EUROPEAN
COMMISSION

Brussels, 26.10.2016
C(2016) 6914 final

COMMISSION IMPLEMENTING DECISION

of 26.10.2016

on the fifth complementary financing Decision of the Neighbourhood Investment Facility to be financed from the general budget of the Union

COMMISSION IMPLEMENTING DECISION

of 26.10.2016

on the fifth complementary financing Decision of the Neighbourhood Investment Facility to be financed from the general budget of the Union

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[1], and in particular Article 84(2) thereof,

Whereas:

(1) The Commission has adopted the Annual Action Programme 2015 contributing to the Neighbourhood Investment Facility from the general budget of the Union[2]. Following the selection process foreseen in the 2015 Annual Action Programme, some projects to be implemented have been selected.

(2) The Commission has adopted the Annual Action Programme 2016 contributing to the Neighbourhood Investment Facility from the general budget of the European Union[3]. Following the selection process foreseen in the 2016 Annual Action Programme, some projects to be implemented have been selected.

(3) For projects to be implemented under indirect management, it is necessary to adopt this Decision in order to provide the elements required by the second subparagraph of Article 84(3) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council.

(4) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. The European Invesment Bank (EIB), the Council of Europe Development Bank (CEB), the Nordic Investment Bank (NIB), the Nordic Environment Finance Corporation (NEFCO), the Agence Française de Développement (AFD), the Kreditanstalt für Wiederaufbau (KfW) and the Italian Società Italiana per le Imprese all'Estero (SIMEST) comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary. European Bank for Reconstruction and Development (EBRD) is

[1] OJ L 298, 26.10.2012, p. 1.

[2] Commission implementing Decision C(2015)2748 of 23 April 2015 on the European Neighbourhood wide Action Programme 2015 to be financed from the general budget of the European Union.

[3] Commission implementing Decision C(2016)3436 of 31 May 2016 on the Neighbourhood Investment Facility, part of the European Neighbourhood wide Action Programme 2016 to be financed from the general budget of the European Union.

currently undergoing the ex-ante assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity's entities positive assessment under Council Regulation (EC, Euratom) No 1605/2002 and on the long-standing and problem-free cooperation with it budget-implementation tasks can be entrusted to this entity.

(5) The Spanish Agency for International Development Cooperation (AECID) will undergo the ex ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 related to financial instruments. In anticipation of the results of this review the responsible authorising officer deems that, based on the entities' positive assessment under Council Regulation (EU, Euratom) No 966/2012 and on the longstanding and problem free cooperation with these entities, budget implementation tasks can be entrusted to them.

(6) The Commission may entrust budget-implementation tasks under indirect management to the partner country specified in this Decision, subject to the conclusion of a financing agreement. In accordance with Article 60(1)(c) of Regulation (EU, Euratom) No 966/2012, the responsible authorising officer needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks to the partner country. A description of these measures and the entrusted tasks should be laid down in the Annexes.

(7) It is necessary to allow the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.

(8) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of Delegated Regulation (EU) No 1268/2012 to ensure that any such changes can be adopted by the authorising officer by delegation, or sub-delegation (hereinafter referred to as the 'responsible authorising officer').

(9) The measure provided for in this Decision does not fall in the categories of measures for which the prior opinion of the Committee is required. The European Parliament and the European Neighbourhood Instrument Committee set up by Article 15 of the financing instrument referred to in Recital 1 should be informed of this Decision within one month following its adoption.

HAS DECIDED AS FOLLOWS:

Article1

Adoption of projects to be implemented and of their modalities

The list of additional projects and financial commitments to be implemented under indirect management in the framework of the Neighbourhood Investment Facility (NIF), as set out in the Annex attached, is approved.

Budget-implementation tasks under indirect management may be entrusted to the entities identified in the Annex attached, subject to the conclusion of the relevant agreements.

Article 2

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution referred to in the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution shall not be considered substantial within the meaning of Article 94(4) of Delegated Regulation (EU) No 1268/2012 where those changes do not significantly affect the nature and objectives of the actions.

