ANNEX

1. **IDENTIFICATION**

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>NIGERIA - Energising Access to Sustainable Energy (EASE) N°CRIS: 023-551</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td><strong>Total cost EUR 40 400 000</strong>, of which:</td>
</tr>
<tr>
<td></td>
<td>• 10th EDF contribution (A envelop): EUR 27 000 000</td>
</tr>
<tr>
<td></td>
<td>• GIZ/BMZ contribution : EUR 9 000 000</td>
</tr>
<tr>
<td></td>
<td>• WB/GEF contribution : EUR 4 400 000 (USD 6 050 000)</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach</td>
</tr>
<tr>
<td></td>
<td>1. Indirect Centralised Management - Delegated Co-operation with GIZ</td>
</tr>
<tr>
<td></td>
<td>2. Joint Management with the World Bank</td>
</tr>
<tr>
<td></td>
<td>3. Direct Centralised Management</td>
</tr>
<tr>
<td></td>
<td>4. Partially Decentralised Management (NGOs)</td>
</tr>
<tr>
<td>DAC-code</td>
<td>23010 23020 23030 23081 31261</td>
</tr>
<tr>
<td>Sector</td>
<td>Energy Policy and Administrative Management</td>
</tr>
<tr>
<td></td>
<td>Power generation – non-renewable sources</td>
</tr>
<tr>
<td></td>
<td>Power generation - renewable sources</td>
</tr>
<tr>
<td></td>
<td>Energy education/training</td>
</tr>
<tr>
<td></td>
<td>Forestry development whose primary purpose is production of fuel wood and charcoal</td>
</tr>
</tbody>
</table>

2. **RATIONALE**

2.1. **Sector context**

About 60 % of Nigerians, overall, and some 80% in rural Nigeria have no access to electricity at all; only about half of the capacity installed by public power producers is really working. Private generators, which use imported and subsidized diesel, are ubiquitous. Additionally, Nigerians lack access to clean, affordable cooking fuels. A large part of the population will continue to rely on polluting fuels such as fuel wood and charcoal, with severe health consequences. The negative environmental impact of massive fuel wood collection on the forest cover and on the livelihoods of people is also significant.

In acknowledgement of the poor state of the energy sector and its negative impact on Nigeria's economic development, reform plans have been pushed increasingly higher on the agenda of recent and current administrations, though implementation has lagged behind. Nigeria Vision 20:2020's strategic objective in this area is "to ensure that the sector is able to efficiently deliver sustainable adequate, qualitative, reliable and affordable power in a deregulated market, while optimising the on and off-grid energy mix". The National Energy Policy (NEP 2003), the Electric Power Sector Reform Act (2005) and President Goodluck Jonathan's ambitious 2010 Power Sector Reform Road Map constitute the basis of the reform: privatisation and un-bundling of the Power Holding Company of Nigeria, introduction of cost-reflective tariffs and reforms in the up-stream fuel-to-power sector. The Road Map recognises the potential of gas as a fuel for power generation and other energy services, and urges accelerated implementation of the 2008 National Gas Master Plan.

**Renewables and Energy Efficiency:** The 2005 Renewable Energy Master Plan defining moderate objectives for renewables has not been implemented in the seven years of its existence and is currently

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1 Nigeria Vision 20:2020, page 78
under review. The more recent Vision 20:2020 considers increasing the use of renewables and improving energy efficiency as important for achieving security of supply and Nigeria's 2020 power generation targets. The Minister of Power has recently announced a target figure of 1 000 MW out of Renewable Energy for the 2020 horizon.

The power reform programme also gives more autonomy to the States, in particular regarding off-grid electricity investments, making States important players in rural electrification, alongside the Rural Electrification Agency. In addition, the agency, after around two years of suspension, is in the process of being revived and still has to build up the necessary capacities.

