

**PROGRAMMING INSTRUCTIONS**  
**11TH EUROPEAN DEVELOPMENT FUND FOR OCTS**

The present note includes detailed instructions and guidance on the programming process for financial cooperation with Overseas Countries and Territories (OCTs) in the context of the 11<sup>th</sup> European Development Fund (EDF) for the period 2014-2020. The instructions explain the overarching principles and the detailed modalities that govern the programming process for OCTs.

Programming for OCTs shall be based on the present instructions, which are to implement the Overseas Association Decision and the Financial Regulation applicable to the 11<sup>th</sup> EDF<sup>1</sup>.

**A. GUIDING PRINCIPLES**

***Ownership***

Ownership at territorial and regional level, as well as coordination of the Union's response strategy with the Member States to which the OCTs are linked (and other donors, where relevant), lie at the core of the programming.

The Decision on the Association of the Overseas Countries and Territories with the European Union (OAD) adopted by the Council on 25 November 2013, provides that each OCT has the primary responsibility for the formulation of strategies, priorities and arrangements through the preparation of the Programming Document, in coordination with the Commission and the Member State to which the OCT is linked. In keeping with the ownership principle embedded in the OAD, the territorial and regional policy documents shall be the starting point for the OCT analysis and the preparation of the response strategy. To the extent possible, the response strategy shall be aligned to the OCT's own strategies, policy analysis and budget cycles.

The preparation of the Programming Document shall take place on the basis of the proposal made by the Territorial or Regional Authorizing Officer. The Task Force OCT, the competent geographic directorate, the Union Delegation and the Territorial or Regional Authorising Officer (TAO/RAO) shall work together and consult each other throughout this process.

***Comprehensiveness and coherence***

The overall situation of each OCT shall be assessed with a view to defining a vision regarding the Union's relationship with, and support to, the OCT. This vision, guiding the Union's cooperation and assistance, shall be set out in the Programming Document.

In keeping with the principle of subsidiarity and in accordance with the emphasis placed on regional cooperation in the context of the OAD, support may be provided at regional or multi-

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<sup>1</sup> Council Decision of 25 November 2013 on the association of the overseas countries and territories with the European Union (2013/755/EU, Official Journal of the European Union, L 344 of 19.12.2013) and *Reference to be completed*

OCT level where there is a clear comparative advantage and/or added value to what is being or can be done at territorial level.

Coherence shall be pursued at the following levels:

- **Between the territorial programmes and regional programmes:** Consistency and complementarity between regional and territorial programmes are essential.
- **Between the territorial programmes and thematic programmes as well as horizontal Union programmes from which the OCTs benefit:** The Programming Document shall be based on an analysis of ongoing or, where information is available, planned activities financed under the budget titles and horizontal programmes to which the OCTs have access.
- **Between territorial programmes, regional programmes, regional EDF-ACP programmes and programmes financed by the European Regional Development Fund (ERDF):** In order to facilitate parallel or joint financing and management of projects through the EDF for OCTs, EDF for ACP countries and ERDF, complementarity will be sought between the territorial and regional programmes for OCTs, programmes funded by the EDF-ACP and programmes funded by the ERDF in Outermost Regions.
- **Between policies, instruments and actions of the EU, and those of EU Member States and/or the European Investment Bank (EIB) and other European or International Development Finance Institutions:** Strong coordination and cooperation with and between Member States and other donors (where applicable) is essential. Coordination should also cover the EIB, other European Development Financing Institutions (EDFIs) and International Financing Institutions (IFIs) active in the OCT regions, including Regional Development Banks (RDB). In the case of the EIB in particular, the programming process shall include a close examination of ongoing and future EIB interventions and assess possible synergies. For this purpose the EIB has been invited to make available its lists of ongoing and planned activities per OCT.

### ***Enhanced coordination***

Improved coordination and alignment with the agendas of OCTs is crucial to improve effectiveness. The analysis underlying the Programming Documents shall be elaborated jointly with the Member State to which the OCT is linked (and to the extent possible with other donors, if relevant). Where possible, use should be made of existing policy documents such as World Bank and International Monetary Fund reports, Annual Implementation Reports, etc. With a view to jointly developing a response strategy, the Member State to which the OCT is linked will be invited and is expected to participate in the programming process.

### ***Building on past cooperation experience***

Where evaluations have been carried out, the results shall be duly taken into account during the programming process. The conclusions drawn from these evaluations shall be disseminated to the relevant stakeholders. OCT authorities, Union Delegations and Commission services involved in programming are encouraged to consult the evaluation results on the webpage of the EuropeAid evaluation unit.