The modification of the year under which an adopted project set out in the Annex is financed shall not be considered as a substantial modification as long as the thresholds foreseen in this Article are respected. The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 26.10.2016

For the Commission
Johannes HAHN
Member of the Commission

Annex 1

Commission Implementing Decision on the fifth complementary financing Decision of the Neighbourhood Investment Facility to be financed from the general budget of the Union

Title of the project	**Selected Entrusted Entity**	**Maximum amount of EU Contribution**	From 2015 NIF Decision (indicative)	From 2016 NIF Decision (indicative)
East				
Ukraine – Ukraine Railway Modernisation	EIB	7 280 000	1 492 851	5 787 149
Ukraine – Ukraine Higher Education	EIB	3 150 000		3 150 000
South				
Morocco – Enhancement of sanitation infrastructure in the context of the National Sanitation Programme (PNA2)	AFD	10 300 000	10 300 000	
Jordan – Improved Access to Water, Water Distribution Performance and Related Sewerage Disposal in Irbid Governorate for Host Communities and Syrian refugees	AFD	19 480 000	19 480 000	
Tunisia –Programme contributing to the depollution of the Mediterranean Sea (DEPOLMED)	AFD	10 750 000	10 750 000	
Regional – EU Trade and Competiveness Programme for Morocco and Tunisia – (*EBRD component)*	EBRD	25 630 000	24 427 000	1 203 000
Regional – EU Trade and Competitiveness Programme for Morocco and Tunisia – (*EIB component)*	EIB	25 600 000		25 600 000

Ukraine – Ukraine Railway Modernisation

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Rail transport / 21030
Partner country/region	Ukraine
Lead FI	EIB
Co-financiers	EBRD
EU contribution requested	EUR 7 280 000
Total cost of the project	EUR 309 400 000
Objectives to be fulfilled (main)	The Project targets the electrification, along with the modernization of signalling and telecommunication system in stations and on open lines of the Dolinska – Mikolaiv – Kolosivka railway line in Southern Ukraine towards the Ukrainian ports on the Black Sea, over a total length of approximately 253 km. The aim of the electrification is to improve the capacity of these existing rail lines as electrification allows locomotives to pull trains and freight wagons at higher speeds over gradients. In mixed traffic conditions, this increases the capacity as the time between trains can be decreased. The underlying aim is to provide more capacity in the main corridor between central Ukraine and the principal ports thereby to improve the quality of rail services and allow rail to maintain or expand its modal share. The specific objectives of the project are (1) to establish an alternative route and to increase of capacity for port hinterland traffic (Odessa / Ilyichevsk seaports as well as port of Mykolaiv); (2) to relieve main railway line Odessa – Kyiv (partly included into Corridor IX); and (3) to provide of direct connection of Odessa / Ilyichevsk seaports towards Europe – Asia corridors No. 5 and 8.
Foreseen results	The following results are expected: • An alternative route and increase of capacity for port hinterland traffic (Odessa / Ilyichevsk seaports as well as port of Mykolaiv) are provided; • Main railway line Odessa – Kyiv (partly included into Corridor IX) is relieved; • Direct connection of Odessa / Ilyichevsk seaports towards Europe – Asia corridors No. 5 and 8 is provided.
Description of the activities	Head office of Ukrainian Railways company (Ukrzaliznytsia, UZ) will procure the main construction works and related services.

	The Odessa Branch of UZ will administer as Employer the works contract(s). The project components financed by the EIB and EBRD loans would be related to the main works and supplies contract(s) for track rehabilitation, electrification and signalling. The NIF grant would be deployed on two main contracts as follows: (i) service contract for supervision of construction works and (ii) service contract for technical assistance support to the Project Implementation Unit (the Department for Implementation of International Loan Agreements of UZ).
Location	Ukraine
Duration i.e. implementation period and indicative implementation timetable	Dates of signature of the loans with the beneficiary: ➢ Lead Financier — 4Q 2016 ➢ Other co-financing EFIs — 4Q 2016 Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016 Target date of signature of EU Financing Agreement with Beneficiary — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2020 End of project activities — 2020
Justification/additionality of the EU grant	The NIF grant will support the implementation of the project by enabling the promoter to purchase (i) external construction supervision services in line with international norms as well as (ii) services to support works contract administration. Such services will promote improved quality, cost and time control as well as value for money more broadly, thereby strengthening the economic case for the underlying infrastructure investments. Having independent third party supervision may also encourage wider international competition for the main works (potential bidders may consider this contributing as reducing risk of unfair treatment during the contract administration). Such competition may in turn reduce the main costs of works, the bulk of the project cost, and further enhance the economics of the project. The project itself is expected to offer significant economic benefits for the government, the railway undertaking, Ukrainian railway passengers as well as national and international freight transporters. Electrification of the railway section Dolinska -

	Mykolaiv – Kolosivka will allow carrying out the freight and passenger transportations from Odessa and other harbours (Mikolaev) in the South towards the North of the country and will result in lower operational and maintenance costs (more than halving the energy cost), reduce capacity constraints on the railway corridor and reduce CO_2 emissions, transport accidents and environmental pollution.

