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EUROPEAN EXTERNAL ACTION SERVICE



EUROPEAN COMMISSION - DIRECTORATE
GENERAL FOR DEVELOPMENT AND
COOPERATION - EUROPEAID

NEIGHBOURHOOD INVESTMENT FACILITY

STRATEGIC ORIENTATIONS

2014-2020

1. Policy Framework

The EU's objective of developing a special relationship with its neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the EU's values, is enshrined in Article 8 of the Treaty on European Union. The promotion of these values as a means of enhancing democratic governance, building security and supporting democratic, sustainable and inclusive development in the countries of the neighbourhood is a core objective of the EU. The revised **European Neighbourhood Policy (ENP)**, using all policy instruments at the EU's disposal, is the framework within which the EU works together with its partners.

The European Union (EU) revised the ENP in 2011,¹ holding out firmer prospects of political association and economic integration for those partner countries most committed to building deep and sustainable democracy and to supporting inclusive economic development.

The policy framework for the European Neighbourhood Instrument (ENI), providing the bulk of EU support to neighbourhood partner countries, is set out in detail in Article 3 of its regulation, and applies to NIF².

A key feature of the ENI is an emphasis on a stronger link between the EU's political and policy agenda, and financial support. Greater differentiation and a tailor-made approach towards the individual partner countries are strongly embedded in the ENI, in line with the new policy orientations, as well as an incentive-based approach whereby the share of available resources

¹ COMMUNICATION (2011) 303 of 25 May 2011

² *The partnership and cooperation agreements, the association agreements and other existing or future agreements that establish a relationship with partner countries, corresponding Commission communications, European Council conclusions, and Council conclusions, as well as relevant summit declarations or conclusions of ministerial meetings with the partner countries of the ENP, including in the context of the Eastern Partnership and the Union for the Mediterranean, and also relevant European Parliament resolutions, shall, while respecting the principle of ownership, constitute the overall policy framework of this Regulation for programming and implementing Union support under this Regulation.*

The key points of reference for setting the priorities for Union support under this Regulation and for the assessment of progress as outlined in Article 2(3) shall be: action plans or other equivalent jointly agreed documents such as the association agendas between the partner countries and the Union in bilateral and multilateral formats, including, as relevant, within the Eastern Partnership and the southern dimension of the ENP.

Where no agreements, as set out in paragraph 1, between the Union and partner countries exist, Union support under this Regulation may be provided when it proves useful in order to pursue Union policy objectives, and shall be programmed on the basis of such objectives, taking into account the needs of the country concerned.'

offered to partner countries shall be adapted primarily according to their progress in building and consolidating deep and sustainable democracy and in implementing agreed political, economic and social reform objectives.

As regards support through NIF, in principle the conclusion of an Action Plan is a pre-condition for benefiting from a NIF grant (for detailed eligibility criteria, see heading 4.1 below).

The EU pursues its relationship with ENP partner countries also in the two sub-regions through regional frameworks (Union for the Mediterranean and the Eastern Partnership), and takes decisions taken within these frameworks into account when selecting the most suitable projects for NIF funding. Additionally, the EU pursues its relationship with ENP partner countries through other initiatives, where appropriate and relevant, notably the Black Sea Synergy initiative, the Northern Dimension, the EU Strategy for the Baltic Sea Region and the Danube Strategy.

Numerous donors and international financial institutions (IFIs), notably the EU member states, other key bilateral donors, the International Monetary Fund (IMF), the World Bank and the United Nations Agencies, Funds and Programmes, support projects in the sectors where NIF intervenes, requiring co-ordination in pursuit of policy objectives.

2. Regulatory framework

The Regulation establishing a European Neighbourhood Instrument ENI (Regulation N° 232/2014) provides the legal base for the bulk of EU funding to the ENP partner countries and notably establishes key principles for programming of ENI funds.

The ENI provides the funding to the NIF.

The NIF was set up by means of a Commission Decision on 17 December 2007³ followed by a consultation with Council/COREPER on 19 March 2008, which established a general framework for the operations of the facility.

