on priorities will also take place in the joint government-EU processes of developing Framework Documents and Institutional Reform Plans.

6.4 How will EaP funds be implemented?

Funds will normally be allocated through call for proposals open to Civil Society Organisations (Grants) or may be contracted out to the private sector in case of procurement of goods and services (Tenders). Depending on the specific action/objective to be pursued, and the intended beneficiary, the funds may also be directly implemented by Member states and partner countries administrations (ex: Twinning contracts). More details on tendering and contracting rules can be found at:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

Specific modalities are being established for the grants to be allocated through the SME facility foreseen in the framework of the SME flagship Initiative.

6.5 How can beneficiaries access funding under the Eastern Partnership?

The Commission needs to ensure that its financial assistance maintains a **policy-driven** character. In many cases, it is expected that the Commission will define the projects that it will finance as well as the most appropriate means to finance them on the basis of discussions with the partners (notably in the EaP Platforms but also through bilateral contacts).

In some cases, external organisations (non profit organisations and Civil society organisations) will be invited to submit project proposals, for consideration by the Commission. This is done through "Calls for Proposals". Calls for Proposals are used in cases where it is more appropriate for the organisations concerned to define and propose exactly **what** they want to achieve and **how** they want to go about it. It is, for instance, how the Commission supports the activities of NGOs in a given sector. (Projects financed under the Neighbourhood Investment Facility which blends grant funding with loans of European financial institutions are chosen in an analogous manner: IFIs submit proposals which are subsequently examined by the NIF board). For details on grants see also:

http://ec.europa.eu/europeaid/work/funding/index_en.htm

The projects to be financed, including the proportions of funds that would be implemented through "top-down" mechanisms (the 1st variant above) or "bottom up" mechanisms (2nd variant), are defined in the Annual Action Programmes, in accordance with the ENPI regulation. The programmes will also include details on the

implementation method (tenders, framework contracts, budget support, twinning projects, etc). More details on the implementation modalities can be found at:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/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 ENPI. Potential beneficiaries are invited to participate in the Calls for Proposals as published on the EuropeAid website (Brussels Headquarters) and by Delegations in the 6 EaP countries. In addition, funds made available by international financial institutions (IFI's) will be channelled primarily through the Neighbourhood Investment Facility (NIF) and the soon to be established SME facility. In such cases, the specific rules used in NIF-funded projects (and those for the future SME facility) will apply. More information on grants 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/regional-cooperation/irc/investment_en.htm

Information on funding through the SME facility will be available on the Eastern Partnership website once the facility is established.

6.7 Where can I find information on Call for proposals & Procurement notices?

The information can be found through the following link:

<https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1259762910692&do=publi.welcome&userlanguage=en>

6.8 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 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 Member states that have taken up this offer.

Following the approval of the programmes the Commission is open to further co-ordination with Member States and other donors to explore possibility 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 that will be presented soon to the Management Committee areas where they consider possible further co-operation and contact the relevant Commission services in that respect.

6.9 How can MS and other donors contribute to the implementation of the Comprehensive Institution Building programmes?

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

A first area of concrete co-operation between the Commission and the Member States in the implementation of CIB concerns the provisions 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 MS experts 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 MS experts within the CIB include twinning, TAIEX, and other flexible technical assistance measures.

A number of 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. Other may consider providing co-financing 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 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 CIB implementation will also be associated in a similar way.

6.10 How can MS 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)

6.11 Where can more details on the Flagship Initiatives be found?

Concept papers for the EaP Flagship Initiatives and on other initiatives that will be launched under the Eastern Partnership can be found at the following internet address:

http://ec.europa.eu/external_relations/eastern/initiatives/index_en.htm

6.12 Can new initiatives be proposed in the context of the work of the Platforms?

Any member of a Platform can propose an initiative and take a lead in bringing it to fruition. This will also involve providing funds for its implementation and presenting its specific details to other partners and Member States during the work of the Platform in question.

6.13 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 Comprehensive Institution Building programmes (CIB) when it comes to equipment procurement or infrastructure investment.

6.14 How are the EIB and EBRD involved?

The Commission is in close contact with both EIB and EBRD with regard to the Flagship Initiatives (in particular on SMEs). 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.

6.15 Does the Commission envisage creating a fast-track procedure for Flagship Initiatives?

No fast track procedure exists for the use of ENPI funds. However, it should be noted that the Commission will not act as the sole funding body for Flagship Initiatives and that any Member State is welcome to launch projects under these Initiatives, using its own sources of finance and according to its own procedures (which may include “fast track” procedures).

6.16 When will draft project fiches be available?

Project fiches are part of the Annual Action Programmes and will become available at the same time. Annual action programmes and project fiches can be found at the address:

http://ec.europa.eu/europeaid/work/ap/index_en.htm

6.17 When can draft projects be sent to the Commission for review and possible approval?

Project ideas developed by Member States, Partner countries or other potential beneficiaries can be sent to the Commission at any time and, if appropriate, be tabled for discussion at one of the EaP Platforms. However, with regard to funds sourced from within the EU budget, financing can only be provided if these projects are part of the Annual Action Programme adopted by the Commission following a positive opinion of the ENPI Management Committee. Parties interested in putting forward proposals are therefore advised to engage in a discussion with EU Delegations at a very early stage, keeping in mind the necessary lead times for project preparation.

Projects proposed by third parties should only be submitted in response to of Calls for Proposals or tender announcements, as and when these are published.

6.18 Will any additional funds be available for the Eastern Partnership from the European Investment Bank or the European Bank for Reconstruction and Development ? If so, how will they be allocated?

In general, the NIF is designed as the principal vehicle for the mobilisation of 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/regional-cooperation/irc/investment_en.htm

Concerning the specific needs of SME, the Commission is supporting the establishment of an SME facility with the objective of leveraging a substantial amount of additional

EBRD and EIB resources. More detailed information on the allocation of these resources will be available once the facility is set-up.

6.19 Will the funds dedicated to the EaP benefit only the Flagship Initiatives?

No. Apart from financing the flagship initiatives, the EaP funds will also be used to support the implementation of the bilateral and multi-lateral programmes with the EaP Partners.

6.20 When will the rules guiding the implementation of projects under the EaP be known?

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 (the so-called PRAG). More information at :

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

6.21 Are TAIEX and Twinning / Twinning Light 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

6.22 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 for direct cooperation with Partners' regions, including through the Territorial Cross-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.

6.23 How can I obtain further information?

For any further information, please send an e-mail to the following address:
<mailto:RELEX-EASTERN-PARTNERSHIP@ec.europa.eu>