

Standard Summary Project Fiche – IPA centralised programmes**1. Basic information**

- 1.1 CRIS Number:** 2008/020-300
- 1.2 Title:** Horizontal Support to coordination with International Financial Institutions in the Western Balkans and Turkey
- 1.3 ELARG Statistical code:** 02.20
- 1.4 Location:** Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo¹.
Turkey.

Implementing arrangements:

- 1.5 Contracting Authority (EC):** European Community Represented by the European Commission for and on behalf of the Beneficiaries.
- 1.6 Implementing Agency:** N/A
- 1.7 Beneficiary:** Western Balkans: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia as well as Kosovo.
Turkey

Financing:

- 1.8 Overall cost (VAT excluded)²:** €2,000,000
- 1.9 EU contribution:** €2,000,000
- 1.10 Final date for contracting:** 30 November 2009
- 1.11 Final date for execution of contracts:** 31 December 2013
- 1.12 Final date for disbursements:** 31 December 2014

2. Overall Objective and Project Purpose**2.1 Overall Objective:**

The overall objective is to contribute to the socio-economic development of the Western Balkan and Turkey through improved coordination of investment policies and support programmes.

¹ under UNSCR 1244/99.

² The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated

2.2 Project purpose:

To ensure adequate and effective coordination between the Commission and IFIs at policy, technical and operational level in the area of socio economic development of the Beneficiaries.

2.3 Link with AP/NPAA / EP/ SAA

From the Thessaloniki agenda to the Western Balkan Communication, all key policy documents clearly refer to the need for the Commission to enhance coordination of cooperation with International Financial Institutions. The Enlargement Strategy and the European Perspective of candidates and potential candidates underline the centrality of sound collaboration and coordination with IFIs as a critical factor for sustained socio-economic development in the region and for its progress towards the European Perspective.

The **Thessaloniki Declaration of June 2003** considers coordination and cooperation with IFIs a precondition for ensuring macroeconomic stability in the region, for accelerating the momentum for structural reforms, for creating a favourable business environment and for developing modern networks and infrastructures in energy, transport and telecommunications in the region.

The **Communication from the Commission of 27th January 2006 on the Western Balkans**³ confirmed the Commission engagement to continue enhancing cooperation and coordination with IFIs with a view to creating synergies particularly in the field of infrastructures.

In the **Austrian presidency conclusions of June 2006** welcomed the Commission's intention to extend and intensify cooperation with the European Investment Bank (EIB) and the other International Financial Institutions (IFIs) in the Western Balkans.

IPA Regulation adopted in June 2006 indicates that the Commission and Member States are committed to ensuring coordination, coherence and complementarity of their assistance to the region. In this context, the Regulation refers specifically to the need for the Commission to ensure proper coordination, harmonisation and cooperation with IFIs.

Last but not least, the most recent **Communication "Enlargement Strategy and Main Challenges 2007 – 2008" of November 2007** and the **Communication on the Western Balkans of March 2008**, reiterate the importance of cooperation with IFIs for the socio-economic development of the Western Balkan region. The Communication indicates as well that the Commission, the EIB, the EBRD and the Council of Europe Development Bank are

³ Communication from the Commission "The Western Balkans on the road to the EU: consolidating stability and raising prosperity" COM(2006) 27 final, 17 January 2006

committed to creating a Western Balkan Investment Framework to enhance harmonisation and coordination in investments for the socio-economic development of the region.

2.4 Link with MIPD

The Multi-beneficiary MIPD 2007-2009 and the MIPD 2008-2010 clearly underline the importance of cooperating and coordinating closely with IFIs providing loan financing for the implementation of investment projects in the transport, energy, environment and social sector. The two MIPDs make also a clear reference to the importance of a constructive cooperation with IFIs for the attainment of a balanced and equitable socio-economic development in the IPA region.

