

Follow-up to the Evaluation of the Western Balkan Investment Framework (WBIF) – November 2015

No.	Recommendations, Final report	Responses, DG NEAR: (i) accepted or not, ii) actions to be undertaken	Follow up: by whom, by when
1	<p>There is no shared vision in terms of what WBIF actually intends to achieve.</p> <p>Recommendation: Adopt a simplified framework of strategic objectives for the remaining life of WBIF, reflecting the principles and priorities set until 2020.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>Since the time of the WBIF review, new Rules of Procedure were finalised which re-confirmed and formalised the Objectives and General Principles of the WBIF (section 2). In summary, WBIF supports the WB6 EU accession path by (i) addressing infrastructure investment needs in the eligible sectors, through the provision of TA support for project development and co-investment grants for project realisation; (ii) promoting beneficiary countries’ ownership of the entire process; and (iii) enhancing cooperation between all involved parties. This is particularly important as WBIF relies on WB6 countries for project proposals, on donors for funding and on IFIs for project implementation; all of which have their specific strategic objectives.</p>	<p>Follow-up – Deadline for the implementation: Mid 2016</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>With regards to co-investment, the vision is now clear and shared for the activities funded from IPA 2, which focusses on implementing the Connectivity Agenda. Discussions are on-going with donors to raise funds for co-investment in non-connectivity sectors.</p>
2	<p>WBIF administrative and management arrangements need to consider competition with other investors in the region.</p> <p>Recommendation: IFI Coordination Office (IFICO) could support with specific analysis to identify strengths and weakness of EU funding in the WB. This would help to define and fine-tune strategic priorities.</p>	<p>i) Partially accepted</p> <p>This recommendation is addressed to the WBIF Secretariat and IFICO. The WBIF Secretariat and IFICO partially accept this recommendation.</p> <p>IFICO does, <i>per se</i>, not monitor other actors’ involvement in the region. Nevertheless, the design and activation of the NICs will provide / is providing for a unique national investment platform, where all investors, donors, institutions, IFIs and local stakeholders meet. Any investment</p>	<p>Follow-up - Deadline for the implementation: continuous</p> <p><i>The WBIF Secretariat and IFICO</i></p> <p>A dedicated study to the end other “competing” investment schemes are concerned is not planned for the near future; in any case, this would also concern non EU investors, for example funds / investments from Russia, Central Asia, the Gulf and China, all active in the region.</p>

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		decision, whether EU co-financed or else will need to be channelled through this new mechanism.	
3	<p>Provided NICs perform well, both at national and WB-EU level, they could further contribute to harmonised sector coordination as concerns WBIF and IPA II investment projects.</p> <p>Recommendation: In line with the IPA II sector-based approach, NICs should consider becoming involved in the selection and preparation of national IPA investment projects thus helping create synergies between WBIF and IPF national/Cross-border Cooperation (CBC) projects – casting the WBIF net a little wider in terms of coverage and funding sources.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to DG NEAR, WBIF Steering Committee and WBIF Secretariat. DG NEAR, WBIF Steering Committee and WBIF Secretariat accept this recommendation.</p> <p>The design of the NICs is such that all investment projects, national, regional, mature, not mature, EU co-financed, other financing sources, etc. would be channelled through the NIC. At this moment, the respective NIC decision is only a requirement for WBIF grant co-financing, in particular to the extent IPA 2 grants are concerned for co-financing of “connectivity” relevant TRA and ENE projects.</p>	<p>Follow-up - Deadline for the implementation: Mid 2016</p> <p><i>DG NEAR, the WBIF Steering Committee and the WBIF Secretariat</i></p> <p>Along the further evolvement of the NICs, the requirement of a NIC decision / inclusion into the SPP, for TA and other projects (those typically financed under the national IPA component) will most likely also become a requirement. EU Delegations usually participate in the sector meetings for the preparation of the NIC and will ensure synergies between regional and national IPA.</p>
4	<p>Investments in the region are significantly limited due to borrowing capacities or “fiscal space”.</p> <p>Recommendation: Growth can be effectively stimulated by revising the concept of fiscal space. The European Commission should initiate a facilitated policy dialogue with WB countries and international financial and monetary institutions, as well as bilateral donors, in order to increase the space for investments (the capacity to borrow) that are highly needed and economic viable.</p>	<p>i) Partially accepted</p> <p>This recommendation is addressed to DG NEAR, other Directorate-Generals, WBIF Steering Committee and WBIF Secretariat.</p> <p>In line with its policy and economic governance approach, DG NEAR recommends prudence. The governments should remain committed to fiscal consolidation by identifying concrete revenue/expenditure measures and improving prioritisation of public investments.</p>	<p>Follow-up - Deadline for the implementation: continuous</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>Actual borrowing capacities concern all projects under implementation (of the WBIF portfolio). Grant co-financing under WBIF / IPA 2 or other sources will contribute to alleviate the problem, particularly in the connectivity sectors. The issue of (limited) fiscal space is addressed in the financing plan which is integral part of the so-called Grant Application Form (GAF) for investment co-financing.</p> <p><i>DG NEAR, other Directorate-Generals</i></p> <p>The recent Commission Staff's Overview of the Economic Reform Programmes for 2016-2018 has highlighted that some of the Economic Reform Programmes overemphasise the need for large-scale</p>

