

## COMMISSION DECISION

C(2008)8428 of 19/12/2008

### **adopting the Multi-beneficiary Programme for Support to Cooperation with the International Financial Institutions-IFIs under the IPA Transition Assistance and Institution Building Component for 2008**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)<sup>1</sup>, and in particular Article 14(2)(a) thereof,

Having regard to Council Regulation (EC) No 1628/96 of 25 July 1996 relating to aid for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia (OBNOVA)<sup>2</sup>,

Whereas:

- (1) Regulation (EC) No 1085/2006 lays down the objectives and main principles for pre-accession assistance to candidates and potential candidates.
- (2) Regulation (EC) No 1628/96 lays down the rules and conditions for Community assistance *inter alia* to Bosnia and Herzegovina.
- (3) In accordance with Article 7 of Regulation (EC) No 1085/2006, the assistance should be provided through multi-annual or annual programmes, which can be established by country and by component, or, as appropriate, by group of countries or by theme. These programmes should be drawn up in accordance with the general policy framework referred to in Article 4 of Regulation (EC) No 1085/2006 and the relevant multi-annual indicative planning document referred to in Article 6 of that Regulation.
- (4) The Council established for all candidate and potential candidate countries an Accession Partnership or a European Partnership. The Commission has adopted on 17 July 2008 a Multi-Beneficiary Multi-annual Indicative Planning Document 2008-2010 which presents indicative allocations for the main priorities for pre-accession assistance to the countries concerned<sup>3</sup>.
- (5) Therefore, the Multi-beneficiary Programme for Support to Cooperation with the International Financial Institutions under the IPA Transition Assistance and Institution Building Component for 2008 aims at providing assistance to foster cooperation with

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<sup>1</sup> OJ L 210, 31.7.2006, p. 82.

<sup>2</sup> OJ L 204, 14.8.1996, p.1. The regulation was repealed by Council Regulation (EC) No 2666/2000 of 5 December 2000 on the assistance for Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia (OJ L 306, 7.12.2000, p. 1).

<sup>3</sup> C(2008)3585, 17.07.2008.

IFIs as they are instrumental in providing access to finance to candidates and potential candidates and allow them to start carry out necessary investments.

(6) Commission Decisions were adopted for implementation of programmes in Bosnia and Herzegovina, namely

- Commission Decision C/1997/4260 of 15.12.1997;
- Commission Decision C/1997/2709 of 30.07.1997;
- Commission Decision C/1999/2392 of 16.07.1999.

Based on Commission Decision C/1997/4260 of 15 December 1997 a revolving micro credit scheme was established which responsibility for management was ultimately transferred to the Federal Investment Bank of Bosnia and Herzegovina (FIBBH) following an official government decision.

Based on Commission Decision C/1997/2709 of 30 July 1997 a contribution was made to a micro finance organisation, Micro-Enterprise Bank, which later became ProCredit Bank.

Based on Commission Decision C/1999/2392 of 16 July 1999 a loan agreement was signed with Micro-Enterprise Bank, later renamed into ProCredit Bank.

(7) On 15 December 2005, the European Fund for Southeast Europe (EFSE), a public limited company qualifying as an investment company with variable share capital (SICAV) registered in Luxembourg was set up. EFSE extends loans to local commercial banks and micro-finance institutions in *inter alia* Bosnia and Herzegovina, for on-lending to micro and small enterprises and households.

(8) On 15 June 2006, the Commission adopted Decision C/2006/2307 on the participation of the Community in EFSE, by which the European Investment Fund (EIF) was given the mandate for the Community participation in EFSE.

(9) It is therefore appropriate to enable EFSE to take over the outstanding loan agreements following Commission Decisions C/1997/4260, C/1997/2709, C/1999/2392 and, subsequently, to increase the EC participation in the Bosnia and Herzegovina Sub-Fund of EFSE.

(10) It is also appropriate to implement additional contributions to EFSE with IPA funds by indirect centralised management by the European Investment Fund (EIF).

(11) It is therefore necessary to expand the scope of the mandate of EIF to cover the Community participation to EFSE provided for in this Decision.

(12) It is appropriate to implement the Infrastructure Project Facility, Municipal Window (IPF-MW) in joint management with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW), as the Commission and these three international organisations have elaborated this project jointly.

- (13) This decision meets the requirements of Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002<sup>4</sup> (hereafter: “Implementing Rules”) and constitutes thus a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup> (hereafter: “Financial Regulation”);
- (14) The measures provided for by this Decision are in accordance with the opinion of the IPA Committee<sup>6</sup>,

HAS DECIDED AS FOLLOWS:

#### *Article 1*

The Multi-beneficiary Programme for Support to Cooperation with International Financial Institutions under the IPA Transition Assistance and Institution Building Component for 2008, as set out in the Annex, is hereby adopted.

This programme shall be implemented partly by centralised direct management, partly by centralised indirect management with implementation tasks delegated to the European Investment Fund and partly by joint management with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in co-operation with Kreditanstalt für Wiederaufbau (KfW).

