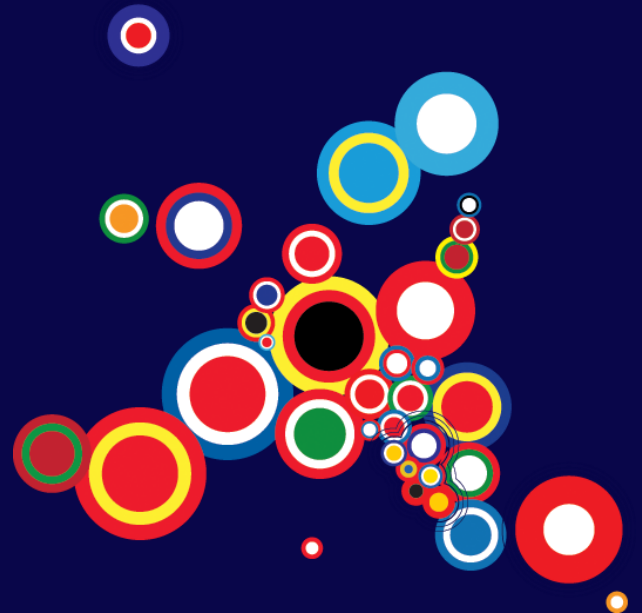




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY

Support to the Western
Balkans Investment
Framework for Technical
Assistance for 2015



Action summary

The first and principle component of this Action will allow financing Technical Assistance for the successful preparation and implementation of major investment projects. In particular, it will support investment projects with a regional dimension, which are priorities for the IPA II beneficiaries in the Western Balkans.

The Action will contribute to bring the beneficiaries priority investment projects to maturity by preparing all documentation for implementation, making the projects eligible for Financial Institutions' loans and/or further EU financing. The action will also offer technical assistance during the implementation phase, providing support throughout the project cycle.

The second component of this Action will finance the continuous technical, managerial and administrative support by the IFI Coordination Office, ensuring in this way efficient policy coordination and flow of information between the WBIF stakeholders.

Action Identification	
Action Programme Title	IPA II Annual Multi-country Action Programme 2015
Action Title	Support to the Western Balkans Investment Framework for Technical Assistance for 2015
Action ID	IPA 2015/031-609.12/MC/WBIF-TA
Sector Information	
IPA II Sector(s)	9. Regional and territorial cooperation
DAC Sector	43010
Budget	
Total cost	EUR 30 million
EU contribution	EUR 30 million
Management and Implementation	
Method of implementation	Direct management
European Commission	DG NEAR/D.5
Implementation responsibilities	DG NEAR/D.5
Location	
Zone benefiting from the Action	Western Balkans
Specific implementation area(s)	Western Balkans
Timeline	
Deadline for conclusion of the Financing Agreement	N/A
Contracting deadline	31/12/2016
End of operational implementation period	31/12/2021

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Regional cooperation in the infrastructure sector is essential for successfully tackling trans-boundary issues and key common challenges in the Western Balkans such as connectivity, climate change, energy shortages or floods.

However, a large gap still exists between the infrastructure available and what is needed to ensure a sustainable development. Insufficient maintenance and development in the past, interruption of investments and slow reform linked to some serious social implications compound the problem.

Amongst the many challenges faced by the beneficiaries the main ones are:

- insufficient and even deteriorating financing opportunities for the development of infrastructure caused by the economic and financial crises,
- insufficient public support to infrastructure reform and development,
- delays in implementation of EU infrastructure norms and ensuring the enforcement of relevant legal acts
- preparing feasible and attractive projects for funding,
- slow and lengthy administrative procedures, for example for construction permits,
- a lack of fair, transparent and diligent public tendering procedures,
- tariffs for infrastructure products and services that are not affordable or do not reflect the real costs of the investment
- insufficient mechanisms in attracting private sector participation in financing infrastructure development.

The Western Balkans Investment Framework (WBIF), launched in December 2009, is a joint initiative of the European Commission, the Partner Financial Institutions (the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), Kreditanstalt für Wiederaufbau (KfW), the World Bank Group) and bilateral donors. With the objective of enhancing the socio-economic development of the region by developing a common pipeline of priority projects in the framework of the EU pre-Accession process, the WBIF blends available grant and loan resources from above mentioned stakeholders and channels them on the priority infrastructure investment projects for the region.

The WBIF has proven a successful instrument in its five first years of operation with a pipeline of 186 grants of a total value of more than EUR 300 million which has attracted additional loan funding of € 2.7 billion. The projects with a clear regional dimension, strengthening connectivity are particularly targeted by the WBIF.