Gas flaring: In recent years Nigeria has failed to develop a significant domestic and regional market for its gas. Each day, around 1.5 billion cubic feet of associated gas are flared, emitting some 40 million tons of CO₂ equivalent, and making Nigeria the second largest flaring country. Since 1984, the Federal Government of Nigeria has repeatedly set dates for ending gas flaring by utilizing flared gas, re-injecting it, or shutting down fields with flared gas. Despite these attempts, high levels of flaring have continued. More recently, in parallel with power sector reforms, the Federal Government of Nigeria is also taking strong action to enable and encourage commercial investment in the natural gas sector.

2.2. Lessons learnt

Experience has shown that reform plans in the energy sector are usually implemented with considerable delays, often only partly and sometimes not at all, due to resistance from specific interest groups or large parts of the population. Whereas this (political) phenomenon cannot be externally influenced, the professional capacity of the respective and relevant parts of the administration can be improved in order to bring more rationality into the planning process and – with some trickle-down effect – in its implementation.

There was no intervention in the energy sector under the 9th European Development Fund (EDF). Under the European Union (EU) Energy Facility, the Sustainable Utilisation of Nigeria’s Gas and Renewable Energy Resources project has received a EUR 2 300 000 grant, and the project is being implemented in the politically volatile Niger Delta Region (2009 to 2014). The experience to date shows that change is brought about slowly, that it took a long time to establish trust between the opposing groups of stakeholders and that local expectations are very high and need to be carefully managed. Visibility and communication strategies need to be designed with care. Additionally, the low technical and managerial capacity of private companies, especially small and medium sized enterprises (SMEs), needs to be taken into account, as they are crucial partners in implementing the type of renewable energy projects planned under the proposed programme. The lessons learnt from the implementation of the gas-to-power component will be particularly relevant to Component 4.

The experience of previous EU-funded Governance Programmes indicates that the logistics and time required for working simultaneously in several States, spread around the country, should not be underestimated. The 9th EDF Micro-Projects Programme in the Niger Delta has additionally shown how direct service delivery impacts on improved governance and the performance of State Government agencies.

Massive deforestation and cutting of trees for fuel wood in the northern States is threatening the livelihood of millions of people. Experience from programmes funded under the 5th and 6th EDF in the

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2 As the power sector is likely to be the largest single domestic consumer of natural gas, reforms of the power sector are critical to encourage greater utilization and ensure generators are able to pay for the gas they consume.
North has shown that planting of trees for shelter belts and wind breaks cannot compensate the loss of the natural tree cover as a result of the rapid population growth. A recent study undertaken in Katsina showed that the quantity of sustainable fuel wood production is overcut 4-5 times. There is an urgent need for more trees to cater for the fuel wood demand of the existing and future population.

2.3. Complementary actions

Several development partners are already active or planning to get involved in supporting the energy/power sector in Nigeria. Most notably: the World Bank ("Lighting Africa" programme; a RE-based rural electrification project under preparation aiming at cooperation with cell phone tower operators to extend electricity generation/supply; and support to National Power Training Institute of Nigeria); the African Development Bank (budget support to Ministry of Power; capacity building programme for Public Private Partnerships (PPP) in selected States through the Infrastructure Concession Regulatory Commission), the UK Department for International Development (DFID) (support to the Ministry of Power, the market operator and electricity companies, through its Nigeria Infrastructure Advisory Facility), Agence Française de Développement (a loan for the power grid extension), USAID (support to the Nigerian Electricity Regulatory Commission; Small Hydro Project in Cross River State and an energy efficient wood stove project), the Regional Centre for Renewable Energy and Energy Efficiency (financing an energy master plan in Jigawa State and 5 smaller RE projects in Nigeria) as well as Deutsche Gesellschaft für Internationale Zusammenarbeit’s (GIZ)'s Pro-Poor Growth and Promotion of Employment Programme in Nigeria. Cooperation with these and other stakeholders will be re-examined at the start of the programme to ensure complementarity and avoid overlaps.

Activities under Component 4 have to be considered in the frame of the World Bank-led Global Gas Flaring Reduction Partnership (GGFR), of which Nigeria is a member. The most important interventions promoting commercial utilisation of associated gas are supported by the International Oil Companies present in the Delta. Complementarity will be explored.

2.4. Donor coordination

There is currently no formalised effective donor coordination in the power sector. The programme, through its governance structure, will strive for the establishment of such a coordination mechanism.

