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ANNEX 1

of the Commission Implementing Decision on the financing of the annual action programme in favour of Central Asia for 2018 part 2 and in favour of the Asia region for 2018 part 4

Action Document for Support to Investment, Competitiveness and Trade in Central Asia

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Support to Investment, Competitiveness and Trade in Central Asia CRIS number: ACA/2018/040-946 Financed under Development Cooperation Instrument	
2. Zone benefiting from the action/location	Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), Afghanistan, Mongolia	
3. Programming document	Addendum No 1 to the Multiannual Indicative Programme between the European Union and Central Asia for the period 2014-2020 ¹ Addendum No 1 to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 ²	
4. Sector of concentration/ thematic area	Regional Sustainable Development	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 33.7 million Total amount of EU budget contribution: EUR 31.2 million (Including an estimated EUR 30.4 million financed from the Multiannual Indicative Programme Regional Central Asia 2014-2020 and an estimated amount of EUR 0.8 million financed from Multiannual	

¹ Decision C(2018)4741 of 20/07/2018

² Decision C(2018)4741 of 20/07/2018

	<p>Indicative Programme Regional Asia 2014-2020</p> <p>-This action is co-financed in joint co-financing by the OECD for an indicative amount of EUR 0.3 million for Component 2</p> <p>-This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 2.2 million for Component 1</p>			
6. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <p>Direct Management through:</p> <ul style="list-style-type: none"> - Grants - Procurement <p>Indirect management with:</p> <ul style="list-style-type: none"> - OECD (Organisation for Economic Co-operation and Development) - ITC (International Trade Center) 			
7 a) DAC code(s)	32130 – SME development			
b) Main Delivery Channel	<p>40000 – Multilateral Organisations – OECD, ITC</p> <p>51000 - University, college or other teaching institution, research institute or think-tank, Business intermediaries</p>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	This action contributes to the GPGC “Trade integration for green and inclusive growth”.			
10. SDGs	<p>Main SDG Goal: SDG 8 (Decent Work and Economic Growth)</p> <p>Secondary SDG Goals: SDG 5 (Gender Equality) and SDG 12 (Responsible Consumption and Production).</p>			

SUMMARY

Under the Multiannual Indicative Programme Regional Central Asia 2014-2020, the EU supports long-term stability and gradual economic and political reforms to ensure prosperity in the region. One of the priorities is to promote Regional Sustainable Development. This action will support Investment, Competitiveness and Trade in the region.

In Central Asia, regional integration remains low, natural resources are unevenly distributed and the countries need to diversify their economies. The heritage of the state led model has not been fully abandoned, leading to uneven playing fields and complex and heavy business environments.

The capacities of Business Intermediary Organisations, entrepreneurs and job seekers need to be developed and adapted to the region economic transition. Governments' policies with regards to Economic Competitiveness and the Business Environment need to be strengthened to improve the context in which the private sector operates. The region International Trade needs to be supported, building on the opportunities offered by ongoing endeavours to develop the region connectivity.

Against this background, this action aims at:

- 1. Enhancing services to SMEs and supporting job creation (Component 1);
- 2. Enhancing competitiveness and the business environment (Component 2);
- 3. Promoting International Trade in Central Asia (Component 3).

Although the main focus of the action is on the 5 Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), other Asian countries will also be involved:

-Mongolia and Central Asia share the need to reform their governance and diversify their economies. Economic connectivity with Afghanistan is also crucial for Central Asia (and vice versa). The competitiveness of Mongolia and Afghanistan's economies will be supported in the context of component 2 (result 2.1 below).

The Action is also aligned to the objectives of the Multiannual Indicative Programme Regional Asia 2014-2020.

1 CONTEXT

1.1 Sector/Region context

In the quarter century since independence, all Central Asian countries' economies have grown rapidly. However, these gains have lost momentum in 2015-2016, with weak productivity growth and deceleration of investments. The region economy contracted due to drop in commodity prices, slow growth in Russia and China and decreased remittances.

Estimation shows that Central Asia would need to create around 1 million new jobs per year by the end of the decade to absorb the pressure of a young growing population and returning migrants. Most jobs remain in the public sector as a legacy of centralised planned economies.

Despite its economic downturn, Russia is not ready to give away its influence and continues taking initiatives to engage the region in a closer economic sphere. The Eurasian Economic

Union (EAEU) could in principle help developing the region's economic potential and promote its economic integration but its benefits have so far remained limited. In Central Asia, Kazakhstan and Kyrgyzstan are currently members.

The private sector and in particular MSMEs (Micro, Small and Medium Enterprises), which also benefitted from a substantial growth during the past two decades, is considered as a crucial partner to diversify away from reliance on commodities and remittances, improve medium-term prospects, create jobs, and raise living standards.

In order to pursue a more balanced and sustainable economic development, the governments of the region have introduced some reforms aiming at diversifying their economies and encouraging entrepreneurship. Nevertheless, the business environment is still not favourable to the private sector and more specifically to SMEs.

Kazakhstan has a land area equal to that of Western Europe but one of the lowest population densities globally. The country's proven oil reserves are the 9th largest in the world. Kazakhstan has transitioned from lower-middle-income to upper-middle-income status (2006) in less than two decades. Its needs to adjust to the new reality of slower growth and lower income in the near future and to transform its growth model away from reliance on natural resource extraction.

Largely mountainous, **Kyrgyzstan** is a democracy that adopted a parliamentary system in 2011 and a lower-middle-income country. Although its economy and society are the most liberal in Central Asia, weak governance and entrenched corruption contributed to political and social upheavals in 2005 and 2010. The Kyrgyz economy is vulnerable to external shocks, owing to its reliance on one gold mine, Kumtor, which accounts for over 10% of GDP, and on worker remittances.

With some of the world's highest mountains covering 93% of its territory, **Tajikistan** faces a lack of reliable power supply, unstable food security, limited transport connectivity, and low levels of private investment. Due to its narrow economic base and a heavy reliance on remittances by labour migrants, its economy remains vulnerable to external shocks. Tajikistan, a low middle income country, has sustained high economic growth since its civil war ended in 1997, driven mainly by agriculture and services. The country requires new drivers of growth through structural transformation and export diversification.

Despite its upper-middle-income status, **Turkmenistan** remains at an early stage of transition. Its abundant natural resources have masked the need for change. The public sector still plays a leading role in the economy, and economic policy decision making remains centralised. Growth is dependent on hydrocarbons and related sectors. Despite efforts to diversify markets, Turkmenistan's exports are increasingly dependent on a single large market (China) and continue to be dominated by natural gas, making the economy vulnerable to fluctuations in global prices beyond its control.