#### *Article 2*

The maximum amount of Community contribution shall be **EUR 50.2 million**, to be financed through Item 22.020701 - Regional and horizontal programmes of the general budget of the European Communities for 2008.

#### *Article 3*

The loan agreements between EBRD and ProCredit Bank financed from the programmes adopted by Decisions C/1997/2709 of 30.07.1997 and C/1999/2392 of 16.07.1999, and the loan agreement between the Federal Investment Bank of Bosnia and Herzegovina and Sunrise financed from the programme adopted by the Decision C/1997/4260 of 15.12.1997 shall, upon explicit instruction of the Commission, be transferred to EFSE and be used as a contribution in kind to subscribe C-shares in the Bosnia and Herzegovina Sub-Fund of the EFSE.

The implementation of this action, which is described in the Annex to the present Decision, is delegated, in accordance with Article 54(2) (b) of the Financial Regulation to the EIF. To this

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<sup>4</sup> OJ L 357, 31.12.2002, p. 1.

<sup>5</sup> OJ L 248, 16.9.2002, p.1.

<sup>6</sup> Recalling the Council Conclusions of 18 February 2008, Member States declare that the adoption of the Multi-beneficiary Programme for Support to Cooperation with International Financial Institutions under the IPA Transition Assistance and Institution Building Component for 2008 does not prejudice the position of each individual Member State on the status of Kosovo under UNSCR 1244/99, which will be decided in accordance with their national practice and international law.

end, the scope of the mandate given to EIF by Article 1 of the Decision C/2006/2307 of 15 June 2006 is extended to cover the Community participation to EFSE provided for in this Decision.

Done at Brussels, [...]

*For the Commission*

[...]

*Member of the Commission*

**ANNEX: MULTI-BENEFICIARY PROGRAMME FOR SUPPORT TO COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS<sup>1</sup>**

- (1) Participation in the European Fund for South East Europe (EFSE) in 2008;
- (2) (a) Infrastructure Project Facility including Technical Assistance (IPF – TA) and (b) Infrastructure Project Facility - Municipal Window (IPF-MW);
- (3) Horizontal Support to Coordination with the IFIs (HSC) in the Western Balkans and Turkey.

**1. IDENTIFICATION**

Beneficiaries	Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, as well as Kosovo <sup>2</sup> .  Turkey.
CRIS number	2008/020-300
Year	2008
Cost	EUR 50,200,000
Implementing Authority	EFSE: European Investment Fund in accordance with Article 54 (2) (b) of the Financial Regulation.  IPF- TA and HSC: European Commission  IPF- MW. The European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW) in joint management with the European Commission.
Final date for concluding the financing agreements	The programme is implemented without Financing Agreements.
Final dates for contracting	30 November 2009
Final dates for execution	EFSE: 31 December 2015  IPF TA: 31 December 2013  IPF MW: 31 December 2015

<sup>1</sup> The adoption of the Multi-beneficiary Programme for Support to Cooperation with International Financial Institutions under the IPA Transition Assistance and Institution Building Component for 2008 does not prejudice the position of each individual Member State on the status of Kosovo under UNSCR 1244/99, which will be decided in accordance with their national practice and international law.

<sup>2</sup> under UNSCR 1244/99.

	HSC: 31 December 2013
Sector Code	EFSE: 24030 IPF-TA: 16050, 21010, 23010 IPF-MW: 43030 HSC: 99820
Budget line(s) concerned	22.020701: Regional and Horizontal Programmes
Programming Task Manager	Unit D3, Regional Programmes, DG Enlargement
Implementation Task Manager	Unit D3, Regional Programmes, DG Enlargement

## 2. PRIORITY AXES / (MEASURES) / PROJECTS

### 2.a Priority axes

This Multi-beneficiary IPA Programme is designed to respond to Multi-beneficiary priority needs as indicated in the Multi-annual Indicative Planning Document (MIPD) 2008-2010, section 3.2.1 "Cooperation with International Financial Institutions". This programme takes into account activities taking place under the National Programmes, the guidance provided in the EU strategic documents, the lessons learned from the programming and implementation of previous EU assistance and the findings from consultations with amongst others, the Beneficiaries, International Financial Institutions(IFIs), the Stability Pact, Civil Society Organisations and European Commission services.

One of the Multi-beneficiary programme's priorities has been to foster cooperation with IFIs as they are instrumental in providing access to finance to candidates and potential candidates thereby allowing them to initiate the necessary investments. In line with this priority, Cooperation with IFIs has been structured along the following three strands: (i) Private Sector Development, (ii) Energy Efficiency and (iii) Promotion of investment in infrastructure.

Moreover, in February 2008, the Commission and the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) agreed upon a concept paper to create the Western Balkan Investment Framework by 2010. This is a significant achievement which is referred to in the Commission Communication on the Western Balkans of 5 March 2008<sup>3</sup>. On 14 May 2008, the Economic and Financial Affairs Ministers of the EU welcomed this initiative and encouraged the Commission, the three partner IFIs and Member States to move forward rapidly with the workings of the Steering Group.