Ukraine – Ukraine Higher Education

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Energy generation, distribution and efficiency – general / 231
Partner country/region	Ukraine
Lead FI	EIB
Co-financiers	N/A
EU contribution requested	EUR 3 150 000
Total cost of the project	EUR 163 250 000
Objectives to be fulfilled (main)	The project's objective is to achieve energy savings through energy efficiency measures to reduce the operating costs of the universities while improving the quality of teaching, learning space and academic research facilities. The specific objectives of the technical assistance component are the following: • to perform preparatory work in order to enable the development of a solid, bankable project, • to ensure high quality of the implementation of the project, • to contribute to capacity building at universities, the Ministry of Education and Science and amongst the contractors.
Foreseen results	It is expected that the operation costs of the university campuses after project implementation will be significantly reduced, mainly through reduced energy consumption, but also through improved reliability and reduced maintenance cost. This will lead to improvement of the quality of teaching, learning space and academic research facilities at the selected universities. The project's investment in knowledge and skills is expected to have a positive effect on labour productivity, reflected in higher wages (private benefits plus improved tax base) and in improved competitiveness of the economy (private and public benefits).
Description of the activities	Phase 1: The project concerns the construction and refurbishment of teaching, research and supporting facilities of seven universities. 147 buildings with total surface of approximately 820,000 m2 are expected to be renovated under the first phase of this project.

	Phase 2: During a second phase, the project would cover energy efficiency investments in additional buildings / universities (to be selected notably through a new call for proposals) and purchase of equipment improving teaching and learning facilities. Technical assistance component: Given the limited experience of universities with carrying out energy efficiency projects, technical assistance support is required for the proper quality of planned projects and to ensure that energy efficiency benefits are fully achieved. This support will consist of: • Energy audits / project preparation, • Procurement support, • Verification experts, • Energy performance certificates, • Visibility and other implementation support.
Location	Ukraine
Duration i.e. implementation period and indicative implementation timetable	Dates of signature of the loans with the beneficiary: ➢ Lead Financier — 1Q 2017 Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016 Target date of signature of EU Financing Agreement with Beneficiary — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2020 End of project activities — 2020
Justification/additionality of the EU grant	The main value added of the NIF contribution is to ensure the quality of the project implementation, notably through the verification, monitoring and quality of works, by applying best practices. This support will ensure that the economic and financial benefits related to energy efficiency measures will be achieved. Furthermore, technical assistance support will contribute to capacity building of stakeholders involved in the project, in particular the Ministry of Education and Science, in order to enable to replicate energy efficiency investments. The project contributes towards overall improved efficiency and lower energy intensity of essential services for the Ukrainian population. The project is expected to improve the cost efficiency

	of university campuses. Reducing the energy costs enables the universities to direct the scarce resources to their core activities and subsequently to increase and widen the universities' financial basis. The NIF-funded technical assistance will add value to the quality of the project implementation, notably through the verification, monitoring and quality of works. Also, the energy audits funded through the TA will enable to tailor investments needs from an economical and financial perspective. Therefore, technical assitance support will ensure that the economic and financial benefits achieved by the investments are ensured by applying adequate design and procurement practices in the project, which could otherwise not be achieved in the country context of Ukraine.