The present Strategic Orientations take into account the mid-term evaluation of NIF finalised in 2013, and will need to take into account the continued work of the EU Blending Platform (EUBEC)⁴. They are similar to the previous Strategic Orientations, but have a stronger focus on (i) energy security and energy markets integration, and (ii) support to implementation of EU

³ C (2007) 6280

⁴ European Union platform for Blending in External Cooperation (EUBEC)

Association Agreements, including Deep and Comprehensive Free Trade Areas, where such exist.

They will need to take into account future policy documents and regulations as these are approved, as well as findings from future evaluations, and may therefore need to be adjusted before their expiry in 2020.

3. Objectives pursued through the NIF

Key ENP objectives will steer prioritisation of NIF support, including implementation of various bilateral agreements and Deep and Comprehensive Free Trade Areas (DCFTAs), where such exist. A strong link needs to be ensured between EU bilateral and regional programming priorities and NIF priorities.

The Paris declaration on effectiveness of aid should be respected, including the principle of local ownership, as applicable, and effective co-ordination sought with other EU instruments and other international actors promoting the same objectives as ENI, so as to achieve the greatest impact and economy possible of interventions.

The NIF will pursue **three Strategic Objectives**:

Strategic objective 1: *Establishing better and more sustainable energy and transport interconnections (between the EU and neighbouring countries and between the neighbouring countries themselves), improving energy efficiency and demand management, promoting the use of renewable energy sources, strengthening energy security through diversification of energy supplies and energy market integration, and supporting investments related to the implementation of EU agreements, including DCFTAs, as set out notably in the ENP Association Agendas / Action Plans and in the follow-up to Taskforce meetings⁵.*

Getting the Neighbourhood better inter-connected is the first objective of NIF. This translates into investing in the key infrastructure that will facilitate the movement of people, goods, services, capital and information, so as to promote inclusive and sustainable economic growth and social development. It will help to implement political EU commitments to promote energy

⁵ There are currently Taskforces for Tunisia, Jordan and Egypt, each of which has their own co-chairs conclusions for follow-up and that play an important role in co-ordinating implementation of agreed EU foreign policy objectives.

security and energy markets integration, EU-partner country agreements under ENP, and the ENP Association Agendas / Action Plans.

NIF support under this strategic objective will be guided in particular by the following policy and normative documents:

- a) COMMUNICATION: "European Energy Security Strategy" COM(2014) 330
- b) COMMUNICATION: "The EU and its neighbouring regions: A renewed approach to transport cooperation" COM/2011/0415
- c) COMMUNICATION: "Supporting closer cooperation and regional integration in the Maghreb" JOIN(2012) 36
- d) COMMUNICATION: "A policy framework for climate and energy in the period from 2020 to 2030" COM(2014) 15
- e) COMMUNICATION: "Long-term infrastructure vision for Europe and beyond" COM(2013) 711
- f) COMMISSION DELEGATED REGULATION (EU): "Guidelines for trans-European energy infrastructure as regards the Union list of projects of common interest" 1391/2013 and the accompanying "Technical information on Projects of Common Interest"⁶
- g) TEN-T guidelines Regulation (EU) No 1315/2013
- h) The "Connecting Europe Facility" Regulation (EU) No 1316/2013
- i) Ministerial declaration from the Union for the Mediterranean Ministerial Conference on Transport (14 November 2013)
- j) Maps of the Eastern Partnership Transport Network and a list of priority projects as approved by the Ministerial Conference (9 October 2013)
- k) In the context of regional cooperation, and in accordance with the ENI regulation, maps of the Northern Dimension Partnership on Transport and Logistics (NDPTL) Regional Transport Network approved by the NDPTL High Level Meeting (21 November 2012)
- l) In the context of regional cooperation, and in accordance with the ENI regulation, COMMUNICATION: "Black Sea Synergy – a new regional co-operation initiative" COM (2007) 160
- m) Relevant future policy and regulatory documents after the entry into force of these Strategic Orientations