### ***Principle of Concentration: A single priority Sector of Cooperation***

The principle of a single sector of concentration shall apply, for both the territorial and the regional allocation. Focusing the resources of the EU on a single sector of cooperation in OCTs shall increase the impact and leverage of EU financial cooperation and shall help keep EU assistance manageable for the OCTs, as well as Commission services and Union Delegations.

The sector of concentration shall be chosen among the areas referred to in the OAD. The selection of sector should, for reasons of ownership, effectiveness and coordination, be proposed by the OCT in consultation with the TF OCT, which is the lead service for the programming process, and ensures coordination with the competent EuropeAid geographic directorate and the Union Delegation, the Member State to which the OCT is linked and other donors, where applicable.

The choice of the concentration sector shall flow from the OCT policy priorities, the analysis of OCT needs, the dialogue with the OCT and with the related Member State, the Union's policy priorities, the assessment of comparative advantages of the Commission (based on past and present cooperation and relevant evaluations undertaken) and the implementation capacity of the Commission and OCTs. Where relevant, it should also take into consideration the outcome of consultation with neighbouring partners (ACP, Outermost Regions).

### ***Making use of the Territorial Development Plans in the context of programming***

One of the main objectives of the present instructions is to simplify the process of programming of financial cooperation with OCTs, making use, when possible, of existing territorial policy documents as the main reference documents for the programming process.

The Territorial Development Plans, when available, should be taken into account for the elaboration of the Programming Document. The Programming Document is the central document of the programming process. The formulation of a Programming Document and the EU response strategy contained in the Programming Document, imply a prior assessment of the current (economic, social and environmental) situation, policies in force and the state of play of their implementation at territorial level. Any other evaluations prepared by the OCT authorities, Member States, other international key partners, or the Union Delegation and Commission services shall be duly taken into consideration.

### ***Civil Society Engagement***

Consultation with local authorities, non-state actors and the private sector is an essential feature of the process. The TAO/RAO should provide from the start of the programming process a plan of how civil society shall be consulted and given the possibility to contribute to the elaboration of the Programming Document, and indicate milestones for the instances of consultation with the civil society in the context of implementation.

To ensure that all partners involved in the programming process such as TAOs, local authorities and non-state actors have an appropriate understanding of the process and can participate fully, the present instructions shall be made available on the internet.

## **B. OPERATIONAL CONSIDERATIONS TO BE TAKEN INTO ACCOUNT WHEN PREPARING EU RESPONSE STRATEGY**

### ***Budget Support Modality for OCTs***

For the 11<sup>th</sup> EDF territorial allocations to the OCTs, budget support is the preferred modality, except in the case of territories that do not meet the eligibility criteria for budget support.

Budget support shall in principle be provided as a Sector Reform Contract, in order to address sector reforms and improve service delivery (cf. Annex IV).

The Risk Management Framework is the main tool to determine whether OCTs are eligible for budget support, while relying on the political guarantees that the OCT status offers.

### ***Project Modality***

For those OCTs that do not comply with the criteria for Budget Support eligibility, financial cooperation shall take place under project modality.

In these cases, all measures shall be taken to simplify contract management, particularly taking into consideration the workload, in terms of monitoring and follow-up, for the OCT and the Union Delegation concerned. To this purpose, the dispersion of funds in small-scale contracts should be avoided and the implementation via a limited number of contracts should be privileged.

Moreover, particular attention should be paid to the rules on nationality and origin for public procurement, grants and other award procedures that the OAD (Article 89) establishes and which are specific to OCTs.

Blending of grants and loans: EDF funds can be used in different ways and combinations, such as: equity participation, direct public investment grants, insurance premia, guarantee and risk sharing schemes.

Such blending of grants and loans from finance institutions can help leverage public and private investments in support of infrastructure (including climate-related infrastructure) and private sector (such as, SMEs, innovation, R&D).

The use of blending for OCTs could take place by using funds foreseen in the territorial or the regional allocation, in support for territorial or regional projects respectively. On a case by case basis, these could be channelled through the Regional Investment Facilities set up for ACP countries<sup>2</sup>. Complementarity with the EIB OCT Investment facility shall also be sought.

The preparation and implementation of the financing should be done through the involvement of European or other International Finance Institutions, making use of their expertise and capacities to provide effective support at country or regional level. The relations with the finance institutions shall be coordinated by the Union Delegation in collaboration with EuropeAid's HQ within the framework of its overall management of blending operations.

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<sup>2</sup> Namely the Caribbean Investment Facility and the Investment Facility for the Pacific

Where funds from the territorial allocation are used for blending, this should take place within the sector selected in the Programming Document.