Uzbekistan's (lower middle income) economy has grown rapidly over the past decade and lifted significant numbers out of poverty. It however needs to find new drivers for growth and diversification. Uzbekistan is a doubly landlocked country. Its reform agenda needs to offset the downside risks and put the economy on a sustainable path of income growth and job creation. Under its new President Mirziyoyev since September 2016, it has launched ambitious reforms, including steps to improve the business climate, the judicial system, labour conditions, administrative accountability and the fight against corruption.

Economic connectivity with **Afghanistan** is crucial for Central Asia (and vice versa) with regards to economic development and stability. Policy reforms are needed in this country to encourage SMEs development and increase the contribution of the private sector to economic growth.

Central Asia shares many characteristics with **Mongolia**, a vast, landlocked and sparsely populated country. With vast agricultural and mineral resources and an increasingly educated population, Mongolia's development prospects are positive. It however also needs to diversify its economy and improve its governance.

1.1.1 Public Policy Assessment and EU Policy Framework

The programme is fully in line with the EU policy framework:

In its communication on "a stronger role of the private sector in achieving inclusive and sustainable growth in developing countries", the European Commission emphasises on amplifying the measures to accompany private sector development and respond to the diversification challenges faced by developing countries notably by a complementary macro and micro/meso approach designed to:

- Create a business environment conducive to private sector initiative: support for improving the business climate (especially for micro and medium-sized enterprises) and strengthening of Business Intermediaries Organisations.
- Step up support to micro, small and medium-sized enterprises in the formal and informal sector by providing enterprise development support through business intermediaries and services providers.
- Empower women as entrepreneurs and workers.

This Communication also includes criteria for supporting private sector actors (Measurable development impact, Additionality, Neutrality, Shared interest and co-financing, Demonstration effect, Adherence to social, environmental and fiscal standards).

The EU recently updated its aid for Trade Strategy (COM(2017)667 and Council Conclusions 15573/17) to set ways the Commission can improve and better target its Aid for Trade.

The programme meets the objectives of the New European Consensus on Development and in particular its priorities 3.1. 'People – human development and dignity', 3.2 'Planet – projecting the environment, managing natural resources and tackling climate change', 3.3 'Prosperity – inclusive and sustainable growth and jobs.

The programme contributes to the following objectives of Gender Action Plan II: objective 14 of the GAP "access to decent work for women of all ages"; and objective 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship".

Following the mid-term review of DEVCO cooperation programme 2014-2020 for Central Asia, it was decided to maintain the overall budget for development cooperation at over EUR 1 billion for the period. For 2018-2020, our regional programme will also contain a stronger focus on sustainable growth, investment, private sector development and job creation.

The action is also aligned to the objectives of DEVCO's regional programme 2014-2020 for Asia private sector development objectives.

Economic Development is embedded in the National Development Strategies of countries in the region. The reform process has in many cases been slow, against the background of weaknesses

in the rule of law. However, Central Asia governments are interested in stepping up the pace of reforms, with a view to improving the business regulatory environment and the investment climate in their countries.

In addition, the promotion of Private Sector Development and Economic Sustainable Development was highlighted as priorities for the Region by Central Asian Governments and the EU in the context of the 13th EU-Central Asia Ministerial Meeting that was held on 10 November 2017 in Samarkand, Uzbekistan. The importance of Afghanistan for Central Asia's stability and security was also underlined during this conference.

1.1.2 Stakeholder analysis

Stakeholders for Component 1: Grant projects to support private sector development (Meso and Micro levels)

To respond to the region challenges and transitions and boost economic growth, the capacities of Business Intermediary Organisations (BIOs) and Entrepreneurs and job seekers need to be reinforced.

-BIOs will be supported in their role of delivering services and influencing policy making in favour of MSMEs, notably BIOs active in areas/sectors that are important in terms of promoting women's economic empowerment.

-Entrepreneurs and job seekers, both women and men, will be supported in order to reinforce their skills and capacities to create business opportunities and respond to market needs.

Stakeholders for Component 2: Support to Competitiveness and business environment reforms (Macro level)

The activities of this component will be concentrated on governments (relevant ministries and government agencies). Ministries and Institutions in charge of the development of the private sector will benefit from dedicated recommendations aiming at creating an environment that is conducive to private sector development. Institutions responsible for gender will also be involved. The capacities of these institutions will be strengthened to support the implementation of the recommended measures.

This component is expected to ultimately benefit both MSMEs (by contributing to enhance competitiveness and legal environment for reforms) and larger companies (by contributing to enhance legal environment for reforms).

This component will also contribute to ensuring synergies between the 3 components of the action. It will therefore involve all stakeholders of components 1 and 2 and other relevant partners.

Stakeholders for Component 3: Support to International Trade (All Levels)

The stakeholders for this component will be: policy makers and private sector representatives, including Ministry of Economic Development and Trade, Ministry of Transport, Ministry of Agriculture, Chambers of Commerce, Customs and other Border Regulatory Agencies as well as Institutions responsible for gender. Interventions in digital trade will work with Central Banks, Ministries of Finance and Trade, customs authorities, transport and IT sector associations, warehousing providers, freight forwarders as well as Ministries or departments in charge of Digital strategy, IT Hubs and IT related universities/academic programmes and MSMEs. Furthermore, larger companies are also expected to benefit from Trade Facilitation reforms.

These stakeholders' capacities to address obstacles to trade and capitalise on opportunities in the digital trade space need to be reinforced. The project will support this endeavour. The private sector will be engaged in contributing to the development of actionable solutions that respond to the needs of the business community in each country.

1.1.3 Priority areas for support/problem analysis

Central Asia's economic potential is strong. Strategically located between Europe and Asia, the region boasts abundant natural resources and a young population with near universal literacy. The planned global trade and production corridors (including China's Belt and Road Initiative) represent a major opportunity for development.

However, the challenges to private sector development in the region remain manifold:

(i) The region is land-locked and suffers from outdated transport, energy and utility infrastructure and low levels of economic integration;

(ii) Natural resources are unevenly distributed across the countries. Economies are overly reliant on commodities and/or remittances;

(iii) Many jobs are poorly paid, informal, and insecure. Youth unemployment needs to be addressed, especially in rural areas. Inequalities are high and many face risks of falling into poverty and exclusion; Human rights remain a matter of concern.