Morocco – Morocco – Enhancement of sanitation infrastructure in the context of the National Sanitation Programme (PNA2)

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Water sector policy and administrative management / 14010 Sanitation - large systems / 14022 Basic sanitation / 14032 Waste management / disposal /14050 Education and training in water supply and sanitation / 14081
Partner country/region	Morocco
Lead FI	AFD
Co-financiers	KfW, EIB
EU contribution requested	EUR 10 300 000
Total cost of the project	EUR 178 000 000
Objectives to be fulfilled (main)	The general objective of this Programme is to assist Morocco in the context of PNA2 (Programme National d'Assainissement Phase 2) in meeting its policy objectives in the field of sanitation by (1) accompanying the National Office of Electricity and Potable Water (ONEE) in the implementation of the second phase of the Programme, and (2) supporting Morocco in defining and improving the institutional and legal framework for the sanitation sector. Specific objectives of the Programme are the following: • Increasing the number of households connected to a sewerage system (individual or collective) and whose wastewater is treated in compliance with the standards. • Increasing the number of people sensitized on hygiene and environmental protection. • Contributing to the creation of jobs (men / women) in the sanitation sector. • Contributing to strengthening the project owner capacities of decentralized entities of the Moroccan State (municipalities, provinces, regions). • Promoting the adoption of public policy measures for better sustainability of the sanitation sector in Morocco. • Contributing to climate change adaptation objectives of Morocco in connection with sewerage, wastewater.
Foreseen results	• The sanitary conditions of will be improved and this will

	lead to improvement of populations' health. • Better hygiene practices will be promoted. Public health is thus improved, indirectly contributing to poverty reduction and economic development. • Pollution discharged into the natural environment will be reduced and thereby water resources (rivers and groundwater) will be protected. • Development of sanitation systems will create permanent jobs for operation and maintenance of these systems. • PNA2 will constitute a laboratory for Moroccan local authorities (municipalities, provinces and regions) and will strengthen their project owner capacities.
Description of the activities	The following activities are foreseen: • Provision of technical assistance to develop the detailed technical design of the program, coordination and animation of the National Sanitation Programme both at national and regional level; • Support in defining and improving the institutional and legal framework, and related capacity building measures, on key issues for the development of the sanitation sector; • Support in mobilizing adequate financing to further develop the sanitation infrastructure in Morocco; • Communication, promoting and awareness rising activities in particular with local population and civil society organizations.
Location	Morocco
Duration i.e. implementation period and indicative implementation timetable	Dates of signature of the loans with the beneficiary: ➢ Lead Financier — 4Q 2016 ➢ Other co-financing EFIs — 4Q 2016 Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016 Target date of signature of EU Financing Agreement with Beneficiary — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2023 End of project activities — 2023
Justification/additionality of the EU grant	Sanitation has strong positive externalities in terms of public health, economic and environmental protection provided that high technical standards and adequate social support is mobilized to achieve the expected quality of services and increase in population coverage. The technical assistance financed by the

	NIF will ensure higher quality implementation of the project objectives in line with international standards. Within the National Sanitation Programme (PNA2),this project funded by the NIF will contribute to raise awareness of the local population on the importance on the relevance of the activities implemented by the programme. This will contribute to the overall sustainability of the National Programme.

Jordan – Improved Access to Water, Water Distribution Performance and Related Sewerage Disposal in Irbid Governorate for Host Communities and Syrian refugees

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Water supply and sanitation - large systems / 14020 Basic drinking water supply and basic sanitation / 14030
Partner country/region	Jordan
Lead FI	AFD
Co-financiers	KfW
EU contribution requested	EUR 19 480 000
Total cost of the project	EUR 140 000 000
Objectives to be fulfilled (main)	The main objective of the project is to develop infrastructure and capacity for adequate delivery of water and sanitation in the area of Irbid and Ramtha (Northern Governorates in Jordan), where the Syrian refugees and host communities are facing the growing deterioration of services from both quantitative and qualitative points of views. The specific objectives of the Project are: 1) Expanding and improving the performance of the water networks in Greater Irbid and Ramtha. 2) Connecting to sewerage networks the unserved areas of Irbid that will receive the new water resources. 3) Capacity strengthening of Yarmouk Water Company (YWC) staff for operations and maintenance of the expanded and restructured networks. 4) Improving access to water for the vulnerable communities.
Foreseen results	The following results are foreseen: • Water supply networks are strengthened and restructured to absorb the new water inflows. Quality of services is improved with more continuous supply. Network extension allows for new connection. Pressure is optimised, and leakage reduced and identified for repair, while energy is saved. • 10,000 vulnerable households, including refugees (in proportion of around 70 %), are supplied with service water (network extension and connexion), metered, and outfitted with tank and in-house facilities.