***Pooling of Resources between the EDF and the European Regional Development Fund (ERDF)***

The matching of funding of credits from the EDF and the ERDF of the Union to finance cooperation projects between the OCTs, the ACP Countries and Outermost Regions, will be facilitated through simplified mechanisms for parallel or joint financing and management of such projects.

It is foreseen to create, for each geographic zone, a coordination mechanism between competent authorities for the management of EDF and ERDF programmes in order to facilitate effective coordination in the use of their respective resources. This structure shall make recommendations for facilitating joint financing of cooperation projects.

To identify the common sector as well as potential individual programmes and/or projects, consultation should take place at the appropriate regional level between all stakeholders and bodies concerned. To this purpose, a coordination meeting should be organised in each region for a first exchange of views and perspectives<sup>3</sup>.

***Annual Technical Meetings between the Commission services and the Territorial Authorising Officers***

Article 85 (5) of the OAD establishes that: “*to facilitate the exchanges of views, technical meetings shall be held at least once a year between the Territorial Authorising Officers, the Member States concerned and representatives of the Commission involved in the programming, notably through the use of modern technologies or, if possible, as an extension of the OCT-EU Forum dialogue*”.

These meetings shall aim to address potential bottlenecks in a timely manner. They shall take place, either at the margins of the OCT-EU Forum or on ad hoc basis, with the participation of TAO/RAO concerned, the Member State to which OCTs are linked as well as competent Commission services.

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<sup>3</sup> The information included in the present instructions will be further complemented by the guidance note regarding the coordination between EDF/ERDF resources that will be elaborated by DGs EuropeAid and REGIO

## C. TERRITORIAL PROGRAMMING

### *Important Notice:*

- The TF OCT is the lead service for the programming process; it is thus in charge of the launch, planning and conclusion of programming, as well as the coordination among OCTs, Union Delegations and the competent EuropeAid geographic directorates and all other competent Commission services.
- In case no Union Delegation is responsible for a given OCT, this role shall be assumed by the geographic directorate at EuropeAid Headquarters.
- A Programming Document should not exceed 15 pages.
- The link between the OCT Programming Documents and the EU Development and Cooperation Results framework will be established in the same way as for the EDF-ACP programming documents. The link will be based on the sector choices and related specific objectives, results and indicators to be included in the Programming Documents on the basis of the OCT overall or sector policies and action plans and in accordance with the present Programming instructions and with the template contained in its Annex III. The link will take the form of the identification by EuropeAid's HQ services of the specific indicators in the Programming Document which may be directly connected with one or more indicators of the EU Development and Cooperation Results framework.

### *Calendar*

It is foreseen that preliminary discussions between the OCT, the TF OCT, in close cooperation with the competent EuropeAid geographic directorate and the competent Union Delegation shall take place during 2014 in order to define the single sector of cooperation to be proposed.

While keeping the discipline to ensure the approval of the Programming Document and the adoption of the relevant Financing decision as soon as possible, and by the third quarter of 2016 at the latest, the calendar for each OCT shall take into account the date of adoption of the 10<sup>th</sup> EDF Single Programming Document.

### *First Phase of Programming: Analysis and sector proposal (Summary Sheet)*

The TF OCT, in close cooperation with the competent EuropeAid geographic directorate, Union Delegation and TAO establish an indicative timetable and milestones for the programming exercise. Preliminary consultations shall take place during 2014 between EuropeAid (TF OCT and geographic Directorate), Union Delegation and OCT Territorial Authorising Officer with regard to the single sector of cooperation to be proposed.

The TAO presents a detailed plan of consultation with civil society in the context of the preparation of the Programming Document.

The Member State to which the OCT is linked, as well as other donors, where applicable, will be invited to participate in the programming process.

The outcome of the discussions on the single sector of cooperation is presented by the TAO in a succinct draft Summary Sheet (to be established in accordance with the template in Annex II).

The analysis, in particular the part on past and present cooperation, draws, to the extent possible, on the Annual Implementation Reports and evaluations undertaken in the context of the programmes financed under the 9<sup>th</sup> and 10<sup>th</sup> EDF.

The TAO submits the draft Summary Sheet to the Union Delegation, which transmits it to the TF OCT and competent EuropeAid geographic directorate for endorsement as a basis for the elaboration of the Programming Document during the second phase of the programming process.<sup>4</sup>

If necessary, the TF OCT and the competent EuropeAid geographic directorate request additional information and/or modifications. The TAO provides the information necessary to the Union Delegation; the TAO and the Union Delegation work together to finalise the draft Summary Sheet. The TF OCT submits it to DEVCO Management for approval. It is then presented to the Commissioner for endorsement. Once the Summary sheet and proposed sector of concentration are endorsed as a basis for the elaboration of the Programming Document, EuropeAid and Union Delegation launch the second phase of the programming exercise with the TAO.