Component I

In this context, the first and principle component of the Action will allow to continue offering technical assistance (TA) for the successful execution of priority infrastructure investment projects identified by the WBIF Steering Committee in the transport, energy, environment and social infrastructure sectors.

Technical assistance should be made available to the beneficiaries for all projects in the single project pipelines. As a result, projects with a national or local dimension will be eligible for support and not only projects which will eventually be supported by the WBIF in the implementation phase, that is to say projects with a regional dimension.

The technical assistance provided under the Action will help preparing the project making it eligible for Financial Institutions (FI) and EU financing and will support their implementation. Specific results will include pre-feasibility and feasibility studies, preliminary and detailed designs, financing plans, cost-benefit analysis, tariffs plans, environmental impact assessments, tender dossiers, supervision of works, etc. It will also comprise the transfer of know-how in project management and project development¹.

The Action will provide technical assistance to:

- the Beneficiaries' national and local authorities where the infrastructure investments will be implemented,
- public utilities which will be responsible of the operation and maintenance of the infrastructure,
- also possibly to private companies which may enter into public-private partnerships in the framework of the projects to be implemented,
- international or regional organisations.

Technical assistance will be provided to projects presented to the WBIF and approved by its Steering Committee. Technical assistance activities will then be implemented in line with the project application and its subsequent terms of reference and within agreed budget limits.

Assistance will either be directly implemented via the Infrastructure Project Facility (IPF - composed of teams of international technical experts) managed by EIB or by the FI entrusted with the implementation of the project. In some exceptional cases, the EIB's IPF may be asked to provide ad-hoc advisory and technical assistance upon request of one of the WBIF stakeholders, subject to approval of the Steering Committee.

Component II

Under the second component, the Action will provide the necessary funding to allow for the IFI Coordination Office to continue and intensify its supporting role in the dynamic and challenging environment in the Western Balkan region. The WBIF has been supported by the IFI Coordination Office since February 2010. The Action will provide technical, managerial, communication and administrative support that will ensure access to research and information on key strategy and policy issues and comprehensive communication flows among all WBIF stakeholders involved in socio-economic activities in the region. The availability of such support is deemed crucial to the continued success of the WBIF and cooperation between beneficiaries, European Commission, IFIs and bilateral donors, particularly as the region moves to make greater use of sector based development strategies and programming of assistance. The IFI Coordination Office will also provide technical assistance to the NIPACs in the Western Balkans in order to identify a pipeline of priority investments to be funded by IFIs, the European Commission and bilateral donors; prepare a Single Project Pipeline and set up a relevant institutional framework.

RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES

The Multi-country Indicative Strategy Paper 2014-2020² (hereinafter referred to as the Strategy paper) sets socio-economic and regional development as one of its main objectives and clearly underlines the

¹ The transfer of know-how within the context of WBIF technical assistance will be defined to be complementary with JASPERS' services to avoid any overlap of activities.

² C(2014) 4293, 30.06.2014

importance to support investments in infrastructure in the Western Balkans where cross-border networks are underdeveloped.

The Strategy paper also stresses the need to seek coherence and complementarity with other donors, in particular in the context of the WBIF to build a common pipeline of projects. In this context, the importance of a constructive cooperation with IFIs ensuring a balanced and equitable socio-economic development in the IPA region is key. In addition, efficient coordination with IFIs, other donors as well as with IPA national programmes is necessary especially at the strategic and sectoral level.

Technical assistance will be provided in line with the priorities identified in the Strategy paper but also in line with relevant EU policies and EU macro-regional strategies such as the EU Strategy for the Danube Region (EUSDR) endorsed in April 2011 and the future EU Strategy for the Adriatic-Ionian Region (EUSAIR) launched in November 2014.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

In a context of immense investments needs and restricted budgets, projects prioritisation is essential in order to ensure that the projects that are most relevant for growth, stability and accession are prepared to the highest standards and successfully implemented. The development of single pipeline of projects by the National Investment Committees (NICS) will play a key role in identifying these priority projects and will be offering to the WBIF a first selection of projects.

The national and local borrowing institutions in the beneficiaries lack the knowledge, expertise and experience to produce infrastructure project planning and design documentation to the standard required by the EU and the FIs. The Action is a response to the beneficiaries' technical assistance needs. TA grants represent the vast majority of the WBIF support with to date 165 TA grants, out of which 102 were implemented by an IPF and 63 directly by the lead FI. Within the economic context mentioned above, this support particularly and the overall cooperation and coordination among the beneficiaries, European Commission, FIs and bilateral donors need to be continued and intensified.