3. DESCRIPTION

3.1. Objectives

The overall objective is to improve energy access in Nigeria, with a focus on the use of renewable energies by SMEs and households, on improved energy efficiency of selected sectors, and on small scale utilisation of flared gas. Recognizing that the main energy source for the majority of the population is fuel wood, and that this is likely to remain the case for some time to come, with particularly disastrous consequences for the environment especially in the North of the country, a forestry component is included. The purpose of the programme is to improve the enabling framework conditions for the application of renewable energies, for a more efficient use of energy, and for small scale commercially viable solutions for flared gas utilisation.

3.2. Expected results and main activities

Component 1: Improving the Federal policy framework for energy access with a focus on renewable energy/energy efficiency
Result 1.1: The policy framework for renewable energy at Federal level is reviewed, updated and improved
Result 1.2: The policy framework for energy efficiency at Federal level is reviewed, updated and improved
Result 1.3: The capacity to coordinate promotion strategies and rural electrification plans is improved (Rural Electrification Agency)
Result 1.4: Energy efficiency standards and labels are defined and published by the Ministry of Power and the Standardisation Organisation of Nigeria
Result 1.5: Energy data collection and dissemination is improved.

Component 2: Capacity building of selected State Governments to plan and implement access to energy measures, focused on the use of renewable energy and energy efficiency
Result 2.1: Energy Master Plans in States contain a clear strategy for improving access to energy, with a focus on the promotion of renewable energy and energy efficiency.
Result 2.2: Promotion measures of the most efficient renewable energy and energy efficiency solutions in selected States are under implementation.
Result 2.3: Pilot projects for renewable energy, in selected States are under implementation
Result 2.4: Institutions/NGOs/private companies offer services for dissemination of renewable energy and energy efficiency (e.g. improved cooking stoves)

Component 3: Building the institutional and professional capacity of the National Power Training Institute of Nigeria (NAPTIN) with a focus on renewable energies and energy efficiency
Result 3.1: Job profiles and curricula regarding selected renewable energy and energy efficiency are reviewed and improved/developed.
Result 3.2: Training institutions/NAPTIN’s capacity and trainers’ knowledge on renewable energy/energy efficiency topics is improved.
Result 3.3: Training institutions/NAPTIN offer and contract out training courses on a fee basis.

Component 4: Demonstration of the commercial viability of small-scale gas processing in the Niger Delta region
Result 4.1: A feasibility study on the technical requirements for small-scale projects using currently flared gas is executed;
Result 4.2: Local market analyses for electricity and gas products are available;
Result 4.3: A business plan is developed that demonstrates commercial viability and identifies third party investors to finance and construct a small-scale facility;
Result 4.4: State government’s capabilities for supporting commercial utilization of small-scale gas resources are strengthened.

Component 5: Farmer managed renewable energy production
Result 5.1: The long-term fuel wood balance in selected Local Governance Areas of Katsina is improved and farmers’ resilience to external shocks is strengthened;
Result 5.2: Awareness and promotion measures for on-farm tree planting and natural regeneration of trees are under implementation;
Result 5.3: Demand driven production of tree seedlings for distribution to farmers is under implementation
Result 5.4: Farmers assume responsibility for protection, care and management of trees planted and naturally re-grown on farm land;
Result 5.5: Consumption of fuel wood by farming households is reduced
Result 5.6: Agricultural production in selected Local Governance Areas (LGAs) is enhanced through introduction of sustainable agro-forestry systems.

Activities will take place at Federal level under component 1. Six States will be selected under component 2, according to a set of objective criteria to be finalised at the inception phase; the EU contribution under this component will target the Northern States, subject to security considerations. Component 3 will address the central facility of NAPTIN in Abuja and its 6 regional centres. Activities under component 4 will be concentrated in Rivers State. Component 5, being a pilot initiative, will focus on selected LGAs in Katsina State.

**Main activities**

**Component 1:**
Main activities include policy assessment, technical analysis and advice, design of energy access strategies, promotion of networking platforms and data collection, private sector integration, review and amendments of tariffs and regulatory issues, introduction of norms and standards, capacity building related to the assessment of rural energy master plans and coordination of promotional strategies and measures toward renewable energy/energy efficiency.