***Parallel Preparatory work: Provision of Technical Assistance (TA) for the Assessment of eligibility for Budget Support and the preparation of Programming Document***

The possible needs for expertise to facilitate the preparation of the necessary documents by the OCTs are jointly identified by the TAO, TF OCT and competent EuropeAid geographic directorate. For each beneficiary OCT, the TAO in cooperation with the Union Delegation prepares, where necessary, the draft Terms of Reference for the Technical Assistance to be provided in order to provide support in the elaboration of the Programming Document and, where necessary, of the Financing Agreement.

Subject to the conditions of each OCT, external technical expertise may, in certain cases, be requested to assess eligibility for Budget Support, namely with regard to Public Policies, Macroeconomic Framework, Public Finance Management and Transparency and Oversight of the Budget. In such a case, draft Terms of Reference for Technical Assistance are elaborated by OCTs and finalised by the Union Delegation.

Upon agreement on the TA required, EuropeAid launches the procedures with regard to the tendering and awarding of service contracts. EuropeAid (OCT TF, in cooperation with DEVCO G.2 and competent geographic directorate) and Union Delegations decide on whether to launch two separate contracts for technical assistance or include the assessment of eligibility for budget support and the assistance for the elaboration of the Programming Document in a single contract, on a case-by-case basis.

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<sup>4</sup> This endorsement is without prejudice to the decision making process concerning the draft final Programming document .

## ***Second Phase of Programming***

### ***Preparation of Part A of the Programming Document: EU Response Strategy***

Following up to the endorsement of the Summary Sheet, the TAO submits to the TF OCT a draft EU Response Strategy in accordance with the template contained in Annex III.

### ***Preparation of Part B of the Programming Document: Identification and Formulation of the specific actions implementing the EU response strategy***

On the basis of the proposal of the TAO, the TAO and the Union Delegation, in coordination with the TF OCT and the relevant EuropeAid geographic directorate proceed with the preparation of the draft Programming Document. They work together and consult each other throughout the process. They involve the OCT legislative branch in the programming dialogue and local authorities and non-governmental actors to ensure that their views, comments, and contributions are taken into account. Consultation of other Commission services, where relevant, and the EIB is ensured by the TF OCT at an early stage of the drafting process. The same applies to the consultation of the Member State to which the OCT is linked.

#### ***1. Identification***

Following the aforementioned consultations, TAO, assisted by Technical Assistance if needed, submits to Union Delegation the draft identification fiche, in accordance with the applicable template.

The Union Delegation examines it and, if considered complete, transmits it to EuropeAid (TF OCT and the competent geographic directorate), who may request additional information and/or modifications, if deemed necessary. The Union Delegation, in cooperation with the TAO, submits the information requested.

The competent EuropeAid geographic directorate, in coordination with TF OCT, finalises the Identification fiche and submits it for a technical peer review to competent geographic Quality Support Group I, to which line DGs concerned are invited. The competent geographic directorate transmits the QSG conclusions to the Union Delegation. Where the QSG conclusions request for revision of the fiche, the Union Delegation invites the TAO as well as the Member State concerned to jointly revise the fiche.

#### ***2. Submission to Budget Support Steering Committee***

All new Budget Support programmes are submitted to the Budget Support Steering Committee right after Quality Support Group I. Submissions include a Risk Management Framework Assessment. The Budget Support Steering Committee can at any time request a resubmission or follow-up and geographic directorates can request to include programmes on the Steering Committee agenda for discussion and guidance.

#### ***3. Formulation***

Following the approval of the identification fiche, the TAO submits to the Union Delegation a draft Action document, in accordance with the applicable templates as foreseen in the DEVCO Companion, along with the Annexes required.

The Union Delegation examines it and, if considered complete, it transmits it to EuropeAid (competent geographic directorate and the TF OCT), which may request additional information and/or modifications, if deemed necessary. The Union Delegation, in cooperation with the TAO, submits requested information.

The competent EuropeAid geographic directorate (in cooperation with TF OCT) finalises the Action fiche and submits it for a technical peer review to the competent geographic Quality Support Group II.

The competent geographic directorate transmits the QSG conclusions to the Union Delegation. Where the QSG conclusions request for revision of the AD, the Union Delegation invites the TAO as well as the Member State concerned to jointly revise the draft Action Document.

