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DG NEAR

# Evaluation of Western Balkans Investment Framework (WBIF)

*Final Evaluation Report*



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# **DG NEAR**

## **Evaluation of WBIF**

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### **Final Evaluation Report**

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## Table of Abbreviations and Acronyms

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CBC	Cross-border Cooperation
CEB	Council of Europe Development Bank
CSP	Country Strategy Paper
DEVCO	DG International Cooperation and Development
DG	Directorate General
DH	District Heating
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ECS	Energy Community Secretariat
EDIF	Balkans Enterprise Development & Innovation Facility
EQ	Evaluation Questions
EMS	Elektromreze Srbije
ENE	Energy
ENPI	European Neighbourhood Partnership Instrument
ENTSOE	European Network of Transmission System Operators for Electricity
ENV	Environment(al Protection)
ESIA	Environmental and Social Impact Assessment
EU	European Union
EUD	European Union Delegation
EWBJF	European Western Balkans Joint Fund
FDI	Foreign Direct Investment
FIDIC	Fédération Internationale Des Ingénieurs-Conseils
GDP	Gross Domestic Product
IFI	International Financing Institution
IFICO	IFI Coordination Office
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IPF	Investment Preparation Facility
JGF	Joint Grant Facility
KfW	Kreditanstalt für Wiederaufbau (KfW Development Bank)
MIPD	Multi-Annual Indicative Planning Document
MIS	Management Information System
NEAR	European Neighbourhood Policy and Enlargement Negotiations
NIC	National Investment Committee
NIPAC	National IPA Coordinator
PECI	Projects of Energy Community Interest
PFG	Project Financiers' Group
PPF	Project Preparation Facility
PPP	Public-Private Partnership
REBIS	Regional Balkans Infrastructure Study
REEP	Regional Energy Efficiency Programme for the Western Balkans
SC	Steering Committee
SEETO	South East Europe Transport Observatory
SEIO	Serbian European Integration Organisation
SME	Small and Medium-sized Enterprises
SOC	Social
SWAp	Sector Wide Approach
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
TEN-E	Trans-European Energy Networks
TEN-T	Trans-European Transport Networks
ToR	Terms of Reference
TRA	Transport
UAE	United Arab Emirates
WB	Western Balkans
WBIF	Western Balkans Investment Framework

## 0. Abstract

### PURPOSE AND SCOPE

The specific objective of the evaluation is to assess the relevance, value added and cost effectiveness of the Western Balkans Investment Framework (WBIF).

The evaluation considered findings from past and ongoing WBIF activities and from the Transport and Energy sectors, for a selected number of WBIF partner countries.

### MAIN CONCLUSIONS

Overall, the WBIF provides a relevant and highly important response to the development needs of the Western Balkans (WB) region, however strategic fine-tuning would be desirable. Prospects for effective delivery of technical assistance projects are good in general, but vary from case to case. The WBIF's efforts to pool grant resources in order to leverage loans for priority infrastructure and socio-economic development can be considered largely effective.

Most of the investment projects realised are likely to maintain their results and impacts in a sustainable way assuming legislative frameworks have been amended to meet EU-related provisions under each project.

### MAIN RECOMMENDATIONS

The report provides recommendations in line with two actions: 1) Strengthen the overall strategic orientation of the WBIF, particular in the light of recently introduced measures; and 2) Improve aspects of the implementation of WBIF, particularly in view of further increasing efficiency, effectiveness and impact.

# 1. Executive Summary

*It should be noted that this Evaluation Report was prepared during the period January - July 2015 and reflects the situation as of 16 June 2015, the cut-off date for the Report. It should therefore be kept in mind when reading this report that the evaluators took account of information on WBIF Steering Committee meetings and recent developments in the definition and agreement of the new implementation structure for WBIF that were presented to them before this date.*

## BACKGROUND

The Western Balkans Investment Framework was set up by the European Commission (EC), International Financial Institutions (IFIs) – the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) - and bilateral donors. *Kreditanstalt für Wiederaufbau* (KfW) and the World Bank joined later. WBIF supports socio-economic development and European Union (EU) accession across the Western Balkans through the provision of finance and technical assistance (TA) for strategic investments, particularly in infrastructure, energy efficiency and private sector development. It is a joint initiative of the EU, International Financial Institutions, bilateral donors and the governments of the Western Balkans.

The WBIF manages a large grant programme to support investment projects carried out by WBIF member banks. The Joint Grant Facility (JGF) pools resources from the European Commission - through the Instrument for Pre-accession Assistance (IPA), the IFIs, and grant contributions from bilateral donors. From 2008-2014, the European Commission committed approximately €250 million to the WBIF. The three partner IFIs (EBRD, EIB and CEB) each committed €10 million, and 19 donor countries pledged €85 million. These latter contributions are managed under the dedicated European Western Balkans Joint Fund (EWBJF) which is jointly managed by EBRD and EIB.<sup>1</sup>

According to the available WBIF data, by May 2015, the number of grants awarded stood at 178 and the total amount of potential investments was approximately €13 billion. The latest developments show an increase in the completion of projects, but there has been a slight slowdown in the increase of the number of signed loans which is due to the difficult economic climate and limited fiscal space in the beneficiary countries.

The Joint Lending Facility had a portfolio of €2.8 billion in signed loans by May 2015. The signed loans are mainly in the transport (TRA), social (SOC) and environment (ENV) sectors. This facility allows a better distribution of funding resources, sharing investment scenarios and multiplying good investment cases within and across sectors of different Western Balkan countries.

The IPA II Regulation was adopted in March 2014 and is applicable retroactively from 1<sup>st</sup> January 2014. This, together with a steadily maturity of projects in the WBIF pipeline, and in all sectors, led to a change in the WBIF methodology with steps towards increased efficiency and effectiveness.

## PURPOSE AND SCOPE

The aim of the evaluation is to provide relevant findings, conclusions and recommendations to the European Commission in respect of the performance of the WBIF. Particular emphasis is given to the further development of the WBIF in view of IPA II.

The global objective of the evaluation is to provide the Contracting Authority with relevant findings and conclusions showing the overall relevance of WBIF, its contribution to the achievement of objectives set out, as well as recommendations to enhance efficiency and effectiveness.

The specific objective of the evaluation is to assess the relevance, value added and cost effectiveness of WBIF.

<sup>1</sup> See <http://www.wbif.eu>

The assignment considered findings from past and ongoing detailed reviews and needs assessments as well as complementary findings from the Transport and Energy (ENE) sectors, for a selected number of countries.

A list of projects was prepared by the European Commission and annexed to the Terms of Reference (ToR, Annex 1). The projects selected by the Contracting Authority are from the two main WBIF sectors: Energy and Transport. The rationale for considering these two sectors is the focus on connectivity in the region.

## KEY EVALUATION FINDINGS

Section 3 of the evaluation report examines the overall performance of WBIF. The assessment is based on responses to a number of evaluation questions. These findings are summarised below - by evaluation question - under the headings of Relevance, Effectiveness, Efficiency, Impact and Sustainability. The full set of evaluation questions and findings are listed in the box at the end of this Executive Summary.

The findings generally paint a positive picture of WBIF performance to date. Any issues raised were mainly beyond the control of the current WBIF system apart from standard management issues, including the need for continued “good housekeeping”. In addition, it should once more be kept in mind that the WBIF system is being overhauled, as is IPA, and the results of this realignment should be clear by the end of 2015. Indeed, a number of the findings below are already being addressed under the current revamping of WBIF – including the apparent need for improved communication with bilateral donors (based on feedback gathered during the evaluation).

Regarding “Relevance”, the responses to the Evaluation Questions indicate that WBIF has indeed helped the Western Balkans achieve the strategic objectives of EU accession through, inter alia, accelerating priority investments. In addition, WBIF has become an important tool in relation to the “Berlin Process”<sup>2</sup>. However, it should be kept in mind that the absence of a framework of defined and mutually agreed strategic objectives makes it difficult to assess the actual achievements of the WBIF (note - this is currently being addressed within the WBIF framework).

As far as “Effectiveness” goes, WBIF scores quite highly. One of the core findings is that “Taking into account the complexity of WBIF operational and managerial requirements, particularly the high number and variety of stakeholders that require coordination and agreement, the WBIF is in general a rather effective mechanism”. The WBIF blending approach, in particular, was seen as a good initiative, especially when considered in the light of an average ratio of WBIF financing to IFI lending of 16:1 (based on the sample projects analysed under the two pre-selected sectors). In terms of added value, it is clear that “The majority of projects in the evaluation sample would be difficult, or impossible, to finance solely from government funds”. Finally, when considering the ENE and TRA sectors, it is clear that WBIF has certainly helped develop the TRA sector and, to a lesser extent, the ENE sector (due to a number of factors, most of them external to WBIF).

For “Efficiency”, WBIF is quite well regarded, with an important caveat: “Overall, the administrative and management arrangements are fairly efficient but demanding in terms of resources (staffing) and time”. In addition, due to the nature of the projects, considerable effort is required by the WBIF apparatus (especially the Investment Preparation Facility (IPF) contractors) to prepare projects – and a number of recommendations are made by the evaluation team for the fine-tuning of this process (once again, these recommendations may be overtaken by events in the light of the ongoing changes to the WBIF process).

Given the high levels of cooperation between the main WBIF actors, the “Impact” of WBIF is positive and certainly contributes to the EU Accession process. However, it does seem that beneficiary ownership at early stages of project preparation has been often insufficient – and this should be addressed in the near future. An additional issue of concern is the fact that “Investments in the region are significantly limited by borrowing capacities (fiscal space)”.

<sup>2</sup> This process gathers Prime Ministers from six Western Balkan countries and senior officials from the European Commission and several member states (Germany, Austria, Croatia and Slovenia).



Finally, when considering the “Sustainability” of WBIF, it can be concluded that “Sustainability is intrinsic to the WBIF structure and conditions future project development”. On the other hand, attention needs to be paid to the finding that “Projects with local/municipal governments often suffer substantially from a lack of proper administrative, managerial and financial capacities”.

## CONCLUSIONS

A number of conclusions to the evaluation are made in the report. They can be listed as follows:

- Conclusion 1: Overall, WBIF provides a relevant and highly important response to the development needs of the Western Balkans region, however strategic fine-tuning would be desirable<sup>3</sup>.
- Conclusion 2: Prospects for effective delivery of TA projects are good in general, but vary from case to case. WBIF's efforts to pool grant resources in order to leverage loans for priority infrastructure and socio-economic development can be considered largely effective.
- Conclusion 3: Efficiency in terms of management, monitoring and co-ordination has been adequate or even very good and commitment by respective beneficiaries, with some exceptions, mostly appearing at the initial phase of project preparation.
- Conclusion 4: Most of the investment projects, once contracted, are heading towards substantial achievement of impact at least in the medium term.
- Conclusion 5: Most of the investment projects realised are likely to maintain their results in a sustainable way assuming legislative frameworks have been amended to meet EU-related provisions under each project.

## LESSONS LEARNED AND RECOMMENDATIONS

The lessons learned as part of the evaluation process are as follows:

- A major success factor of WBIF, particularly in response to the Connectivity Agenda, will be the quality and volume of individual Western Balkans project pipelines.
- The quality of single project pipelines needs to be carefully maintained.
- Early involvement of WB Ministries of Finance (through National Investment Committees (NICs)) is crucial for prioritising projects that are really needed and economically viable.
- Improved communication with bilateral donors would help regain their trust in the WBIF.
- Within the region, Serbia has developed good practice in co-ordination of development assistance.

Furthermore, the main strength of the WBIF process can be seen in its flexibility, responsiveness and openness to assist with project preparation and implementation. Conversely, the main weakness of the WBIF process can be seen in a sometimes opaque system of decision making during the programming phase. Clarification and simplification of the WBIF “call process”, combined with the establishment of the NICs might address this weakness to some extent (recommendations are made in the body of the report).

A number of recommendations are made as the conclusion to the report – in a detailed table. The main issues and the corresponding recommendations are listed below.

<sup>3</sup> The new strategic orientation of WBIF, together with the various steps for increasing governance and accountability, have a clear potential to improve performance in the longer term. However, at the moment, there is hardly a shared vision in terms of what the WBIF actually intends to achieve in the remaining period till 2020. In view of the global situation and the overall political context for investment financing, WBIF administrative and management arrangements need to consider competition with other investors in the region. The quality of regional cooperation could be further improved through a stronger representation of the regional organisations for the priority sectors.

1. There is no shared vision in terms of what WBIF actually intends to achieve. Recommendation: adopt a simplified framework of strategic objectives for the remaining life of WBIF, reflecting the principles and priorities set until 2020.
2. WBIF administrative and management arrangements need to consider competition with other investors in the region. 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.
3. 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. 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.
4. Investments in the region are significantly limited due to borrowing capacities or “fiscal space”. 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.
5. 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. 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”.
6. The revised WBIF funding architecture is still under development. The current lack of clear rules and guidance creates uncertainty among the various stakeholders. 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.
7. 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. Recommendation: one possible project preparation pathway could consist of the following steps:
  - a) 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);
  - b) WBIF Secretariat review and selection of projects using a clearly defined process;
  - c) 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);
  - d) Approval of IPF proposals by IFI/government side;
  - e) IPF delivery of project preparation outputs;
  - f) IPF and IFI reporting to WBIF – more detailed and frequently than at present.
8. 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. 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.
9. The quality of regional cooperation could be further improved through stronger representation of regional organisations for the priority sectors. 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.

10. NICs potentially might further increase complementarity and coordination of the WBIF, particularly at individual WB country level. Recommendations: (a) communication channels between all NICs in the region need to be established and maintained, particular in view of regional projects; (b) 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, (c) concerning NICs, the Commission Services should encourage the IFIs to send representatives regularly to the meetings.

## Summary of Evaluation Findings

### Relevance

#### **EQ 1: To what extent has WBIF support helped the Western Balkans achieve the strategic objectives of EU accession?**

WBIF's major objective is to accelerate priority investments that contribute to socio-economic development and EU accession in the Western Balkans region.

WBIF's core process is a coordinated effort with distinct phases for identifying, selecting and preparing investment projects for financial support, thereby blending grants and loans with domestic finance to accelerate the implementation of investments.

Investment (preparation) directly supports the fulfilment of strategic priorities defined in national, regional and EU accession policies and strategies, thus contributing to socio-economic development of the Western Balkans.

WBIF became an important tool for preparation of projects that are discussed within the so-called "Berlin process"

WBIF has developed a pragmatic and tailor-made approach towards Western Balkans accession related development needs; however, it has not overtly adopted a shared vision in terms of what the facility actually intends to achieve.

The absence of a framework of defined and mutually agreed, at national level, strategic objectives makes it difficult to assess the actual achievements of the WBIF.

#### **EQ 2: To what extent will the new methodology help improve WBIF?**

The new 'IPA II Regulation' came into force on 16 March 2014 (applicable retroactively from 01 January 2014). As part of the new IPA II approach, a revised WBIF methodology has been proposed.

Many Western Balkans countries appear to be ready given the fact the ENE and TRA strategies and policies at country level have been prepared and adopted in recent years.

On the other hand, some countries are lagging behind, and further work is needed on the development and adoption of relevant sectoral strategies.

Major beneficiaries are concerned about the greater emphasis being given to projects having a "regional impact".

With regards to the "regional dimension", "the new methodology" might be an impediment to the development of TRA and ENE sectors in some Western Balkans countries that have not achieved effective regional cooperation or, as in TRA, do not always belong to the core network.