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			<p>infrastructure projects, in particular on transport, while paying too little attention to market reforms to overcome structural weaknesses. This bias towards infrastructure is reflected in budget allocations as well. While a functioning infrastructure is important to boost competitiveness and attract investment, any large-scale public investment should be subject to prioritisation based on cost-benefit analyses and should consider the opportunity cost of not implementing other necessary reforms. This is especially true when faced with limited fiscal space, which is the prevalent situation in all the Western Balkan countries. Prioritisation based on an analysis of outcomes is missing or weak in most of the countries even when they plan large-scale and expensive public investments. Such a prioritisation process should take into account the impact on competitiveness, growth and job creation, be transparent and subject to scrutiny by stakeholders. The National Investment Committees and the single project pipelines are significant steps in this direction. It is important that investments in infrastructure are accompanied with meaningful soft measures, such as those the Western Balkan countries have committed themselves to implement as part of the connectivity agenda agreed in the Berlin process.</p>
5	<p>ENV and SOC sector investments have accelerated reforms in various countries. However, these sectors no longer appear to be a WBIF priority for the time being, as the "Connectivity agenda" with its regional focus have priority.</p> <p>Recommendation: An immediate solution for pending infrastructure projects in ENV and SOC is needed - the recent and apparently sudden halt in procedures in these sectors may not be helping the WBIF "message".</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>Both the ENV and SOC sectors are fully eligible for all WBIF support mechanisms in place. The latest calls for TA and INV applications were open to all sectors without restriction. The only temporary limitation to these sectors applies to the extent IPA 2</p>	<p>Follow-up - Deadline for the implementation: End 2015</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>Following the Western Balkan 6 process (where the heads of state of the beneficiary countries were represented, plus several EU heads of state) and the respective IPA Committee decisions (where all member states are represented), it has been confirmed that DG NEAR will to support the TRA and ENE sectors with priority. SOC and ENV projects for grant co-financing can be supported by WBIF from bilateral donors' contributions, which the Commission encourages.</p>

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		funds and grant co-financing are concerned.	
6	<p>The revised WBIF funding architecture is still under development. The current lack of clear rules and guidance creates uncertainty among the various stakeholders.</p> <p>Recommendation: Adopt a sustainable funding architecture by the end of the year, including co-financing methodologies for IFIs and bilateral donors, co-delegation arrangements; rules for eligibility etc.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>The General Conditions and the Rules of Procedure are being finalised after an agreement in principle was reached in Q1 2016.</p>	<p>Follow-up - Deadline for the implementation: Q1 2016</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>The General Conditions and the Rules of Procedure will be presented for endorsement or signature to the 14th WBIF SC meeting in June 2016 in Oslo.</p>
7	<p>In order to simplify the WBIF programming process (while maintaining the need for reporting by IFIs on the use of WBIF support) a revised project preparation pathway should be considered. One possible project preparation pathway could consist of the following 6 steps.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>The WBIF project programming is under revision.</p>	<p>Follow-up - Deadline for the implementation: Mid 2016</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>A respective proposal will be presented to the PFG in May in Brussels and might be subject to endorsement at the 14th WBIF SC meeting in Oslo. The overall purpose would be to improve the quality of the selected projects allowing for more efficiency gains in the project preparation and implementation,</p> <p>However, the principle approach, in particular with the ownership of the beneficiaries, shall be maintained.</p>
	<p>Recommendation 7.1: Step 1 - Submission of detailed project preparation ToR – prepared by beneficiaries/IFIs - to WBIF (placing the project in the WBIF/EU Accession/policy/strategy context, describing the overall project, describing the preparation work required along with deadlines and an estimate of work days per task – rather than a financial budget);</p>		<p>Higher quality of project applications (even if not to the details of a draft ToR)</p>
	<p>Recommendation 7.2: Step 2 - WBIF Secretariat review and selection of projects using a clearly</p>		<p>Higher quality of applications would ease the screening and assessment</p>