**Component 2:**
The first set of activities will target the elaboration of State energy access strategies, combining assessments of existing and planned capacities, surveys on viable renewable energy potential and demand projections etc. Second, activities will focus on the identification and selection of renewable energy pilot projects, technical and economic feasibility studies, the development of business and operating models involving the private sector, the implementation of renewable energy projects (with a target of at least 2 demonstration projects in each State) and the dissemination of energy efficiency measures. A third set of activities will consist in developing supply chain mechanisms for improved cooking stoves, for manufacturing and distribution throughout the targeted States. NGOs will be associated in awareness raising and training activities. Various awareness raising events, attracting media and high level political interest, will be organised to promote the benefits of renewable energy/energy efficiency and clean cooking stoves.

**Component 3:**
Activities will start with an in-depth assessment of NAPTIN’s strategy and capacity building needs (with focus on training capacities) and with the assessment of relevant training knowledge available in other institutions, followed by the establishment of a dialogue platform with private sector companies, and the training of NAPTIN-trainers and financing of equipment for training workshops.

**Component 4:**
The key activities include executing a feasibility study on the technical requirements for small-scale projects using currently flared gas; developing a business plan that demonstrates commercial viability, identifying third party investors to finance and construct a small-scale facility; undertaking local market analyses for electricity and gas products; and strengthening State Government’s capabilities for supporting commercial utilization of small-scale gas resources.

**Component 5:**
Key activities of this farm-based fuelwood production pilot initiative include awareness raising among the rural population on hazards of over-exploitation of biomass for fuel wood use, production of tree seedlings and planting of seedlings on farm land, natural tree regeneration on farm land, sustainable on-farm management of trees for fuelwood production, promotion of fuel wood saving technologies
for on-farm use, introduction of improved agro-forestry systems for enhanced crop and livestock production.

3.3. Risks and assumptions

The major assumptions are: i) political stability in Nigeria, including in the Niger Delta, and security in the North of the country can be maintained, ii) the Federal Government of Nigeria remains committed to the promotion of renewable energy and energy efficiency, and to the opening of the gas sector to commercial investment, iii) adequate funding for renewable energy and energy efficiency seed investment can be mobilised from State budgets, from national and international financial institutions, iv) the Federal Government of Nigeria and International Oil Companies remain committed to curbing gas flaring.