At the time of this evaluation the establishment of the NICs has become a major priority for the partner countries in order to comply with the recently introduced measures.

Beneficiary countries look at the "single sector projects pipeline" as an opportunity for the development of their strategic projects thus increasing ownership of investments.

The revised WBIF funding architecture is still under development. The current lack of clear rules and guidance provides uncertainty among the various stakeholders.

Bilateral donors are tending to withdraw as they feel uncertain about the future of WBIF.

Donors appear particularly concerned about the reduced focus of WBIF on Environment and Social sectors and this may have an impact on their support of ENE and TRA projects.

New requirements for indirect control and liability (e.g. European Commission supported IFI trust funds) might further increase the administrative burden and limit speed and flexibility in the use of European Commission funds.

Differences in the various investment cycles, as well as the European Commission grant cycle and IFI investment project cycle, represent a significant constraint for the updated WBIF investment process.

#### **EQ 3: To what extent is ongoing and planned WBIF support coherent with, and to what extent does it complement / coordinate with national, regional, EU (sector approach) and other (donor) assistance?**

By its very nature, WBIF works with governments, donors and IFIs to plan, prepare and implement investments in core sectors that comply with the accession agenda.

To date, WBIF has been coherent and complementary to other efforts, and special attention has been paid to ensuring that selected projects are in line with IFI and government policies, strategies and plans.

NICs might further increase complementarity and coordination of WBIF, particularly at individual WB country level.

Provided NICs perform satisfactorily, both at national and regional level, they could help ensure harmonised sector coordination of WBIF and IPA II investment projects.

#### **EQ 4: How relevant is WBIF in view of the priority needs (including accession and sector specific needs, e.g. connectivity) of the countries in the region?**

WBIF focused traditionally on four priority sectors for infrastructure investment (Energy, Transport, Environment, Social) and private sector development. These areas adequately represent the priority needs of the Western Balkans for accession led development and growth.

"Connectivity", while a new arrival in the WBIF ecosystem, represents a clear strategic orientation of the facility for the coming years - however, it seems that there has been no underlying strategic appraisal for such an orientation.

In view of scarce resources for investment financing (grants and loans), and the difficulties some Western Balkans countries have in taking on new loans, there is a risk that investments in other accession related sectors, particularly

those that are considered equally important by beneficiary countries, are being displaced. Besides the EU, Russia in particular (in the case of Serbia), as well as China, United Arab Emirates (UAE) and also Turkey) are actively lobbying for investments in infrastructure in the Western Balkan countries.

**EQ 5: What differentiates WBIF from other project and programme identification / preparation / blending approaches?**

WBIF appears to go further than other approaches.

In general terms, it is felt that WBIF project preparation support through IPF (with pre-feasibility studies, feasibility studies, design, Environmental Impact Assessment (EIA) etc.) provides IFIs with a rather quick and easy access to project preparation funds.

Other unique aspects of WBIF include the approval process and the involvement of several stakeholders.

A major distinguishing feature is that WBIF is clearly targeting a specific region based on a clear underlying strategic and political rationale – preparation for eventual EU membership.

The WBIF application process is simpler than ones applied by the IPA Programme and the project proposal template is easier which is highly welcomed by national beneficiaries.

To some extent WBIF might be compared with IFI trust funds for project preparation.

*Effectiveness*

**EQ 6: How effective is WBIF throughout the investment process (project identification, prioritisation, selection, implementation and appraisal)?**

Taking into account the complexity of WBIF operational and managerial requirements, particularly the high number and variety of stakeholders that require coordination and agreement, the WBIF is in general a rather effective mechanism.

Increased pooling and matching of funds and better coordination amongst donors and IFIs has contributed to the delivery of more effective development support to the Western Balkans.

WBIF can be particularly considered as effective when it comes to initial project preparation support.

A slight fall in the number of applications for support over time indicates that more importance is now given to high quality projects.

TA has proven to be an essential element for the effectiveness of projects in their investment phase; also, contributions to project development appear to have been effective.

WBIF investment grants have been effectively contributing to realising investment in the region, although few projects have contributed to regional ENE/TRA connectivity so far.

An assessment of the evaluation's sample projects confirms clearly positive effectiveness.

**EQ 7: Does the WBIF blending approach produce results consistent with development and accession objectives – or is there a risk that European Commission funds are diverted from worthwhile projects that do not meet WBIF criteria?**

Once projects are identified, programmed, prepared and launched it is clear that they provide important results that are consistent with development objectives.

There are a number of development initiatives that are sequenced into several projects, which is especially true with large regional infrastructure projects.

A good example of sequencing of interventions is the development of electricity transmission networks from Romania, through Serbia, Bosnia and Herzegovina and Montenegro to Italy.

In addition to co-operation between the project partners, the regional component is also important for synchronising worthwhile project designs and coordinating the project implementation.

All WBIF supported projects are in line with the agreed criteria and are therefore considered worthwhile (in that they are also consistent with development and accession objectives).

Approval and implementation of WBIF projects does not guarantee that the project will be supported by IFIs.

Increased provision of grants for investment will further increase the blending character of the WBIF (as opposed to the traditional project preparation support approach).

Clear prioritisation of WBIF grant investments is not always obvious and frequently seems to be based on spending considerations.

Since additionality in investment grants does not often seem to be clearly assessed and justified, grants often tend to play more of a co-financing role.

Regarding the two sample sectors (TRA and ENE), the blending mechanism is effective both for grants and loans.

Overall, 11 ENE and TRA projects out of 83 - about 13% of the total supported projects – have benefitted from the WBIF blending mechanism.

Overall, the financial leverage of WBIF interventions in ENE and TRA is high. The average leverage ratio of WBIF financing to IFI lending is approximately 16:1 for the sample projects.

Assessment of blending in individual sample projects can be considered largely successful, providing the projects have started / completed implementation.

**EQ 8: What added value does the EC gain from supporting WBIF? Would WBIF supported projects be**

**financed without European Commission grants?**

The majority of projects in the evaluation sample would be difficult, or impossible, to finance solely from government funds.

WBIF support is especially appreciated for regional infrastructure projects and without this facility the majority of regional projects probably would not be financed.

WBIF support (often combined with bilateral donor support) is required to reduce the extent of the loan amount required – by supporting project preparation and direct investment in the total project budget.

While IFIs can provide substantial funding, this is mainly in the form of loans, thus resulting in an additional financial burden for Western Balkan countries - this burden can therefore be alleviated by donor support (WBIF and others).

Additionality in TA is usually ensured; additionality in investment grants is less clear cut.

Regarding non-financial additionality, WBIF has proven to be effective in promoting operational and institutional work of beneficiaries.

For additionality in the sample projects, the overall impression is positive but mixed.

**EQ 9: To what extent has WBIF helped (or hindered) the development of the Energy and Transport Sectors (the main focus of this evaluation)? Reference can also be made to Environment, Social and Private Sectors.**

Judging by an analysis of the sample projects, WBIF has helped develop TRA, and, to a lesser extent, ENE.

In TRA, thanks to overall regional strategic initiatives (e.g. SEETO), the success of WBIF supported projects is more visible and they have resulted in important infrastructure improvements (to motorway infrastructure in particular).

In the ENE sector, achievements have been made particularly in electricity transmission and energy efficiency. Important steps towards developing gas infrastructure and markets have been launched but results are limited to date.

Environmental and Social investments have accelerated sector reforms in various Western Balkan countries; investments have been crucial as these sectors often lack substantial government funding.

However, these sectors no longer appear to be a WBIF priority.

*Efficiency***EQ 10: How efficient are the administration and management arrangements and information flows within the WBIF system (DG NEAR, European Commission contractors, EU Delegations, beneficiaries, experts, IFIs and donors)?**

Overall, the administrative and management arrangements are fairly efficient but demanding in terms of resources (staffing) and time.

The WBIF key contractors (IPF and IFICO) are making significant efforts to ensure that project identification, programming and preparation runs smoothly.

IPF can be considered as a reasonably efficient and responsive instrument for investment preparation.

There has been no principal difference in performance compared to TA directly contracted by IFIs.

Where differences appear they often can be attributed to the specific characteristics of the individual projects.

However, several TA assignments have been delayed under the various IPF contracts, as the TA provider must deal with uneven volumes of approved grants and unexpected delays on assignments when deploying resources.

The average time needed for completion is high in both the ENE and TRA sectors.

WBIF guiding principles – governance, transparency, accountability and participation – have been largely applied.

However, full transparency in decision-making (e.g. selection of projects for IPF support) has been questioned by some Western Balkan country stakeholders.

Furthermore, there is also an issue with the horizontal flow of information.

*Impact***EQ 11: To what extent is WBIF facilitating the EU enlargement process?**

Taking into account its scope and the degree of leverage it brings to larger investment projects in different sectors, WBIF facilitates specific national development, thus contributing to the enlargement process.

Upon completion, current investments supported by the WBIF might significantly increase the facility's role in regional cooperation, especially in TRA and ENE.

Most WBIF projects do contribute, to a limited extent and often indirectly, to social development and poverty reduction goals.

**EQ 12: To what extent are WBIF planned results supported and implemented by the beneficiaries (e.g. Government, Ministries, Municipalities, enterprises)?**

Beneficiary ownership at early stages of project preparation has often been insufficient.

Where relevant, public enterprises, such as Energy Operators or District Heating (DH) companies are actively involved in the implementation of projects.



There are WBIF projects that are initiated by other actors (apart from national beneficiaries). National projects appear to be better managed and supported, compared to regional projects where the majority of stakeholders seem less informed about developments. Investments in the region are significantly limited by borrowing capacities (fiscal space).

**EQ 13: Is an assessment performance framework already in place? Does it respond to the needs? What are the most suitable indicators to measure the direct and indirect effects of WBIF operations on socio-economic development?**

WBIF operations are largely based on a results-oriented management framework. The monitoring system allows for tracking of WBIF operational performance. The new Management Information System (MIS) will potentially improve the performance assessment and reporting framework and could act as a focus point for a number of roles (communication, reporting at all levels, monitoring and evaluation). The new MIS could handle indicators since these have been included in the design, but these need to be introduced first in the Application Form and related guidelines. The new MIS can produce aggregated statistics. New financial requirements particularly for direct control and liability, are posing additional administrative and operational restrictions on speedy investment financing. IFIs usually have sound mechanisms for socio-economic and environmental analysis within their project cycle. WBIF has not developed specific mechanisms for the assessment of such aspects but relies on the IFIs mechanisms – which in most cases are considered standard and sufficient. In the absence of a defined impact indicator framework the total flow of investment (grants and loans) can be considered as a proxy-indicator for WBIF financial impact. WBIF supported investments started at a time when the region was under severe economic and fiscal pressure.

**EQ 14: Can WBIF impacts be sufficiently measured? Did the expected impacts materialise? Did WBIF activities result in any additional or unexpected impacts (negative or positive)?**

WBIF has so far not developed adequate and harmonised tools to assess its broader effects. As envisaged, WBIF should contribute to EU integration through fulfilment of the acquis. In certain cases WBIF projects, besides the planned effects, clearly trigger sector reforms. Besides the level of achieved results there have been impacts which primarily affect those involved in executing / benefiting from WBIF projects. Where regional projects are really taken on board, improved regional cooperation and communication is evident. Tracing the socio-economic impacts of the WBIF assistance provided appears to be difficult in the general absence of any relevant and consistent statistical data collected. As concerns ENE, increasing efficiency of national and regional energy systems and mitigating climate change appear to be long-term effects and are difficult to assess. Medium- and long-term spill over benefits from the TRA sector to other industries and to the overall national and regional economy can be envisaged from WBIF investments. The completed WBIF investment projects in TRA potentially contribute to increased economic efficiency and innovation that can occur in the production process and efficiency of firms thus reducing costs to consumers and increasing the level of trade. Gender impacts had been targeted, particularly in the Social Sector, but in many cases have not been followed up after project completion. Besides immediate impacts in terms of investment preparation and realisation, participation in the WBIF has sometimes improved the recognition of certain partner countries. Sample projects, where they have been completed, mainly demonstrate adequate impact.

**EQ 15: How does WBIF contribute to the visibility of the EU, and the accession process, in the Western Balkans?**

Stakeholders are aware of WBIF as an EC-funded facility; awareness about the instrument is high in the region and at all levels. WBIF certainly contributes to EU visibility, even though the direct relationship with the accession process is not so pronounced per se.

*Sustainability*

**EQ 16: To what extent do beneficiary systems, structures and resources help ensure sustainability of WBIF results? Will these results remain once EU funding finishes?**

Sustainability is intrinsic to the WBIF structure and conditions future project development. WBIF grant support is mainly focused on studies that will lead to investment projects. Administrative capacities of beneficiaries vary by project / sector / country. However, too many of the WBIF beneficiary institutions are completely dependent on external technical assistance

during each project cycle phase.

Prevailing weaknesses in urban and regional planning in the beneficiary countries often undermine the proper planning of investments.

Projects with local/municipal governments often suffer substantially from a lack of proper administrative, managerial and financial capacities.

Policy and legislative environment represent another potentially critical dimension of sustainability for those actions requiring sector reforms.

Market prices represent a critical variable for sectors such as renewable energy production (e.g. feed-in tariffs).

At Western Balkan country level, budget restrictions are the prevailing adverse factor for operational sustainability and maintenance.

Moreover, having implemented a WBIF project does not guarantee that the government will apply for or that the IFI will provide a loan. This is considered part of the package or risks in developing high value loan and grant projects in transition economies and efforts are obviously made to limit the risk of WBIF work not being fully utilised in a subsequent IFI supported project.

Overall sustainability is building up in the medium and long term, in line with the actual progress being made in terms of creating durable national project pipelines, national investment coordination mechanisms and mechanisms for leverage financing.



## 2. Introduction

### 2.1. Background

Following more than five years of implementation, the Western Balkans Investment Framework has evolved as a unique platform to blend grant and loan financing in order to prepare and implement strategic investments in key sectors of WBIF beneficiary economies.

The WBIF was set up by the European Commission, International Financial Institutions – the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank - and bilateral donors. KfW and the World Bank joined later. WBIF supports socio-economic development and European Union accession across the Western Balkans through the provision of finance and technical assistance for strategic investments, particularly in infrastructure, energy efficiency and private sector development. It is a joint initiative of the EU, International Financial Institutions, bilateral donors and the governments of the Western Balkans.

The WBIF manages a large grant programme to support investment projects carried out by WBIF member banks. The Joint Grant Facility pools resources from the European Commission - through the Instrument for Pre-accession Assistance, the IFIs, and grant contributions from bilateral donors. From 2008-2014, the European Commission committed approximately €250 million to the WBIF. The three partner IFIs (EBRD, EIB and CEB) each committed €10 million, and 19 donor countries pledged €85 million. These latter contributions are managed under the dedicated European Western Balkans Joint Fund which is jointly managed by EBRD and EIB.<sup>4</sup>

By May 2015, the number of grants awarded stood at 178 and the total amount of potential investments was approximately €13 billion. The latest developments show an increase in the completion of projects, but there has been a slight slowdown in the increase of the number of signed loans which is due to the difficult economic climate and limited fiscal space in the beneficiary countries.

The Joint Lending Facility had a portfolio of €2.8 billion in signed loans by May 2015. The signed loans are mainly in the transport, social and environment sectors. This facility allows a better distribution of funding resources, sharing investment scenarios and multiplying good investment cases within and across sectors of different Western Balkan countries.

