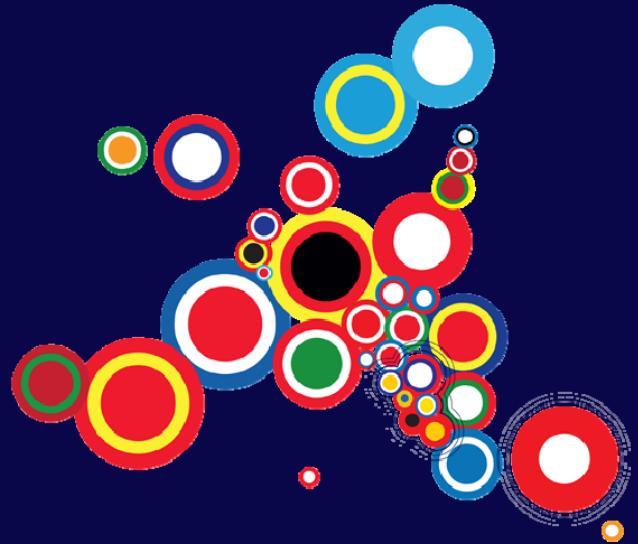




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### MULTI-COUNTRY

Support to the Western  
Balkans Investment  
Framework for Technical  
Assistance for 2016



#### **Action summary**

The Action will provide technical assistance for the successful preparation and implementation of major investment projects. It will in particular support investment projects identified in the Single Project Pipelines 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.

<b>Action Identification</b>			
<b>Action Programme Title</b>	IPA II Multi-country Action Programme for Connectivity 2016		
<b>Action Title</b>	Support to the Western Balkans Investment Framework for Technical Assistance for 2016		
<b>Action ID</b>	IPA 2016/039-401.03/MC/WBIF TA		
<b>Sector Information</b>			
<b>IPA II Sector</b>	9. Regional and territorial cooperation		
<b>DAC Sector</b>	43010 - multi-sector aid		
<b>Budget</b>			
<b>Total cost</b>	EUR 36 million		
<b>EU contribution</b>	EUR 36 million		
<b>Budget line(s)</b>	22.020401		
<b>Management and Implementation</b>			
<b>Management mode</b>	Direct management		
<b>European Commission</b>	DG NEAR/D.5		
<b>Implementation responsibilities</b>	DG NEAR/D.5		
<b>Location</b>			
<b>Zone benefiting from the action</b>	Western Balkans		
<b>Specific implementation area(s)</b>	Western Balkans		
<b>Timeline</b>			
<b>Final date for contracting including the conclusion of delegation agreements</b>	At the latest by 31 December 2017		
<b>Final date for operational implementation</b>	At the latest by 31 December 2022		
<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **1. RATIONALE**

A large gap still exists, in the Western Balkans region, 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.

The Western Balkans Investment Framework (WBIF) has proven a successful instrument to provide technical assistance for the successful preparation and implementation of high priority infrastructure investment projects.

### **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.

### **OUTLINE OF IPA II ASSISTANCE**

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 development<sup>1</sup>.

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.

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

The Multi-country Indicative Strategy Paper 2014-2020<sup>2</sup> (hereinafter referred to as the Strategy paper) set socio-economic and regional development as one of its main objectives and clearly underlines the 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.

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<sup>1</sup> 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.

<sup>2</sup> C(2014) 4293, 30.06.2014

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 had a total budget of €30 million and implemented 37 grants.
- IPF 2 was launched in November 2009 and ended its activities, as foreseen, in June 2014. It had a total budget of €30 million and implemented 36 grants.
- IPF 3 was launched in June 2012 and its activities are now in full swing. It has a total budget of €22.5 million and is implementing 26 grants and 2 additional activities. 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. IPF 4 has a total budget of €23 million and is implementing 16 grants.
- IPF 5, also managed by the EIB, was contracted in June 2016. Its total budget will be €25.5 million.
- The tender procedure for IPF 6 is on-going. The EIB should sign the contract early 2017. IPF 6 total budget will amount to €25 million.