<table>
<thead>
<tr>
<th>Risks/potential adverse impacts</th>
<th>Level</th>
<th>Risk management strategy/measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unforeseen political instability and corruption may lead to changes in the institutional landscape</td>
<td>High</td>
<td>Diversification in local implementing partners, improving transparency and better cooperation between stakeholders. Project implementation will be strongly overseen by GIZ and World Bank teams. Component 4: dependency on local content requirements will be mitigated by undertaking due diligence prior to any recruitment of local consultants/engineers.</td>
</tr>
<tr>
<td>Tensions due to social conflicts and terrorist activities hamper data gathering and general programme implementation.</td>
<td>High</td>
<td>Careful choice of intervention areas/States with low conflict potential but strong leadership and political stability. Diversification of activities to States outside core Niger Delta (component 4) where gas flaring occurs.</td>
</tr>
<tr>
<td>On-going reforms in the power, oil and gas sectors fail to promote renewable energy/energy efficiency, to increase prices to cost-reflective levels, to support measures against gas flaring etc.</td>
<td>High</td>
<td>Continuous lobbying on renewable energy/energy efficiency benefits with important decision makers and awareness-raising with the private sector and civil society. Project formulation was conducted in close contact with relevant Government stakeholders. The World Bank and GIZ's partnerships with Nigeria will be leveraged to ensure programme is supported and best practices are widely communicated.</td>
</tr>
<tr>
<td>Sustainability jeopardised if plans not implemented, if trained personnel leaves, if there is no maintenance or earmarked funds are diverted</td>
<td>Low</td>
<td>Visible positive impacts on poverty alleviation, the environment and climate change in the current context will support implementation of the programme.</td>
</tr>
<tr>
<td>Falling international oil prices have significant impacts on volume of economic activities and state budget.</td>
<td>Low</td>
<td>The programme cannot influence this risk, but in any case risk probability is low given international economic development trends.</td>
</tr>
<tr>
<td>Market anomalies (proliferation of substandard products, distribution monopolies) may jeopardize success of energy efficiency promotion</td>
<td>Medium</td>
<td>The programme will tackle this challenge by standard enforcement and awareness raising measures.</td>
</tr>
<tr>
<td>Social risk: community relations are negatively impacted by existing oil and gas operations in the region (Component 4)</td>
<td>Medium</td>
<td>Community engagement will begin by working closely with the international oil companies operating in the area. By working directly with them, appropriate entry and knowledge of existing community structure are ensured. For longer-term community engagement, competent and well referenced local NGOs or other initiatives (i.e. the Alliance for Clean Cookstoves) will be considered.</td>
</tr>
<tr>
<td>Growth and survival of trees on-farm land may be affected by prolonged droughts or insufficient rainfall</td>
<td>Medium</td>
<td>Early production of tree seedlings will ensure timely on-farm planting of seedlings to take full advantage of the entire rainy season. Diversification of tree species according to agro-ecological zones.</td>
</tr>
<tr>
<td>Limited openness of farmers to technical changes and on-farm tree plantation.</td>
<td>Low</td>
<td>Focus on LGAs where 5th and 6th EDF interventions took place and certain farmers already adopted trees planted for</td>
</tr>
</tbody>
</table>
3.4. **Crosscutting Issues**

As a result of close cooperation with government institutions, at Federal and State level, and of the involvement of relevant stakeholder groups, transparency of planning, participatory development and **good governance** of the energy and related sectors will be improved.

During implementation of the programme, special attention will be paid to **gender equality**. Women in particular will benefit from improved supply of electricity in rural areas, as housework – predominantly done by women – will be carried out with adequate lighting. In addition, mostly women and children will benefit from the elimination of toxic smoke as a result of improved cooking stoves (in addition to the reduced fuel wood consumption) and the availability of various energy products based on gas processing. Despite these positive expected results and regular monitoring of it, gender equality is not an explicit objective of the programme.

Through the promotion of renewable energy, energy efficiency and reduced gas flaring, the programme contributes to **environmental protection and resource conservation**. The planting of trees on farms in northern States will contribute to reduced desertification and soil erosion. Limited environmental impacts may arise in individual cases, depending on the specific technology and location (for example, for micro hydropower plants), but they will be taken into account in the planning of the individual measures. The programme also contributes to a reduction of greenhouse gas emissions, particularly under Component 4, and therefore also addresses the issue of **climate change**.

3.5. **Stakeholders**

(i) **A first group at Federal level** includes the Ministry of Power, the Nigerian Electricity Regulatory Commission (NERC) and the Rural Electrification Agency (REA). The Ministry of Power has overall responsibility for the sector, playing an important role in the improvement of the policy and regulatory framework. NERC is responsible for regulating the power sector, licensing investment projects and setting tariffs, and thus, fulfils a crucial role in the functioning of the sector. After 2 years of “being dormant” REA is in the process of being revived, and will be in charge of promoting rural electrification and supporting States' energy master plans and projects. The **National Planning Commission** is responsible for the formulation and coordination of national development plans, including liaising with relevant institutions in the energy sector and Development Partners. The **Energy Commission of Nigeria** has a planning, strategy coordination and advisory role in the government and could potentially be a partner in research activities and central data banking on energy. The **Standards Organisation of Nigeria** will be a partner in the introduction of energy efficiency standards and other measures to promote energy efficiency nationwide. The Ministry of Environment will be in charge of the formulation and management of strategic interventions in Nigeria towards the Great Green Wall programme to be implemented in 11 frontline States of northern Nigeria. The pilot initiative under component 5 will complement these national efforts.