The IPA 2008 multi-beneficiary programme €50 million are set aside for cooperation with IFIs. Comparable amounts will be allocated on an annual basis. The implementation of the IPF and of the new Municipal Facility Window as well as the move towards the Western Balkan Investment Framework will require increasing and closer coordination with IFIs, other donors as well as with IPA national programmes (cfr. respective project fiches). All of this will of course require that coordination between the Commission and IFIs be further enhanced.

2.5 Link with National Development Plans

All Beneficiaries are active players in the various regional coordination platforms and initiatives such as the Regional Cooperation Council (RCC), the South East Europe Transport Observatory (SEETO), the Energy Community Secretariat (ECS), and the DABLAS Task Force and the Priority Environmental Investment Programme (PEIP) for South East Europe, which is implemented under the Regional Environmental Reconstruction Programme for South East Europe to be replaced by the Regional Environmental Network for Accession (RENA) in the second half of 2009. All Beneficiaries have a keen interest in catalysing donors and IFIs focus towards priority investments that are included in their national development plans. In all Beneficiaries, insufficient financial resources and experience of Beneficiaries in preparing projects suitable for consideration by IFIs are among the key factors hindering investments in infrastructures and thus sustained economic development in the region. Limited fiscal space is also another factor to be considered. For these reasons enhanced coordination and cooperation between the Commission and IFIs is seen as crucial at national level, regional and central level in order to ensure complementarity and synergies of respective supports and projects.

2.6 Link with national/ sectoral investment plans

In the field of transport, energy, environment, socio-economic development a number of sector strategies and initiatives are supported by beneficiaries to promote prioritisation of core investments so as to attract value added financing from international investors. Moreover, a number of IPA national programmes also provide for the implementation of national facilities to provide grant co-financing for the implementation of investments at municipal level. In these processes, proper coordination of donors and IFIs is recognised as fundamental by the beneficiaries themselves.

3. Description of project

3.1 Background and justification:

Over the last years, the Commission made significant efforts to enhance coordination and cooperation with IFIs in this region. In 2003, the Commission (DG ELARG) signed a Memorandum of Understanding with the EIB and the EBRD, IBRD, IFC, the Nordic Investment Bank, the Nordic Environment Finance Corporation, the Council of Europe Development Bank and the Black Sea Trade and Development Bank. This MoU was confirmed and strengthened in April 2006.

The objectives of this MoU are to enhance cooperation and coordination among the signatories in a number of areas, namely, SMEs, environmental protection measures, infrastructure development, sustainable agriculture, rural and regional development, social development (including education, health and social housing), cross-border cooperation, institutional strengthening and upstream support to national authorities in beneficiaries. At implementation level, the MoU covers a number of critical areas where the Commission (DG ELARG) and IFIs should enhance cooperation: a) additionality, complementarity of financing and overall ceilings; b) eligibility and selection criteria; c) co-financing arrangements and d) general coordination procedures.

The MoU also foresees regular meetings to ensure cross-fertilisation of ideas and review operational cooperation. Within this context, in March 2007 an IFI Advisory Groups was created focusing on South Eastern Europe. The creation of this Group also responds to the conclusions of the Austrian Presidency in June 2006, in which the Council welcomed the Commission's intention to extend and intensify its cooperation with the EIB and other IFIs in the Western Balkans.

The Commission was the main driving force behind the creation of the IFI Advisory Group. After the first year of operation, this coordination platform is now reaching its cruising speed and will need careful steer to graduate as an effective visible and well reputed coordination platform. Moreover, in February 2008, the Commission together with the EIB, the EBRD and the Council of Europe Bank decided to move towards a Western Balkan Investment Framework, which will also require that harmonisation and coordination between the Commission and IFIs be intensified.

As a temporary solution during the start-up phase of the IFI AG, the Secretariat support was provided by the EC-WB Joint Office for South East Europe⁴. Having fulfilled its main function, the Joint Office will be closed down at the end of 2008. This project will therefore allow predisposing and implementing a strategy for the IFI AG and more generally for coordination between the Commission and all IFIs actively engaged in the region after such date.