	• Wastewater services are improved and households connected, with better living and hygiene conditions. Additional volume of wastewater is collected, treated and made available to substitute freshwater for irrigation purposes. • Yarmouk Water Company capabilities to manage the new infrastructure and maximize the networks' performance are improved. Yarmouk Water Company generates additional revenue. Asset management methods and tools are in place and generate optimised investment planning for preventive maintenance of electro-mechanic devices (including pumps) as well as maintenance and renewal of pipes.
Description of the activities	The main component of the project will consist in restructuring, strengthening and extension of networks and implementation of distribution metered areas, which allow increased capacity (70 to 120 million cubic meters) of distribution and better management of pressure in the network, hence saving water and energy. In depth work will be implemented with Yarmouk Water Company in order to ensure a full diagnosis of infrastructures (pipe network, civil works, and electromechanical equipment) and services (non-revenue water diagnosis and service quality assessment) and develop appropriate actions for non-revenue water reduction and asset management. Yarmouk Water Company organizational setup will be reviewed and staff will be trained when needed to improve the capacity to manage effectively the new infrastructure and bring an improved level of services to the population while reducing the leakages. The project will work beyond the public part of the water network to improve actual access of households with a special focus on the most vulnerable ones and public buildings. In addition, sensitization activities will be conducted at household level and community level to ensure the broadcasting of good practice on hygiene, use and conservation of water in households as well as understanding and payment of water bills.
Location	Jordan
Duration i.e. implementation period and indicative implementation timetable	Dates of signature of the loans with the beneficiary: ➢ Lead Financier — 4Q 2016 ➢ Other co-financing EFIs — 4Q 2016 Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016

	Target date of signature of EU Financing Agreement with Beneficiary — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2020 End of project activities — 2020
Justification/additionality of the EU grant	The NIF contribution is required to support the Government of Jordan in the implementation of this project as key contribution to the Jordan Response Plan to the Syrian refugees' crisis, which is the most important economic challenge for this decade in Jordan. As an integrated solution for delivery of water in Irbid and Ramtha, and reducing vulnerability and tension between communities, it will strongly contribute to maintain living condition and economic strengths in the area. Water produced and not billed represents a financial burden for Yarmouk Water Company and beyond it to Water Authority of Jordan and the Government of Jordan. Without an urgent action an unsustainable financial situation of Yarmouk Water Company will first trigger a decrease in the maintenance expenditures of the Company, reducing the lifetime of the infrastructures and the quality of the services to the population. The component of improving access to water will also allow the Yarmouk Water Company to obtain new customers. By proposed accompaniment to new beneficiaries by the selected NGO operator, in particular to ensure the payment of water bills, this component also aims to support the economic sustainability of the sector of water in Irbid.

Tunisia - Program contributing to depollution of the Mediterranean (DEPOLMED)

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Water and sanitation / 14022
Partner country/region	Tunisia
Lead FI	AFD
Co-financiers	EIB
EU contribution requested	EUR 10 750 000
Total cost of the project (estimated)	EUR 140 000 000
Objectives to be fulfilled (main)	The main objectives of the project are: • Preserving the quality of water of the Tunisian Mediterranean coast, by reducing waterborne pollution; • Improving living conditions of coastal population by facilitating access to sanitation services; • Improving performance of the National Sanitation Office (ONAS) in the management of investment projects, operation and maintenance of infrastructure and relations with the public.
Foreseen results	The following results are expected: • Quality of water of the Tunisian Mediterranean coast will be preserved by reducing waterborne pollution. Wastewater treatment capacity will increase by 27 500 m3/day and 540 km of pipes will be either constructed or rehabilitated; • Living conditions of coastal population will be improved by facilitating access to sanitation services; • Performance of the National Sanitation Office (ONAS) in the management of investment projects, operation and maintenance of infrastructure and relations with the public will be improved.
Description of the activities	The project is structured into two complementary components: 1) Investment component: • extension and rehabilitation of wastewater treatment plants for compliance with discharge standards, networks and pumping stations; 540 km of pipes will be