(iv) The heritage of the state led model has not been fully abandoned. The importance of heavily subsidized State Owned Companies distorts incentives and entails an uneven playing field. This fuels the development of the informal economy;

(v) The business climate is characterised by complex legislation and heavy administrative procedures, favouring high corruption levels (According to the 2017 Transparency International Corruption Perception Index, the rank of Central Asia countries is the following: Kazakhstan 122nd, Kyrgyzstan 135th, Uzbekistan 157th, Tajikistan 161st, and Turkmenistan 167th. Mongolia and Afghanistan respectively rank 103rd and 177th). CA's MSMEs lack access to finance, market information, new technologies and know-how. There is a skills gap between the educational system and the labour market. Central Asia varies across countries rank amongst the 190 economies assessed in the context of the 2017 World Bank doing business Index: Kazakhstan: 36th, Uzbekistan 74th, Kyrgyzstan: 77th, Tajikistan 123th, (Turkmenistan does not participate in the initiative). Mongolia and Afghanistan respectively rank 62nd and 183rd.

The action will focus on addressing obstacles to private sector development in the following priority areas:

Component 1: Grant projects to support private sector development

-BIOs should be enabled to play a key role in the reform process towards a market economy, supporting private sector and MSMEs development through technical assistance and active promotion of their interest. However, BIOs capacities to effectively support the Private Sector remain limited. Support is needed to improve their capacities and in turn their role of connectors between the government and the private sector. Capacity building is more specifically needed with regards to their institutional framework, analytical/policy skills, advocacy and lobbying skills, as well other key skills enabling them to effectively advise the private sector.

-Entrepreneurs: The region's MSMEs lack access to finance, to market information, and to new technologies and know-how. Key Entrepreneurship skills (e.g. Financial Management, Team management, marketing, new business models...) need to be developed and updated.

-Job seekers: With its young population, the region needs to absorb each year a significant number of job seekers both men and women. There is a need to adapt their skills to the needs of the labour market and to increase their capacities to create their own business.

Component 2: Support to Competitiveness and business environment reforms

-In light of the obstacles highlighted above, there is in the region a need to strengthen governments' policies with regards to Economic Competitiveness and the Business Environment. The region needs a more sustainable and inclusive growth model, based on economic diversification. This component will support the process of policy reforms and stimulate regional exchanges in the region on these issues. To the maximum extent possible, the EU (Delegations, Line DGs, DEVCO) will seek to increase its direct involvement in the policy dialogue carried out in the context of this component.

Component 3: Support to International Trade

-In 2016, Intra-regional trade in Central Asian countries accounted for only less than 10% of total exports and imports. At the global level, Central Asian countries exports remains relatively weak (the region total exports account for 0.38% of global trade) and consist mainly of natural resources and primary products. Kazakhstan, Turkmenistan and Uzbekistan focus on energy resources, while Kyrgyzstan and Tajikistan trade agricultural products, copper, aluminium and gold. Despite improvements in transport and telecommunication infrastructures, Central Asian countries' ability to participate to international trade is still hampered by numerous regulatory and procedural obstacles such as lack of transparency, excessively stringent quality and trade policy requirements, complex border formalities and lack of institutional mechanism for border regulatory agency coordination and private sector engagement. Kyrgyzstan needs support in order to better reap the benefits of GSP+. It is currently the only country in Central Asia benefiting from GSP+ and the utilization rate of GSP+ among producers/importers remains relatively low. Kyrgyzstan, Kazakhstan and Tajikistan are members of the WTO. Uzbekistan and Turkmenistan are currently not members of this organisation, although Uzbekistan has recently taken steps towards a possible accession. Kazakhstan and the EU have signed an Enhanced Partnership and Cooperation Agreement (EPCA) in which trade is covered. Negotiations towards and EPCA with Kyrgyzstan are ongoing and there are plans for negotiating an EPCA with Uzbekistan.

-While the potential for increased e-Commerce in Central Asia remains significant, a number of systemic issues must be addressed in order for the region to achieve its expectations of contributing more significantly to the global e-Commerce market. While previous efforts have been made in addressing the issues, Central Asian MSMEs remain under-represented in digital trade routes and still suffer difficulties related to logistics costs, payment solutions and market linkage capacity to reach to markets such as the EU and or China. The project should contribute to create an environment more conducive to the development of e-commerce in Central Asia.

-The component will target selected sectors / value chains in each country. Each intervention will be customized to meet specific needs of the beneficiary country. An inception phase will be implemented to calibrate the programme approach and adapt it to each country.

On the necessity to embrace an environmentally sustainable economic model:

The programme will seek to encourage environmentally sustainable economic development in the region and help countries to move towards a more green and circular economy. Addressing

current patterns of consumption and production is an imperative for the achievement of sustainable development. Through greater business and product responsibility, particularly in sectors with strong multiplier effects, such as agriculture, energy, digital technologies, infrastructure and green sectors, the private sector will have an important impact and contribute to inclusive and sustainable growth.

On the necessity to focus on gender:

National gender policies exist in most of the Central Asian countries (KZ, KG, TJ) to improve women’s participation in education, labour market, entrepreneurship, and politics. There is however a lack of clear implementation processes to achieve this goal. Although reform processes have included initiatives to improve women’s economic opportunities in Uzbekistan and Turkmenistan, efforts to promote gender equality mostly remain separate from the nations’ development programmes.

In all CA countries, there are more unemployed women than men due to job losses; lower qualifications and education levels; child care responsibilities (due to the absence of preschool facilities), and a lack of employment opportunities especially in rural areas. Women are more often involved in informal labour, part-time work or self-employment. Informal work means that women do not enjoy social security benefits such as maternity leave, child-care leave, annual leave and pensions. Women are also unable to take decisions on spending family income when their husband is away, as these decisions are taken by the husband’s older relatives. They have less available time to engage in formal employment, business, personal development and training, decision-making at the local level, or voluntary community activities. In CA countries, women are subject to both horizontal (by sector) and vertical (by position) segregation in the labour market. Women working in agriculture are low paid or not paid at all if the farm is a family enterprise.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Evolving political and economic situation in some of the CA countries.	Medium	A dialogue driven approach should be promoted.
Insufficient political willingness of CA governments to advance on competitiveness reforms resulting in a limited implementation of measures and policies promoting the development of an enabling business environment.	Medium	Regular policy dialogue
European BIOs more interested in supporting European enterprises to invest and export to CA than to develop the local economies.	Low	EU investments and trade activities should be considered as a win-win situation. They represent an opportunity for the development of CA economies and for European BIOs to enhance the capacities of their local counterparts, in order to