The TAO is invited to react in writing to proposals to change the draft Action Document. A tacit agreement shall be deemed to exist in the event of no reply after a period of one month.

### ***Finalisation of the draft Programming Document and draft Financing Decision***

The TF OCT consolidates the draft Programming Document on the basis of the outcome of the different phases of the programming, identification and formulation process and prepares the draft Financing Decision.

The TF OCT launches the Inter-Service consultation on the draft Programming Document and the draft Financing Decision.

### ***The EDF-OCT Committee***

The EDF-OCT Committee of representatives of EU Member States is consulted on the draft Programming Document in accordance with the provisions of Article 87 of the Overseas Association Decision and the Rules of Procedure of the EDF-OCT Committee.

Following the opinion of the Committee, the TF OCT (in coordination with the competent geographic directorate) introduces any modifications necessary to the draft Programming Document before it is submitted with the relevant Financing Decision for approval and adoption by the Commission.

### ***Signature of the Programming Document***

The approval of the Programming Document and the adoption of the Financing Decision are announced to the TAO.

The Commission Financing Decision and the Programming Document are sent to the Union Delegation which makes arrangements for the signing ceremony.

### ***Publication and information***

EuropeAid publishes the Programming Document on its website.

### ***Financing Agreement***

The Union Delegation, in cooperation with the respective EuropeAid geographic directorate, is responsible for the preparation of the Financing Agreement on the basis of the signed Programming Document and the Financing Decision.

The Financing Agreement shall be concluded as soon as possible after its submission for signature and not later than a year from the adoption of the relevant Financing Decision.

#### **D. REGIONAL PROGRAMMING**

The present instructions apply *mutatis mutandis* to the programming of the regional allocation.

The regional allocation is to be divided between a “geographic” and a “thematic” component. The “geographic” component shall comprise three sub-components for each OCT region, namely the Pacific and Indian Oceans, and the Caribbean. The “thematic” component will focus on one concentration sector, namely biodiversity, as well as support measures.

At the start of the programming exercise, each OCT region (Caribbean, Pacific and Indian Oceans) confirms its priorities for the regional OCT programme, based on an analysis of shared regional challenges. Consistency between territorial strategies and programmes financed under the regional allocation shall be pursued.

Improved coordination between the programmes of neighbouring OCTs, ACP or non-ACP countries or Outermost Regions shall be sought with a view to enhancing consistency at the trans-border/sub-regional level. In this context, Regional Authorising Officers (RAOs), TAOs and Union Delegations set up a coordination mechanism for the duration of the programming process.

The implementation of regional programmes shall proceed on the basis of the project modality. In the case of cooperation with regional or international organisations delegated implementation can be considered in accordance with the applicable rules. In duly justified cases, taking into account the need to avoid disproportionate administrative burden, the possibility of a call for proposals as a means for selecting specific projects implemented by decentralized partners, could be examined.

The regional allocation shall be programmed through one Programming Document for each sub-component of the regional allocation. A single sector of cooperation shall be chosen. Before the start of the regional programming process, each OCT region shall appoint by consensus a Regional Authorising Officer (RAO). A Regional Authorising Officer shall be appointed by consensus among all OCTs for each thematic sub-component of the regional allocation. The selection of the RAO shall be made in accordance with the provisions of the 11<sup>th</sup> EDF Financial Regulation.

Preliminary discussions on regional programming shall take place in the course of 2014, under the aegis of the TF OCT and in coordination with the EuropeAid geographic directorate concerned and the Union Delegation.

Following agreement regarding the proposed single sector of cooperation, the RAO, TF OCT, geographic directorate concerned and Union Delegation shall cooperate with a view to elaborating the Programming Document.

The approval of the Programming Documents for the regional programmes is foreseen to take place before the end of 2016.

## Annex I - Flow Chart for the programming process

### First phase of territorial programming: Summary Sheet

The TF OCT, in cooperation with the competent geographic directorate, Union Delegation and the TAO establish an indicative timetable and milestones for the programming process. Preliminary discussions take place between EuropeAid (TF OCT and the competent geographic directorate), Union Delegation and OCT Territorial Authorising Officers with regard to the single sector of cooperation to be proposed.

The outcome of the discussions on the sector of concentration is presented by the TAO in a succinct Summary Sheet according to the template attached in Annex II.

The Summary Sheet is submitted to the TF OCT, competent geographic directorate and Union Delegation for endorsement. If necessary, Commission services request additional information and/or modifications.