The growing political attention on EC-IFI coordination and cooperation as well as the creation of the Infrastructure Project Facility - with a view to the Infrastructure Facility and later the WB Investment Framework - require that major efforts be deployed to ensure proper harmonisation and coordination with IFIs.

⁴ This EC/WB Joint Office for South-East Europe opened in June 1999 and assists the European Commission and the World Bank in Donor Mobilization for Funding, Economic Analysis, Conditions of Support and Implementation. The special post-war situation of the Western Balkans in the late 90s justified a special co-operation set up with the World Bank for that region. Throughout the years, the Joint Office has been supported by a Trust Fund Agreement. This was last extended in December 2007 extending the operations of the Joint Office for an additional year and last, i.e. **until the end of 2008**

In this context, ensuring coordination between the Commission, IFIs and the various horizontal and sector specific regional organisations and initiatives, namely Regional Cooperation Council, South-East Europe Transport Observatory (SEETO), the Energy community Secretariat (ECS) and the Regional Environment Council (REC) and the DABLAS Task Force and the Priority Environmental Investment Programme for South East Europe, which is implemented under the Regional Environmental Reconstruction Programme for South East Europe to be replaced by the Regional Environmental Network for Accession (RENA) in the second half of 2009 will also be essential to guarantee proper harmonisation and coordination of efforts to support the socio-economic development of the region.

The importance of maintaining good coordination and cooperation both at country and central level is recognised by both beneficiaries and IFIs. At local level, there is a need to continue engaging in a coordinated manner with governments to encourage them to take a more active leadership of donor coordination mechanisms. It is also essential to ensure continuous support to build up the necessary institutional capacities that national authorities need to take on this role and to be able to implement effectively donor assistance, including ability to adequately select and prioritise projects, and support to project preparation. Regular coordination with IFIs at the central level is important for ensuring a more holistic view of the main issues and challenges not only at country but also at regional level. The role played by the IFI AG has been widely welcomed by all concerned actors. All the IFIs that are engaged in the region participate actively to the IFI Advisory Group and any other coordination initiative promoted by the Commission at central level.

The proposed project will therefore aim at enhancing coordination and cooperation between the Commission and IFIs in view of ensuring sustained support to socio-economic development of the region and its progress towards the European perspective.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The main **impact of this project** is that it will help ensuring overall coherence and complementarity of Commission and IFIs strategies and policies in the region as well as of project efforts carried out at local, national, sector and regional level with main policy orientations adopted at central level by the Commission and IFIs.

Enhancing harmonisation and coordination with International Financial Institutions, will contribute to **catalyzing** IFIs and other donors' attention on the main socio-economic development needs of the region. It will also facilitate networking and exchange of information and know-how among the Commission, IFIs, the Beneficiaries and relevant regional organisations at policy, programme and technical level.

The **sustainability** of this intervention will depend primarily on the sustained interest and commitment of IFIs in the region and on the willingness and capacity of beneficiaries to play an increasingly active role not only in coordination mechanisms at national level, but also at regional and central level. In doing this, the involvement and interaction with all relevant regional sectoral organisations as well as with the Regional Cooperation Council is also another critical factor for ensuring the sustainability of the coordination mechanisms between the Commission and IFIs.

3.3 Results and measurable indicators:

This project will focus on the achievement of the following 3 results:

Result 1: Improved coordination of information exchange, advice, and policy actions focusing on horizontal and sectoral issues;

Indicators for 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; Policy orientations/guidance papers; joint statements/conclusions;

Result 2: Improved coordination of investment support and financing initiatives on terms and conditions best suited to the Beneficiaries;

Indicators for Result 2: Number. of IFI and IFI staff involved in meetings and other coordination initiatives; 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: Increased involvement of the Beneficiaries in the IFI co-ordination process;

Indicators for Result 3: Number of staff from Beneficiaries' institutions and regional fora taking active part in meetings and other initiatives implemented under this project (e.g. studies, sharing best practices etc. etc.).