		increase the trust in reliable partners who will be crucial for the future success and sustainability of initiatives in CA.
Corruption	Medium	Implementation of EU oversight procedures and, in parallel, reinforcing the countries public financial management and transparency through budget support operations (notably in Tajikistan, Kyrgyzstan, and possibly in the future in Uzbekistan)
Lack of capacity and fragmentation of the private sector to engage constructively.	Low	Economic benefits will act as an incentive to engage in the project. The project will actively build the capacity of the private sector and BIOs to enable good coordination
Lack of willingness by policy makers to start a dialogue with the private sector	Low	Awareness raising on the importance of factoring private sector views to build constituency for reforms and business participation to National Trade Facilitation Committees
Lack of necessary commitment among stakeholders for implementing trade facilitation reforms	Low	Awareness raising through presentations, publications and dissemination of relevant material to increase understanding of the pertinence of the reforms
Unforeseen or changing logistics cost often represents the largest cost for MSMEs pricing, given their small and irregular transport needs.	Medium	Develop strategic partnerships with logistics providers to be able to aggregate MSMEs transports by destination and time/schedule and negotiate group offers.
Unforeseen informal nature of a large number of MSMEs makes meeting requirements of e-commerce platforms and systems burdensome, due to the high level of documentation / information required to meet official legal, tax and compliance standards.	Medium	Training of Business Support partners in the collection and verification of MSMEs documentations. These partners can also act as a trust intermediary to prove legal existence of MSMEs in countries without an official online registry of companies
State level regulations and or international sanctions may create difficulties for MSMEs to receive international and electronic payments for their online trade activities.	Low	Make use of a partner structure in a neighboring country through which payments are processed (example Myanmar MSMEs using Singapore based payment solutions)
Assumptions		
<ul style="list-style-type: none"> The Central Asian governments are committed to improving their economic governance 		

- The political and cultural environment is not structurally opposed to an inclusive policy design process
- Central Asia BIOs, MSMEs, entrepreneurs, and job seekers are willing to change the way they are working.
- Policy makers and regulators are not ideologically opposed to trade liberalisation and/or to private sector involvement in the policy making process
- Central Asian firms retain access to appropriate support services (i.e. packaging, logistics, marketing) available in these countries
- Sufficient willingness of private sector enterprises to take part in international trade

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The action first and second components (notably expected results 2.1) will build on the previous phases of Central Asia Invest programme (the last phase being Central Asia Invest IV - ACA/2015/37787), as well as on the results of the study "Overview of the Private Sector in Central Asia" (HUM/2016/ 380-596). The evaluation of the Central Asia Invest Programme in 2014 and the evaluation of EU regional-level support to Central Asia 2007-2014 had previously highlighted the relevance of supporting BIOs and as well important contributions of the OECD component to policy developments for the private sector.

The following lessons learned from the previous Central Asia Invest programmes will be taken into account:

-Maximise synergies between the different components of the programme to allow better project coherence and results. This is taken into account through the inclusion of an expected result (ER 2.3) and activities focusing on building synergies between the different programme components.

-Better reflect Central Asia's position in Asia and Eurasia: Mongolia and Afghanistan are included in the policy component.

The second component of the programme, through its expected result 2.2, will also build on the achievements of the previous EU-Central Asia Rule of Law Platform business component.

The programme third component will draw on the lessons learned of ITC/International Trade Centre's past experience, notably in Central Asia and Afghanistan:

-Intervention should raise policy makers' awareness of the importance of balancing the legitimate need for controls at the border with the equally legitimate need of facilitating trade.

-Interventions should ensure buy-in from high-level policy makers through the provision of evidence regarding the economic benefits of trade facilitation reforms (including WTO Trade facilitation agreement) and emphasising (when relevant) the binding nature of WTO obligations.

-Interventions should promote balanced representation of public and private stakeholders, notably in the governance structure of public-private dialogue mechanisms.

-Interventions should assist the private sector to understand the dynamics of public-private dialogue and advocacy.

-It is important to position e-commerce as a motivating factor for MSME through demonstration effect.

3.2 Complementarity, synergy and donor coordination

The Programme is complementary to recent and current MSME-related activities funded by the EU and other donors.

Links will be established with other relevant EU financed programmes:

-At regional level, the Investment Facility for Central Asia (IFCA), created in 2010, funds several projects implemented by European Financial Institutions and promoting access to finance and capacity building for MSMEs as well as investments in water and energy infrastructure. The EU will assume an active role in upscaling the results achieved by Central Invest Grants and linking them with the blending options available under IFCA. Links with the IFCA supported project "SME finance and advisory services" (EBRD) will be developed. The programme will be coordinated with BOMCA/Border Management Central Asia Programme on Trade facilitation, with the Council of Europe on issues relevant to the EU-Central Asia rule of law programme (notably economic crimes and governance issues). Close cooperation with the Accelerating Prosperity programme (incubation and acceleration services for SMEs in Tajikistan, Kyrgyzstan, Afghanistan, Pakistan) should be ensured, notably with regards to component 1, expected result 1.2. Synergies with the new Switch programme (covering Asia and Central Asia), which aims at promoting sustainable consumption and production, will also be ensured.

-At bilateral level, some programmes focus on sector support to specific value chains, human capital development and local and regional economic development. When relevant, potential complementarities with budget support related policy dialogue will be sought (Budget support is implemented in Kyrgyzstan and Tajikistan and contemplated in Uzbekistan). With regards to support to international trade, the action would be complementary to other projects envisaged at bilateral level, such as a planned support to Uzbekistan's efforts to join the WTO or the planned support to the implementation of EU key priorities of the Trade and Business provisions of the EU-Kazakhstan Enhanced partnership and cooperation Agreement (Partnership Instrument).

-Potential synergies will also be sought with EU financed ITC support to trade in Afghanistan.

In addition, different services in DEVCO and other Commission DGs (e.g. GROW, ECFIN, CNECT) could be involved in the policy dialogue foreseen in component 2.

Other donors/projects present in Central Asia (including EBRD, UNDP, GIZ, World Bank, USAID, ADB, CAREC) are supporting in private sector development and working on strengthening the value chains, improving the business environment, supporting the digital economy (e.g. WB digital Casa), promoting trade and facilitating MSMEs access to finance.

3.3 Cross-cutting issues

The programme will support gender equality and environmentally sustainable economic development. It will contribute to increase the environmental sustainability of resources through the promotion of green and circular economy, Sustainable Consumption and Production and of energy-efficient technology in support of Climate Change mitigation.

Part of the grant component budget will be allocated to activities specially targeting women and the inclusion of environmentally sustainable economic development projects will be encouraged (see below under expected result 1.2).