**Indicative deadline for submission: October 2014 at the latest**

The Summary Sheet is subsequently submitted by TF OCT to DEVCO Management for approval. Following approval by EuropeAid Management, it is submitted to the Commissioner for endorsement. Once the Summary sheet and proposed sector of concentration are endorsed, EuropeAid and Union Delegation launch the second phase of the programming exercise with the TAO.

**Indicative Deadline: Fourth quarter of 2014**

#### **In parallel (optional)**

Draft Terms of Reference (where appropriate) for Technical Assistance are elaborated by OCTs and finalised by Union Delegation. **Indicative deadline: September 2014 at the latest**

Upon agreement on the TA required, the competent EuropeAid unit, DEVCO G.2 launches the procedures with regard to the tendering and awarding of service contracts. Technical Assistance is made available to OCTs in the context of elaboration of the draft Programming Document.

Subject to the conditions of each OCT, external technical expertise may, in certain cases, be requested to assess eligibility for Budget Support, namely with regard to Public Policies, Macroeconomic Framework, Public Finance Management and Transparency and Oversight of the Budget. In such a case, draft Terms of Reference for Technical Assistance are elaborated by OCTs and finalised by Union Delegation.

**Indicative Deadline: Fourth quarter of 2014**

## **Second Phase of Programming: EU Response Strategy, Identification and Formulation of specific actions (1)**

The TAO and the Union Delegation, in coordination with the TF OCT and the competent geographic directorate, and on the basis of the proposal of the TAO, share the responsibility for the preparation of the draft Programming Document. They work together and consult each other throughout the process. They involve the OCT legislative branch in the programming dialogue and local authorities and non-governmental actors, as well as the Member State to which the OCT is linked.

Following up to the endorsement of the Summary Sheet, the TAO submits to the TF OCT a draft EU Response Strategy, in accordance with the template in Annex III. The TF OCT requests additional information from the TAO, if deemed necessary, and finalises it.

**Indicative Deadline: January 2015 at the latest**

Following consultations with stakeholders, the TAO, assisted by TA if needed, submits to Union Delegation the draft identification fiche for each specific action to be financed, in accordance with the applicable templates.

**Indicative Deadline: Summer 2015 at the latest**

The Union Delegation examines the draft identification fiche and, if considered complete, transmits it to TF OCT and the competent geographic directorate, who may request additional information and/or modifications, if necessary. The Union Delegation, in cooperation with the TAO, submits requested information.

**Indicative Deadline: Summer 2015 at the latest**

The competent geographic directorate, in coordination with TF OCT, finalises the draft Identification fiche and submits it for technical peer review to geographic Quality Support Group (QSG) I. The competent geographic directorate transmits the QSG conclusions to the Union Delegation. Where the QSG conclusions request for revision of the fiche, the Union Delegation invites the TAO as well as the Member State concerned to jointly revise the fiche.

**Indicative Deadline: September 2015 at the latest**

All new Budget Support programmes are submitted to the Budget Support Steering Committee right after Quality Support Group I. Submissions include a Risk Management Framework Assessment.

**Indicative Deadline: October 2015 at the latest**

## **Second Phase of Programming: EU Response Strategy, Identification and Formulation of specific actions (2)**

Following the approval of the draft identification fiche, the TAO submits to the Union Delegation a draft Action document, in accordance with the applicable templates with the Annexes required. The Union Delegation examines it and, if considered complete, it transmits it to the competent geographic directorate and the TF OCT, who may request additional information and/or modifications, if necessary. The Union Delegation, in cooperation with the TAO, submits requested information.

**Indicative Deadline: March 2016 at the latest**

The competent geographic directorate (in cooperation with TF OCT) finalises the draft Action document and submits it for technical peer review to Geographic Quality Support Group II.

**Indicative Deadline: April 2016 at the latest**

The competent geographic directorate transmits the QSG conclusions to the Union Delegation. Where the QSG conclusions request for revision of the draft Action document, the Union Delegation invites the TAO as well as the Member State concerned to revise it. The Union Delegation invites the TAO as well as the Member State concerned to jointly finalise the Action Document.

**Indicative Deadline: April 2016 at the latest**

The TF OCT consolidates the draft Programming Document on the basis of the outcome of the phases of the programming process and prepares the draft Financing Decision. TF OCT launches Inter-service Consultation.

**Indicative Deadline: May 2016 at the latest**

TF OCT consults the EDF-OCT Committee on the draft Programming Document.

**Indicative Deadline: June 2016 at the latest**

TF OCT submits the draft Programming Document to the College for formal approval. The Commission approves the Programming Document and adopts the Financing Decision.