The IPA II Regulation was adopted in March 2014 and is applicable retroactively from 1<sup>st</sup> January 2014. This, together with a steadily growing maturity of projects in the WBIF pipeline, and in all sectors, led to a change in the WBIF methodology with steps towards increased efficiency and effectiveness.

### 2.2. Objectives and scope of the evaluation

The aim of the evaluation is to provide relevant findings, conclusions and recommendations to the Commission in respect of the performance of the WBIF. Particular emphasis is given to the further development of the WBIF in view of IPA II.

The global objective of the evaluation is to provide the Contracting Authority with relevant findings and conclusions showing the overall relevance of WBIF, its contribution to the achievement of objectives set out, as well as recommendations to enhance efficiency and effectiveness.

The specific objective of the evaluation is to assess the relevance, value added and cost effectiveness of WBIF.

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<sup>4</sup> See <http://www.wbif.eu>

The assignment considered findings from past and ongoing detailed reviews and needs assessments as well as complementary findings from the Transport and Energy sectors, for a selected number of countries.

A list of projects was prepared by the European Commission and annexed to the Terms of Reference (ToR, Annex 1). The projects selected by the Contracting Authority are from the two main WBIF sectors: Energy and Transport. The rationale for considering these two sectors is the focus on connectivity in the region.

## 2.3. Methodology

The methodology for this evaluation is outlined in Annex 2 of this report. Hereafter is a summary of its main elements.

### Approach

The evaluation is of summative character and takes a qualitative approach to answer the evaluation questions (EQ) contained in the evaluation terms of reference.

### Evaluation Questions

The evaluation is structured around a set of eleven evaluation questions that were laid out in the original terms of reference and further refined by the evaluation team in consultation with the Directorate General for Neighbourhood Policy and Enlargement Negotiation's (DG NEAR) Evaluation Unit in the inception phase. The EQs are presented below.

### Box 1: Evaluation Questions

#### Relevance

- EQ 1: To what extent has WBIF support helped the Western Balkans achieve the strategic objectives of EU accession?
- EQ 2: To what extent will the new methodology help improve WBIF?
- EQ 3: To what extent is ongoing and planned WBIF support coherent with, and to what extent does it complement/coordinate with national, regional, EU (sector approach) and other (donor) assistance?
- EQ 4: How relevant is WBIF in view of the priority needs (including accession and sector specific needs, e.g. connectivity) of the countries in the region?
- EQ 5: What differentiates WBIF from other project and programme identification/preparation/blending approaches?

#### Effectiveness

- EQ 6: How effective is WBIF throughout the investment process (project identification, prioritisation, selection, implementation and appraisal)?
- EQ 7: Does the WBIF blending approach produce results consistent with development and accession objectives – or is there a risk that European Commission funds are diverted from worthwhile projects that do not meet WBIF criteria?
- EQ 8: What added value does the European Commission gain from supporting WBIF? Would WBIF supported projects be financed without European Commission grants?
- EQ 9: To what extent has WBIF helped (or hindered) the development of the energy and transport sectors (the main focus of this evaluation)? Reference can also be made to environment, social and private sectors.

#### Efficiency

- EQ 10: How efficient are the administration and management arrangements and information flows within the WBIF system (DG NEAR, European Commission contractors, EU Delegations, beneficiaries, experts, IFIs and donors)?

#### Impact

- EQ 11: To what extent is WBIF facilitating the EU enlargement process?
- EQ 12: To what extent are WBIF planned results supported and implemented by the beneficiaries (e.g. Government, Ministries, Municipalities, enterprises)?
- EQ 13: Is an assessment performance framework already in place? Does it respond to the needs? What are the most suitable indicators to measure the direct and indirect effects of WBIF operations on socio-economic development?

EQ 14: Can WBIF impacts be sufficiently measured? Did the expected impacts materialise? Did WBIF activities result in any additional or unexpected impacts (negative or positive)?  
 EQ 15: How does WBIF contribute to the visibility of the EU, and the accession process, in the Western Balkans?

### **Sustainability**

EQ 16: To what extent do beneficiary systems, structures and resources help ensure sustainability of WBIF results? Will these results remain once EU funding finishes?

### **Lessons learnt and Recommendations**

EQ 17: What lessons can be learned from the WBIF project identification, programming, preparation, blending and implementation process?  
 EQ 18: What are the main strengths and weaknesses of the WBIF process?  
 EQ 19: Could WBIF assistance be better targeted and implemented to improve effectiveness, impact and sustainability, particularly in view of IPA II requirements (e.g. sector approach)?

### Tools

The evaluation deploys a mix of evaluation tools. These are sampling, document review, semi-structured interviews, and focus groups.

### Evaluation Matrix

The evaluators created an evaluation matrix to guide them through the evaluation. This included a specific methodological tool developed by the evaluation team for answering the evaluation questions above. This methodology ensured uniformity of data collection in the field phase and its consistent analysis in the synthesis phase. This is to be found in Annex 2.

### Evaluation Sample

The evaluation has been based on a targeted sampling of projects considered representative per country of various priority areas and sectors. The sample consists of 24 projects, seven of which are regional in nature. In geographical terms, the sample projects can be found in Bosnia and Herzegovina, Kosovo<sup>5</sup>, Serbia and Croatia (as a previous beneficiary). The selected regional projects in the sample are *inter alia* particularly relevant for Albania, Montenegro and the former Yugoslav Republic of Macedonia.

## **2.4. Structure of the report**

The main body of this Evaluation Report comprises four sections. Apart from this Section 1 dealing mostly with background and methodological matters, there are three more sections:

- *Section 2* is devoted to the analysis of the evaluation questions mentioned above;
- *Section 3* presents the main conclusions; and
- *Section 4* identifies lessons learned and presents recommendations.

The main report is supported by a series of annexes, including a more detailed analysis of certain aspects or providing background information. In particular:

- *Annex 1* provides the full Terms of Reference for this evaluation;
- *Annex 2* presents details on the evaluation methodology;
- *Annex 3* provides the general scope of the evaluation;
- *Annex 4* comprises a detailed evaluation of the sample projects based on field findings;
- *Annex 5* provides a pilot Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis;
- *Annex 6* suggests possible quantitative and qualitative progress indicators for the WBIF;
- *Annex 7* comprises the list of documents reviewed in the course of this evaluation;
- *Annex 8* lists the stakeholders and beneficiaries interviewed during field work.

<sup>5</sup> \*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

This Evaluation Report was prepared during the period January - July 2015 and reflects the situation as of 16 June 2015, the cut-off date for the Report. It should therefore be kept in mind when reading this report that the evaluators took account of information on WBIF Steering Committee meetings and recent developments in the definition and agreement of the new implementation structure for WBIF that were presented to them before this date.

### 3. Response to evaluation questions

This section examines the overall performance of the programme under evaluation. The assessment is based on a consideration of needs and design, inputs, outputs, added value, results, impact and sustainability in line with the evaluation questions.

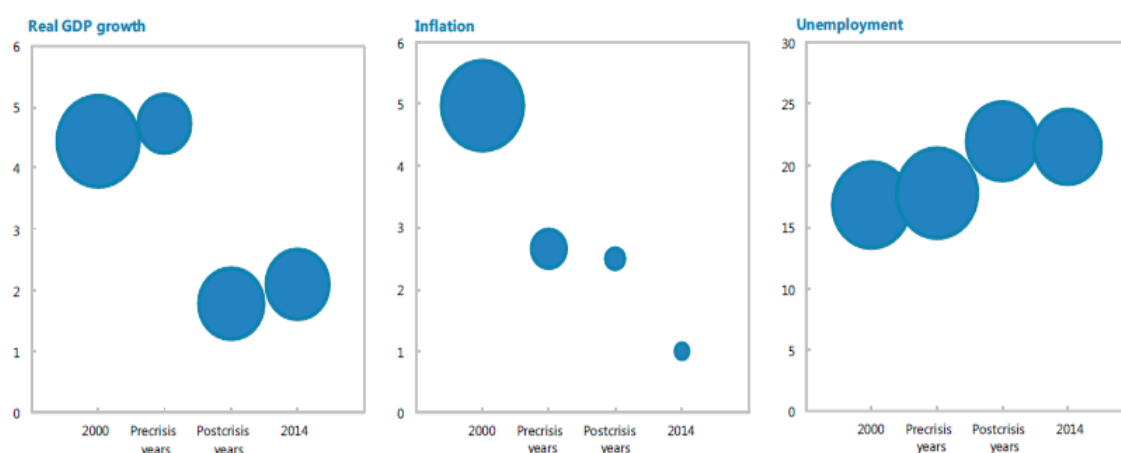
#### 3.1. Relevance

**EQ 1: To what extent has WBIF support helped the Western Balkans achieve the strategic objectives of EU accession?**

*WBIF's major objective is to accelerate priority investments that contribute to socio-economic development and EU accession in the Western Balkans region.*

Compared with the 1990s, the Western Balkan economies have certainly become more stable. Gross Domestic Product (GDP) growth rates have become more uniform across the region over time. In particular, extreme inflation is a thing of the past, and is much less variable across countries. But, from a welfare point of view, the picture is mixed. Growth, while recovering across the region, is lower now in most countries than it was in 2000. Regrettably, unemployment rates have risen further to very high levels.

**Figure 1: Western Balkan economies before and after the crisis and to date**



Source: International Monetary Fund (IMF), World Economic Outlook; (Median, percent. Size of bubble is proportional to range across Western Balkans economies. Smaller bubbles indicate lower variance across the sample).

The recessions at the peak of the crisis were probably not as severe in the Western Balkans as in other Emerging European economies. Nevertheless, Western Balkan economies still did not recover from the recession. For instance, according to the World Bank GDP growth in Serbia fell from 5.9% in 2007 and 5.4% in 2008 to -3.1% in 2009. Capital flows, although diminished, held up surprisingly well after the crisis. However, the two main legacies are persistently weak growth and high unemployment. But underlying structural factors are also important. In particular, during the boom years, the Western Balkan economies built economic foundations that were less conducive to a rebound. This is because capital inflows were directed more towards the non-tradable sectors and to supported consumption, rather than to funding investment in tradable sectors.

Against this background, the WBIF can be regarded as a highly relevant response to the needs and structural weaknesses of the Western Balkans. In particular, WBIF support for investment projects in the energy, transport, environment and social sectors has had a positive impact on socio-economic development in the region – often as an indirect result of the project.

***WBIF's core process is a coordinated effort with distinct phases for identifying, selecting and preparing investment projects for financial support, thereby blending grants and loans with domestic finance to accelerate the implementation of investments.***

Undeniably, the use of a logical sequencing of WBIF activities, with distinct phases, has enhanced the role of the facility in supporting the WBs in their road to accession. This effort is rather well coordinated.

***Investment (preparation) directly supports the fulfilment of strategic priorities defined in national, regional and EU accession policies and strategies, thus contributing to socio-economic development of the Western Balkans.***

Western Balkan countries are traditionally reluctant to allocate budget funds to project preparation and implementation. However, with measurable progress across the region in the development and implementation of development policies and strategies – and given the development of the NICs and Single Project Pipeline process – it is clear that WBIF support for mutually identified priorities has helped the fulfilment of these strategies and priorities.

It is perhaps a truism to state that the better developed and thought-out the policy, and the more appropriate the strategy to implement the policy, the greater the impact. This is an important consideration when attempting to measure changes in socio-economic development in the region over time. Obviously, national budgets are limited and careful attention is paid to their allocation – however, it is clear that the contribution of the WBIF process has been positive in this regard and that there has indeed been a measurable contribution – both direct and indirect - to socio-economic development.

***WBIF became an important tool for the preparation of projects that are discussed within the so-called "Berlin process"***<sup>6</sup>

This process gathers Prime Ministers from six Western Balkan countries and senior officials from the European Commission and several member states (Germany, Austria, Croatia and Slovenia). At the fourth meeting, held in Brussels, the European Commission announced a contribution of €1 billion in IPA II funds for infrastructure investment for the Regional Core Network (to be completed by 2030) that will link the capitals, main economic centres and ports of Western Balkan countries.

***WBIF has developed a pragmatic and tailor-made approach towards Western Balkans accession related development needs; however, it has not overtly adopted a shared vision in terms of what the facility actually intends to achieve.***

Clearly, the WBIF has a new strategic orientation, given the introduction of the new IPA II and the connectivity agenda of the Berlin process, etc. However, based on interviews with actors in the national, regional, banking and donor communities, it seems that work remains to be done to develop a shared vision of what the WBIF aims to achieve between now and 2020. While the vision may be clear within the European Commission it appears that more efforts are required in the development and dissemination of such a "vision".

***The absence of a framework of defined and mutually agreed strategic objectives makes it difficult to assess the actual achievements of the WBIF.***

The description of planned actions under IPA II provides, in the main, a logical framework that could be used to guide WBIF implementation to some extent. This is fully in line with the requirements of IPA projects. However, there is not enough evidence to confirm that the management of the WBIF is heavily based on such underlying considerations. For instance, the recent shift in strategic orientation towards connectivity and WBIF's regional dimension has not been reflected in the Description of the Action (despite the fact that the provisions of this document provide, in general, some space to consider such shifts in orientation).

<sup>6</sup> The "Berlin Process", also called "Western Balkan Six", was initiated by the German Chancellor, Angela Merkel, in order to show commitment of the European Union and the Member States to the integration of six Western Balkan countries. The first meeting was held on 28 August 2014 in Berlin (hence the "Berlin Process"), followed by meetings in Belgrade (23 October 2014), Pristina (25 March 2015) and Brussels (21 April 2015). The fifth meeting will be held in Vienna (27 August 2015) when it is expected to achieve concrete results based on the selection of specific investment projects.

## EQ 2: To what extent will the new methodology help improve WBIF?

The new 'IPA II Regulation' came into force on 16 March 2014 (applicable retroactively from 01 January 2014). As part of the new IPA II approach, a revised WBIF methodology has been proposed. The main points of the new WBIF methodology, as presented in December 2014, can be listed as follows.

### Box 2: New WBIF methodology

#### Substantial new co-financing stream from European Commission to the Western Balkans (via WBIF)

- Approx. €100 million/year;
- For the time being, a strict focus on regional projects and connectivity;
- Requirement for direct control and liability (EC-IFI).

#### Traditional TA provision will continue

#### Development of single project pipelines

- National Investment Committee (NIC) will provide a framework for transposition;
- Better classification of projects (including regional/national/maturity status).

#### WBIF voting principles

- The Steering Committee will continue to decide eligibility of projects proposed by the Project Financiers' Group (PFG);
- The Steering Committee's unanimous voting principle will remain in place;
- Bilateral donors retain 'ownership' of their contributions, and should be encouraged to apply the new WBIF methodology concerning the co-financing of projects, also in the SOC and ENV sectors.

#### WBIF co-financing

- Eligibility: mature, regional, priority infrastructure projects with IFI involvement;
- Co-financing of hard investment components;
- European Commission makes direct agreements with lead IFI (under the EC's new financial regulation); revision of the General Conditions of the EWBIF and establishment of the Co-Delegation Agreement to facilitate the pooling of EU funds into the EWBIF;
- Involvement of regional organisations (ECS and SEETO).

#### Restricted Task Force

- The Berlin SC-meeting on June 2014 provided a mandate to follow up and review the implementation of the new methodology;
- This mandate is now fulfilled and its activities have come to an end.