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<sup>3</sup> Communication from the Commission - The Western Balkans on the road to the EU: consolidating stability and raising prosperity (COM/2006/0027), 27 January 2006; Communication from the Commission - Western Balkans: Enhancing the European perspective (COM/2008/127), 5 March 2008.

Consequently, the overall objective of aid to be provided under this Commission Decision is to address the Economic Criteria of the Multi Beneficiary MIPD, and in particular, to facilitate cooperation with International Financial Institutions. The programme will support private sector development through the participation in EFSE project and the promotion of investment in infrastructure which will be addressed through the Infrastructure Project Facility including Technical Assistance and Municipal Window projects. The project Horizontal Support to Coordination with IFIs will provide support to facilitate the coordination of proposed, existing, and future cooperation programmes with IFIs. Support to the Energy Efficiency strand was already addressed in 2007.

The overarching target is to foster a sustainable socio-economic development and stability in the Beneficiaries in their process towards membership to the European Union.

## **2.b Description of projects grouped per priority axis and (if relevant) per measure**

### **Participation in the European Fund for South East Europe (EFSE) in 2008**

#### **Project Purpose:**

The project's purpose is to provide additional development finance to micro and small enterprises and private households in the Beneficiaries and to attract private sector investments into the region.

EFSE was created in December 2005 as a result of consolidated efforts by the European Commission, the European Agency for Reconstruction (EAR), Kreditanstalt für Wiederaufbau (KfW) and IFIs to merge various micro-credit schemes extended across the region into one single instrument in order to leverage funding from private investors, achieve management efficiency gains and increase the sense of ownership by the Beneficiaries.

The fund was created with a EUR 147 million outstanding portfolio. The European Community subscribed for the first time to EFSE with a nominal value of EUR 63.20 million (fair value approx. EUR 50 million) in the form of outstanding loans from previously existing programmes in Bosnia and Herzegovina, Montenegro, Kosovo and Serbia on 19 June 2006.

The European Commission increased its participation by EUR 5.7 million (fair value EUR 2.6 million) at the end of 2007 through a transfer of a loan agreement in Kosovo and by EUR 7.5 million dedicated to Albania and the former Yugoslav Republic of Macedonia in March 2008. The total amount of subscriptions by investors to EFSE stands at EUR 425 million at the end of March 2008. Of the total fund subscriptions, EUR 134 million (32%) were provided by private investors.

There are two components to this project:

#### *(i) Subscription of new shares to the EFSE Western Balkan Regional Sub-Fund*

The European Investment Fund (EIF), on behalf of the European Commission, will subscribe an amount of EUR 8 million to the Western Balkan Regional C Sub-Fund of EFSE (C shares cover the Fund's first losses but contribute to development of the

private sector and leverage funds from private investors). This contribution will increase the first loss risk cover for any investments made by EFSE in local financial intermediaries in the Western Balkans.

*(ii) Subscription of new shares to the Bosnia and Herzegovina Sub-Fund of EFSE pursuant to the transfer of 3 loan agreements to EFSE*

The European Investment Fund, on behalf of the European Commission, will subscribe new shares to the Bosnia and Herzegovina Sub-Fund of EFSE as a result of the transfer of three loan agreements in favour of micro-enterprises in Bosnia and Herzegovina with an initial nominal amount of approximately EUR 11.5 million.

This contribution in kind, which will be entered into EFSE at fair value, will lead to the issuance of additional shares to the EIF. The final amount of additional shares will depend on the fair value of loans on the date of the transfer into EFSE.

This operation has no budgetary impact. The costs in relation to the preparation of the transfer i.e. costs related to the valuation of the portfolio and audit costs, will be deducted from the fair value of the portfolio at the time of the subscription to EFSE.

### **Expected Results and Measurable Indicators:**

#### *Expected Results*

The main expected results of EFSE, based on the EFSE strategy are as follows:

- Increased long term lending available to Micro Enterprises, in particular in local currency;
- Increased amount of subordinated debt for local financial intermediaries via subordinated loans and loans provided to financial intermediaries;
- Increased lending to non bank financial institutions such as mortgage and leasing companies;
- Acquired (to a limited extent only) Equity Investments in local financial intermediaries to support their transformation process to become fully fledged financial intermediaries;
- Provided technical assistance to selected financial intermediaries via the development facility which is a special fund from which dedicated technical assistance is provided to selected financial intermediaries;
- Technical Assistance offered to financial intermediaries for developing financial products in the area of home lending.

#### *Measurable Indicators*

The objectively verifiable indicators to measure the expected results are as follows:

- Increase in the total outstanding portfolio of EFSE in the Western Balkans by 30% by 2012 (from EUR 289 million to EUR 390 million);



- Increase in the number of micro-loans to enterprises and households by at least 60% by 2012 (from EUR 68,000 to at least EUR 110,000);
- Increase in the amount of co-financing investments in EFSE from private investors from 30% to 46% of the Fund volume by 2012 (share of EFSE noteholders);
- Average size of loans provided by local financial intermediaries to micro enterprises a below EUR 5,000 and decreasing further by 2012;
- Technical Assistance projects with an average size of EUR 50,000 will have reached at least 50% of EFSE financial intermediaries eligible for technical assistance by 2012. Assistance volume increased by 100% by 2012.