⁶ See also description of projects by country:
http://ec.europa.eu/energy/infrastructure/pci/doc/2013_pci_projects_country.pdf

NIF support should include:

- a) Energy projects:
 - i. contributing significantly to the energy security of the EU and its Neighbourhood, assessment criteria in accordance with the European Energy Security Strategy;
 - ii. projects of common interest identified in the framework of trans-European energy infrastructure and networks (TEN-E) and Projects of Common Interest (PCI) as well as projects of Energy Community Interest (PECI) or identified as candidate PEGI;
 - iii. projects directly contributing to meeting the requirements and the objectives of the Energy Community Treaty;
 - iv. projects in line with and contributing to meeting partner countries' national policies and targets, in the area of power generation from renewable energy sources; energy efficiency and energy savings (as for instance projects included in National Energy Efficiency Action Plans and National Renewable Energy Action Plans).
- b) Projects aiming at strengthening and expanding electricity transmission and distribution infrastructure, including connection to the grid of renewable energy facilities, smart-grids and cross-border inter-connections, as identified in national and supra-national infrastructure plans such as the "Master Plan of the Mediterranean Interconnections".
- c) Transport projects, which are on the Eastern Partnership regional transport network map or the Trans-Mediterranean Transport Network (TMN-T), aiming at the modernisation and interconnectivity of infrastructure.
- d) Within the Eastern Partnership transport network, priority will be given to projects on the 'list of priority projects' equally endorsed at the 2013 Ministerial meeting. This list will be subject to a formal updating process.
- e) Infrastructure and/or equipment for preferably jointly operated border crossing points, to facilitate movement of goods, customs clearance and security enhancement of borders (ports, airports or terrestrial links), particularly on the priority transport network; and equipment to enhance security at green/blue borders.

Strategic objective 2: *Addressing climate change, as well as threats to the environment more broadly.*

Addressing threats to the environment is the second strategic objective, and covers areas such as air and water, and management of waste and industrial pollution. The EU has made ambitious international commitments in this area. In order to address climate change, particular attention will be paid to mitigation of and adaptation to climate change, as well as promoting the use of clean energy technologies. This strategic objective will help to implement agreements with the EU and ENP Association Agendas / Action Plans.

NIF support under this strategic objective will be guided in particular by the following policy and normative documents:

- a) Marine Strategy Framework Directive (2008/56/EC) and Water Framework Directive (2000/60/EC)
- b) Commission Decision on criteria and methodological standards on good environmental status of marine waters (2010/477/EU)
- c) Report from the Commission to the Council and the European Parliament: The first phase of implementation of the Marine Strategy Framework Directive (COM/2014/097)
- d) Action Plan for the Protection of the Marine Environment and the Sustainable Development of the Coastal Areas of the Mediterranean (MAP Phase II)
- e) Strategic Action Plan for the Environmental Protection and Rehabilitation of the Black Sea (2009)
- f) Progress reports on the Mediterranean Hot Spot Investment Programme Project Preparation and Implementation Facility
- g) Horizon 2020 initiative to de-pollute the Mediterranean
- h) European offshore policy, the Offshore Safety Directive (COM 2013/30/EU ‘Lex Offshore’) and the Barcelona Convention Offshore Protocol in the Eastern Mediterranean and North African context
- i) Declaration of the Union for the Mediterranean ministerial meeting on Environment and Climate Change (13 May 2014)
- j) In the context of regional cooperation, and in accordance with the ENI regulation, the Convention on the Protection of the Marine Environment of the Baltic Sea Area (Helsinki Convention) and the HELCOM Baltic Sea Action Plan
- k) In the context of regional cooperation, and in accordance with the ENI regulation, COMMUNICATION: "Black Sea Synergy – a new regional co-operation initiative" COM (2007) 160
- l) Relevant future policy and regulatory documents after the entry into force of these Strategic Orientations

NIF support should include:

- a) Environmental projects, in particular those focusing on pollution reduction in the main pollution hotspots of the region in Neighbourhood countries not covered by (c).
- b) Environmental projects focusing on countering the loss of biodiversity and coastal degradation, preserving marine ecosystems and fighting against chemical pollution, including eutrophication and marine litter.
- c) Environmental projects, in line with the Horizon 2020 initiative and National Action Plans (under the Barcelona Convention) focusing on pollution reduction (waste water, solid waste and industrial emissions) related to the main pollution hotspots of the region, in particular those ending up in the Mediterranean Sea.
- d) Water projects (integrated water management, supply and sanitation).
- e) Projects addressing climate change, both on mitigation and adaptation that are not covered under Strategic objective 1.

Strategic objective 3: *Promoting smart, sustainable and inclusive growth through support to small and medium sized enterprises, to the social sector, including human capital development, and to municipal infrastructure development.*

Promoting smart, sustainable and inclusive growth is the third strategic objective and concerns notably measures destined to promote equal opportunities among all citizens, which allows all individuals to contribute productively to the economy. The approach is based on EU's own experience from the benefits of creating the internal market. It will help to implement agreements with the EU and ENP Association Agendas / Action Plans, notably by promoting regulatory frameworks in partner countries that allow trade with the EU to take place, and by helping to create a functioning domestic financial sector that may cater for the needs of entrepreneurs.

NIF support under this strategic objective will be guided, in particular, by the following policy and normative documents:

- a) Declaration of the Union for the Mediterranean ministerial meeting on Euro-Mediterranean industrial cooperation (19 February 2014)
- b) Euro-Mediterranean industrial cooperation 2014-2015 work programme (19 February 2014)
- c) The Euro-Mediterranean Charter for Enterprise (4 October 2004)
- d) Joint Declaration of the Eastern Partnership Summit (28-29 November 2013)
- e) Conclusions of the Union for the Mediterranean Trade Ministerial Conference (11 November 2010)
- f) COMMUNICATION: "'Think Small First' A 'Small Business Act' for Europe" COM(2008) 394
- g) COMMUNICATION: Review of the "Small Business Act" for Europe COM(2011) 78
- h) COMMUNICATION: ENTREPRENEURSHIP 2020 ACTION PLAN – Reigniting the entrepreneurial spirit in Europe COM(2012) 795
- i) COMMUNICATION: "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" COM(2014) 263
- j) Declaration of the Union for the Mediterranean Ministerial Meeting on the Digital Economy (30 September 2014)
- k) Relevant future policy and regulatory documents after the entry into force of these Strategic Orientations

NIF support should include:

- a) Support to the implementation of Association Agreements, including DCFTAs for countries where such exist, in particular:
 - i. Support to the private sector to finance the necessary investments and adaptations to ensure that full advantage can be taken of the opportunities offered by the AAs/DCFTAs and to comply with the DCFTA provisions, in particular for SMEs;
 - ii. Support to the private sector to further develop trade with the EU and improve the business climate in particular for SMEs;
 - iii. Enhance the efficiency of SME support networks and actions, in particular as regards fostering cooperation and technology transfer with EU SMEs;
 - iv. Investment in infrastructure and equipment (in particular laboratories) related to the implementation of DCFTAs and/or other relevant agreements;

- b) Support to the private sector through programmes aiming at improving access to finance for small and medium-sized enterprises (SMEs), including through innovative financial mechanisms (guarantees, risk-sharing mechanisms, etc). Such programmes aim at enhancing and sustaining jobs creation, in particular amongst the youth. They will include programmes facilitating SME development, modernisation and innovation, improving resource efficiency, setting-up and/or improving support networks for SMEs, sustainable production and consumption patterns in various sectors, support to development of the social economy, in particular in less developed areas (microfinance, agriculture, etc), with a view to integrating them into the global value chain. In addition, NIF will support programmes targeting green economy sectors, resource efficiency, and that contribute to agricultural development, in particular by facilitating farmers' access to credit and facilitating investment for the processing of agricultural produce, and rural development, or focusing on women and/or youth entrepreneurship.
- c) Support to the private sector on trade development and trade integration in particular for SMEs.
- d) Support to investment in education / skills development (e g TVET) / research and innovation centres contributing to human capital development.
- e) Regional, municipal and local development projects, and their infrastructure requirements, contributing to socioeconomic cohesion, regional integration and sustainable development, (including urban development/transport/mobility, energy, water and waste management solutions and public health), in particular in municipalities signatories of the Covenant of Mayors contributing to meet their commitments.