#### Public-Private Partnerships (PPP) and the WBIF pipeline

- Limited to 5-10% of public investment needs;
- EPEC's Project Preparation Tool (PPAT) will facilitate the PPP process.

Following the 11<sup>th</sup> WBIF Steering Committee meeting in Luxembourg in December 2014, the mandate of the Restricted Task Force was extended until the end of 2015, concretely to monitor and review the implementation of the new methodology and implementation structure. At the time of this evaluation, work on the new methodology and implementation structure was on-going, based on an internal Roadmap set up specifically for that purpose.

***Many Western Balkans countries appear to be ready given the fact the ENE and TRA strategies and policies at country level have been prepared and adopted in recent years.***

For example, the Kosovo energy and transport strategies have been recently prepared and are coherent with the country's overall strategy and in line with WBIF's sector objectives. Conversely,

difficulties have been experienced in Bosnia and Herzegovina in the agreement of such strategies at national level (although the Bosnia and Herzegovina state level TRA policy was adopted in July 2015 and a strategy is due to be completed by June 2016).

***On the other hand, some countries are lagging behind, however, and further work is needed on the development and adoption of relevant sectoral strategies.***

Due to the lack of state level (i.e. national) ENE or TRA strategies in Bosnia and Herzegovina (however, recent developments with the TRA policy are encouraging), EU funding for projects and investments in these sectors has been placed on hold and / or diverted to other national or multi-country projects. This is a serious obstacle to development of the Bosnia and Herzegovina energy and transport sectors. In Albania, the National Energy Strategy is still under preparation. Work on the Albanian Gas Masterplan (funded through the WBIF) started in May 2015.

***Major beneficiaries are concerned about the greater emphasis being given to projects having a “regional impact”.***

In certain circumstances, this makes the IFI job rather difficult – as it can be quite a challenge to formulate national projects in some Western Balkans countries, e.g. Bosnia and Herzegovina, let alone regional projects. However, the principle of national planning will most likely remain in place as a basis for regional (multi-country) planning.

***With regards to the “regional dimension”, “the new methodology” might be an impediment to the development of TRA and ENE sectors in some Western Balkans countries that have not achieved effective regional cooperation or, as in TRA, do not always belong to the core network.***

For instance, in Kosovo, beneficiaries are concerned that in the future, this type of earmarked assistance will not continue, particularly in the TRA sector. For example, the 190km East-West rail corridor is not included in SEETO's list of priorities (this corridor includes the railway line between Podujevë Podujevo and the Pejë/Peć section together with its linked branch lines Klinë/Klina - Prizren and Fushë Kosovë/Kosovo Polje - Pristina airport). For this reason, despite the positive economic results from studies carried out to date, the beneficiaries are afraid that this project would not be able to attract the interest of IFIs and other bilateral donors for further pre-investment studies and for the rehabilitation of the railway links.

***At the time of this evaluation the establishment of the NICs has become a major priority for the partner countries in order to comply with the recently introduced measures.***

The NIC framework, including a methodology for infrastructure project prioritisation, is being gradually introduced in WBIF beneficiary countries and should serve as a basis for future programming of all available financing sources (including national and other donors). The establishment of the NICs became a mandatory requirement, in early 2015, for future access to WBIF support. The process is closely guided by the WBIF Secretariat and the IFICO.

Concrete steps have been taken during the first half of 2015 and the WBIF Steering Committee discusses progress made. Formal NIC opening sessions were planned/had taken place in most WBIF beneficiary countries at the time of this evaluation.

However, at present, it is not fully clear yet to what extent all the IFIs will be able and willing to participate regularly in the various NIC meetings across the region. Not all IFIs have a permanent office in each beneficiary countries.

***Beneficiary countries look at the “single sector projects pipeline” as an opportunity for the development of their strategic projects thus increasing ownership of investments.***

After a transition phase, the NIC framework and the equally mandatory pipeline of prioritised projects (Single Project Pipeline) will become a national requirement before projects are submitted to WBIF. The process for an initial assessment of the situation and the production of draft Single Project Pipelines has been initiated in most countries.

Good progress has been made in the case of Serbia where, at the time of the evaluation, the pipeline amounted to approximately 250 pages and covered a number of sectors (energy, transport,



environment and business related infrastructure). Work on the pipeline builds on earlier work carried out during the so-called Sector Wide Approach (SWAp) used during the IPA programming process. Furthermore, the pipeline is seen in some countries not only as an opportunity to engage in a genuine prioritisation exercise but also as a way to avoid duplication of effort and unnecessary discussions and negotiations about projects that are not considered a priority by the country (and are therefore not on the list). Nevertheless, during country visits, it was clear that the Single Project Pipeline was considered to be the opportunity to create a “live” and dynamic process with the possibility for regular amendment (if justified).

***The revised WBIF funding architecture is still under development. The current lack of clear rules and guidance provides uncertainty among the various stakeholders.***

The new implementation structure for the WBIF entails, in principle, a two stage approach for European Commission financial contributions as well as global and complementary financing decisions.

The structural changes regarding the IPA fund management requirements under the new Financial Regulation have, in particular, implications for future transfers of IPA funds to the EWBIF. Based on the Roadmap for Co-Delegation, work on the new financial mechanisms is ongoing. As most of the initial work has been done within the EC, various stakeholders expressed concern about the lack of clear rules and guidance for future financing. In fact, this was a common theme met during each country visit – the need for greater clarity from WBIF delivered in such a way that all relevant information trickled down to the end users of the facility.

Nevertheless, the Steering Committee meeting in June 2015 assessed the current situation as positive with good progress in building up the funding architecture. However, the bulk of detailed work has still to be done. IFIs have agreed to increase their efforts but the timeline is quite demanding given that respective negotiations start in September 2015. Draft documents are due to be presented in the October 2015 meeting of the Project Financers Group. The next Steering Committee (planned for December 2015) should be the time for final discussions on the details of the new financing mechanism. The deadline for signing the Co-delegation arrangements is 31 March 2016, which is the latest date for the “call” for WBIF 2015 investment projects.

***Bilateral donors may withdraw as they feel uncertain about the future of WBIF.***

At the time of this evaluation, there was limited clarity on the European Commission strategy and objectives for WBIF for the period to 2020 (under IPA II). Based on a series of discussions, it became clear that bilateral donors find it difficult to understand how they can be additional to/complement the process. As an immediate consequence, they are not providing/do not plan to provide as much funding as in the past. This reduction can also be linked to the WBIF shift in focus with less concentration on the environment and social sectors.

Moreover, IFIs and donors have programming cycles of their own – and therefore there are limited opportunities for them to programme funds via WBIF. If there is no clarity on added value and types of eligible projects then donors seem unlikely to replenish their funds.

***Donors appear particularly concerned about the reduced focus of WBIF on Environment and Social sectors and this may have an impact on their support of Energy and Transport projects.***

Based on a number of interviews, it seems that some of the bilateral donors have a preference for social and environment projects - rather than transport and energy, the current focus of WBIF – or, at least, for an option to consider support for all four sectors. It appears that some of the donors are adopting a “wait and see” approach until the WBIF funding architecture has been agreed and there is clarity on the WBIF strategy (i.e. until autumn 2015).

***New requirements for indirect control and liability (e.g. European Commission supported IFI trust funds) might further increase the administrative burden and limit speed and flexibility in the use of European Commission funds.***

As pointed out above, the new financial regulation needs to be fully respected in future WBIF operations. Flexibility and responsiveness has been a major strength of WBIF to date. It remains to be seen how and whether this can be maintained in view of the revised financing mechanism and governance structure. One common comment made during country visits and telephone interviews is

that the reporting requirements are significantly increasing (both in frequency and detail – with a range of formats and styles as well as some gaps). There is the possibility, however, that this increasing reporting workload will be fully integrated with the new Management Information System (currently under development with IFICO support).

**Differences in the various investment cycles, as well as the European Commission grant cycle and IFI investment project cycle, represent a significant constraint for the updated WBIF investment process.**

This is best described in the case of a complex, but perhaps typical, project investment cycle (e.g. a hospital) which can take eight years to reach completion. However, the European Commission grant cycle might imply the commitment of support within two to three years. As a consequence, there might be a considerable mismatch between the European Commission grant life cycle (3 years) and the typical IFI investment project cycle (8 years). Sequencing and content of decision making, contracting and disbursements vary significantly between IFIs, in particular between individual IFIs and the European Commission (including different time horizons). As an illustration the decision making processes in relation to project financing by the European Commission and KfW are presented below.

**Figure 2: Sequencing and content of decision making - European Commission versus KfW**

<b>European Commission blending facility (new)</b> (European Commission grants)	<b>German Government</b> (if budget funds involved)	<b>KfW own funds/loans</b> (internal and external steps)
Annual budget programming: N NIC and Single Project Pipeline (SPP) discussion: N SC decision (opinion): N European Commission decision on projects: N <b>Key documents:</b>  SPP – Pipeline lists Project fiche(s) Approval letters (e.g. National IPA Coordinator (NIPAC)) Financing decisions	Budget Planning: N-1 Intergovernmental Negotiations: N Preliminary discussions: N Appraisal mission by KfW: N/N+X Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) <b>Key documents:</b> Minutes of Intergov. Negotiations and Government Agreement KfW project concept note KfW official appraisal report Approval from German Government Agreement on grant contracts	Rating & Pricing: N+X Appraisal / due diligence: N+X External approval: N+X Internal loan approvals: N+X (management, risk controlling) Agreement on loan contracts <b>Key documents:</b> Additional external documents Additional internal documents

Source: KfW

**EQ 3: To what extent is ongoing and planned WBIF support coherent with, and to what extent does it complement/coordinate with national, regional, EU (sector approach) and other (donor) assistance?**

**By its very nature, WBIF works with governments, donors and IFIs to plan, prepare and implement investments in core sectors that comply with the accession agenda.**

This fundamental principle of WBIF has been clearly stated and implemented from the start. The process will be fine-tuned, under the new arrangements, with the operation of the NICs and the production and use of well-developed Single Project Pipelines. Work to date, based on country visits and a review of the sample projects is clearly on target when it comes to coherence / complementarity and coordination with national, regional priorities as well as the Accession agenda. It seems clear that the single project pipeline, as well as other planned refinements, will help ensure that WBIF continues to stick to the pursuit of developments in the core sectors (however, as noted earlier, there is some

concern in the donor community regarding the decrease in emphasis on the environment and social sectors).

***To date, WBIF has been coherent and complementary to other efforts, and special attention has been paid to ensuring that selected projects are in line with IFI and government policies, strategies and plans.***

It is clear from a review of the literature, and more so from country visits and interviews, that there has been a large degree of consensus between the main actors – in particular the governments, IFIs and EC. It is also clear that there have been occasions of robust dialogue in relation to particular TRA and ENE projects where a priority consideration of a particular IFI was not accepted by the national (or sub-national) government. These cases mainly occurred with multi-country projects and were due either to a change in priority on one side of the border (e.g. a road crossing from Bosnia and Herzegovina to Montenegro) or delays due to restructuring in the energy production and distribution sectors.

***NICs might further increase complementarity and coordination of the WBIF, particularly at individual Western Balkan country level.***

Serbia has developed a good system for co-ordination of development assistance (with more work to be done), which includes a methodology for the selection and prioritisation of infrastructure projects and a single project pipeline. The Serbian European Integration Organisation (SEIO) plays the role of gatekeeper, soliciting and screening project proposals from the line ministries and co-ordinating multiple stakeholders (ministries, EU Delegations (EUDs), IFIs, WBIF) in the development of a matrix of priority projects that can be proposed to the WBIF. The SEIO also acts as a secretariat to the NIPAC and the NIC, preparing them to make a final decision on priority projects for donor support, including the WBIF. Although this governance mechanism includes a great deal of interaction and communication between various actors, it has produced very good results to date. It is clear from country visits that this progress is well regarded in other WB countries and that the model is being carefully examined for use outside Serbia.

***Provided NICs perform satisfactory, both at national and regional level, they could help ensure harmonised sector coordination of WBIF and IPA II investment projects.***

While the NICs are in their early stages of operation (depending on the country), it is clear that they will be involved in the work that has been carried out to date by the NIPACs and their respective agencies or secretariats (e.g. SEIO in Serbia). However, care should be taken to ensure the continued role of the NIPAC offices and a smooth and well thought out transfer of any responsibilities to the new NIC structures needs to be ensured. While the political dimension of the NIC structure is fully appreciated in each country it is not yet clear if the workload and the staffing requirement has yet been fully appreciated.

**EQ 4: How relevant is WBIF in view of the priority needs (including accession and sector specific needs, e.g. connectivity) of the countries in the region?**

***WBIF focused traditionally on four priority sectors for infrastructure investment (Energy, Transport, Environment, Social) and private sector development. These areas represent adequately the priority needs of the Western Balkans for accession led development and growth.***

Certainly these four sectors represent the priority investment needs of the Western Balkans making WBIF highly relevant both to national and regional development as well as the Accession process. However, the recently perceived shift in emphasis away from the Environment and Social sectors calls into question the degree that the WBIF focus could be considered “adequate”. This concern has been expressed by a number of bilateral donors and it remains to be seen how the restructuring work to be undertaken in WBIF by autumn 2015 will impact future donor involvement. It should be kept in mind that the timing of the current evaluation is rather unfortunate for this reason – at the same time the recommendations made in this report can be considered now, during this period of change and adjustment.

***“Connectivity”, while a new arrival in the WBIF ecosystem, represents a clear strategic orientation of the facility for the coming years - however, it seems that there has been no underlying strategic appraisal for such an orientation.***

It appears that the WBIF - since its introduction - has been following a rather pragmatic approach. The main sectors to be supported have been set up based on a broad consensus and in principle allow for flexibility and openness for the most diverse projects. However, the IPA project fiches submitted for WBIF support define their overall objective in very basic terms - “to support the socio-economic growth of the Western Balkans by implementing the WBIF”. While this is not the main criterion on which to make a judgement, it is one of the signs that the WBIF seems to lack a clear and well disseminated vision of what it actually aims to achieve.

***In view of scarce resources for investment financing (grants and loans), and the difficulties some Western Balkans countries have in taking on new loans, there is a risk that investments in other accession related sectors, particularly those that are considered equally important by beneficiary countries, are being displaced.***

When countries are under financial stress, investments in environmental and social quality may be delayed resulting in falling levels of compliance with EU standards. In the current period, after the recent financial crisis, greater emphasis could be placed on environmental and social performance and on meeting the sectors’ specific conditions to stop and possibly reverse these declines. However, an important consideration remains – no matter how effective WBIF is and no matter how good the level of EC, IFI, donor, government coordination is - if the WB countries face limited capacity to take on new loans, some hard choices will be faced. It seems clear that a number of WB governments may prefer revenue generating infrastructure projects (toll roads, electricity transmission etc.) as opposed to environmental and social protection, despite an ongoing dialogue with donors.

***Besides the EU, Russia in particular (in the case of Serbia), as well as China, UAE and Azerbaijan (in the case of Kosovo and also Turkey) are actively lobbying for investments in infrastructure in the Western Balkan countries.***

The Western Balkans have an option to choose between taking loans from WBIF/IFIs and from Russia, China etc. There are examples when WBIF/IFI projects are given to those countries for investment (i.e. Belgrade-Pancevo railway was earmarked for EIB funding yet was eventually given to Russia; as an alternative, EIB received the WBIF project Djunis-Stalac). In any case, there is currently a competing environment between loan providers that are supported by the EU and bilateral loans provided by other countries (China, UAE, Azerbaijan, Russia - in the case of a railway loan to Serbia - and Turkey – a highway in Kosovo).