(ii) **The Governments of selected States**, in particular the energy departments/commissions and forestry departments and their extension services are direct beneficiaries and implementing partners under Component 2. The selection of the participating States will take place at the beginning of the programme, according to a set of objective and transparent criteria to be defined during the inception phase. Additionally, **targeted communities, small traditional manufacturers, SMEs, NGOs, women and farmers' groups** are key stakeholders in relation to the implementation of renewable energy pilot projects, dissemination of energy efficiency measures and standards, manufacturing and dissemination of clean cooking stoves etc.
(iii) Under Component 3, the National Power Training Institute of Nigeria (NAPTIN) is the key stakeholder and partner. With a central training facility in Abuja and six regional centres spread throughout Nigeria, NAPTIN trains operations and maintenance personnel countrywide, but needs upgrading of curricula and of its training staff.

(iv) The main stakeholders of component 4 are the international oil companies, communities, off-takers of energy and products, and the implementing agency (still to be determined). Preliminary discussions with the international oil companies have taken place and these companies are very interested in participating in the project. The project will be also dependent on strong stakeholder relations with, but not limited to, various levels of government, ministries and parastatals; donors and their implementing partners; community-based organization and NGOs; investors; and project consultants. A successful community-based project requires ensuring strong institutions at the State, Local, and Community levels.

(v) The primary stakeholders of component 5 are farm households benefitting from trees planted and regenerated on their farms, in terms of increased income from fuelwood sale and improved farming conditions. Rural women and fuelwood consumers in small towns and urban centres benefit from more sustainable fuelwood supply. The Katsina State Ministry of Environment, State Department of Forestry and State Ministry of Agriculture will support the project through provision of nursery facilities and extension services. Existing women's groups and local environmental NGOs will benefit from project outcome and technologies generated by the project.

Consultations have taken place with all key stakeholders and beneficiaries, who have shown a keen interest in the planned support programme.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

A Financing Agreement will be signed with the National Authorising Officer for all 5 components of the programme.

Direct centralised management will be used for overall project visibility activities and evaluation/audit, to be implemented through service contracts signed by the EU Delegation.

Components 1 to 3: Indirect centralised management through a Delegated Agreement with GIZ as the implementing agency, in accordance with Article 26 of Council Regulation EC no 215/2008 on the Financial Regulation applicable to the 10th EDF.

The choice of the implementation method and of the partner organisation for these 3 components stems from GIZ's recently approved support programme in the energy sector. Following a joint mission in December 2010, a close inter-connection of objectives between the German programme and potential EU-funded interventions was observed. A Delegation Agreement with GIZ seems the most efficient and direct way of achieving the 10th EDF/National Indicative Programme (NIP) objectives under focal sector 3 (Trade, regional integration and energy security). GIZ has been selected based on its mandate, technical expertise and specific experience in Nigeria, as well as in comparable African and other countries.

Component 4: Joint Management will be used, through the signature of an Administration Agreement with the International Development Association (IDA), in accordance with Article 29 of Council Regulation EC no 215/2008 on the Financial Regulation applicable to the 10th EDF. IDA complies with the criteria provided for in the applicable Financial Regulation A Single Donor/Bank executed Trust Fund will be set up for the EU contribution, to be administered by IDA. IDA is covered by the

The EU contribution will cover the financing gap in a Global Environment Fund (GEF)-supported programme that responds to the global and local push for reducing gas flaring under the GGFR, and is aligned with Nigeria's on-going energy sector reforms, as well as with the 10th EDF Country Strategy Paper/NIP Focal Sector 3.

**Component 5: Partially Decentralised Management** in accordance with Articles 21 to 23 of the Financial Regulation of the 10th EDF through grant agreements with NGOs following a Call for Proposals procedure through the National Authorising Officer. The implementation of the activities related to the farmer-managed renewable energy production in selected Local Governance Areas of Katsina State will be awarded in accordance with the contract procedures for EU external actions.

The Commission controls *ex ante* all the procurement and grant procedures. Payments are executed by the Commission.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

### 4.2. Procurement and grant award procedures

**A- Activities implemented through centralised and partially decentralised management**

1) **Contracts**

Activities implemented through direct centralised management:

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the Financial Regulation applicable to the 10th EDF. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in 20 of Annex IV of the Cotonou Agreement.