To date, technical assistance grants have been implemented either directly by the lead Financial Institution through the European Western Balkans Joint Fund or through one of the four IPFs that have been successively deployed.

- IPF 1 was launched in June 2008. Its main activities ended in June 2014, the contract was however extended until end of March 2015 to allow the continuation of the project Water and sanitation projects in Republica Srpska and the use of the remaining funds of the two grants allocated to the project. IPF 1 will have implemented in total 37 projects for a total value of EUR 23.2 million.
- IPF 2 was launched in November 2009 and ended its activities, as foreseen, in June 2014 after implementing 36 projects for a total value of EUR 26,742,122.
- IPF 3 was launched in June 2012 and its activities are now in full swing. IPF 3 has been allocated 24 projects and 2 additional activities for a total value of EUR 17,399,800. The end date of IPF 3 activities is June 2018.
- IPF 4 is the first IPF managed by the EIB. The contract was signed in June 2014 and activities started in September of the same year with EUR 9.6 million available for projects implementation.

A first Agreement will be signed in Q2 2015 with the EIB for the extension of IPF 4 service contract and the set-up of a new IPF.

Future IPFs or similar facilities will in any case build on the experience and work of the previous IPFs to improve future technical assistance services.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
Support the socio-economic growth of the Western Balkans by implementing the WBIF	<ul style="list-style-type: none"> Public sector investment GDP growth Human development index Total value of all investment projects (private and public) made in the region 	National/Central Banks reports National Statistical Offices Eurostat	
SPECIFIC OBJECTIVE- COMPONENT I	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> Improve number of quality of priority infrastructure investment projects ready for implementation and successfully implemented in transport, environment, energy and social sectors Enhance cooperation and coordination between FIs, beneficiaries, bilateral donors and regional organisations. Exchange of skills and knowledge Increase loans leveraged with grants 	<ul style="list-style-type: none"> Number of projects prepared which found financing (signed loans) Number of projects under construction Number of projects completed and operational 	WBIF's online Management Information System, MIS Financial Institutions information WBIF Annual Reports WBIF bi-annual Monitoring reports Government budgets	<ul style="list-style-type: none"> Capacity to borrow from Beneficiaries remains Recovery from the crisis allows further development and creates further loans demand Political stability in the region
SPECIFIC OBJECTIVE- COMPONENT II	OBJECTIVELY VERIFIABLE INDICATORS (*)		
<ul style="list-style-type: none"> Support WBIF stakeholders (via the IFI Coordination Office) to achieve a coordinated approach towards investment policy in the beneficiaries. 	<ul style="list-style-type: none"> Number of beneficiaries with an operational institutional set up that has developed a Single Project Pipeline. 	<ul style="list-style-type: none"> Minutes and conclusions of meetings; WBIF Annual and bi-annual reports Establishment of a Single Project Pipeline itself 	<ul style="list-style-type: none"> Continuous support by WBIF partners Continuous political support by beneficiaries Allocation of budget for the functioning of the relevant institutions

			concerned with the Single Project Pipeline
RESULTS COMPONENT I	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Support the preparation and implementation of priority infrastructure investment projects, at regional and national levels, in transport, environment, energy and social sectors	<ul style="list-style-type: none"> Number of TA grants implemented (completion of all activities foreseen in the terms of reference) Total value of the projects which received WBIF TA (total investment costs in Euros) 	Financial Institutions reports IPFs bi-monthly and progress reports WBIF's online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports	WBIF continues to receive support from the different partners NIPACs present multiple good projects for financing. FIs availability to provide loans remains high in the region
RESULTS COMPONENT II			
<ul style="list-style-type: none"> Beneficiaries enabled to identify a pipeline of priority investments to be funded by IFIs, the EC and bilateral donors; prepare a Single Project Pipeline as well as set up a relevant institutional framework. Cooperation, communication and policy coordination amongst WBIF stakeholders in developing and implementing priority investments in the Western Balkans; 	<ul style="list-style-type: none"> Number of meetings prepared, policy documents drafted; strategies agreed upon; workshops and trainings attended in the different sectors to WBIF stakeholders Number of good quality applications for mature priority investment projects as identified in the sectoral development programmes. Operational National Investment Committees or equivalent institutions in place 	<ul style="list-style-type: none"> WBIF project applications WBIF strategy papers WBIF Management Information System (MIS2) Donor data bases Number of official meetings by the appointed National Investment Committees or the equivalent institutions 	<ul style="list-style-type: none"> Existence of National Sector Strategies Political support by the beneficiaries Continuous support by partners Beneficiary governments' sustained capacity for investments
ACTIVITIES COMPONENT I	MEANS	OVERALL COST	ASSUMPTIONS
Technical assistance for investment projects for the four sectors (transport, environment and climate change, energy, social) for project	Direct management: Grant Agreement with	EUR 26,120,000	