Component 3, it will support procedure improvements at the border, contributing to enhanced transport speed and efficiency. It will encourage countries to adopt more environmentally friendly shipping methods, in areas like packaging and vehicle power source. Environmental

friendly standards and technical regulations adopted or reformulated with the programme support will help to achieve agreed environmental objectives and comply with best-international practices and standards. In terms of gender equality and women empowerment, the activities will contribute to reduce discrepancy between men and women in export and imports costs and time as well as risk of harassment through automation of processes. It will also improve access for women to information about technical requirements and trade procedures, and facilitate their economic empowerment through enhanced trade. It will build the capacity of women to understand trade procedures, promote participation and decision-making of women in trade facilitation activities, contribute to increased exports and enable women to achieve higher income levels. The programme will make it more conducive for women entrepreneurs to enter digital markets as well as increase the availability of gender-disaggregated data. This will provide an improved foundation for reporting against gender inclusive interventions.

As for youth engagement in trade, the programme will provide new simplified and efficiency driven processes, making it more attractive to the youth to start their business and export. It will create interest in trade through digitalisation and automation of procedures as youth are more exposed to new technologies and could be interested in using new interactive tools such as Trade Facilitation Portals. In addition, the programme will work on improving the ability of enterprises in the region to access digital trade channels and e-commerce platforms will be conducive to the youth segments of the population. This will further promote entrepreneurship among youth that are better able to navigate digital E-commerce spaces.

4 DESCRIPTION OF THE ACTION

4.1 Objectives

The overall objective is to support sustainable and inclusive economic development in Central Asia

The **specific objectives** are the following:

- 1. To enhance services to SMEs and support job creation (Component 1);
- 2. To enhance competitiveness and the business environment (Component 2);
- 3. To promote International Trade in Central Asia (Component 3).

The **expected results** (ER) are the following:

Component 1: Grant projects to support private sector development

- 1.1. Increased capacity of Business Intermediary Organisations to provide technical assistance to local MSMEs and to promote better policies in their favour;
- 1.2. Increased professional capacities of entrepreneurs and job seekers, both women and men, in order to stimulate job creation and MSME development;

Component 2: Support to Competitiveness and business environment reforms

- 2.1. Enhanced policies on competitiveness (expected policy areas: access to finance; investment policy and promotion; entrepreneurship support; export promotion and facilitation; human capital development; value-chain competitiveness; greening firms);
- 2.2. Enhanced policies related to the legal environment for business (expected policy areas: legal and regulatory framework for investment; tax; land legislation; registration procedures; contract

enforcement and dispute settlement; operational environment for new firms; trade policy and cross-border procedures; expropriation regime; exit mechanisms; public-private dialogue);

-2.3. Synergy between the different components of the programme is supported.

Component 3: Support to International Trade

-3.1. Key regulatory and procedural obstacles to international trade are addressed;

-3.2. MSMEs capacities to comply with cross-border requirements (including notably quality standards, technical regulations, relevant preferential trading schemes/GSP +) are improved;

-3.3. Improved Central Asia countries readiness, in particular women-led companies, for conducting cross-border e-commerce.

-3.4. Increased opportunities for participation of women-led enterprises in international trade

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goal 5: "Achieve gender equality and empower all women and girls" (5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life) and Goal 12: Responsible Production and Consumption Patterns. This does not imply a commitment by the countries benefiting from this programme.

4.2 Main activities

The **Indicative activities** are the following:

Component 1: Grant projects to support private sector development

-ER 1.1. Increased capacity of Business Intermediary Organisations (BIOs) to provide technical assistance to local MSMEs and to promote better policies in their favour;

-Activity 1.1.1. Provide capacity building to BIOs. This might include workshops/Trainings/Study tours related the following fields: BIOs institutional development, advocacy, lobbying, analytical skills, investment /export promotion, Compliance with social and environmental standards, access to green finance, circular economy, sustainable production, Renewable energy / energy efficiency... The main sectors targeted are expected to include agribusiness, clothing/textile, handicraft, tourism, (indicatively – they should to the maximum extent possible be aligned to the sectors targeted under component 3).

-ER 1.2. Increased professional capacities of entrepreneurs and job seekers, both women and men, in order to stimulate job creation and MSME development;

-Activity 1.2.1. Provide capacity building to entrepreneurs, both women and men. This might include seminars/training activities (team management, financial management, value chain competitiveness, marketing, new business models, circular economy, and sustainable production), advice on specific subjects (support MSMEs in the integration in the global value chains by responding to ethical, social and environmental standards, change management, certification of goods, Corporate Social Responsibility), internships in EU companies, access to finance, innovation...

-Activity 1.2.2. Provide capacity building to job seekers, both women and men. This might include seminars/training activities on entrepreneurship (how to write a business plan, how to set up a company, new business models, circular economy, start-up initiatives,..), on employment

(training on building knowledge and practical skills to access the labour market,...), as well as support to youth and minorities...

Component 2: Support to Competitiveness and business environment reforms

-ER 2.1. Enhanced policies on competitiveness (expected policy areas: access to finance; investment policy and promotion; entrepreneurship support; export promotion and facilitation; human capital development; value-chain competitiveness; greening firms);

-Activity 2.1.1. Prepare for the peer-review / monitoring process foreseen in activity 2.1.2. (Develop country-specific guidelines/monitoring reports focused on competitiveness enhancement, establish a public-private working group in each country and hold 2 to 3 meetings of this group in each country).

-Activity 2.1.2. Organise 3 meetings of the OECD Eurasia Competitiveness Roundtable for the formal peer-review and monitoring of countries' competitiveness reforms.

-Activity 2.1.3. Provide capacity building for each country to support the implementation of the recommendations agreed in the context of activity 2.1.2.

-Activity 2.1.4. Publish and disseminate a "Central Asia Competitiveness report".

-ER 2.2. Enhanced policies related to the legal environment for business (expected policy areas: legal and regulatory framework for investment; tax; land legislation; registration procedures; contract enforcement and dispute settlement; operational environment for new firms; trade policy and cross-border procedures; expropriation regime; exit mechanisms; public-private dialogue);

-Activity 2.2.1. Assess the individual countries' business environment.

-Activity 2.2.2. Provide capacity building for each country to support the implementation of business environment reforms.

-Activity 2.2.3. Monitor each country's business environment reforms.

-Activity 2.2.4. Organise regional meetings to share results of the other activities, identify next steps and draw lessons for the future (1 Ministerial Meeting for each of the previous activities).

-ER 2.3. Synergy between the different components of the programme is supported.

-Activity 2.3.1. Organise yearly networking events with stakeholders of all components and with other relevant partners.