**Indicative Deadline: July 2016 at the latest**

The Programming Document is signed by both parties.

**Indicative Deadline: September 2016 at the latest**

The final version of the Programming Document is published on the EuropeAid website.

The Union Delegation, in cooperation with the respective geographic directorate, is responsible for the preparation of the Financing Agreement, on the basis of the signed Programming Document and the Financing Decision. The Financing Agreement must be concluded as soon as possible and at the latest within a year from the adoption of the relevant Financing Decision.

<b>Summary Sheet for concluding the first phase of programming</b>
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**1<sup>st</sup> Phase of the Programming 2014-2020****Summary Sheet (max 3 pages)***Overseas Country or Territory***1. Outcome of Preliminary Discussions between OCT and Union Delegation:**

- **Sector of Concentration Proposed**
- **Technical Assistance Requested**
- **Indicative Timetable and milestones for the programming process:**

**2. A few Key Data:**

- **Availability of Territorial Development Plan: (Y/N)**
  - *If the answer to the question above is Yes, indicate:*
    - **Alignment on the Territorial Development Plan: (Y/N)**
    - **Programming period: 2014-2020<sup>5</sup>**

**3. Political and Economic Context (max 4 paragraphs)**

- *Political, economic and social situation*
- *Main challenges*
- *Environment and Climate Change vulnerability assessment*

**4. Choice of sector and justification (max 1 page)**

- **Single Sector proposed by OCT**
- **Type of information to be provided regarding single sector:**
  - 1) *Justify the choice of single sector and present briefly the OCT Government's objectives.*
  - 2) *If identified in the Territorial Development Plan or otherwise at this stage of the programming process, present also the preliminary expected results.*
  - 3) *Indicators and monitoring system (existing or envisaged):*
  - 4) *Modality of Implementation: Sector Reform Contract/ Project Modality*
  - 5) *Visibility of EU support*
- **Past and on-going cooperation with the EU (max 2 paragraphs)**
  - *Sector(s) of concentration*
  - *Territorial Allocation*
  - *Modality of Implementation*
  - *Lessons learned*

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<sup>5</sup> The programming shall take place for the full programming period, with ad hoc reviews as and when necessary.

**Template for the Part A of the Programming Document (max. 5 pages)**

**The information included in the Summary Sheet should be used as much as possible as the source for the preparation of the EU Response Strategy.**

**1. Objectives of the EU's financial cooperation with the OCT (max. 1 page)**

In this section, the broad objectives of the cooperation between the EU and OCT are explicitly stated, as determined by the Treaty on the Functioning of the European Union and the OAD, placing particular emphasis on the needs of the OCT in question.

**2. Policy agenda of the OCT (max 2 pages)**

This section should provide a concise statement of the aims and objectives of the OCT government, as set out in official policy documents, in medium- or long-term plans, reform strategies or development programmes. This should be completed by information as to how the government plans to achieve these objectives.

**3. EU's response strategy: Choice of sector of concentration (max. 2 pages)**

This section should set out the justification for the choice of the single sector of cooperation between the EU and the OCT.

This section should also contain a concise institutional capacity assessment and, where appropriate, address the possible needs for institutional and capacity development actions, or, if necessary, support for actions to strengthen governance, including in the financial, tax and judicial areas. If the conditions for budget support are not met, a description of the measures that will be carried out to ensure future eligibility for budget support should be provided.

**Appendices**

1. OCT at a glance (i.e. macro-economic indicators), as well as possible other indicators relevant for the OCT) (2 pages)
2. Sector intervention framework and performance indicators (see Template in Appendix 1)
3. Indicative timetable for commitment of funds (see Template in Appendix 2)

### Appendix 1. Template for Sector intervention framework

<b>Sector:</b> ..... <b>Specific objective 1:</b> .....
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<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
a)	a1) a2)	
b)	b1) b2)	
c)	c1) c2)	

Specific objective 2 .....

Specific objective 3 .....

<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
(As for Specific objective 1)		
Specific objective 3 .....		
(As for Sector 1)		

**Appendix 2. Template for Indicative timetable for commitments**

	<b>Indicative allocation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>SECTOR – &lt;name&gt;</b>	M €							

## Budget Support for OCTs

### Background

Overseas Countries and Territories (OCTs) are not sovereign countries. They have special links with four EU Member States: Denmark, France, the Netherlands and the United Kingdom, but enjoy a wide range of political, administrative and fiscal autonomy. These economies are small, open and often focused on a few, if not a single sector. This makes them highly vulnerable to external economic shocks and natural disasters.