The Action is to finance IPF 7, which, due the rapid absorption of funds, should start operations at the end of 2017.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	
To support the sustainable socio-economic growth of the Western Balkans by developing infrastructure through the WBIF	<ul style="list-style-type: none"> <li>Public sector investment</li> <li>GDP growth</li> <li>Human development index</li> <li>Total value of all investment projects (private and public) made in the region</li> </ul>	National/Central Banks reports National Statistical Offices Eurostat	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> <li>To improve number of quality of priority infrastructure investment projects ready for implementation and successfully implemented in transport, environment, energy and social sectors</li> <li>To enhance cooperation and coordination between FIs, beneficiaries, bilateral donors and regional organisations.</li> <li>To exchange of skills and knowledge</li> <li>To increase loans leveraged with grants</li> </ul>	<ul style="list-style-type: none"> <li>Number of projects prepared which found financing (signed loans)</li> <li>Number of projects under construction</li> <li>Number of projects completed and operational</li> </ul>	WBIF's online Management Information System, MIS Financial Institutions information WBIF Annual Reports WBIF bi-annual Monitoring reports Government budgets	Capacity to borrow from Beneficiaries remains Recovery from the crisis allows further development and creates further loans demand Political stability in the region
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
To 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"> <li>Number of TA grants implemented (completion of all activities foreseen in the terms of reference)</li> <li>Total value of the projects which received WBIF TA (total investment costs in Euros)</li> </ul>	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

## **DESCRIPTION OF ACTIVITIES**

Technical assistance is most largely requested for the preparation of project documentation (such as pre-feasibility studies, general designs, feasibility studies, preliminary designs, financing plans, cost-benefit analysis, tariffs plans, environmental impact assessments, detailed designs, etc.), thus bringing infrastructure projects to maturity for investment co-financing.

Technical assistance may however also be provided during the implementation phase, for the preparation of tender dossiers and for the supervision of works, providing therefore support throughout the project cycle.

## **RISKS**

The success of the Action will depend in particular on the following aspects:

- agreement with the beneficiaries on the priorities to address;
- unchanging priorities of the beneficiaries;
- political commitment from the national and local beneficiaries, in particular to engage in policy reforms;
- administrative capacity, in particular to uphold sustainable policy reforms;
- local ownership of the project's outputs;
- level of communication among the project stakeholders;
- cross border cooperation and support in regional projects;
- financial sustainability for an efficient operation and maintenance of the infrastructure;
- land acquisition or expropriation issues; and
- influence of agreements with other stakeholders (Russia, China, etc.).

Past experience showed that, with strong project leadership from all stakeholders, the risks of poor implementation can be minimised. The project monitoring mechanisms will be designed to mitigate such risks.

## **CONDITIONS FOR IMPLEMENTATION**

The implementation of the Action will be subject to the projects presented to and endorsed by the WBIF Steering Committee.

## **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:

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\* 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

- 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**

The Action will be managed directly by DG NEAR/D.5 through a Grant Agreement with the EIB. It will be implemented in accordance with Article 58 (1) (c) and Article 125 of the Financial Regulation.

## **4. PERFORMANCE MEASUREMENT**

### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

The monitoring 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 European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.



## INDICATOR MEASUREMENT

<b>Indicator</b>	<b>Baseline (year) (2)</b>	<b>Milestone 2017(3)</b>	<b>Target 2020 (4)</b>	<b>Final Target (2022) (5)</b>	<b>Source of information</b>
MCSP indicator (impact/outcome) (1)					
Number of TA grants fully implemented *		0	20	30	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	10	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	5	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	0	5	WBIF online MIS WBIF Annual Reports WBIF bi-annual Monitoring reports

\* On the assumption of 30 technical assistance grants supported by the Action

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year 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. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

## **5. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

Though it is not designed to address in any particular way this issue, the Action may have an impact on gender equality. Women and girls can be differently affected by the implications of access to infrastructure than men and boys due to their gender roles and their responsibilities in households. The impact of the Action may however not be significant enough to justify gender marking.

The development of the Action will however ensure equal opportunities for women and men to participate in its implementation and in the selection of experts.

### **EQUAL OPPORTUNITIES**

Equal opportunities will be mainstreamed in all the relevant activities of the Action. The development of the Action will require professional qualifications and competences guaranteeing equal opportunities for its implementation and selection of experts.

### **MINORITIES AND VULNERABLE GROUPS**

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

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

The preparation of investment projects is always accompanied by public consultation which requirements are set by national planning regulations and EU Directives, in particular the Environmental Impact Assessment Directive (2011/92/EU amended 2014/52/EU).

### **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.

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.

Climate action relevant budget allocation: EUR 7.2 million
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## **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 for the development of feasibility studies, cost benefit analysis, financing plans, environmental impact assessment, preliminary and detailed designs, etc.

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

In this context, any technical assistance grant provided by the WBIF is associated to a loan from an FI.

## **7. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

Communication and visibility activities will be the responsibility of the implementing body, the EIB, and the European Commission shall be fully informed of their planning and implementation.

All necessary measures will be taken to publicise 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 aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.