#### **EQ 5: What differentiates WBIF from other project and programme identification / preparation / blending approaches?**

***WBIF appears to go further than other approaches.***

The WBIF assists governments and IFIs in the preparation and implementation of suitable infrastructure projects. However, the WBIF appears to go further than other approaches in that it engages with IFIs and governments in a deeper and more comprehensive way (rather than simply acting as a project preparation facility, reacting primarily to the needs of the IFIs).

However, given capacity limits, the boundaries of European Commission involvement in this process could be re-examined and clarified. Without wishing to state the obvious, it is clear that DG NEAR does not have the capacity to emulate an IFI, nor should it. Clearly its appropriate role is in guiding the Accession process and coordinating relevant support under the WBIF umbrella. While the WBIF does go further and is obviously more than a classic project preparation facility, it also seems that – based on country visits and interviews – the level of trust between the main players could be improved (governments, IFIs, donors and the EC).

However, it seems that some steps are being taken in this direction (e.g. the recent IPF contract has been signed with EIB and not with the European Commission thus helping to reduce the administrative burden on DG NEAR). In addition, some feedback from interviewees revealed a perception that the European Commission could consider concentrating on their coordination (and

funding) role, clarifying the management and organisation of WBIF and adopting a less rigorous and bureaucratic process with faster decision making and better dissemination of relevant information.

***In general terms, it is felt that WBIF project preparation support through IPF (with pre-feasibility studies, feasibility studies, design, EIA etc.) provides IFIs with a rather quick and easy access to project preparation funds.***

The IPFs have an impressive track record in contributing to the preparation of WBIF projects. However, some of the IFI interviewees felt that the WBIF project selection process was slightly opaque and that this could easily be rectified with greater transparency (clearer guidelines, better justification of choice of projects, consistency of approach etc.). In addition, it was felt that the IPF teams engaged in a particular project preparation study could report on a regular basis to the relevant IFI and national government rather than to IPF management only.

***Other unique aspects of WBIF include the approval process and the involvement of several stakeholders.***

A classic project preparation facility (PPF) uses a very simple and straightforward process of soliciting requests for project preparation exercises (from e.g. IFIs) and helping to prepare the qualify and selected projects. However, WBIF brings added value in that the level of engagement between the European Commission (via DG NEAR and the IPF teams) and IFIs, governments and donors, is much deeper. It is also, by its very nature, more complex than a PPF.

***A major distinguishing feature is that WBIF is clearly targeting a specific region based on a clear underlying strategic and political rationale – preparation for eventual EU membership.***

The political vision underlying the WBIF is clear cut and has remained on track. However, during the current period of adjustment, it is clear that increased efforts could be made to clarify the direction in which the facility will head. From interviews and country visits, it is clear that expectations have been raised amongst the main actors in the run up to the end of 2015 and clarity is awaited on the future direction of the facility and therefore the future involvement of donors and IFIs.

The future of the WBIF will be very much interrelated with the WB6<sup>7</sup> process and the connectivity principle (perhaps at the expense of ENV and SOC sectors). Besides, political support to and visibility of this Facility has increased with the WB6 process. As a consequence, the expectations from the WBIF side have been raised as well.

***The WBIF application process is simpler than ones applied by the IPA Programme and the project proposal template is easier which is highly welcomed by national beneficiaries.***

However, when comparing with the IPA, the WBIF decision-making process in project appraisal is not sufficiently clear since beneficiaries are not familiar on criteria and mechanisms for selecting successful projects. In addition, unless there is a basic misunderstanding in the WBIF project preparation cycle, it might be more appropriate for the IFIs to prepare detailed ToR for selected applications (rather than this being carried out by IPF/IFICO). The ToR, once approved, could then be responded to by the IPFs with a project proposal (brief methodology and workplan – showing the days per person etc.). It seems, based on interviews, that this might help speed up the process and allow the IFIs and IPF teams to better coordinate.

***To some extent WBIF might be compared with IFI trust funds for project preparation.***

IFI sometimes use the Fédération Internationale Des Ingénieurs-Conseils (FIDIC) Orange Book where the contractors are responsible for project final design and implementation. However, in quite a substantial number of cases, the government is expected to provide technical designs, which usually causes delays in loan disbursements. Therefore, IFIs welcome the opportunity to work with WBIF. However, supported projects have to be bankable, feasible and environmental sound. Besides, many banks have their own conditionalities that should be respected.

<sup>7</sup> Western Balkans Six (WB6) ministerial meeting.

## 3.2. Effectiveness

**EQ 6: How effective is WBIF throughout the investment process (project identification, prioritisation, selection, implementation and appraisal)?**

***Taking into account the complexity of WBIF operational and managerial requirements, particularly the high number and variety of stakeholders that require coordination and agreement, the WBIF is in general a rather effective mechanism.***

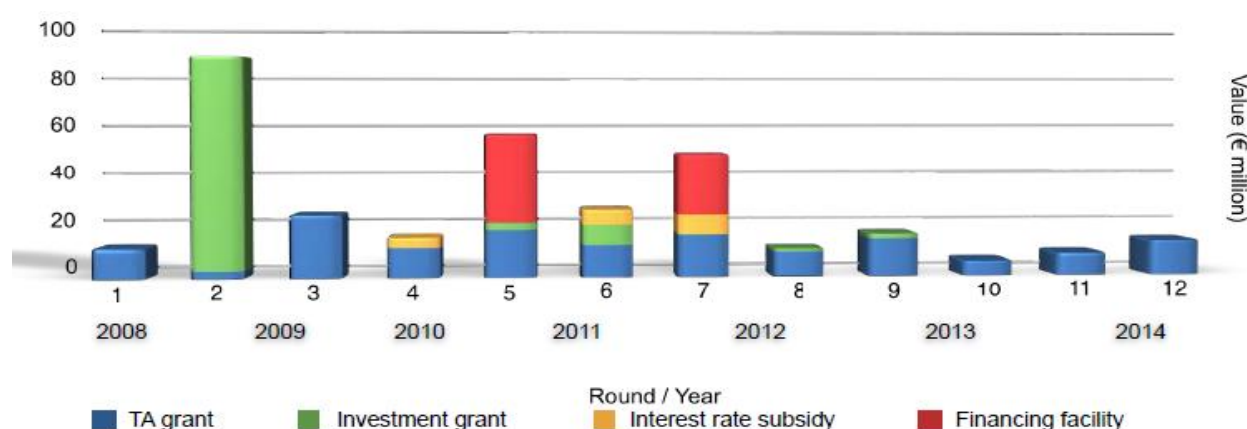
Despite the fact that stakeholders complain often about long-lasting coordination and decision-making processes there is a clear understanding of the complexity for finding mutual solutions. The large number of involved institutions, all following different strategic goals and following different internal rules and procedures, make coordination an ever present challenge. Most of the interviewed stakeholders, however, appreciate the WBIF process and confirm improved communication and coordination over time.

***Increased pooling and matching of funds and better coordination amongst donors and IFIs has contributed to the delivery of more effective development support to the Western Balkans.***

The existing WBIF pipeline has been developed since 2009 via twelve rounds of grants (two per year) awarded for project preparation activities and to provide investment grants and incentives to financial intermediaries.

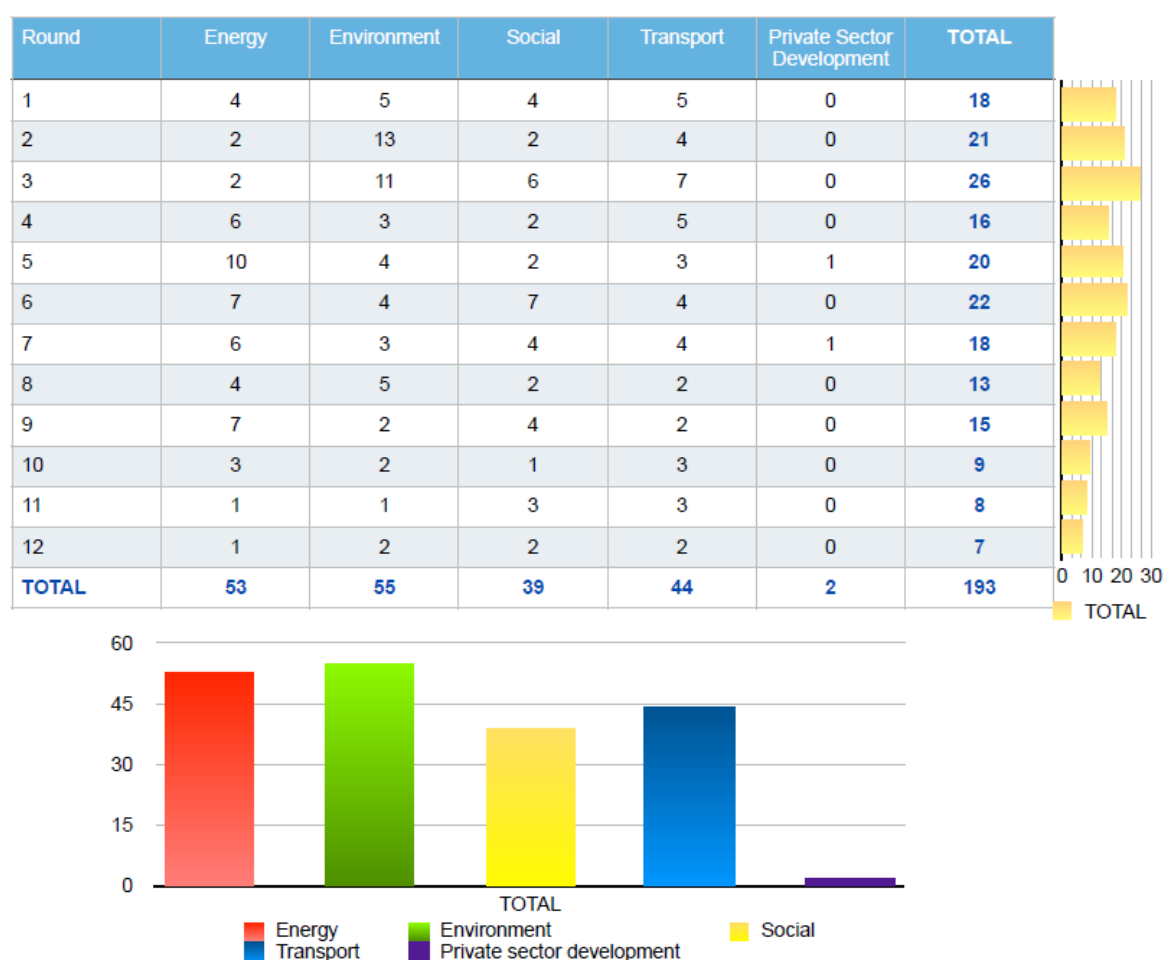
Overall, by May 2015, WBIF had awarded a total of 193 grants for a cumulative value of €323.6 million. In some cases, several grants have been made towards the development of the same project. As a result, a total of 174 grants of €307.8 million in value are currently supported under regional and national activities. A total of 19 grants, amounting to €15.8 million, have been cancelled due to poor or non-performance.

**Figure 3: WBIF – Number of grants by round and type**



Source: WBIF Monitoring Report, June 2015

In the main, the four traditional WBIF sectors show a relatively balanced picture in terms of the division of grants. A clear ranking can be found however: ENV (55 grants); ENE (53 grants); and, TRA (39 grants).

**Figure 4: WBIF – Number of grants by round and sector**

	Technical Assistance	Sector Development Study	Interest Rate Subsidy	Investment Grant	Investment Facility (WB EDIF / REEP)	Cancelled grants	TOTAL (excluding cancellations)
No of grants	157	9	6	19	2	19	174
Value of the grants (€m)	145.81	6.33	16.95	96.94	57.55	15.76	307.81

Source: WBIF Monitoring Report, June 2015

**WBIF can be particularly considered as effective when it comes to initial project preparation support.**

One of the key issues in delays of loan withdrawal is lack of good quality project technical documentation. This is where WBIF jumps in, producing the necessary documentation (feasibility studies, environmental impact assessments, social impact assessments, project design, etc.) that is important for the preparation of loan projects. For this work, WBIF is praised both by the beneficiaries and by the IFIs. Besides the good quality of technical documentation, beneficiaries in the partner countries highly appreciate the experience gained from participation in the application of European best practices in designing and implementing large infrastructure projects. IFIs also are satisfied with the work of WBIF since the projects are prepared according to international standards. However, IFIs or national governments do not want to take ultimate commitment on implementation of WBIF supported projects since fiscal and lending circumstances can change in the meantime.

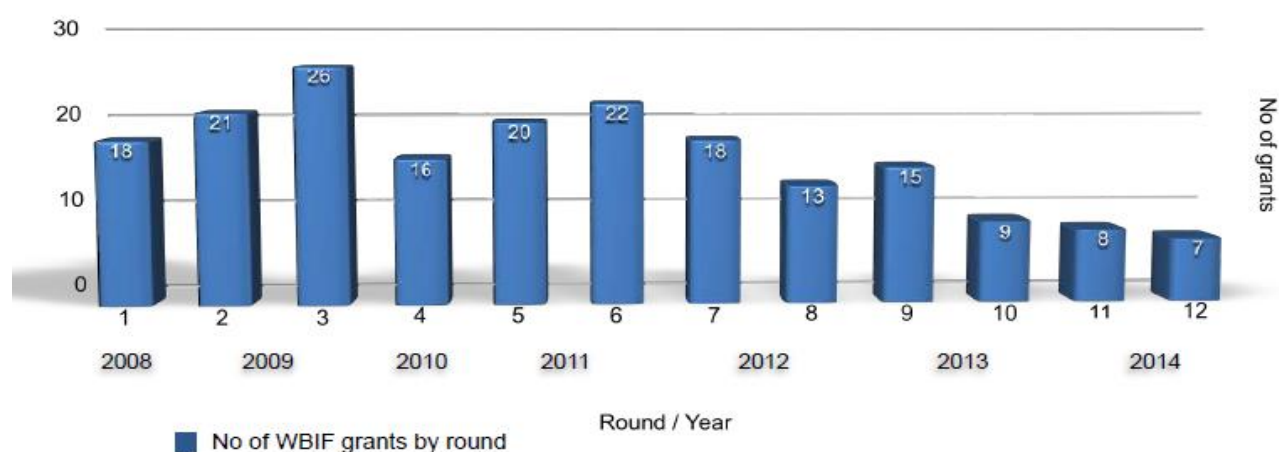
**A slight fall in the number of applications for support over time indicates that more importance is now given to high quality projects (as can be seen when considering the detailed review of the WBIF project pipeline carried out in 2013 by IPF1).**



These projects have been well thought out by IFIs and other players and the opportunity cost of WBIF supporting one project over another is more clearly appreciated. Increased scrutiny in the pre-selection of applications based on defined criteria both at the level of NIPACs as well as in Brussels have deteriorated the numbers but improved the quality of applications. A main external factor for the fall in the number of applications can be seen in the significantly reduced fiscal space for bankable projects in Western Balkans countries during recent years. Another important factor is Croatia's *de facto* withdrawal from the facility following the country's accession to the EU in July 2013.