-Activity 2.3.2. Produce analytical work related to the achievements and challenges of the stakeholders of component 1, and drawing relevant policy lessons and best practices.

-Activity 2.3.3. Manage a website to share best practices, lessons learned and information.

Component 3: Support to International Trade

-ER 3.1. Key regulatory and procedural obstacles to international trade are addressed

-Activity 3.1.1. Map trade regulation and procedures and publish them through online National, Trade Facilitation Platforms (in compliance with the WTO Trade Facilitation Agreement).

-Activity 3.1.2. Identify key regulation and procedures obstacles to trade and their root causes.

-Activity 3.1.3. Design recommendations and provide support in their implementation, in accordance with countries' commitments under WTO and other multilateral and regional agreements.

-ER 3.2. SMEs capacities to comply with cross-border requirements (including notably quality standards, technical regulations, relevant preferential trading schemes/GSP +) are improved

-Activity 3.2.1. Develop and deliver a cross-border management curriculum (including online) covering procedural and regulatory cross-border requirements.

-Activity 3.2.2. Provide on-the-job coaching to selected businesses, including special attention to women-led businesses.

-Activity 3.2.3. Support BIOs benefitting from component 1 and BIOs that benefitted from previous Central Asia Invest programmes on trade facilitations issues.

-ER 3.3. Improved Central Asia countries readiness, in particular women-led companies, for conducting cross-border e-commerce

-Activity 3.3.1. Assess the regulatory and policy conduciveness for digital trade transformation and develop an action plan and strategy for 6 themes of supports (payments & finances, logistics & exports, branding & marketing, corporate & fiscal, ICT & technologies, knowledge & skills)

-Activity 3.3.2. Conduct studies and recommendations on key issues such as market demand in key markets, potential for Central Asian goods, SMEs readiness for e-commerce, e-logistic sector readiness, e-payment readiness.

-Activity 3.3.3. Provide capacity building to SMEs, in particular women-led companies, to enter digital markets and reinforce the e-commerce enabling sector (including logistics, e-payment, IT services...).

Activity 3.3.4. Connect women entrepreneurs with ITC "SheTrades" network and platform to connect to markets.

-ER 3.4. Increased opportunities for participation of women-led enterprises in international trade

-Activity 3.4.1. Provide awareness-raising workshops for border agencies and officials on facilitating women's participation in cross-border trade.

Activity 3.4.2. Assess the possibility of and provide recommendations for ensuring collection of gender-disaggregated trade data at the border for further measurement and assessment of women's trading activity.

Activity 3.4.3 Provide capacity building for women's associations to increase their confidence and capacity to advocate for their rights as traders and participate in the work of trade institutions, including National Trade Facilitation Committees.

4.3 Intervention logic

To support sustainable economic development in Central Asia, this action will focus (i) on building the capacities of private sector stakeholders at the micro and meso levels (Business Intermediary Organisations, MSMEs, Entrepreneurs and job seekers), (ii) support policy reform and stimulate regional exchanges on competitiveness and business environment reforms at the macro level, and (iii) work at all levels to support the development of International Trade in Central Asia.

The first component (micro and meso level) will benefit from the policy improvements supported by the second and third components with regards to competitiveness, business and international trade. The lessons learned and feedbacks from the stakeholders of the first component will also be channelled as an input to inform the policy work of the second and third component.

Similarly, the work of the second and third components (competitiveness and business environment reforms and support international trade) will be closely coordinated to ensure regular exchange of information and synergies. ITC will be invited to the policy dialogue carried out in component 2.

The specific policy areas to be covered in the policy dialogue foreseen under component 2 will be defined in close cooperation with the Delegations of the concerned countries, with a view to avoiding overlaps with other initiatives and optimising their relevance.

The third component will cover trade within the region and between the region and other countries/regions, including EU countries and some non-EU countries. The project intervention will be customised to meet specific needs of each beneficiary country. The detailed scope of the export countries targeted, as well as the specific value chain targeted for each of the Central Asia Countries, would be specified in the context of an inception phase to be carried out at the beginning of component 3 implementation (Sectors to be covered are expected to notably include agribusiness, clothing/textile, handicraft, tourism, tbc during inception phase).

The intervention logic is based on the assumption that stakeholders at all levels will be committed to reform and to change the way they are working.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country/countries.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation³.

³ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

5.3.1 Grants: (direct management)

Grant projects to support private sector development (Component 1)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

As set out in section 4.1, the specific objective of this grant component is: To reinforce the capacities of Business Intermediary Organisations, Entrepreneurs and job seekers;

The expected results are:

-1.1. Increased capacity of Business Intermediary Organisations to provide technical assistance to local MSMEs and to promote better policies in their favour;

-1.2. Increased professional capacities of entrepreneurs and job seekers in order to stimulate job creation and MSME development;

The indicative activities are described above in section 4.2, component 1.

The activities will be built on partnerships between European and Central Asian organisations, selected for co-funding. Each grant will have to take place in at least 2 of the 5 Central Asian countries. If justified in interest of the Central Asian beneficiaries, some Actions may also take place in one or more of the following countries: Member State of the European Union, Member State of the European Economic Area, An official Candidate Country as recognised by the EU.

(b) Eligibility conditions

In order to be eligible for a grant, applicants must:

-(i) be amongst the following specific types of organisations:

*Business intermediaries representing Small and Medium-sized Enterprises and promoting trade and investment between Europe and Central Asia. This includes, inter alia, chambers of commerce, sector-specific trade, industrial and professional associations, regulatory bodies and agencies promoting trade, investment and commercial activities as well as sector based agencies concerned with working with SMEs;

*Public agencies (typically boards of investment, trade promotion agencies etc.) at regional and local level, which are not directly or strictly related to the governments.

-(ii) be established in one of the following countries:

*A Member State of the European Union

*A Member State of the European Economic Area (Norway, Iceland and Liechtenstein)

*An official Candidate Country as recognised by the EU (Iceland, Turkey, Former Yugoslav Republic of Macedonia, Montenegro)

*Central Asian countries (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan)

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1.5 million and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries). The indicative duration of the grant (its implementation period) is 36 months.

(c) Essential selection and award criteria

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.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 90%.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

Second trimester of the year 2019

5.3.2 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Assessment of Call for proposals (Component 1)	Services	1	Q2 2019

5.3.3 Indirect management with the OECD, international organisation

Part of this action (component 2) may be implemented in indirect management with the OECD (Organisation for Economic Co-operation and Development). This implementation entails supporting policy reform in Central Asia and stimulating regional exchanges on competitiveness and business environment reforms. This includes all activities foreseen under the second component of this action document. Result 2.1 covers Central Asia countries, Afghanistan and Mongolia. Result 2.2 covers Central Asia countries.