The sources of verification of the indicators of achievement will be (i) EFSE Annual Report, (ii) EFSE Quarterly Report, and (iii) EFSE Business Plan 2008-2012.

#### **Activities:**

Upon subscription of the EC contribution via EIF to EFSE the main activity will be to re-finance local financial intermediaries, including micro finance organisations, for on-lending to micro and small enterprises. The EC contribution will not only be used to serve as funding sources, but most importantly, as a risk cushion for first losses. In this function the EC contribution is likely to attract new private investor to EFSE.

#### **Implementation:**

This programme shall be implemented by centralised indirect management through the European Investment Fund (EIF).

The Commission concluded on 16 June 2006 an agreement with EIF, by which the Commission has entrusted EIF to represent it in EFSE. The agreement is subject to the provisions and conditions set out in Article 56 paragraph 1 of the Financial Regulation applicable to the general budget of the European Communities and Article 35 of the Implementing Rules of the Financial Regulation. The agreement has been extended with each additional EC contribution (first addendum in December 2007, second addendum in March 2008) – be it in kind or in cash – to EFSE.

This agreement shall be extended again to cover the Community participation in the EFSE provided for in this Decision. The extension will foresee the following:

- EIF shall sign a subscription form worth EUR 8 million to be made available to EFSE's regional Western Balkan C sub-fund;
- The EIF mandate includes the contribution in kind in Bosnia and Herzegovina.

Prior to the extension of this EIF mandate a transfer agreement shall be signed between the EC, EBRD respectively the Federal Investment Bank of Bosnia and Herzegovina as Fund Managers, and SUNRISE respectively ProCredit Bank through which the loan agreements shall be transferred under the umbrella of EFSE.

The EC's mandate to EIF will expire on 31 December 2015 at the latest. Before the mandate of the EIF expires and at the latest on 15 September 2015, the Commission

shall adopt a Decision on the exit from the EFSE which shall specify the chosen exit option. The exit options may include:

- free delivery of shares to the Beneficiaries under certain conditions or
- recovery to the EC budget:
  - of liquidated assets to the EC budget in the event of liquidation of the EFSE, or
  - of sales proceeds in the event of a sale of these shares to an authorized third party.

### **Infrastructure Project Facility, Technical Assistance (IPF-TA)**

#### **Project purpose:**

The purpose of this project is to support the preparation and implementation of investment projects that may in turn be financed by grants and/or loans provided by the Beneficiaries, IPA resources, the IFIs and/or other sponsors/donors.

#### **Expected Results and Measurable Indicators:**

##### *Expected results*

This project aims to achieve the following:

- **Result 1:** Increased number, speed and quality of investment proposals for infrastructural remediation and improvement projects in the context of National and Regional Investment Plans as well as the relevant community priorities;
- **Result 2:** Enhanced financial cooperation between the Commission, IFIs and the Beneficiaries;
- **Result 3:** Improved technical skills of local human resources within Beneficiary institutions, including local authorities and municipalities.

##### *Measurable indicators*

- **Result 1:** Number and quality of investment proposals approved for support. Percentage of national budgets allocated to investments receiving support from the IPF. Volume and percentage (on total investment value) of loans/grants activated through IPF. Average time lapse between identification (approval for support by this project) and end of project preparation (completion of all relevant documentation for project preparation), including those fitting within National Investment Plans.
- **Result 2:** Number of projects financed by IFIs and related level of financing (for individual investment project and at aggregate level).
- **Result 3:** Number of competent staff within authorities responsible for investment proposal preparation and implementation.

## Activities

### Activities planned to achieve Result 1:

- Develop and prepare a pipeline of investment projects for the four sectors (transport, environment, energy, social) in the context of the relevant national and regional investment strategies and plans;
- Provide technical support to facilitate detailed preparation and implementation of pipeline projects;
- Support independent *ad hoc* assessment of individual investment projects as needed.

### Activities planned to achieve Result 2:

- Upstream and downstream cooperation with IFIs and regular exchange of information, advice and opinions between the Commission, IFIs and Beneficiaries on the status of priority projects.

### Activities planned to achieve Result 3:

- Update capacity needs assessments of concerned stakeholders;
- Training and capacity building of the relevant staff in the Beneficiaries.

## Implementation:

This programme shall be implemented through centralised management.

With the exception of the independent *ad hoc* assessment of individual projects, for which a number of contracts for an approximate total value of EUR 1 million will be launched (using Framework contracts possibly), the rest of the activities will be implemented through a service contract for an approximate total value of EUR 15.2 million encompassing a range of services geared towards projects preparation support, capacity analysis, needs assessments and training. The indicative launch date of this procedure is Q4 2008.