3.4 Activities:

Activities for achieving Result 1

- A.1.1. Establishment of a effective coordination support mechanism articulated at policy and technical/operational level
- A.1.2. Provision of advise and analytical services on priority issues identified by Commission and IFIs
- A.1.3. Organisation of meetings, discussion fora and other regular and ad hoc event on priority issues identified by the Commission and IFIs
- A.1.4. Liaising with relevant regional horizontal and sectoral structures (RCC, SEETO, ECS, DABLAS Task Force, PEIP and RENA from 2009, etc.) and other relevant stakeholders

Activities for achieving Result 2

- A.2.1. Database for tracking and communicating EC and IFIs initiatives; for sharing best practices and lessons learnt in implementing investment initiatives in the region
- A.2.2. Facilitating exchange of views/brainstorming on IFIs investment strategies and plans in the IPA region and in relation to regional and national investment plans

Activities for achieving Result 3

- A.3.1. Support to developing strategies for enhanced beneficiaries involvement in coordination fora
- A.3.2. Identify relevant interlocutor institutions at national and regional level

- A.3.3. Networking and regular information sharing with identified interlocutors;
- A.3.4. and organisation of regular focused regional events on specific themes related to IFIs cooperation

Contracting arrangements: all activities will be implemented through a single technical assistance contract encompassing a range of services geared towards supporting activities aiming at improving harmonisation and coordination between the Commission, IFIs and beneficiaries.

3.5 Conditionality and sequencing:

The sustained engagement, interest and full cooperation of IFIs represent the major critical success factor, as well as the coordination with all relevant regional horizontal and sectoral mechanisms. Cooperation and support by the authorities of the beneficiaries is of utmost importance for the successful implementation of this project. From a practical viewpoint, this should translate into a pro-active participation on the various horizontal and sectoral issues intensified and tackled in the context of the IFI Coordination.

3.6 Linked activities

This project will be closely linked to all initiatives under the Multi-beneficiary IPA programme for 2008 focusing on cooperation with IFIs, in the field of infrastructures development, municipal investments and private sector development (see respective project fiches). Moreover, the project will also link to a number of investment related activities in potential candidates, supported by the national IPA programmes under component I.

3.7 Lessons learned

The experience of the IFI AG and other coordination initiatives with IFIs indicate that:

- Needs in the region are great, resources are limited. The value added of coordination, harmonisation and cooperation between the Commission and IFIs is based on their complementary respective strengths: the Commission grant support can be used to help leverage IFIs loan financing for the investments which are necessary in the region.
- Capacity building and institutional strengthening support channelled through IPA grants can help creating an environment that is more conducive to increased engagement from the side of IFIs in lending terms. Coordination of grant and loan financing is thus key.
- Coordination of cooperation among IFIs should take place in Candidates and Potential Candidates with strong link to EU strategies and priorities. It is fundamental to ensure common drive towards promotion of EU standards, and in particular for investments the respect of EU Procurement and Environmental standards in line with the European Principles for Environment, as well as to jointly ensure the economic and financial viability of investments.
- Commitment of International Financial Institutions is another crucial element. Proper coordination at all levels (local, national and central) is crucial for ensuring effective leverage of IFIs loan financing. It is therefore important that IFIs are part of the process

and that they provide as well advice and technical suggestions to ensure high quality of investment proposals.

4. Indicative Budget (amounts in €)

Activities	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
All activities	2,000,000	2,000,000	100	X								
Contract 1	2,000,000	2,000,000		X								
TOTAL	2,000,000	2,000,000	100	X								

Amounts net of VAT

* expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	4 rd Q 2008	2 nd Q 2009	2 nd Q 2011

6. Cross cutting issues (where applicable)

By its core nature, this project will address a number of cross-cutting issues that inevitable emerge when tackling coordination and cooperation with IFIs. Coordination with IFIs is, *inter alia*, focused on environment and human development issues, including equal opportunities and vulnerable groups.