This implementation is justified because the OECD is an international organisation with a widely respected peer review mechanism that gathers around the table the governments of Central Asian countries and OECD countries on an equal footing to exchange good practices in an impartial environment. The OECD has established solid relationship with Central Asian governments, business intermediary organisations and international partners. In the continuity of previous support provided through the Central Asia Invest programmes, the EU would contribute through this action to the OECD led Central Asia Initiative. This Initiative is part of the OECD Eurasia Competitiveness programme launched in 2008 to support Eurasian economies in developing more competitive markets. The OECD has successfully organised coordination meetings (networking events) between the different stakeholders of Central Asia Invest in the context of the previous phase of the Central Asia Invest programme and will be tasked to continue carrying out this activity.

The entrusted entity would carry out the following budget-implementation tasks: general implementation and monitoring of activities, contracting, paying, reporting, monitoring and evaluation.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2019 because there is a need to ensure continuity with the previous phase of the programme "Investment and Competitiveness in Central Asia – Phase III" (Contract No.: ACA/2016/372-946, decision ACA/2015/37787)".

At the contracting stage EU funds have to be earmarked or a notional approach has to be applied in order to make sure that no more than EUR 0.8 M of the EU contribution to this component of EUR 5.1 M will go to Afghanistan and Mongolia.

5.3.4 Indirect management with ITC, international organisation

Part of this action (component 3) may be implemented in indirect management with ITC (the International Trade Center). This implementation entails supporting international trade in Central Asia. This includes all activities foreseen under the second component of this action document.

This implementation is justified because of ITC's nature and field of specialisation. ITC is a joint agency of the United Nations and the WTO. It is fully dedicated to supporting the internationalization of SMEs. The Action falls directly under four key ITC focus areas: building conducive business environment, strengthening trade and investment support institutions, connecting to international value chains, promoting and mainstreaming inclusive trade, and supporting regional economic integration. ITC has experience in providing trade-related technical assistance to countries in transition, including in Central Asia, and has a specific mandate to work with and support SMEs' internationalization. ITC's main strengths lie in its private sector focus and pool of internal and external expertise in various topics related to trade and SME development. In particular, ITC has vast experience in assisting developing and transition countries in implementation of trade facilitation reforms and capacitation of SMEs to trade through e-commerce channels.

The entrusted entity would carry out the following budget-implementation tasks: general implementation and monitoring of activities, procurement and award of grants, contracting, paying, reporting, monitoring and evaluation.

The entrusted international organisation is currently undergoing ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

In accordance with Article 8(3) of Regulation (EU) No 236/2014 and with regard to the nature of this action, the Commission decides that natural and legal persons from the following countries, territories or regions shall be eligible for participating in procurement and grant award procedures: countries eligible for DCI funding under the DCI regional programme for Central Asia. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of

unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR million)	Indicative third party contribution, in currency identified
5.3.1 – Component 1 - Grant projects to support private sector development	10 950 000	EUR 2 200 000
5.3.2 – Component 1 - Procurement (direct management): assessment of Call for proposals	50 000	0
5.3.3 – Component 2 - Indirect management with OECD	4 800 000	EUR 300 000
5.3.4 – Component 3 - Indirect management with ITC	15 000 000	0
5.7 – Regular strategic monitoring of the Programme	250 000	0
5.8 – Evaluation, 5.9 - Audit	will be covered by another decision	N.A.
5.9 – Communication and visibility	150 000 000	N.A.
Total	31 200 000	2 500 000

5.6 Organisational set-up and responsibilities

Component 1: The EU Delegation in Kazakhstan will prepare, launch and manage a call for proposal. The individual grants will then be contracted and managed by the EU Delegations in the countries of the lead applicants.

Component 2: the EU Delegation in Kazakhstan will be responsible for the management of the contracting and implementation of the agreement. The project is to be implemented by the OECD. One of the tasks (expected result 2.3) of the OECD will be to support synergy between the action different components (1, 2 and 3) by organising networking events with stakeholders of all components (i.e. implementers, beneficiaries, EU Delegations and HQ) and other relevant partners and producing a publication on business associations' achievements and challenges, and drawing relevant policy lessons. Advisory meetings (including at country level) will be convened will be set up to oversee the implementation of the programme. Relevant stakeholders from component 3 may also be invited to ensure proper coordination.

Component 3 the EU Delegation in Kazakhstan will be responsible for the management of the contracting and implementation of the agreement. The project is to be implemented by the ITC. The project intervention will be customised to meet specific needs of each beneficiary country and all the EU Delegations in Central Asia will also have an important role to play in terms of support and coordination. They will be closely consulted and involved in the customisation of the component activities to the specificities of their respective countries. Steering Committee meetings will be convened (including at country level) to oversee the implementation of the

programme. Relevant stakeholders from component 2 may also be invited to ensure proper coordination.

The EU Delegation in Kazakhstan will be responsible for ensuring coordination and synergies between the different components of the action and between the action and other relevant projects (primarily EU funded projects, but also others). In that respect it will closely involve and coordinate with the EU Delegations in Central Asia and the EU Headquarters. It will be supported in this task by the OECD and ITC (notably through Expected Result 2.3. and Activity 3.2.3) and by the regular strategic monitoring of the programme that will be set up (see below in 5.7). It will organise yearly coordination meetings between the stakeholders that are relevant for the action (EU Delegations, EU Headquarters, ITC, OECD, relevant EU funded projects – notably those included above in 3.2, as well as relevant partners and project beneficiaries). These coordination meetings could be organised in the context of networking events foreseen in activity 2.3.1.

5.7 Performance monitoring and reporting

Regular strategic monitoring of the Programme: An *in-itinere* monitoring system will be set up and implemented. Its implementation modality will be Procurement/Service contract (one contract, estimated launch date: Q2 2019). The EU Delegation in Kazakhstan will be responsible for the management of the procurement, contracting and implementation of this contract. It will assess regularly the appropriateness and relevance of the action design, as well as the synergy between its components and with other relevant projects. It will also monitor the effectiveness, efficiency and impact of the action, as well as its potential sustainability. This will support decision-making on any necessary re-adjustment of the programme design and strategic orientations. The EU Delegations in Central Asia and the EU Headquarters (DEVCO) will be closely associated to this monitoring process.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Provisions for visibility and communication measures will be included in the agreements/contracts concluded with OECD, ITC and grant beneficiaries.