## Infrastructure Project Facility, Municipal Window (IPF-MW)

### Project Purpose:

This project aims to support infrastructure investments by municipalities in the environment, transport, energy and social sectors by providing a grant co-financing mechanism with loans extended by IFIs to make these municipal investments more affordable. Priority will be given to environment, water, sanitation and waste management.

### Expected Results and Measurable Indicators:

*Expected Results*

Results expected are as follows:

- **Result 1:** Improved health and living conditions of the targeted populations;
- **Result 2:** Improved financial viability and sustainability of the investment, especially in the water sector ensured by adequate tariff policy of the related public services;
- **Result 3:** Improved implementation of the EU acquis in the environmental field even in the absence of national legislative framework.

#### *Measurable Indicators*

The measurable indicators are as follows:

- **Result 1:**
  - Access to water, sanitation and waste management public services;
  - Increased number of users have a connection to water supply;
  - Increased hours of uninterrupted drinking water supply per day;
- **Result 2:** Increased utility company revenue, ; progress made to recover the full costs of the investment;
- **Result 3:** Reduced levels of pollution, as measured by indicators defined in the relevant EU Directives, particularly the Council Directive 98/83/EC<sup>4</sup>.

#### **Activities**

The main activity will be the financing of municipal infrastructure projects implemented by the partner IFIs combining IPA grants with IFI credit lines and preferably with grants from the IFIs own resources or from other donors. IPA grants will be used to co-finance municipal investments in the potential candidates only and for consultancy services to strengthen the administrative capacity of municipalities and/or help them to implement municipal projects.

#### **Implementation:**

This programme shall be implemented in Joint Management with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW). To that end, a number of contribution agreements will be signed with the IFIs concerned. Implemented projects should be in line with the National financing and investment strategies; sector related national strategies, as well as the regional prioritisation initiatives in the field of environment. Links will be made, as appropriate, to the relevant bodies, including for example, the DABLAS Task Force and the Priorities Environmental Investment Programme.

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<sup>4</sup> OJ L 330/32 of 5.12.98.

## **Horizontal support to coordination with the IFIs (HSC) in the Western Balkans and Turkey**

### **Project purpose**

The project purpose is to ensure adequate and effective coordination between the Commission and IFIs at policy, technical and operational levels in the area of socio-economic development of the Beneficiaries.

### **Expected Results and Measurable Indicators:**

#### *Expected results*

This project will focus on the achievement of the following results:

- **Result 1:** Improved coordination of information exchange, advice, and policy actions focusing on horizontal and sector issues;
- **Result 2:** Improved coordination of investment support and financing initiatives in line with terms and conditions best suited to the Beneficiaries;
- **Result 3:** Increased involvement of Beneficiaries in the IFI coordination process;

#### *Measurable indicators*

- **Result 1:** Number and nature of policy, technical and operational discussion papers and other documents to identify and prioritize issues for information exchange and advice; Number of strategic and operational meetings/other events held; Number of policy orientations/guidance papers and of joint statements/conclusions;
- **Result 2:** Number of IFI staff involved in meetings and other coordination initiatives; Establishment of a database of initiatives funded per IFI/Beneficiary/sector; Number of studies, assessments, issue briefs and other documented analysis of specific investments/ issues/sectors;
- **Result 3:** Number of staff from Beneficiaries' Institutions and Regional fora participating in meetings and other initiatives implemented under this project (e.g. studies, sharing best practices etc. etc.).

### **Activities**

#### **Activities for achieving Result 1:**

- Establishment of an effective coordination support mechanism implemented at policy and technical or operational levels;
- Provision of advice and analytical services on priority issues identified by the Commission and IFIs;
- Organisation of meetings, discussion fora and other regular and ad hoc events on priority issues identified by the Commission and IFIs;

- Liaising with relevant regional, horizontal and sectoral structures (Regional Cooperation Council, South East Europe Transport Observatory, regional Environmental Network for Accession, Energy Community Secretariat) and other relevant stakeholders.

#### **Activities for achieving Result 2:**

- Build a database for tracking and communicating EC and IFIs initiatives and for sharing best practices and lessons learnt in implementing investment initiatives in the region, both at national and regional level;
- Exchange views and brainstorm on IFIs investment strategies and plans in the IPA region and in relation to regional and national investment plans.

#### **Activities for achieving Result 3:**

- Support the development of strategies to enhance Beneficiaries' involvement in coordination fora;
- Identify relevant interlocutor institutions at national and regional level;
- Enable networking and regular information sharing with identified interlocutors;
- Facilitate the organisation of regular focused regional events on specific themes related to IFIs cooperation.

#### **Implementation:**

This programme shall be implemented by centralised management. A single service contract for an approximate total value of EUR 2 million will be signed for the implementation of this component of the project. The indicative launch date for the procurement procedure is Q4 2008.