	constructed or rehabilitated 2) Capacity building of National Sanitation Office: • Support to the project implementation • Improving operations and maintenance works • The control of discharges of STEP • Industrial sanitation • Communication and awareness raising • Follow up of the project
Location	Tunisia
Duration i.e. implementation period and indicative implementation timetable	Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016 Target date of signature of Grant Agreement — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2021 End of project activities — 2021
Justification/additionality of the EU grant	The project itself is expected to offer significant economic benefits for the government, to National Sanitation Office and to the coastal population. Further benefits are expected from the reduction of pollution of the coast: preservation of tourism activities (maintaining the quality of water), aquaculture and fishing. The NIF grant will generate a sufficient incentive to convince the authorities to embark on this ambitious program in a constrained macroeconomic context. It would be extremely difficult, if not impossible to implement the project without the support of the NIF grant. The level of incentives provided by the intermediary is decisive for its implementation and the achievement of ambitious environmental results, both nationally and regionally (H2020), but also socially, given the improving the quality of life that will induce.

Regional - Trade and competitiveness programme in Morocco and Tunisia (EBRD)

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Small and medium-sized enterprises (SME) development / 32130 Agriculture / 311 Industry / 321 Telecommunications / 22020 ICT / 22040 Energy: Resource generation, distribution and efficiency / 230 Storage / 21061
Partner country/region	Morocco, Tunisia
Lead FI	EBRD
Co-financiers	N/A
EU contribution requested	EUR 25 630 000
Total cost of the project	EUR 165 000 000
Objectives to be fulfilled (main)	Instrument 1: The Project aims at enhancing sustainability and competitiveness of small and medium enterprises (SMEs) – in particular, local SMEs that already work with aggregators/sponsors (e.g. export-oriented buyers, local processing companies and off-takers) in the sectors of agribusiness, manufacturing, services, property (logistics/distribution) and ICT. Improved value chains will support SMEs in innovating processes and production and contribute to increase access to the EU market. Instrument 2: The objective of Instrument 2 is to support the implementation of Instrument 1 through a novel, practical and analytical assessment of the key regulatory and legislative obstacles to increase competitiveness and greater value chain development.
Foreseen results	The Program will boost the competitiveness of private sector SMEs in Tunisia and Morocco through increasing their participation in value-added and export-oriented activities across selected value chains. This will be achieved through improving linkages with larger market players/aggregators that can drive value chain organisation and the upgrade of standards. Investment projects with SMEs and aggregators will target production and export growth, value-creation and innovation activities along value chains which include a large number of

	SMEs. Product, process and service improvements by the aggregator will exert strong positive effects on the SMEs they work with (eg. raw material producers, suppliers, logistics operators, traders, etc.). Technical assistance will target SMEs directly to support improvements in their operations, productivity, environmental sustainability, management structure, and quality standards. The activities can focus on business advisory services, the transfer of technologies and know-how, and support for quality upgrades.
Description of the activities	<u>Investment Component:</u> The EU grant will be provided to SMEs and will be available to both suppliers higher in the value chain (Tier 1) and those with lower-value added activities (Tier 2). The grant will be used to purchase innovative machinery, tools, and equipment, to introduce new products, marketing and services, to boost production and resource efficiency as well as for other activities related to increasing the competitiveness of SMEs in Morocco and Tunisia. This includes investment into software as well as processes, services and products in the selected value chains. <u>Technical Assistance Component:</u> To boost the competitiveness of local SMEs and prepare them for financing from the EBRD, other IFIs, local commercial banks and micro-credit institutions, Technical Assistance funds will be used to support the upgrade of standards in line with DCFTA requirements. Technical Assistance will be of benefit to both suppliers higher in the value chain (Tier 1) and those with lower-value added activities (Tier 2). The technical assistance will help ascertain - through the work of consultants – the legal, technical, market and financial viability of proposed projects. At the post-investment stage the Technical Assistance resources will be used to add value to SMEs and will include training and skills improvements to help SMEs move up on the innovation ladder and boost competitiveness.
Location	Morocco, Tunisia
Duration i.e. implementation period and indicative implementation timetable	Target date of signature of EU Delegation Agreement with Lead FI — 4Q 2016 Start of activities financed by the EU grant — 1Q 2017 End of activities financed by the EU grant — 2022 End of project activities — 2025
Justification/additionality of the EU grant	The EU budgetary resources will allow SMEs to improve their business, standards while at the same time improving their