6.1 Equal Opportunity

The European Commission is fully committed to a policy of equal opportunity. Moreover, one of the technical working groups, which currently operates under the IFI AG, focuses on human development and social sectors. In this context, issues related to equal opportunities in access to utilities and public services, like health and education, is tackled. Under the proposed intervention, it is expected that the focus on this issues will be further enhanced.

6.2 Environment

Environment is another focal area of the existing coordination efforts between the Commission and IFIs. There is full convergence of interest between the Commission and IFIs on how to gear coordination and cooperation efforts towards complementary impact in the environment sectors. Under the current IFIs Advisory Group there is a working group on environment, which identified a number of issues in the field of support to environment to be discussed by IFIs and the EC. This project will build on the work done by the environment working group of the IFI Advisory Group providing enhanced support to addressing identified issues.

6.3 Minorities

In all activities during this project steps will be taken to ensure that the rights of minorities and other vulnerable groups are taken into account. This aspect will be considered in particular in coordination activities relating to social sectors and human development.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
- 5- Details per EU funded contract (*) where applicable:

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche: Horizontal Support to Cooperation with IFIs in the Western Balkans and Turkey	Programme name and number Multi-beneficiary Programme for Support to Cooperation with the International Financial Institutions-IFIs – 2008 (2008/020-300)	
	Contracting period) expires: 30 November 2009	Disbursement period expires 31 December 2014
	Total budget : €2,000,000	IPA budget: €2,000,000

Overall Objective	Objective Verifiable Indicators	Sources of Verification	
To enhance coordination and cooperation between International Financial Institutions and the Commission in the IPA region	IFIs coordination and cooperation issues raised in relevant Commission, documents	Commission concept notes and papers, communications, Progress reports and other relevant policy and programme documents	
Project purpose	Objective Verifiable Indicators	Sources of Verification	Assumptions
To ensure adequate and effective coordination between the Commission and IFIs at policy, technical and operational level in the area of socio economic development of the Beneficiaries	Effective Coordination mechanism established and operating	Strategy, Action plans, work programme of coordination mechanism; IFIs adherence to mechanisms;	Continuous support from IFIs to the process
Results	Objective Verifiable Indicators	Sources of Verification	Assumptions
<p>Result 1: Improved coordination of information exchange, advice, and policy actions focusing on horizontal and sectoral issues;</p> <p>Result 2: Improved coordination of investment support and financing initiatives on terms and conditions best suited to the Beneficiaries;</p>	<ul style="list-style-type: none"> • (R1) N. and nature of policy, technical and operational discussion papers and other documents to identify and prioritize issues for information exchange and advice • (R1) N. of strategic and operational meetings/other 	<ul style="list-style-type: none"> • (R1) Annual work plans; agendas and reports of meetings; final conclusions and other relevant documentation • (R2) Studies and other issue papers; reports and documentation of follow up discussions; regular and ad hoc 	<p>IFIs engagement to provide active input in coordination mechanisms</p> <p>Beneficiaries willing to be involved and contribute to the process</p>

<p>Result 3: Increased the involvement of the beneficiaries in the IFI coordination process.</p>	<p>events held;</p> <ul style="list-style-type: none"> • (R1) Policy orientations/guidance papers; joint statements/conclusions • (R2) N. of IFIs and of IFI staff involved in meetings and other coordination initiatives • (R2) Database of initiatives funded per IFI/Beneficiary/sector • (R2) N. of studies, assessments, issue briefs and other documented analysis of specific investments/ issues/sectors; • (R3) N. of staff from beneficiaries institutions and regional for a taking active part in meetings and other initiatives implemented under this project (e.g. studies, sharing best practices etc. etc.); 	<p>reports on investment initiatives per IFI/Beneficiary/sector</p> <ul style="list-style-type: none"> • (R3) records of beneficiaries participation; documented input and other contributions provided by them; reports of field visits and other domestic/regional events. 	
Activities	Means	Costs	Assumptions
<p>Activities for achieving Result 1</p> <ul style="list-style-type: none"> • A.1.1. Establishment of a effective coordination support mechanism articulated at policy and technical/operational level • A.1.2. Provision of advise and analytical services on priority issues identified by Commission and IFIs • A.1.3. Organisation of meetings, 	<p>Means of implementation</p> <ul style="list-style-type: none"> • Technical assistance contract encompassing multiplicity of services to ensure effective support to coordination mechanism <p>Means of verification</p> <ul style="list-style-type: none"> • Strategic and operational documentation (Action Plans, work programmes etc. etc.) • Reports related to contracts 	<ul style="list-style-type: none"> • €2,000,000 	<ul style="list-style-type: none"> • On time provision of TA and coordination support services • Commission staff and IFIs expert inputs, monitoring and follow up