### **2.c Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lessons learned and donor coordination**

#### **Past and ongoing assistance**

From 2000 to 2007, over EUR 657 million has been provided in assistance to candidates and potential candidates through the CARDS Regional, Phare Multi-Country and IPA Multi-beneficiary programmes. In financial terms, assistance provided under these programmes has addressed, in particular, socio-economic development through extensive and close collaboration with IFIs, which has helped the development of a functioning financial sector capable of supporting the expansion of the private sector and the needs of municipalities.

Equally important is the support that has been given to the regional cooperation process in the Western Balkans and certain areas of key importance for the European integration, such as tax and customs, statistics, public administration (SIGMA, a joint initiative of the OECD and the European Commission, the Regional School for Public

Administration (ReSPA) and horizontal support via TAIEX (Technical Assistance and Information Exchange Instrument).

Additional details on the assistance allocated under the CARDS, Phare and IPA programmes are provided in the table below:

Year	2000	2001	2002	2003	2004	2005	2006	2007	Total
<b>CARDS</b>	20.2	20.0	43.5	31.5	22	47.5	57.5		242.2
<b>Phare</b>					28.4	91.1	194.7		314.2
<b>IPA</b>								100.7	100.7
<b>Overall Total</b>	<b>20.2</b>	<b>20.0</b>	<b>43.5</b>	<b>31.5</b>	<b>50.4</b>	<b>138.6</b>	<b>252.2</b>	<b>100.7</b>	<b>657.1</b>

**Table 1:** Total European Community allocations to the CARDS Regional, Phare Multi-Country Programmes and IPA Multi-beneficiary Programme (*amounts in Euro millions*)<sup>5</sup>

#### *Assistance in cooperation with IFIs*

During the past years, Finance Facilities were launched to strengthen the capacity of the financial sector and to make financial resources available to economic actors, including micro, small and medium-sized enterprises as well as municipalities. Project Preparation Facilities (PPF) covering transport, energy and environment sectors have also been launched to support Beneficiaries' efforts to complete project dossiers for investments in infrastructure upgrading to a sufficiently high level that IFIs as well as other sources of financing are motivated to allocate funds to selected project proposals.

In the context of support to the Western Balkans and Turkey, this Multi-beneficiary programme facilitates cooperation between the Commission and IFIs and is structured along the following three strands:

- Private Sector Development currently through the European Fund for Southeast Europe (EFSE) in order to enable SMEs and micro enterprises to access long term financing;
- Energy Efficiency provided via cooperation with EIB, EBRD, CEB in cooperation with KfW through an Energy Efficiency Finance Facility (EEFF), which aims to stimulate energy efficiency investments in the industrial and building sector;
- Infrastructure Development provided via the Infrastructure Project Facility (IPF), which provides Technical Assistance, mainly to support project development (pre-investment, feasibility) but also implementation. It is available for transport and

<sup>5</sup> Note: The CARDS figures indicated include assistance from Phare and Obnova where relevant in 2000 and from CARDS 2001 and onwards. In 2005 and 2006, the amounts indicated for Phare include those allocated to multi-country programmes from the Turkey pre-accession instrument. The CARDS Regional Programmes of 2004, 2005 and 2006 include respectively EUR 15m, EUR 15m and EUR 11.9m for Cross-Border Cooperation.

energy infrastructure projects, environmental schemes. It also covers projects in the social sector such as health, education and urban development.

Meanwhile, the Commission together with the partner IFIs started discussing the creation of a broader infrastructure initiative for the Western Balkans, endowing it with grant resources complementary to the IPF and linking it better with lending instruments put at the disposal of the Beneficiaries by the IFIs. The creation of this Infrastructure Initiative should be the first step towards a broader Western Balkan Investment Framework by 2010.

### **Lessons learned**

In the management of previous and ongoing Multi-beneficiary IPA, CARDS Regional and Phare Multi-Country programmes a number of pertinent lessons have emerged through the project monitoring and evaluation reports as well as the evaluation on the implementation of CARDS assistance to the Western Balkans, which are applicable to this programme. In particular, the need for improved communication and coordination with the Beneficiaries is highlighted. Beneficiaries have emphasized the importance of regular and timely communications regarding the Financing Proposals to facilitate their involvement and ownership of the programme.

With regard specifically to cooperation with the IFIs the following lessons can be derived:

- Ownership by the Beneficiaries is essential to ensure the longer term sustainability of the supported investments, not least because of their borrower's responsibility. This can be best achieved through active involvement of Beneficiaries in all phases of the process;
- Commitment of IFIs is crucial to ensuring effective leverage of IFI loan financing, as well as providing advice and technical suggestions to ensure a high quality of investment proposals;
- The success and impact of cooperation between the Commission and IFIs in the region will depend on the combined ability to help Beneficiaries to identify the ideal mix of grants and loan support for the investments needed in the region;
- Complementarity and coherence with national IPA Programmes is important, particularly when support to the same type of activity is provided for under the national programmes;
- Alignment with national, sectorial and regional strategies and mechanisms for identification of priority investments for the socio-economic development of the region is critical.

Further lessons learned at a project level are provided in the relevant Project Fiches.