preparation and project implementation	the EIB		
ACTIVITIES COMPONENT II			
<ul style="list-style-type: none"> • Contribution to policy and strategy discussions and activities under the WBIF and wide COM/ IFI cooperation • Secretariat services for WBIF structures including the Steering Committee and the Project Financiers Group • Long-term technical assistance to the NIPAC offices, line ministries and project promoters in the beneficiaries including technical assistance for the establishment of the national institutions concerned with the Single Project Pipeline 	Direct management, service contract	EUR 3 880 000	

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The eligible beneficiaries of the WBIF are Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro and Serbia.

The WBIF financiers are the EBRD, the EIB, the CEB, KfW, the World Bank Group and bilateral donors.

The main bodies in the Governance of the WBIF are the following:

- The WBIF Steering Committee (WBIF SC) which provides strategic guidance for the WBIF and takes all decisions related to project approvals. The Steering Committee brings together representatives of the beneficiaries, the European Commission, partner FIs and bilateral donors and meets every six months. It is co-chaired by the European Commission (on a permanent basis) and one of the bilateral donors (on an annual rotating basis).
- The Project Financiers' Group (PFG) which is responsible for screening and assessing requests for financial support with the objective of establishing a pipeline of priority projects. It is also responsible for the coordination of approved grant operations. The Group is composed of representatives of the European Commission (DG NEAR coordinates the participation of all relevant European Commission services), FIs and bilateral donors. It is co-chaired by the European Commission (on a permanent basis) and the partner FIs (on a rotating basis every 6 months).

Applications for grant support under the WBIF must be formally submitted by the National IPA Coordinators (NIPACs) of the respective beneficiaries. In the case of regional sectoral projects, the application can be made by the relevant sectoral organisation but must be accompanied by official letters of support from relevant NIPACs. NIPACs are responsible for presenting applications supported by the PFG to the Steering Committee for approval.

The WBIF Secretariat in DG NEAR is responsible for the day to day management, coordination and administration of the WBIF with the support of the IFI Coordination Office (IFI-CO). In particular, the Secretariat issues calls for proposals for projects and manages the screening and assessment process.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

For component I, technical assistance services will be managed directly by DG NEAR/D.5 through a Grant Agreement with the EIB.

The Action will be implemented in accordance with Article 58 (1) (c) and Article 125 of the Financial Regulation.

As for component II, the Action will be implemented by extending of the on-going service contract, directly managed by DG NEAR/ D.5. The extension of the on-going contract will follow a negotiated procedure, as provided for in the procurement notice subject to the satisfactory performance of the contractor. The extension of the contract is considered to be the most adequate solution that will ensure continuous and efficient technical assistance / administrative support to the WBIF and the WBIF secretariat.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

The monitoring of component I of the Action will be carried out by the WBIF secretariat, and more specifically by the Task Manager in DG NEAR with the support of IFI-CO. In the perspective of this exercise, they will use the Management Information System (MIS) database, the bi-monthly and progress reports produced by the IPFs, the reports produced by the implementing body, the EIB, and the reports produced by the other FIs when they will implement the TA services approved by the WBIF Steering Committee.

WBIF Project Financiers Group meetings and Steering Committees will offer all WBIF stakeholders, in particular the beneficiaries represented by their NIPACs, the opportunity to share their experience and evaluation of the WBIF TA support. Adjustments of the Action may be considered and decided on these occasions.

The Result Oriented Monitoring (ROM) mechanism will also be used on a regular basis.

An evaluation of WBIF has been launched at the end of 2014 and another evaluation will be scheduled in 2016 covering the WBIF TA activities.

As for component II that concerns the continuation of the IFI-CO activity, the monitoring will – in this case too- be carried out by the WBIF secretariat and in particular the Head of the WBIF secretariat. The contractor will be reporting on a bi-monthly (progress reports) as well as bi-annual (interim reports) frequency. The WBIF secretariat will be having a very close working relation to the IFI-CO, since the latter will be providing technical, administrative and managerial support in activities that concern a wide range of WBIF activities. Consequently, the monitoring of the IFI-CO Action will be performed on a continuous basis and will be the result of this close working relation. An example of this frequent monitoring will be the regular (bi-monthly) meetings between the WBIF secretariat and IFI-CO.