<p>discussion fora and other regular and ad hoc event on priority issues identified by the Commission and IFIs</p> <ul style="list-style-type: none"> • A.1.4. Liaising with relevant regional horizontal and sectoral structures (RCC, SEETO, ECS etc.) and other relevant stakeholders <p>Activities for achieving Result 2</p> <ul style="list-style-type: none"> • A.2.1. Database for tracking and communicating EC and IFIs initiatives; for sharing best practices and lessons learnt in implementing investment initiatives in the region • A.2.2. Facilitating exchange of views/brainstorming on IFIs investment strategies and plans in the IPA region and in relation to regional and national investment plans <p>Activities for achieving Result 3</p> <ul style="list-style-type: none"> • A.3.1. Support to developing strategies for enhanced beneficiaries involvement in coordination fora • A.3.2. Identify relevant interlocutor institutions at national and regional level; 	<p>execution</p> <ul style="list-style-type: none"> • Reports of meetings and other events; information notes etc. • Studies and assessment of specific issues of common concern • Systematised information on EC and IFI initiatives 		
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<ul style="list-style-type: none">• A.3.3. Networking and regular information sharing with identified interlocutors;• A.3.4. and organisation of regular focused regional events on specific themes related to IFIs cooperation			
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ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

Contracted	1 st 2009	2 nd 2009	3 rd 2009	4 th 2009	1 st 2010	2 nd 2010	3 rd 2010	4 th 2010	1 st 2011	2 nd 2011	3 rd 2011
Contract 1		2,000,000									
Cumulated	0	2,000,000	2,000,000	2,000,000							
Disbursed											
Contract 1		400,000		400,000		500,000		500,000		200,000	
Cumulated		400,000		800,000	800,000	1,300,000	1,300,000	1,800,000	1,800,000	2,000,000	2,000,000

ANNEX III: Description of Institutional Framework

Coordination and cooperation with IFIs is considered of crucial in a number of strategic and policy documents at EU and beneficiary level. The IPA regulation underlines the importance of sound cooperation and coordination with IFIs, including for infrastructure investments. All regional sector specific strategies and organisations reflect this aspect. The project brings added value through maintaining a regional aspect and in helping liaising closely with the various regional platforms in each target sector, namely South-East Europe Transport Observatory, the Energy Community Treaty, the Regional Environmental Programme, the DABLAS Task Force and the Priority Environmental Investment Programme for South East Europe, which is implemented under the Regional Environmental Reconstruction Programme for South East Europe to be replaced by the Regional Environmental Network for Accession (RENA) in the second half of 2009.

ANNEX IV: Reference to laws, regulations and strategic documents:

- IPA Regulation (Council Regulation 1085/2006, L210, 31/7/2006)
- Western Balkan communication of 5 March 2008
- IFI AG Website, including mandate and scope of work of IFI AG (<http://www.seerecon.org/>)
- Multi-Beneficiary Multi-annual Indicative Planning Document (2007/2009 and 2008-2010)
- SEETO Website (<http://www.seetoint.org>)
- ECT Website (<http://www.energy-community.org>)

- REC Website (www.rec.org)
- DABLAS Task Force web-site (<http://ec.europa.eu/environment/enlarg/dablas>)

ANNEX V: Details per funded contract

Technical assistance will be provided through a service contract for a total amount of €2,000,000