### **Donor Coordination**

Coordination and coherence of assistance and activities is particularly important, given the large number of players involved. The need for improved coordination and



coherence has been highlighted to the Commission during consultations as a continuing concern by the authorities of the region. Efforts are being made by DG Enlargement to improve coordination in this area. Regular meetings are organised throughout the year for example, with Beneficiaries, Delegations and stakeholders (including for example an IFI days and Donor Coordination days).

Moreover, an amended Memorandum of Understanding was signed in 2006 with several IFIs. Through this Memorandum, the Commission, in liaison with the EIB, confirmed its commitment to enhancing cooperation with the IFIs supporting the pre-accession process of candidates and potential candidates. The European Commission chairs an Advisory Group with the IFIs, with sub-groups for the areas of energy, transport, environment. In addition, it was agreed by all parties to establish an IFI Working Group in the Social Sector in 2008.

### **Other coordination activities**

The Commission has endeavoured to establish a transparent consultation process with in particular the Beneficiaries. This process is aimed at enhancing, as far as possible, local ownership of the choices, content and design of the programmes. Consultations take place at a regular interval during the programming phase with the Beneficiaries and other stakeholders. In fact, the Multi-beneficiary IPA Coordination Meeting took place in Istanbul on 22- 23 May 2008 had a special focus on cooperation with IFIs. Moreover, the European Commission maintains bilateral relations with governments to ensure its actions complement and build on national efforts. To this end, the European Commission Delegations and the European Agency for Reconstruction (EAR) organise, as appropriate, regular meetings between Member States, Beneficiaries and other involved organisations (such as IFIs) to ensure monitoring and coordination throughout the programming cycle.

Particular importance is also given to the role of the Regional Cooperation Council as the interlocutor for the Beneficiaries in particular for the Regional Cooperation Process in the Western Balkans. This builds on the active role played by the European Commission in the Stability Pact for South East Europe. DG Enlargement staff responsible for the implementation of the Multi-beneficiary programmes has regularly participated in regional networks and structures to facilitate coordination amongst the stakeholders and donors active in the region.

### **2.d Horizontal issues**

Cross cutting issues, such as equal opportunities, support to minorities and vulnerable groups, environmental protection and good governance, have, as appropriate, become an integral part of each project fiche. The mainstreaming of the cross cutting issues in each project shall ensure that strategies, policies, structures and operating procedures of the Beneficiaries are in conformity with the principles defined in the various project fiches.

### **2.e Conditions**

There should be a continued commitment by the Beneficiaries as well as in the region as a whole to support the initiatives pertaining to this Financing Decision.

## 2.f Benchmarks

	2008		2009 (cumulative)	
	EU	NF	EU	NF
Number of tenders launched -Infrastructure Project Facility TA (IPF-TA) Project preparation Assessment support - Horizontal support to coordination with the IFIs (HSC)			1  At least 1  1	
Number of Contribution Agreements - Infrastructure Project Facility Municipal Window (IPF-MW)			At least 3	
Number of Mandates - European Fund for South East Europa (EFSE)			1	
Contracting Rate (%)			100	

### 3. BUDGET (AMOUNTS IN EUR)

#### 3.1. Indicative budget table

	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA Community contribution	
	Total expenditure	IPA Community contribution		National contribution*		Total expenditure	IPA Community contribution		National contribution*				
	EUR (a)=(b)+(c)	EUR (b)	% <sup>(1)</sup>	EUR (c)	% <sup>(1)</sup>	EUR (d)=(e)+(f)	EUR (e)	% <sup>(1)</sup>	EUR (f)	% <sup>(1)</sup>	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% <sup>(2)</sup>
<b>Cooperation with IFIs</b>													
<b>EFSE</b>	8,000,000	8,000,000	100								8,000,000	8,000,000	16
<b>IPF-TA</b>													
Project preparation	15,200,000	15,200,000	100								15,200,000	15,200,000	30
Assessment support	1,000,000	1,000,000	100								1,000,000	1,000,000	2
<b>IPF-MW</b>	4,000,000	4,000,000	100			116,000,000	20,000,000	17,2	96,000,000	82,8	120,000,000	24,000,000	48
<b>HSC</b>	2,000,000	2,000,000	100									2,000,000	4
<b>TOTAL</b>	30,200,000	30,200,000	100			116,000,000	20,000,000	17,2	96,000,000	82,8	152,200,000	<b>50,200,000</b>	<b>100</b>

\* contribution (public and private national and/or international contribution) provided by national counterparts

(1) Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

(2) Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA Community contribution of the entire FP.

### **3.2. Principle of Co-Financing applying to the projects funded under the programme**

- Participation in the European Fund for South East Europe (EFSE) in 2008

The Community contribution in the case of the Participation in EFSE in 2008 project shall be considered as an equity investment on the basis of the private investor principle. It is not a grant and, therefore, no co-financing is required. However, it is a key feature of EFSE that IFIs, other donors and private investors have contributed to EFSE substantially. EC funding may be leveraged as much as seven times according to the structuring of EFSE. Currently, the total amount of subscriptions by investors to EFSE stands at EUR 425 million as of the end of March 2008; of the total Fund subscriptions EUR 134 million (32%) were provided by private investors.