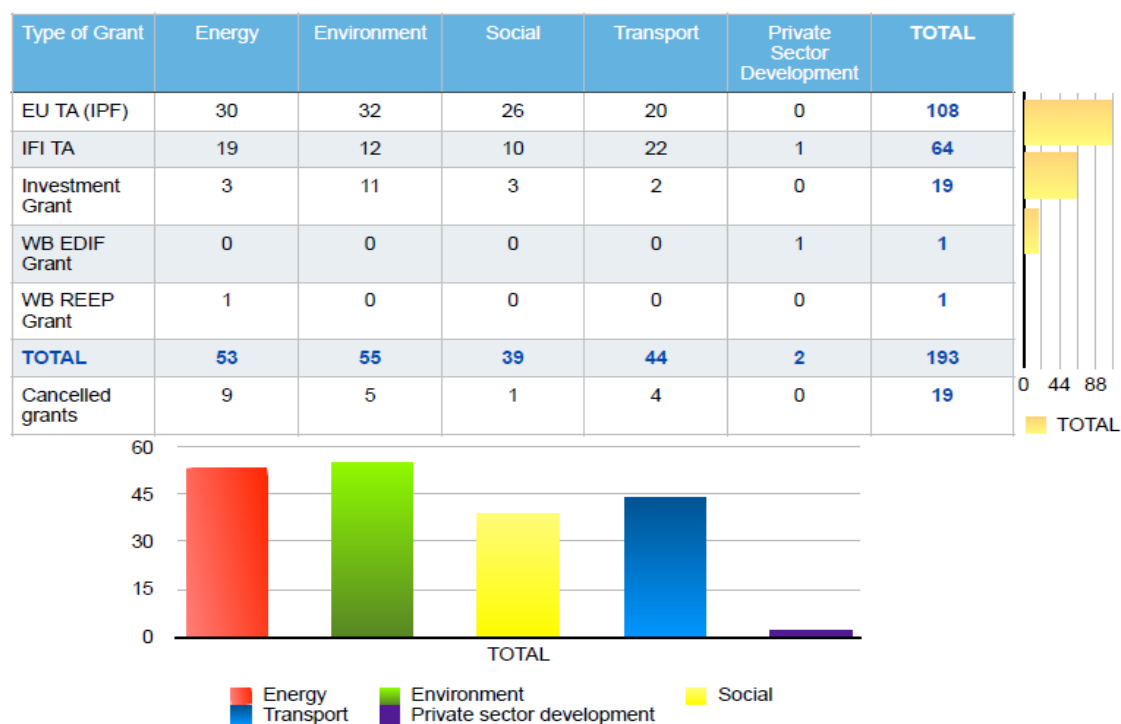
The number of grants approved in each round, as well as the value per round, is illustrated in the diagrams below.

**Figure 5: Number of grants and value per round**



Source: WBIF Monitoring Report, June 2015

**Figure 6: Number of grants by type and sector**



Source: WBIF Monitoring Report, June 2015



***TA has proven to be an essential element for the effectiveness of projects in their investment phase; also, contributions to project development appear to have been effective.***

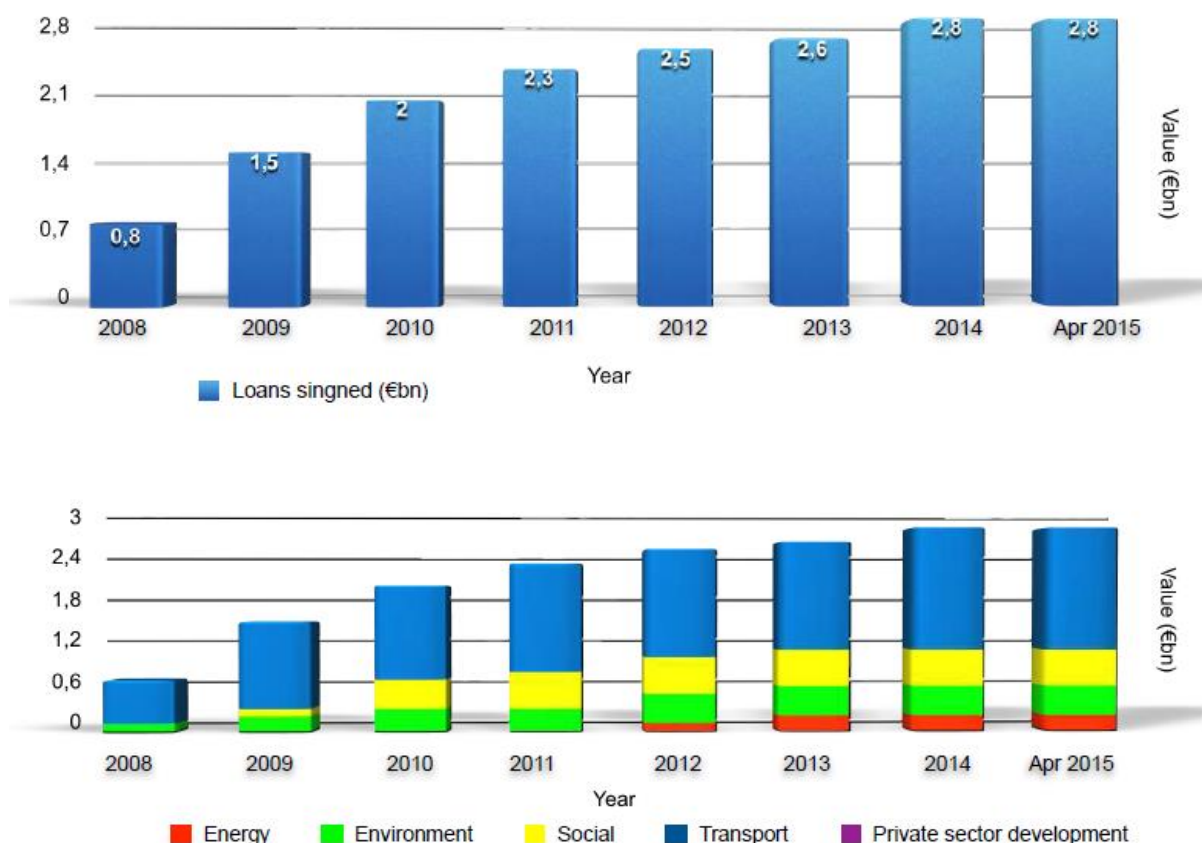
Without good preparation projects run the risk of being ineffective and even failing. It is clear that the quality of pre and full feasibility studies in particular, as well as technical design work, is critical to the success of a wide range of investment projects. One particular case in point is the support provided to Elektroprivreda in Bosnia and Herzegovina for the development a range of ENE projects (hydropower, wind and smart metering) – through a number of feasibility studies, site investigations and preliminary designs (depending on the case). The organisation clearly recognised the need for outputs from IPF that could be used by the relevant IFIs in developing the loan projects.

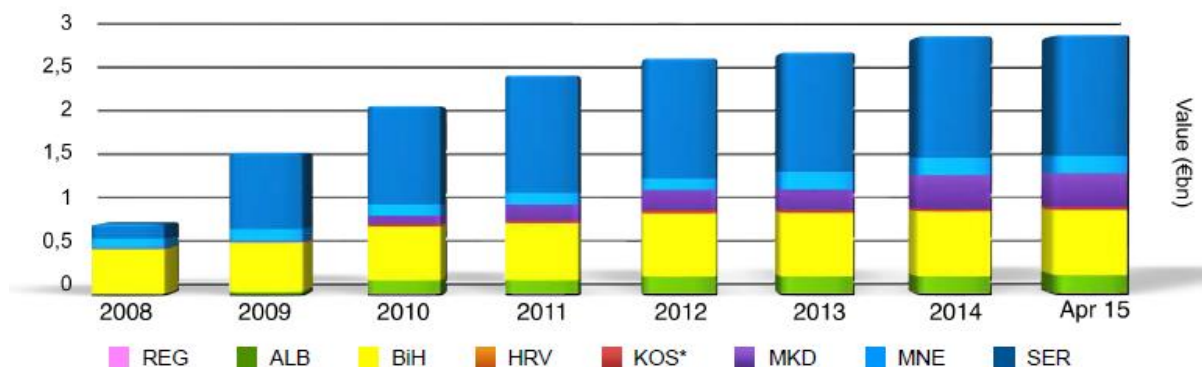
***WBIF investment grants have been effectively contributing to realising investment in the region, although few projects have contributed to regional ENE/ TRA connectivity so far.***

To date, loans totalling €2.8 billion have been signed under the WBIF umbrella. As can be seen from the illustrations below, TRA appears to be the most dominant sector in terms of total loan volumes, followed by SOC and ENV. Loans provided for ENE have been increasing over the recent years.

In geographical terms Serbia, Montenegro and the former Yugoslav Republic of Macedonia have been preferred candidates for loans. The lowest volume of loans can be attributed to the regional component of WBIF – a situation that should considerably change in the next years, in line with the recently enforced regional dimension of the WBIF and the connectivity agenda.

**Figure 7: Loans signed by year/sector/country**



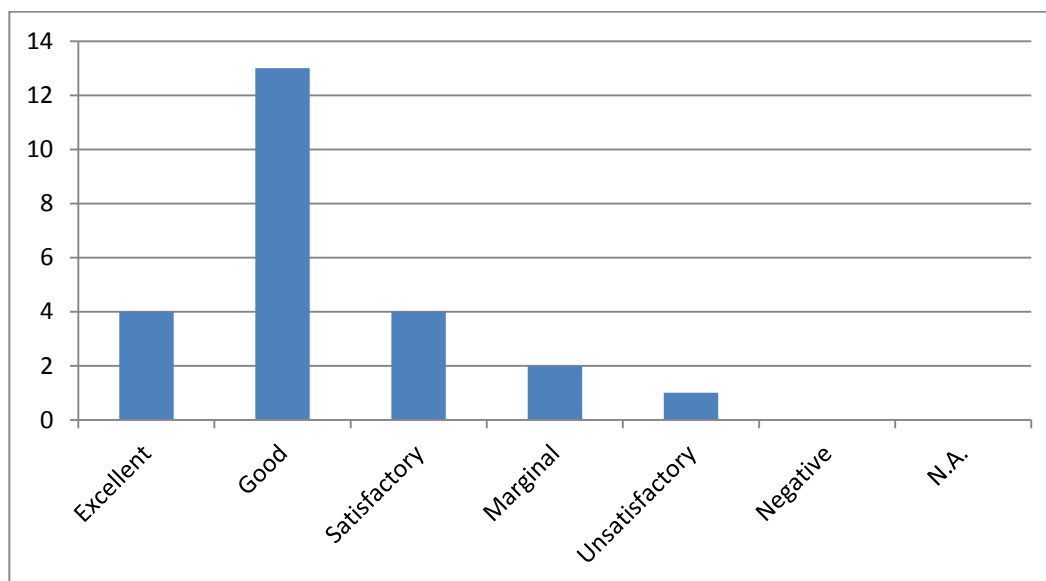


Source: WBIF Monitoring Report, June 2015

**An assessment of the evaluation's sample projects confirms clearly positive effectiveness.**

Approximately 70% of the projects in the sample have scored “Good” to “Excellent” while the effectiveness of 12% of the sample projects has been considered “Marginal” to “unsatisfactory” (for a variety of reasons). While the sample of projects is exclusively in the ENE and TRA domains, it is clear that the WBIF is indeed an effective instrument and that the current changes – due to be finalised by the end of 2015 – do not have a negative impact on the good momentum achieved.

**Figure 8: Effectiveness of sample projects**



Source: Field findings

**EQ 7: Does the WBIF blending approach produce results consistent with development and accession objectives – or is there a risk that European Commission funds are diverted from worthwhile projects that do not meet WBIF criteria?**

As per definition, blending aims, in particular, to address sub-optimal investment situations in the case of activities or infrastructure that could be viable but do not attract sufficient funding from market sources. In addition, blending offers the grant donor the possibility of being involved in the formulation of policies and strategies and/or of having an impact on the way projects are set up and managed.

***Once projects are identified, programmed, prepared and launched it is clear that they provide important results that are consistent with development objectives.***

The WBIF clearly supplements the infrastructure project cycle and this is welcomed by national beneficiaries and IFIs. It mainly is involved in the preparation of feasibility studies, technical design work and other documentation, which is only a portion of the work required in the development of infrastructure projects. In the majority of cases the projects that have been supported by WBIF/IPF are not yet being implemented/still under development and therefore it is too early to discuss project results. Nevertheless, there is a good prospect that the expected results will contribute to development objectives, either national, regional or trans-European.

Procedures for the identification and selection of projects are created in a way that minimise the chance of submitting projects that are not relevant to development objectives or accession priorities. This has been especially true over the previous two years when NIPACs became a more significant actor in this process. As discussed earlier, the WBIF procedures are not seen as terribly clear when it comes to identification and selection of regional projects.

***There are a number of development initiatives that are sequenced into several projects, which is especially true with large regional infrastructure projects.***

This includes gas interconnectors, electricity transmission networks, road and railway projects on (ex-) Corridor X. National projects are also included in this category e.g. district heating. Projects related to regional infrastructure initiatives have been initiated by the European Commission, Member State governments (i.e. Italian government in case of electricity transmission networks) or IFIs (EBRD, the World Bank, etc.).

***A good example of sequencing of interventions is the development of electricity transmission networks from Romania, through Serbia, Bosnia and Herzegovina and Montenegro to Italy.***

The Italian government has a strong interest in the development of an undersea electric cable connection to Montenegro, linked in turn to Romania and other countries, since it was very important for their energy stability. As a result, the Trans-Balkan corridor for the transmission of electricity in the region has been introduced as a priority initiative that was also in the Projects of Energy Community Interest (PECI) list. The respective governments from the Western Balkans, their electric transmission companies (such as Elektromreze Srbije (EMS) in Serbia), IFIs (EBRD and KfW) and the European Commission (through IPA and WBIF) is engaged in the preparation and implementation of a number of projects related to the Trans-Balkan Corridor.

Regional electricity transmission lines stimulate co-operation between countries and support efforts to harmonise relevant domestic legislation. A good example is the evaluation sample project WB5-REG-ENE-02: 400kV (Electricity interconnection Serbia-Montenegro-Bosnia and Herzegovina), which promoted a good exchange of experience between project partners, the development of common solutions for joint problems, the adjustment of EBRD procedures in line with domestic legislation, etc. This project in turn gained from the earlier experience with the project TA-SER-26 (Upgrading of transmission network in Western Serbia to 400kV).

There are also examples where national public enterprises finance projects on the Trans-Balkan Corridor from their own sources. A good illustration is the construction of a €27 million/400 kV/150km transmission line from Pancevo (Serbia) to Resice (Romania) which will be financed directly by EMS.<sup>8</sup>

***In addition to co-operation between the project partners, the regional component is also important for synchronising project designs and coordinating the project implementation.***

This point can be illustrated by preparation work on the proposed gas interconnection Serbia-Bulgaria (WB4-SER-ENE-04) where each country, for a variety of reasons, ended up adopted different pipeline diameters in the design work. Nevertheless, both countries are aware of the issue and appropriate coordination is taking place in the preparation of this project.

<sup>8</sup> According to feedback during the evaluation, there was a missed opportunity to engage WBIF support for the preparation of the Serbian part of the Pancevo-Resitsa line despite early flagging by the EUD in Belgrade. The project was subsequently included in the IPA 2013 programme. However, EMS decided to fund this project from its own resources.