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	defined process;		processes. These steps should be more thorough technically to avoid any later change to the scope of the activities or to the budget.
	Recommendation 7.3: Step 3 - IPF preparation of proposals for the work required to prepare each accepted project (methodology and workplan – showing breakdown of the work, timing and days per output);		Options are reviewed where an IPF would prepare a work plan / inception report based on the more detailed project description. Such options would depend on practical implementation considerations (last IPFs not contracted at the time of preparation of ToR).
	Recommendation 7.4: Step 4 - Approval of IPF proposals by IFI/government side;		The Inception Report / project work plan would be reviewed / amended / confirmed by IFICO (to avoid possible conflict of interests) and then, the IFIs and governmental bodies would be notified / contacted, asked for comments/approval.
	Recommendation 7.5: Step 5 - IPF delivery of project preparation outputs;		Question of the distribution/publication of final deliverables (if on MIS, deciding on access rights)
	Recommendation 7.6: Step 6 - IPF and IFI reporting to WBIF – more detailed and frequently than at present.		The project related reporting is anticipated via the MIS and in detailed project fiches as part of the bi-monthly reports (frequency to be possibly reconsidered).
8	<p>If additionality shall remain a key feature for WBIF, it needs to be more clearly identified, possibly by the applicants (WBs and IFIs), prior to funding decisions.</p> <p>Recommendation: Adapt a concept for ensuring additionality and sustainability in grant financing; provide detailed justification for additionality, request more detailed sustainability considerations at the level of project application and investment grant approval.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>The GAF, at this moment, only addresses the grant co-financing projects, the so-called PGAF for TA is expected to be updated in the near future and also follow the EUBEC developed grant template, adapted for WBIF.</p>	<p>Follow-up - Deadline for the implementation: Mid 2016</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>The (new) GAF addresses extensively issues of additionalities and sustainability, detailed indicators will need to be predicted, monitored and achieved.</p>

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9	<p>The quality of regional cooperation could be further improved through stronger representation of regional organisations for the priority sectors.</p> <p>Recommendation: As concerns the priority sectors, stronger involvement of the regional organisations would be helpful (South East Europe Transport Observatory (SEETO), Energy Community Secretariat (ECS)) both at the level of the Steering Committee (SC) as well as for certain NIC meetings.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>Both SEETO and ECS are invited at all main WBIF stakeholder meetings (PFG, SC); both are present at these meetings.</p>	<p>Follow-up - Deadline for the implementation: end 2015</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>SEETO and ECS invitation to the national NIC meetings is a national matter, but will be seen favourably by the WBIF SC and DG NEAR in their respective financing decisions.</p>
10	<p>NICs potentially might further increase complementarity and coordination of the WBIF, particularly at individual WB country level.</p>	<p>i) Accepted</p> <p>This recommendation is addressed to the WBIF Steering Committee and the WBIF Secretariat. The WBIF Steering Committee and the WBIF Secretariat accept this recommendation.</p> <p>Following the establishment of (most of) the NICs in the past year, inter regional cooperation is firmly encouraged</p>	<p>Follow-up – Deadline for the implementation: End 2015/End 2016</p> <p><i>The WBIF Steering Committee and the WBIF Secretariat</i></p> <p>Regional NIC (trainings) meetings are planned, for the exchange of experiences and learning from each other.</p>
	<p>Recommendation 10.1: Communication channels between all NICs in the region need to be established and maintained, particular in view of regional projects;</p>		<p>One regional meeting already took place in 2015 with support of RESPA (and IFICO) and should be repeated regularly.</p>
	<p>Recommendation 10.2: Performance of the NICs should be assessed after the first year of operations; a benchmarking exercise between the various NICs in the region might allow detecting factors for success and failure; and,</p>		<p>A first NIC review / assessment has already been conducted, updates are planned on a regular / annual basis, following or preceding the NIC meetings submitting the SPPs and projects for grant co-financing to the WBIF Secretariat / DG NEAR in December. DG Near will send consolidated recommendations to the beneficiaries based also on the Regulations and country units input.</p>

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	<p>Recommendation 10.3: Concerning NICs, the Commission Services should encourage the IFIs to send representatives regularly to the meetings.</p>		<p>The participation of IFIs in the various levels of the NIC process is integral part of the transposed methodologies. IFIs were invited and present at the majority of relevant NIC meetings. The participation of IFIs in the various levels of the NIC process is encouraged.</p>