- Infrastructure Project Facility including Technical Assistance (IPF – TA)

Due to the regional character of project (ii a) IPF-TA, it is not possible to require national co-financing at this stage. There may be national contributions and/or from other donors. These are not mandatory but will be quantified during implementation.

- Infrastructure Project Facility - Municipal Window (IPF-MW)

In the case of (ii b) IPF-MW the co-financing principle is fulfilled through the national contributions corresponding to the loans extended by the IFIs and repaid by municipalities. The overall ratio between IPA grants and the national contribution should be at least 4 to 1.

- Horizontal Support to Coordination with the IFIs (HSC);

In the case of (iii) HSC the Community contribution, which represents up to 100% of the total IPA budget allocated to the projects, has been calculated in relation to the eligible expenditure, which in this case is based on total expenditure. Due to its regional character it is not possible to require national co-financing for this project.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Method of implementation**

- Participation in the European Fund for South East Europe (EFSE) in 2008

This project will be implemented by indirect centralised management by the European Investment Fund (EIF) in accordance with Article 54 (2) (b) of the Financial Regulation and the corresponding provisions of the Implementing Rules.

- Infrastructure Project Facility including Technical Assistance (IPF – TA)

This project will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation<sup>6</sup> and the corresponding provisions of the Implementing Rules<sup>7</sup>.

- Infrastructure Project Facility including Technical Assistance (IPF – MW)

This project will be implemented by the European Commission in joint management with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW), following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules. To this end, the Commission will conclude Contribution Agreements with the EIB, the EBRD, and the CEB in cooperation with KfW.

The EBRD will be subject to a compliance assessment in relation to article 53 (d) of the Financial Regulation. In anticipation of the results of this assessment the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and a Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 43 of the Implementing Rules to the Financial Regulation.

The CEB will be subject to a compliance assessment in relation to article 53 (d) of the Financial Regulation. In anticipation of the results of this assessment the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and a Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 43 of the Implementing Rules to the Financial Regulation.

- Horizontal Support to Coordination with the IFIs (HSC)

This project will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation<sup>8</sup> and the corresponding provisions of the Implementing Rules<sup>9</sup>.

#### **4.2. General rules for procurement and grant award procedures**

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C(2007)2034).

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the “Practical Guide to contract

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<sup>6</sup> OJ L 248, 16.9.2002, p.1.

<sup>7</sup> OJ L 357, 31.12.2002, p. 1.

<sup>8</sup> See footnote 6.

<sup>9</sup> See footnote 7.

procedures for EC external actions" ("Practical Guide") as published on the EuropeAid website<sup>10</sup> at the date of the initiation of the procurement or grant award procedure.

The general rules for procurement and grant award procedures shall be defined in the Contribution Agreements between the Commission and the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) in cooperation with Kreditanstalt für Wiederaufbau (KfW), implementing project (ii b) IPF MW.

#### **4.3. Environmental Impact Assessment and Nature Conservation**

All investments shall be carried out in compliance with the relevant Community environmental legislation.

As a consequence, since projects (ii a) IPF TA and (ii b) IPF MW correspond to actions which fall within the scope of the EIA-Directive<sup>11</sup>, an environmental impact assessment shall be made for each action<sup>12</sup>, equivalent to that provided for by the EIA-Directive.

Since the IPF-MW and the IPF – TA projects are likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made for each projects<sup>13</sup>, equivalent to that provided for in Art.6 of the Habitats Directive<sup>14</sup>.

### **5. MONITORING AND EVALUATION**

#### **5.1. Monitoring**

The Commission may undertake any actions it deems necessary to monitor the programmes concerned.

In addition, in the case of (ii b) IPF-MW, these actions may be carried out jointly with the international organisation(s) concerned

#### **5.2. Evaluation**

Programmes shall be subject to *ex ante* evaluations, as well as interim and, where relevant, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from Community funds and the strategy and implementation of the programmes.

The results of *ex ante* and interim evaluation shall be taken into account in the programming and implementation cycle.

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<sup>10</sup> [http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)

<sup>11</sup> Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40).

<sup>12</sup> Cf. Annex EIA to the corresponding investment project fiche.

<sup>13</sup> Cf. Annex Nature Conservation to the corresponding investment project fiche

<sup>14</sup> Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992).

The Commission may also carry out strategic evaluations.

## **6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES**

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as *ex ante* verification of tendering and contracting carried out by the Delegation in the Beneficiaries.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96<sup>15</sup>.

The controls and audits described above are applicable to all contractors, subcontractors and grant Beneficiaries who have received Community funds.

## **7. LIMITED CHANGES**

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature<sup>16</sup>, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

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<sup>15</sup> OJ L 292; 15.11.1996; p. 2.

<sup>16</sup> These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.