***All WBIF supported projects are in line with the agreed criteria.***

Clearly the WBIF project identification and selection process is working well in this regard. Unless projects proposed meet basic geographic, sectoral and Accession related criteria they will not be selected for WBIF support. However, as mentioned earlier, during country visits and interviews national beneficiaries and IFIs raised concerns about the WBIF project selection, claiming that selection criteria are unclear and decisions could be more transparent.

***Approval and implementation of WBIF projects does not guarantee that the project will be supported by IFIs.***

The borrowing capacity of Western Balkan countries is rather limited and there is renewed pressure from the IMF for taking on new loans. Besides, IFIs often have internal conditionalities that can also limit the possibility to provide the loan. In these circumstances it is possible to have WBIF project that is not supported by a relevant loan. Nevertheless, there are two examples – from Serbia – of how WBIF projects are likely to be funded through a bank loan and donor support. First, Serbia is making significant efforts to ensure the production of good quality technical documentation for large infrastructure projects - therefore IFIs have maintained their interest in developing projects in this country. However, the Catch 22 is that there are a number allocated IFI loans that are waiting for project documentation and the WBIF is seen as a good tool to contribute to the drawdown of these approved loans. Secondly, when considering the need for infrastructure development in the region, the WBIF can be considered as a rather limited capacity instrument. In this regard, the Serbian NIPAC has taken care to submit projects with a high priority and sufficient level of maturity. Besides, due to limited fiscal space, the number of project applications submitted to the WBIF decreases with each new call – across the region.

***Increased provision of grants for investment will further increase the blending character of the WBIF (as opposed to the traditional project preparation support approach).***

As a part of the reform process, the grant investment component of the WBIF will be €100m/yr until 2020. This significant increase of grants for investment should also leverage additional funding from IFIs, bilateral donors and national governments. However, taking into account the tremendous investment needs in the region a substantial increase of the overall investment flow into the region is hardly possible to achieve, despite increased WBIF funding. For illustration, the investment framework for the so-called transport Corridor XI (Belgrade - Bar) is €3.8 billion while the current financial estimate for the Nis-Durres highway is approximately €1 billion.

***Clear prioritisation of WBIF grant investments is not always obvious and frequently seems to be based on spending considerations.***

In the main, maturity is considered as the key criterion for decisions made in respect to WBIF investment grants. In addition, the current 2015 Roadmap for implementing the WBIF reform measures considers maturity as the main rationale of project selection and eligibility.

***Since additionality in investment grants does not often seem to be clearly assessed and justified, grants often tend to play more of a co-financing role.***

This is apparent also for the current list of WBIF grants specifically aiming at supporting regional ENE/TRA connectivity. As discussed above, maturity and sector relevance appear as the key factors for considering grant financing – with grants perhaps best aimed at high priority projects in their early stage of preparation. A harmonised view of the co-financing principles (ratios) amongst the various Stakeholders would help to ensure that IFI financing is leveraged to the maximum potential or that IFI financing is not crowded out.

***Regarding the two sample sectors (TRA and ENE), the blending mechanism is effective both for grants and loans.***

The measure of leverage, in order to verify the blending effectiveness can be applied only to the projects that are in the construction phase or have signed a loan agreement with IFIs. The total grant for 11 projects is €61,350,000, which represents 3.8% of the total project estimated costs. It is important to understand that 4 out of 11 projects received grants from two or more sources (i.e. two projects supported by three donors and one project supported by two donors - see table below).

The WBIF grant component is €23,650,000, representing 38.5% of the total grants, thus leveraging the WBIF grant by a factor of 2.55. With reference to loans, the blending mechanism includes a maximum of two IFIs, notably EIB and EBRB, which are together involved in two projects - “Fier and Vlore bypass roads” and “Corridor Vc”, in Albania and Bosnia and Herzegovina respectively.

In total, approximately €133.5 million in grants has supported the 83 projects in the two sample sectors. In TRA, 38 projects have been provided with total grants of €59,190,000. With regard to ENE, the total grant amount is €74,236,605, and was used for 45 projects.

***Overall, 11 ENE and TRA projects out of 83 - about 13% of the total supported projects – have benefitted from the WBIF blending mechanism.***

It is worth noting that the number of financed “physical projects” is less than 83 since in several cases WBIF finances different stages of the same project through e.g. Pre-feasibility Study, Feasibility Study, Detailed Design (for instance *Improvement of district heating Pristina Phase I and II*; *TA-KOS-02 Rehabilitation of Railway Route 10 phase I and Phase II*).

The average leverage rate is 15.2. The TRA sector has a higher leverage when compared with ENE (respectively 21.7 versus 5.2) due to the fact the huge investment costs in transport infrastructures (approx. €1.4 billion) have been supported with comparatively low levels of grant support (21% in TRA compared to 41% in ENE).

***Overall, the financial leverage of WBIF interventions in ENE and TRA is high. The average leverage ratio of WBIF financing to IFI lending is more than 16:1, based on the given sample projects.***

The measurement of leverage, in order to verify the blending effectiveness, can be applied only to the projects that are in the construction phase. The average leverage for the sample projects in the two pre-selected sectors is therefore 16.9:1. As explained above, the TRA Sector has a higher leverage compared to the ENE Sector. The leverage values are greater in the case where the WBIF contribution is limited to TA for preparatory studies or the grant amount for construction is limited.

**Table 1: Grant leverage – energy and transport**

Country	Sector	Project Name	Project Total Cost (€)	1 Grant Agency	1 Grant Amount €	2 Grant Agency	2 Grant Amount €	3 Grant Agency	3 Grant Amount €	Total Grant
Bosnia Herzegovina	ENE	Pale District Heating Project	8,200,000	WBIF	1,500,000					1,500,000
Kosovo	ENE	Improvement of district heating Pristina Phase I and II	37,600,000	DE; GMoFA	10,000,000	WBIF	300,000	Kosovo; Pristina	5,000,000	15,300,000
former Yugoslav Republic of Macedonia	ENE	Pilot Project – Windpark Development	55,000,000	WBIF	400,000					400,000
Montenegro	ENE	Electricity Network Development Programme - Transmission line	105,000,000	WBIF	1,850,000					1,850,000
Serbia	ENE	Uprating of transmission network in Western Serbia to 400kV operation	30,500,000	WBIF	500,000					500,000
Albania	TRA	Fier and Vlore bypass roads	167,000,000	EC	8,000,000	WBIF	8,000,000	Italy - other	8,000,000	24,000,000
Albania	TRA	TA for Project implementation Road Sector	60,000,000	WBIF	800,000	WBIF				800,000
Bosnia Herzegovina	TRA	Corridor Vc	605,000,000	WBIF	500,000	EBRD				500,000
Bosnia Herzegovina	TRA	Mahovljani Interchange	35,000,000	CEI	200,000	EC	5,000,000	WBIF	300,000	5,500,000
Bosnia Herzegovina	TRA	Corridor Vc Motorway	497,000,000	WBIF	2,000,000					2,000,000
former Yugoslav Republic of Macedonia	TRA	Construction of railway line Kumanovo-Deve Bair, border with Republic of Bulgaria, Eastern part of Corridor VIII, section Kumanovo-Beljakovce - construction supervision	60,700,000	WBIF	1,500,000	EWBJF	1,550,000	EBRD	950,000	4,000,000
Subtotal ENE			236,300,000	-	14,250,000	-	300,000	-	5,000,000	19,550,000
Subtotal TRA			1,424,700,000	-	13,000,000	-	14,550,000	-	9,250,000	36,800,000
<b>TOTAL</b>			<b>1,661,000,000</b>	<b>-</b>	<b>27,250,000</b>	<b>-</b>	<b>14,850,000</b>	<b>-</b>	<b>14,250,000</b>	<b>56,350,000</b>

**Table 2: Project loan and leverage indicators – energy and transport**

Country*	Sector	Project Name	Project Total Cost (€)	1 Loan Agency	1 Loan Amount €	2 Loan Agency	2 Loan Amount €	Total Loan	Leverage Loan	Cost / external financing multiplie	External financing / cost ratio
Bosnia Herzegovina	ENE	Pale District Heating Project	8,200,000	EBRD	4,500,000			4,500,000	3.0	1.4	73%
Kosovo	ENE	Improvement of district heating Pristina Phase I and II	37,600,000	KfW	5,000,000			5,000,000	0.2	1.1	54%
former Yugoslav Republic of Macedonia	ENE	Pilot Project – Windpark Development	55,000,000	KfW	47,900,000			47,900,000	82.5	1.0	88%
Montenegro	ENE	Electricity Network Development Programme - Transmission line	105,000,000	EBRD	65,000,000			65,000,000	35.1	1.6	64%
Serbia	ENE	Uprating of transmission network in Western Serbia to 400kV operation	30,500,000	EBRD	30,000,000			30,000,000	60.0	1.0	100%
Albania	TRA	Fier and Vlore bypass roads	167,000,000	EBRD	53,000,000	EIB	53,000,000	106,000,000	4.4	1.3	78%
Albania	TRA	TA for Project implementation Road Sector	60,000,000	EIB	35,000,000			35,000,000	43.8	1.7	60%
Bosnia Herzegovina	TRA	Corridor Vc	605,000,000	EBRD	180,000,000	EIB	166,000,000	346,000,000	692.0	1.7	57%
Bosnia Herzegovina	TRA	Mahovljani Interchange	35,000,000	EBRD	21,000,000			21,000,000	3.8	1.3	76%
Bosnia Herzegovina	TRA	Corridor Vc Motorway	497,000,000	EIB	166,000,000	EIB	75,000,000	241,000,000	120.5	2.0	49%
former Yugoslav Republic of Macedonia	TRA	Construction of railway line Kumanovo-Deve Bair, border with Republic of Bulgaria, Eastern part of Corridor VIII, section Kumanovo-Beljakovce - construction supervision	60,700,000	EBRD	48,200,000			48,200,000	12.1	1.2	86%
		Subtotal ENE	236,300,000	-	152,400,000	-	-	152,400,000	7.8	1.4	73%
		Subtotal TRA	1,424,700,000		503,200,000	-	294,000,000	797,200,000	21.7	1.7	59%
		<b>TOTAL</b>	<b>1,661,000,000</b>		<b>655,600,000</b>	-	<b>294,000,000</b>	<b>949,600,000</b>	<b>16.9</b>	<b>1.7</b>	<b>61%</b>

The “leverage multiplier” is the ratio of grants to loans. It measures how many times the grant has been incremented by loans.

The “costs to external financing multiplier” provides the leverage by financing institution (grants and loans) to the total cost of the project..

The “external financing to total costs ratio” provides the percentage of total costs covered both by loan and grant.

Source: WBIF Monitoring database

The increased interest in blending by the European Commission is due to a number of potential benefits. In addition to increasing the potential development impact of the EC's official development assistance, blending is expected to increase efficiency, coordination, ownership and visibility of EU development finance. **The main arguments and risks have been identified<sup>9</sup> and are assessed in respect to the WBIF as follows:**

**Table 3: Assessment of WBIF blending**

Argument & Concerns	Assessment	Comment
<b>Arguments in favour of blending</b>		
<i>Rating: achieved – partly achieved – not achieved</i>		
Mobilising additional resources for development objectives	<i>partly achieved</i>	WBIF blending mechanism, and resulting leverage, is largely effective; maintained or increased financial contributions from bilateral donors provide clear added value.
Following through on international (political and technical) standards and initiatives in development cooperation	<i>fully achieved</i>	WBIF confirmed as a largely effective coordination platform for WB investments; investments (direct and project preparation) follows appropriate technical standards and international agreements.
Enhancing partner country ownership of their development process	<i>partly achieved</i>	Some instances of weak ownership/low levels of involvement of beneficiaries in project identification and preparation stages should be addressed through establishment of NICs.
Opening up and encouraging entrance to new and / or risky markets for private sector actors	<i>not achieved</i>	Private investment more likely to occur in energy efficiency and private sector development (not part of this evaluation); TRA and ENE investments rely predominantly on EC, IFIs, bilateral donors, bilateral agreements and national (state) funding.
Greater aid and/or development effectiveness of development aid and economies of scale	<i>partly achieved</i>	WBIF confirmed as a largely effective coordination platform for WB investments; concentration of effort and financial support on priority investments increases effectiveness.
Introducing efficiency gains to EU development assistance	<i>partly achieved</i>	Administrative and management arrangements and processes are fairly efficient but demanding in terms of resources (staffing) and time. Flexibility, responsiveness and openness of WBIF might diminish in the light of recently introduced measures and ongoing need for compliance with financial regulations.
<b>Concerns raised about blending</b>		
<i>Rating: high – medium – low</i>		
The risk of financial incentives outweighing development principles	<i>low</i>	EU sector strategies and IPA sector-based programming approach provide a sound framework for development projects under the accession umbrella.
The risk of concentrating financing towards certain sectors and countries	<i>medium</i>	Risk may increase in line with the new strategic approach (connectivity, regional dimension of WBIF).
The risk of crowding-out private financing and distorting markets	<i>medium-low</i>	At present private financing and local finance markets do not play a significant role in WB investment financing; however with increasing WBIF grant financing, the need to demonstrate true additionality (no crowding-out of IFI or other loans) is more important.
The risk of providing insufficient attention to transparency and accountability	<i>medium</i>	Rather opaque WBIF programming process, combined with incomplete communication and visibility, could potentially improve through establishment of NICs.
The risk of unclear or ill-defined monitoring and evaluation methods	<i>low</i>	Further improvements in reporting and monitoring expected through use of new MIS for this purpose.

<sup>9</sup> See: European Centre for Development Policy Management "Briefing Note: Blending loans and grants for development: An effective mix for the EU?" 2013.

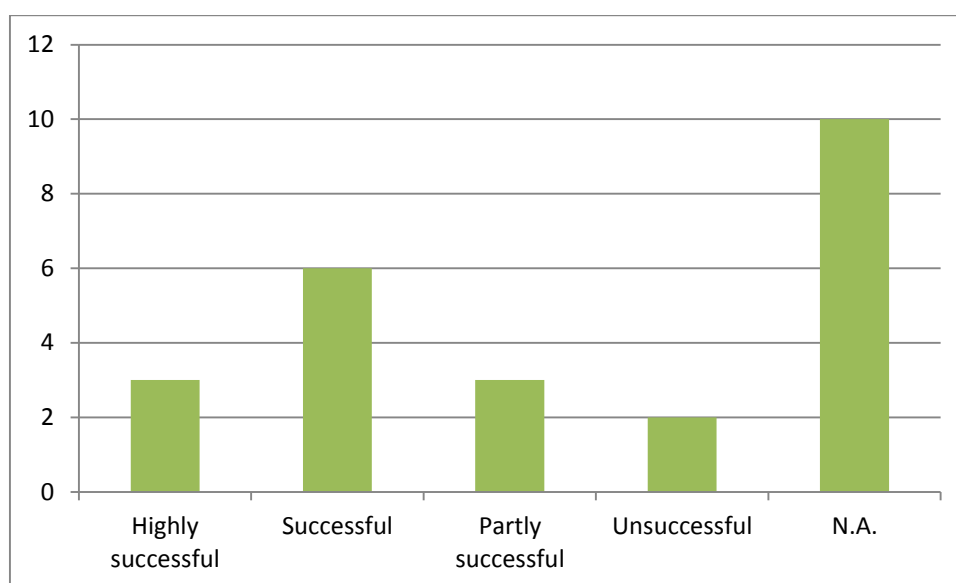


***Assessment of blending in individual sample projects can be considered largely successful, providing the projects have started/completed implementation.***

Across the sample, 38% of the projects scored “Successful” to “Highly Successful” when analysing the blending mechanism. A total of 8% of the projects are considered unsuccessful. However, for 42% of the sample projects a substantiated assessment of blending has not been possible. This is because the TA projects are only at an early stage of implementation and detailed considerations of the underlying funding approach remain unclear. Likewise, it was not possible to identify any changes in the quality of implementation.