Where appropriate, the NIF could also support rebuilding the infrastructure (e g transport, energy, public utilities) in countries affected by military operations or natural disasters.

4. Modalities for implementing the NIF Strategic Objectives

4.1 Pipeline management, eligibility and types of support

Pipeline

A "pipeline" of projects will be established by lead financiers under the NIF, in consultation with partner countries and the relevant EU bodies (including EU Delegations). Such a pipeline will be used as an instrument to ensure the alignment of NIF interventions with the NIF Strategic Orientations, and taking in account, where appropriate, national and regional priorities and earmarked contributions. In particular the synergy of national NIF projects with the priority areas of intervention within the framework of the 2014-2017 EU programming documents will be taken into account. Early consultations with the relevant EU bodies by lead financiers will ensure that NIF interventions also are in line with the priorities set out in the bilateral agreements between the EU and the partner countries.

Eligible countries

- a) ENP countries with an ENP Association Agenda/Action Plan in force.⁷
- b) Other ENP Countries⁸ (and exceptionally other third countries, as set out in the ENI Regulation), in particular in case of projects with a cross-border and regional nature to which the Union attaches particular interest, and following a unanimous decision of the Board.

Eligible projects - projects need to respect each of the three following eligibility criteria

- a) Projects that contribute to the EU Policy Framework set out above.
- b) Projects that contribute to realising at least one of the three NIF strategic objectives set out above.

⁷ At the time of writing of this document: Armenia, Azerbaijan, Egypt, Georgia, 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, Moldova, Morocco, Palestine (this designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the member states on this issue), Tunisia and Ukraine (the general EU restrictions on co-operation in regions that are illegally occupied by Russia are also applicable to NIF. Therefore, projects in Crimea are not currently eligible for NIF support). Israel is normally only eligible for subsidies under regional projects, as it has status as a developed country.

⁸ At the time of writing of this document: Algeria, Belarus, Libya and Syria.

- c) Projects that provide a clear justification for the need for and size of the NIF subsidy (principles of *value-added* and *additionality* of the NIF intervention).

Cross-cutting issues

- a) Prevention and fight against corruption should be mainstreamed in all projects receiving NIF subsidises, as should a gender perspective.
- b) The distribution between the Southern and Eastern Neighbourhood of funds originating from the European Neighbourhood-wide programme should be consistent with the ENI financial programming 2014-2020.

Types of support

- a) Investment co-financing: using the grant from the NIF to finance part of a project's total cost; this reduces the projects financial burden and improves its bankability.
- a) Technical assistance: recruiting experts or consulting firms to support the project preparation and its implementation.
- b) Financial instruments: specifically aiming at the development of the local private sector. These operations can take several forms, such as co-investment together with local intermediaries, investment in micro-finance institutions, taking stakes in private equity funds or guarantees.

4.2 Reporting and evaluation

The annual activity report of NIF from the preceding year will be presented and discussed in a strategic meeting, assessing the contribution made towards the attainment of the strategic objectives.

A mid-term evaluation will be performed, and its results will also be presented in a strategic meeting.

4.3 Ensuring visibility

The European Commission, lead financiers under the NIF and partner countries will abide by the visibility rules for EU financing.

Reflecting the outcome of the evaluation of NIF 2008-2013, the objectives pursued by NIF and the results expected in terms of improving the lives of people in an inclusive and sustainable way, need to be clearly articulated and broadly communicated by the EU, lead financiers under NIF and partner countries, so as to demonstrate that the shared political commitments between the EU and partner countries deliver concrete results for the population.