The Budget Support Guidelines (September 2012) acknowledge the special characteristics and inherent vulnerabilities of these economies by dedicating an annex (Annex 10) to SIDS and OCTs. Annex 10 argues that budget support is the most appropriate tool for supporting OCTs in addressing the challenges that are caused by vulnerability and climate change. Budget support is also preferred as a means to build up economic resilience by enhancing sector policies and reforms, including the management of natural resources and capacity development. It has been agreed that the overall guidelines for budget support need to be interpreted more flexibly for OCTs, by adapting them to the specific context and thereby increasing their effectiveness. This note aims at providing clarification of Annex 10 as regards OCTs.

### 1. Sector Reform Contracts (SRCs)

Annex 10 states that sector reform contracts are the preferred option for budget support for OCTs, as most of them are characterised by a few or just one single dominant sector. SRCs supporting key sectors would make it possible to focus on a limited range of objectives. Since OCTs often have limited administrative capacity, a limited number of objectives would facilitate policy dialogue and programme monitoring.

Against this background, only SRCs should be considered for OCTs. They should support the OCT's development policy or strategy. Existing territorial development policies can also be used to assess the public policy eligibility criterion provided they address sector issues in a sufficiently detailed manner.

The EU may be asked to support a multi-sector approach under the umbrella of a single territorial development policy, as has been the case for some OCTs under the 10th EDF; individual sectors are often too small to absorb available EU funding efficiently and sustainably. The use of SRCs shall provide a less demanding approach, both for the Commission services and the OCT administrations.

### 2. Flexibility in the application of Budget Support for OCTs

Considering the specific challenges faced by OCTs to fulfil the eligibility criteria attached to budget support operations, the Risk Management Framework (RMF) should be used to determine whether OCTs are eligible for budget support. The RMF analysis shall be conducted by the Commission in close consultation and coordination with the EU Member State to which the OCT is linked. The RMF analysis for OCTs shall exclude the analysis of political risks and shall cover macro-economic risks, developmental risks, public finance management risks and aspects related to corruption and fraud.

As regards the budget transparency eligibility criterion, annex 10 provides the following guidance: “Budget transparency in OCTs should be, in principle, identical to that of the member state to which they are linked. If any difference can be observed, an assessment of eligibility should be made.” The use of the RMF shall: i) contribute to reinforcing the EU coordinated approach with member states since they shall be consulted and involved in the risk assessment exercise; ii) focus our analysis on the main detected weaknesses of the OCT economies; and iii) provide the Commission with a road map of mitigating measures helping these economies to reduce their vulnerability.

The decision to provide budget support shall be based on the analysis of the risk levels identified in the RMF. Risk levels ranging from low to moderate shall grant eligibility for budget support and for programme approval. Bi-annual updates of the RMF shall trigger disbursements when overall ratings for different risk categories, as reflected in the risk register, are maintained at low and moderate levels. At these risk levels, the disbursement file shall include an analysis of the risks as identified in the Risk Management Framework questionnaire, replacing the reports required in annexes 3, 4, 5 and 6 of the Budget Support Guidelines. Risk levels ranging from substantial to high shall result in the Commission services requesting OCTs to present a credible and relevant package of policy reforms articulated around annexes 3, 4, 5 and 6 of the Budget Support Guidelines. This package shall be presented at the Budget Support Steering Committee for a final decision on eligibility for approval and disbursement.

The existence of a relevant and credible sector policy remains an essential requirement to decide whether an OCT is eligible for budget support. Furthermore, when disbursement requests are submitted, the Commission/Union Delegations shall again assess whether the public policy eligibility criterion continues to be met. Evidence should then be submitted showing that the sector policy continues to be relevant and credible, and that there has been satisfactory progress and results since the last eligibility check.

As regards the choice between fixed and variable tranches, there should be a preference for fixed tranches, as indicated in the Budget Support Guidelines. The number of tranches (fixed or variable) should ideally be limited to one per year. This would entail limiting variable tranches, establishing a better ratio between fixed and variable tranches (the 70/30 ratio is recommended) and pushing variable tranches towards the end of programmes, when it is more likely that results can be observed and assessed. Disbursements shall be made on the basis of an OCT’s efforts to undertake any corrective policy measures deemed necessary to reduce the levels of risk.

**Budget Support Dialogue:** It is advisable to make use of ad-hoc opportunities to conduct dialogue with OCTs. The following possibilities may be considered: an annual meeting between (preferably on the occasion of the annual OCT – EU Forum) the Territorial and Regional Authorising Officers and the relevant Commission services and/or ad-hoc exchange between Territorial and Regional Authorising Officers and the relevant Commission services through video teleconferences.