In addition, a separate contract will be implemented with a view to reinforcing the action visibility. Its implementation modality will be Procurement/Service contract (one contract, estimated launch date: Q2 2019). The EU Delegation in Kazakhstan will be responsible for the management of the procurement, contracting and implementation of this contract.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To support sustainable and inclusive economic development in Central Asia	Real GDP growth Unemployment rate (disaggregated by sex and age)	Real GDP growth per target country for the latest available year Unemployment rate per target country for the latest available year	By 2027, increased real GDP growth in the target countries By 2027, reduced unemployment rate	IMF, World Bank, National Statistics IMF, World Bank, National Statistics	
Specific objective(s): Outcome(s)	-1. To enhance services to SMEs and support job creation (Component 1);	1. Number of MSMEs per target country	1. Number of MSMEs per target country for the latest available year	1. Number of MSMEs per target country substantially increased by 2024	1. Evaluation reports, Project reports	Central Asia BIOs, MSMEs, entrepreneurs, and job seekers are willing to change the way they are working. The Central Asian governments are committed

	<p>-2. To enhance competitiveness and the business environment (Component 2);</p> <p>-3. To promote International Trade in Central Asia (Component 3).</p>	<p>2. World Bank doing business DTF⁴ (Distance to Frontier) score</p> <p>3. Increase in Central Asia international trade</p>	<p>2. World Bank Doing Business DTF score per target country for the latest available year</p> <p>3. Trade/GDP per target countries</p>	<p>2. World Bank Doing Business DTF score per target country improved by 2024</p> <p>3. Increase in Trade/GDP per target countries by 2024</p>	<p>2. World Bank Doing Business report</p> <p>3. National Statistics, IMF, World Bank</p>	<p>to improving their economic governance</p> <p>Sufficient willingness of private sector enterprises to take part in international trade</p>
Outputs	<p><u>Component 1: Grant projects to support private sector development</u></p> <p>-1.1. Increased capacity of Business Intermediary Organisations to provide technical assistance to local MSMEs and to promote better policies in their favour;</p> <p>-1.2. Increased professional capacities of entrepreneurs and job seekers, both women and men, in order to stimulate job creation and MSME development;</p>	<p>1.1.a. Number of BIOs supported reporting increased capacities to support MSMEs</p> <p>1.1.b. Number of MSMEs reporting increased satisfaction with the services provided by BIOs supported by the project</p> <p>1.2.a. Number of job seekers supported reporting increased capacities disaggregated by sex and age</p>	<p>1.1.a. 0</p> <p>1.1.b. 0</p> <p>1.2.a. 0</p>	<p>1.1.a. To be established independently by each project and compiled during evaluation.</p> <p>1.1.b. To be established independently by each project and compiled during evaluation.</p> <p>1.2.a. To be established independently by each project and compiled during</p>	<p>1.1.a. Projects reports, Evaluation reports, Survey of supported BIOs</p> <p>1.1.b. Projects reports, Evaluation reports, Survey of supported BIOs</p> <p>1.2.a. Projects reports, Evaluation reports, Survey of supported job</p>	<p>Central Asia BIOs, MSMEs, entrepreneurs, and job seekers are willing to change the way they are working.</p>

⁴ This measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005.

	<p><u>Component 2: Support to Competitiveness and business environment reforms</u></p> <p>-2.1. Enhanced policies on competitiveness (expected policy areas: access to finance; investment policy and promotion; entrepreneurship support; export promotion and facilitation; human capital development; value-chain competitiveness; greening firms);</p> <p>-2.2. Enhanced policies related to the legal environment for business (expected policy areas: legal and regulatory framework for investment; tax; land legislation; registration procedures; contract enforcement and dispute settlement; operational environment for new firms; trade policy and cross-border procedures; expropriation regime; exit mechanisms; public-private dialogue);</p> <p>-2.3. Synergy between the different components of the programme is supported.</p>	<p>1.2.b. Number of entrepreneurs reporting increased capacities disaggregated by sex and age</p> <p>2.1. Number of peer reviews/monitoring completed during the project</p> <p>2.2. Number of legal environment for business monitoring carried out</p> <p>2.3. Number of participants at networking events organised by the</p>	<p>1.2.b.0</p> <p>2.1.0</p> <p>2.2.0</p> <p>2.3.0</p>	<p>evaluation.</p> <p>1.2.b. To be established independently by each project and compiled during evaluation.</p> <p>2.1. 1 per country</p> <p>2.2. 1 per country</p> <p>2.3. 80 per event</p>	<p>seekers</p> <p>1.2.b. Projects reports, Evaluation reports, Survey of supported job seekers</p> <p>2.1. Project reports</p> <p>2.2. Project reports</p> <p>2.3. Project reports</p>	<p>Policy makers and regulators are not ideologically opposed to trade liberalisation and/or to private sector involvement in the policy making process</p> <p>Central Asian firms retain access to appropriate support services (i.e. packaging, logistics, marketing) available in these countries</p> <p>Sufficient willingness of private sector enterprises to take part in international trade</p>
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	<p><u>Component 3: Support to International Trade</u></p> <p>-3.1. Key regulatory and procedural obstacles to international trade are addressed;</p> <p>-3.2. MSMEs capacities to comply with cross-border requirements (including notably quality standards, technical regulations, relevant preferential trading schemes/GSP +) are improved;</p> <p>-3.3. Improved CA countries readiness, in particular women-led companies, for conducting cross-border e-commerce.</p> <p>-3.4. Increased opportunities for participation of women-led enterprises in international trade</p>	<p>project, disaggregated by sex</p> <p>3.1. Number of laws, regulations, procedures, practices, documents revised, endorsed and/ or implemented (with the support of the project)</p> <p>3.2. Number of supported SMEs reporting improved compliance with cross-border procedures</p> <p>3.3. Number of SMEs supported by the project that digitalised products in-line with the standards of international online marketplaces</p> <p>3.4 Number of women reporting improved confidence and capacity to advocate for their rights as</p>	<p>3.1. 0</p> <p>3.2. 0</p> <p>3.3. 0</p> <p>3.4. 0</p>	<p>3.1. 20</p> <p>3.2. 100 (including 30 for women)</p> <p>3.3. 80 to 100 (including 20 to 30 for women)</p> <p>3.4. 300</p>	<p>3.1. Project reports and evaluation forms</p> <p>3.2. Survey (undertaken by the project)</p> <p>3.3. Survey / interviews/Assessment of digitised products to be carried out in the context of the Action</p> <p>3.4. Survey (undertaken by the project)</p>	
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		traders and participate in the work of trade institutions				
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