INDICATOR MEASUREMENT

Indicator	Baseline (year) (2)	Milestone 2017(3)	Target 2020 (4)	Final Target (2021) (5)	Source of information
Component I					
Number of TA grants fully implemented *		0	30	35	Financial Institutions reports WBIF' online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports
Number of projects which received WBIF TA support and found financing (Projects for which a loan with a FI was signed) *		0	15	20	WBIF online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports
Number of projects which received WBIF TA support and are under construction *		0	10	15	WBIF online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports
Number of projects which received WBIF TA support and are completed and operational *		0	3	5	WBIF online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports
Total value of the projects which received WBIF TA (total investment costs in Euros) **		EUR 250 million	EUR 875 million	EUR 875 million	WBIF online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports
Component II					
Number of beneficiaries with an operational institutional set up (National Investment Committees or equivalent institutions) that has developed a Single Project Pipeline.	2 beneficiaries (Albania, Serbia)	6 beneficiaries	6 beneficiaries		Establishment of the Single Project Pipeline itself
Number of meetings prepared, policy documents drafted; strategies agreed upon; workshops and trainings attended in the different sectors to WBIF stakeholders					

Number of good quality applications for mature priority investment projects as identified in the sectoral development programmes					
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*** On the assumption of EUR 750,000 as an average WBIF TA grant, the Action will finance 40 projects.**

- (1) This is the indicator as included in the Multi-country Indicative Strategy Paper.
- (2) The agreed baseline is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets.
- (3) The last available data (and reference year)
- (4) The milestone year CANNOT be modified: it refers to the mid-term review of IPA II.
- (5) The target year CANNOT be modified.

5. CROSS-CUTTING ISSUES

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Beneficiaries are invited to consider and argue when preparing their applications the environmental benefits of their projects as well as the contribution to climate change mitigation adaptation and climate resilience.

In addition, in June 2013, a Climate Change Window was introduced to the WBIF, in line with EU policies for blending facilities worldwide. At present, the Climate Change Window is focused on tracking financing allocated to investments in mitigation and adaptation measures and climate resilience. The 10th Round of Applications served as a pilot phase and 52% of the grants approved by the WBIF Steering Committee were for projects that target both adaptation and mitigation. This represents a total amount of approximately EUR 3.1 million of EU contributions to climate financing efforts from this Round of Applications. Since 2009, approximately 20% of EU grants have been dedicated to the preparation of projects which will contribute to the mitigation and adaptation to climate change. This represents EUR 58 million of EU contributions to climate finance.

These requirements contribute to raise awareness so environmental and climate considerations are incorporated in project design for strategic infrastructure areas.

The WBIF is also actively supporting disaster resilience with six of the environment projects related to flood prevention and management for a total value of EUR 12.4 million.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The preparation of investment projects is always accompanied by the consultation of stakeholders, including representatives of civil society organisations.

EQUAL OPPORTUNITIES AND GENDER MAINSTREAMING

Infrastructure projects financed by the WBIF benefit the whole population. Specific attention will be given to the need to reflect gender balance and equal opportunities in the Action. Effective gender mainstreaming will be taken into account at all stages and aspects during the implementation.

MINORITIES AND VULNERABLE GROUPS

Investment projects provide benefits to the groups of population without distinction, including people belonging to minorities and vulnerable groups.

6. SUSTAINABILITY

To ensure the sustainability of infrastructure investments projects, the beneficiaries must thoroughly prepare their projects with the support from the beginning of a lead FI with the realisation of feasibility studies, cost benefit analysis, financing plans, environmental impact assessment, etc.

The performance of utilities responsible to provide services should be strengthened to ensure the sustainable maintenance and operation of the service (for example adjusting tariff plans, improving collection rates, etc.).

In order to proceed to the implementation phase, any grant provided by the WBIF is associated to a loan from an FI. The financial burden which has to be borne by the Treasury of the beneficiary is a strong factor to ensure the maximisation of the advantages and impact of the public investment after its completion and during its whole operation life.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. All necessary measures will be taken to make public the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be undertaken to strengthen general public awareness and promote transparency and accountability on the use of funds.

While IFI-CO is responsible of the general WBIF communication and visibility activities, communication and visibility activities related to the implementation of the WBIF TA grants shall be the responsibility of the implementing body, the EIB, the IPFs and the lead FIs entrusted with the implementation of projects. These activities shall be funded from the amounts allocated to the Action and the European Commission shall be fully informed of their planning and implementation.

The MIS database will offer the possibility to gather information on the different TA grants and their progress and subsequently nourish the different WBIF communication products.