	competitiveness through a value chain approach. The vast majority of the SMEs that the Program would reach are part of key supply and value chains in the context of the countries' economies and, at the same time, export products like processed agricultural produce (e.g. olive oil) or manufactured goods for various industries (automotive). The Program will support opportunities for export development to the EU (in the context of the existing Association Agreements and Deep and Comprehensive Free Trade Area agreement preparation) as well as in the Mediterranean region (in relation to the Agadir Free Trade Agreement). The Program will therefore target value chains in Morocco and Tunisia that have a competitive edge in export markets, through upgrading to EU standards and compliance with DCFTA requirements. The Program is expected to benefit a total of around 800 SMEs and will result in an increased level of innovation, business sophistication and value added in processing and products, hence increasing overall private sector competitiveness.

Regional - Trade and competitiveness programme in Morocco and Tunisia (EIB)

Investment Facility	Neighbourhood Investment Facility (NIF)
Opinion of the Operational Board	Positive opinion
Sector/DAC code	Small and medium-sized enterprises (SME) development / 32130 Agriculture / 311 Industry / 321 Telecommunications / 22020 ICT / 22040 Energy: resource generation, distribution and efficiency / 230 Storage / 21061
Partner country/region	Morocco, Tunisia
Lead FI	EIB
Co-financiers	N/A
EU contribution requested	EUR 25 600 000
Total cost of the project	EUR 265 000 000
Objectives to be fulfilled (main)	The main objectives of the Programme are the following: 1. Providing wider access to finance for SMEs, in the form of a Risk Sharing Facility. This will enable local intermediary banks to take more risk and reach out to underserved segments of the economy. 2. Building capacity of financial intermediaries, final beneficiaries and authorities to support the implementation of the project. 3. Improving competitiveness of selected sectors and therefore prospects for trade. The Programme will enable SMEs to benefit from trade openness with the EU.
Foreseen results	The EIB Trade and Competitiveness Programme for Morocco and Tunisia will provide targeted financial and technical support to SMEs in the countries concerned to overcome the identified obstacles and will focus the priority objective of access to finance via a Risk Sharing Facility, allowing access to finance for SMEs, with a focus on selected value chains. The Programme will blend EIB loans and EU grants, and achieve a considerable leverage effect with the purpose of providing access to finance to - and improving competitiveness of - local SMEs, ultimately allowing them to become more successful in the European market place. It will support the target countries in the development of value chains in particularly relevant sectors, such as the agri-food industry, manufacturing, services and others allowing them to

	offer attractive and EU-compliant products on the European market
Description of the activities	The Programme will combine: (i) EIB long-term Loan for Value Chains with (ii) a risk participation instrument (Risk Sharing Facility) and (iii) expert support (Expert Support Facility) to achieve the objectives of the Programme. 1. EIB Loan for Value Chains (EIB VC Loan): The EIB will provide long-term lending to financial intermediaries committing to on-lend EIB financing to eligible sub-borrowers along selected value chains (Final Beneficiaries). 2. Risk Sharing Facility (RSF): It will provide credit risk protection on a portfolio basis for the loans granted by Financial Intermediaries when on-lending EIB Loans for Value Chains. Risk sharing protection would be offered to Financial Intermediaries, in a form of a “first-loss piece”. 3. Expert Support Facility (ESF): It will provide expert support to Final Beneficiaries and/or financial institutions to develop bankable efficiency investments and suitable financial products, respectively.
Location	Morocco, Tunisia
Duration i.e. implementation period and indicative implementation timetable	Target date of signature of EU Delegation Agreement with Lead FI: 4Q 2016 Start of activities financed by the EU grant: 1Q 2017 End of activities financed by the EU grant: 2029 End of project activities: 2029
Justification/additionality of the EU grant	Private sector development is essential to create employment opportunities in both Tunisia and Morocco. In this context, there is a need to improve access to finance for SMEs, which account for the vast majority of enterprises and generate a substantial proportion of jobs. The difficulties SMEs face in accessing external funding hampers the development of the private sector and the promotion of export-oriented and value-added activities, and therefore limits economic development and job creation. The proposed EU contribution will help alleviate access to finance constraints of SMEs through risk sharing and capacity building instruments which promote value-chain development, competitiveness and trade development activities, and this will in turn foster a dynamic and competitive private sector with higher paid jobs.