2. **Specific rules for grants.**

Activities implemented through partially decentralised management

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action. They are established in accordance with the principles set out in Title VII “Grants” of the financial Regulation applicable to the 10th European Development Fund. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80% of total accepted costs of the Action. Full financing may only be applied in the cases provided for in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th EDF.

Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.
**B - Activities implemented through indirect centralised management**

All contracts implementing the action of components 1, 2 and 3 are awarded and implemented in accordance with the procedures and standard documents laid down and published by GIZ.

**C - Activities implemented through joint management**

All contracts implementing the action of the component 4 are awarded and implemented in accordance with the procedures and standard documents laid down and published by the World Bank.

4.3. **Budget and calendar**

The budget is presented in the Appendix.

The foreseen operational duration is 60 months as from signature of the Financing Agreement.

4.4. **Performance monitoring**

Continuous technical and financial monitoring is the responsibility of the implementing agencies. GIZ (components 1 to 3) and IDA (component 4) will establish an internal monitoring system, which will be used to elaborate progress reports, including progress towards target values for key indicators. The partner organisations will affect dedicated personnel members of the project for the supervision and monitoring of the different activities, the formulation of corrective action and the monitoring of its application and regular evaluations. The EU Delegation may be associated to these exercises.

The indicative logical framework will serve as the basis for measuring progress and final assessments; it will be adjusted and refined at the inception phase. Indicators will also be adjusted throughout project duration, subject to endorsement by the EU Delegation.

The Commission may carry out Results Oriented Monitoring (ROM) via independent consultants, starting from the sixth month of project activities, which will be finalized at the latest 6 months before the end of the operational implementation phase.

4.5. **Evaluation and audit**

The project will undergo a mid-term and a final evaluation, to be carried out by the European Commission through independent consultants. Under both implementation modalities, delegated cooperation (components 1 to 3) and joint management (component 4), audit and internal control of management operations will be conducted by the respective implementing agencies in line with the internal and external auditing procedures laid down in their financial regulations and directives.

4.6. **Communication and visibility**

Visibility activities will be carried out by the selected implementing agencies in line with the Communication and Visibility Manual for EU External Actions. The visibility strategy will also have a separate budget for its implementation through direct centralised management to ensure maximum visibility of the EU intervention. These latter visibility activities will be contracted through service contracts.
### Appendix – Budget

Indicative breakdown:

<table>
<thead>
<tr>
<th>Categories</th>
<th>EU</th>
<th>GIZ/BMZ</th>
<th>WB/GEF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegation Agreement with GIZ (Components 1 – 3)</td>
<td>15 500 000</td>
<td>9 000 000</td>
<td>-</td>
<td>24 500 000</td>
</tr>
<tr>
<td>Administration Agreement with IDA (Component 4)</td>
<td>1 500 000</td>
<td>-</td>
<td>4 400 000*</td>
<td>5 900 000</td>
</tr>
<tr>
<td>Decentralised management – grant Agreements with NGOs (Component 5)</td>
<td>8 500 000</td>
<td>-</td>
<td>-</td>
<td>8 500 000</td>
</tr>
<tr>
<td>Monitoring and External Evaluation</td>
<td>200 000</td>
<td>-</td>
<td>-</td>
<td>200 000</td>
</tr>
<tr>
<td>Visibility and Communication</td>
<td>100 000</td>
<td>-</td>
<td>-</td>
<td>100 000</td>
</tr>
<tr>
<td>Contingencies**</td>
<td>1 200 000</td>
<td>-</td>
<td>-</td>
<td>1 200 000</td>
</tr>
<tr>
<td><strong>Total Programme</strong></td>
<td><strong>27 000 000</strong></td>
<td><strong>9 000 000</strong></td>
<td><strong>4 400 000</strong></td>
<td><strong>40 400 000</strong></td>
</tr>
</tbody>
</table>

* This figure includes a EUR 300 000 provision for possible short-term TA support under decentralized management

**The EU’s contribution to this heading may be used only with prior agreement of the European Commission.