Such an observation has been made to a considerable extent in the sample projects from Croatia, for two main reasons. Firstly, there is a considerable number of projects with a direct or indirect regional dimension, particularly gas projects. Their development greatly depends on external requirements, such as the overall development of the gas markets in Central Europe and South-East Europe. Secondly, at the time of this evaluation, the Croatian authorities have been giving preference to the absorption of their first “round” of Structural and Cohesion Funds. This has led to a situation where IFI funded investment opportunities are only receiving moderate attention.

**Figure 9: Blending of sample projects**



Source: Field findings

**EQ 8: What added value does the European Commission gain from supporting WBIF? Would WBIF supported projects be financed without European Commission grants?**

***The majority of projects in the evaluation sample would be difficult, or impossible, to finance solely from government funds.***

The quality of infrastructure in the WB is very poor: trains are slower than a century ago while finishing the motorway network seems to be an endless process. The situation is similar in with energy infrastructure where transmission networks needs complete rehabilitation. Support provided by WBIF is already being complemented by IPA and this synchronisation will increase under the new IPA II regime thus helping the WB preparing large infrastructure projects for IFI funding. Having in mind budget constraints of the WB governments, especially for the preparation of technical documentation and implementation of capital investment projects, WBIF support is highly welcomed in the region.

***WBIF support is especially appreciated for regional infrastructure projects and without this facility the majority of regional projects probably would not be financed.***

Regional projects also contribute to regional co-operation, which is one of the prerequisites for EU integration. The Berlin Process is also stimulating regional co-operation through infrastructure development, working on connectivity between capitals and main economic centres of six Western Balkan countries. WBIF will significantly contribute to that process, which will strengthen political legacy and strategic influence of the European Commission in the Western Balkans.

***WBIF support (often combined with bilateral donor support) is required to reduce the extent of the loan amount required – by supporting project preparation and direct investment in the total project budget.***

Most of the projects financed by the WBIF will not be financed by other sources, especially not in this quantity or at this moment.

***While IFIs can provide substantial funding, this is mainly in the form of loans, thus resulting in additional financial burden for Western Balkan countries - this burden can therefore be alleviated by donor support (WBIF and others).***

It is therefore the combination of WBIF support (project preparation and project implementation) which, combined with other donor funds, helps reduce the loan element – to varying degrees – of project finance. However, during country visits, this model was sometimes turned on its head as some IFIs were reluctant to involve donors – despite the argument that reducing the size of the loan through the addition of donor funds could make the projects more affordable. Other IFIs however were happy to pool loan and donor funds.

***Additionality in TA is usually ensured; additionality in investment grants is less clear cut.***

According to the European Commission's guidelines on blending facilities, additionality can be defined by using a number different filters:

### **Box 3: Principal types of additionality**

- 1) Economic and Financial: What are the economic/financial benefits of the grant funding proposed? Why is the proposed grant funding necessary for the operation?
- 2) Project Scale: How will the grant funding increase the scale of the project? Will it widen the results of the operation; or extend the benefits to more people?
- 3) Project Timing: In what way does the grant element have a positive effect on the timing of the operation and/or the benefits it is expected to deliver?
- 4) Project Quality and Standards: How will the grant funding improve the quality of the outcomes expected from the operation? How will the grant funding improve the project's chances of success? How will the grant enable promotion of higher standards (including social and environmental) and more substantial social or global public good returns than would otherwise be possible?
- 5) Innovation: What are the innovative aspects of the project that could not be generated by or within the target environment without grant support? Why is the proposed innovation important?
- 6) Sustainability: Does the grant funding help support further or parallel activities to ensure that benefits continue beyond the life of the project? For example does the grant funding contribute to structural reforms, support changes to legislation, regulation or policy? Does the grant finance enable demonstration effects to other participants in the market place?
- 7) Other Benefits: Other benefits/positive externalities may be realised by the project (or negative externalities avoided), which would not happen without the presence of the grant component. Are there any significant benefits outside of the main/primary objectives of the loan operation that grant funding could bring?

WBIF investment grants might have a positive score for points 1, 2 and 3. However, so far this is not explicitly analysed in the individual funding decisions available to the evaluators. Grants may have high added value even if small in size, for example in closing a financing gap, in improving the project quality, etc. TA grant applications require the applicant to define the possible added value. However, the expected added value of providing an investment grant has usually not been well formulated, structured or quantified. In particular the added value resulting from the investment grants in terms of achieving development and enlargement objectives appears to be vague.

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 being made.

**Regarding non-financial additionality, WBIF has proven to be effective in promoting operational and institutional work of beneficiaries.**

WBIF delivers added value through governance, as well as through TA, particularly in the preliminary stages of the projects, and investment grants. This has been especially true in a number of areas including the Bosnia and Herzegovina (Federation) motorway system.

**For additionality in the sample projects, the overall impression is positive but mixed.**

For 50% of the sample projects, added value has been verified. For 4% of the projects, the added value has not been verified at all while, for 21% of the projects, added value has not been possible to assess, mostly due to the very early stage of project preparation and investment development.

**Figure 10: Added value of sample projects**



Source: Field findings

**EQ 9: To what extent has WBIF helped (or hindered) the development of the Energy and Transport Sectors (the main focus of this evaluation)? Reference can also be made to Environment, Social and Private Sectors.**

**Judging by an analysis of the sample projects, WBIF has helped develop TRA, and, to a lesser extent, ENE.**

This however is also due to the complexity and volume of projects in the sectors that are the subject of this evaluation.

Most of the WBIF supported projects in TRA and ENE are still at a premature phase, focusing on the development of technical documentation (feasibility studies, environmental impact assessments, project designs, etc.) for projects that are either pending or in the early phase of implementation. Therefore, the assessment of effects that WBIF projects will achieve is based more on assumptions than on tangible facts. However, the significance of WBIF projects, especially in the ENE and TRA domains is certainly high.

***In TRA, thanks to overall regional strategic initiatives (e.g. SEETO), the success of WBIF supported projects is more visible and they have resulted in important infrastructure improvements (to motorway infrastructure in particular).***

WBIF contributes to development of the TRA sector, especially in terms of preparation and implementation of projects related to major highways and railways on European Core Corridors. Nevertheless, WB beneficiaries, including line ministries, are confused about the status of large infrastructure projects after making the change from Pan-European Corridors to Trans-European Transport Networks (TEN-T). In particular, Pan-European Corridor X lost its status as Core European transport network and now it might only become a part of an additional branch to the Middle-East/East-Mediterranean Core European Corridor. This issue is very relevant at the political level since discussions during the Berlin Process are very much related to connectivity between core European Corridors and capital cities/main economic centres and ports of the WB countries. The WBIF is expected to have an important role in this process, especially in programming and implementation of €1 billion that would be available to six Western Balkan countries for regional infrastructure projects.

***In the ENE sector, achievements have been made particularly in electricity transmission and energy efficiency. Important steps towards developing gas infrastructure and markets have been launched but results are limited to date.***

As discussed before, WBIF contributed to development of regional interconnections and transmission networks in the Western Balkans, especially in the ENE sector. Implementation of those projects will help the Western Balkans to meet requirements under the Energy treaties that are relevant to the Accession process. Besides, these projects contribute to energy stability of the region. For instance, energy transmission networks and membership in the European Network of Transmission System Operators for Electricity (ENTSOE)<sup>10</sup> helps Serbia to maintain energy stability during and after heavy floods in May 2014 - when domestic production capacities were not sufficient to satisfy the needs. Building up a gas infrastructure within the region will contribute to energy stability and diversification of gas supply, especially after the South Stream Pipeline was cancelled. However, care should be taken to develop and maintain well-crafted regional and national policies and strategies and to continue to engage in national and sectoral dialogue throughout the project identification and preparation process.

***Environmental and Social investments have accelerated sector reforms in various Western Balkan countries; investments have been crucial as these sectors often lack substantial government funding.***

The ENV and SOC sectors receive quite limited investment funding from national governments, since the political goal seems to be about adhering to sectoral or political commitments without having a clear cut economic return. The economic return is much more immediate and visible in the TRA and ENE sectors. Likewise, recent EU support to Serbia and Bosnia and Herzegovina in the aftermath of devastating floods has been highly visible. WBIF support has been of significant help in supporting the maintenance of adequate funding of these two sectors. A prominent example can be seen in the construction of state-of-the-art prisons throughout the region.

***However, these sectors no longer appear to be a WBIF priority.***

They possible adverse consequences of WBIF's departure from the SOC and ENV sectors are evident as these areas might see significant under-investment in the future. Related concerns have been repeatedly mentioned by a number of donors and IFIs along with a "wait-and-see" approach.

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<sup>10</sup> <https://www.entsoe.eu>

### 3.3. Efficiency

**EQ 10: How efficient are the administration and management arrangements and information flows within the WBIF system (DG NEAR, European Commission contractors, EU Delegations, beneficiaries, experts, IFIs and donors)?**

***Overall, the administrative and management arrangements are fairly efficient but demanding in terms of resources (staffing) and time.***

In terms of administration costs, a seconded national expert from a bilateral donor (Head of Secretariat) and European Commission staff handle the WBIF Secretariat's work – with support from IPF and IFICO. The organisation of meetings is covered by the Commission through its administration budget. According to feedback from IFIs, remuneration to lead IFIs appears sufficient to cover costs incurred to prepare and follow up the individual projects. Administrative costs of the beneficiary countries (NIPACs, line ministries, other state institutions, etc.) are also covered from the respective institutional budgets. There is no direct follow-up possible for the incurred administrative costs directly attributable to WBIF.

However, as observed by most stakeholders, a major factor of WBIF operations are the increasingly demanding requirements in terms of staffing (both qualitative and quantitative) and the time needed to produce the desired outcomes.

***The WBIF key contractors (IPF and IFICO) are making significant efforts to ensure that project identification, programming and preparation runs smoothly.***

This is clear from country visits and interviews. However, a number of issues are in need of attention as confirmed by various stakeholders. These include:

- A clear explanation of the role of WBIF and IPF in the identification and programming of projects should be provided to all stakeholders;
- A clear explanation of the IPF project preparation process could also be provided (this is especially complicated by the new role of IFICO in preparation of ToR for project preparation exercises carried out by one of the IPFs);
- The WBIF programming process as a whole could perhaps be simplified. Terminology seems rather complicated and the basic steps could be better defined;
- National timetable: improved internal communication on WBIF calls and deadlines for the line ministries and public utility companies. Communication is often haphazard and delayed – resulting in very limited time for the municipalities and public utility companies to work on proposals.

***IPF can be considered as a reasonably efficient and responsive instrument for investment preparation.***

As confirmed by recent monitoring reports, IPF resources are utilised in a transparent and accountable manner. When assessing individual projects, it appears that the cost-effectiveness of implemented activities could perhaps be improved. However, it is the chosen approach of the WBIF structure to employ one contractor for TA in the region which may come at an increased cost – due in part to fixed costs per day (unit rates), agreed with the award of the IPF contract(s) - but ensures balanced criteria and transparent procedures for all beneficiaries.

However, the project cycle followed by the JGF and the IPF, while it works well and with good results, seems to be more complicated than necessary and, in some cases, may be too long for certain of the IFIs (according to feedback from interviews).

During the evaluation considerable effort was spent in investigating the exact nature of the JGF/IPF project cycle. Excellent information was provided by the IPF team leaders and country teams – as well as the WBIF Secretariat itself. However, it is clear that the whole system could possibly benefit from the drawing up and posting of a detailed but comprehensive explanation of the steps (the project cycle) followed in each “round”. It also seems that a number of issues have arisen recently in how IPF technical assistance can be accessed for the preparation of projects (e.g. pre-feasibility studies, feasibility studies, EIA, design, contracting etc.). It appears that, due perhaps to a recent Court of Auditors report, IFICO now have the additional role of preparing ToR for IPF3 assignments in order to avoid the possibility or perception of a conflict of interest.

Given the system in place and the recent history of the operation of the JGF/IPF project cycle, the following could be considered as possible alterations to the WBIF/IPF project cycle (keeping in mind that alternatives may be proposed in the near future as part of the revamping of the WBIF process):

#### **Box 4: Possible improvements of the WBIF/IPF project cycle:**

##### a) Frequency

- a. The WBIF Steering Committee meets twice a year and decisions on financing of IPF3 and IPF4 TA assignments are therefore affected by this timing. It seems that some IFIs take this six month cycle into account when requesting funds – and, in certain cases, may avoid WBIF support for this reason. They sometimes prefer to use other sources that can be accessed more easily and without having to wait for the next SC meeting (they also may prefer to have more control over teams that are preparing projects in their pipeline on which they have to report to their respective management boards).
- b. Perhaps a more frequent series of less formal discussions/meetings with a more straightforward and transparent decision making system could be established that could allow the launch of IPF studies without requiring SC meeting approval.

##### b) Steps

- a. The steps in the JGF / IPF project cycle seem rather numerous and, in some cases, overly complicated. A revised set of steps could be considered:
  - i. Project Fiches: submission of detailed project fiches to JGF by beneficiaries (with support of IFIs). The fiches would explain the project context (links to WBIF, accession agenda, sector policies and strategies where relevant, ongoing projects, national review and approval process, total budget by source, and outline of IPF TA required).
  - ii. Project Selection (maximum one month): review and scoring of fiches by JGF using a clear evaluation matrix, resulting in a list of approved project fiches (and a clear explanation for the score for each fiche, especially those that were rejected).
  - iii. IPF TA ToR preparation by IFI (maximum two weeks): preparation of detailed ToR for each IPF TA study, based on approved fiches. The ToR would be no different from those that IFIs would normally produce for other TA sources (e.g. trust funds) and would include: a) defined outputs; b) estimate of inputs (profiles of team members and work days per member); c) deadlines; d) reporting structure (IPF TA team should report to IPF team leader and to a nominated person in the IFI – perhaps using a new reporting structure to be set up under the IFICO run Management Information System); and, e) an output approval mechanism.

Note: the inclusion of estimated work days for the team removes the need for the estimation of a financial budget for the study – which may have caused confusion in the past (the fee per work day is fixed in the IPF contracts – so, it seems reasonable to think of the budget in terms of the number of days or category x, y and z rather than a Euro amount).

  - iv. IPF TA ToR Approval (maximum two weeks): The ToR may/may not require approval of the SC, depending on the strength of the Fiche review and approval process and the level of detail in the fiche. In any case, IPF should review the ToR and request clarification where necessary (“ping pong phase”). However, if the need for clarification is not that high, minor issues or ambiguities can be dealt with in the IPF proposal (below).
  - v. IPF TA Proposal by IPF (maximum three weeks): once the ToR has produced by



the IFI and agreed and accepted by IPF, they prepare a proposal, which is then submitted to the IFI for their approval (note: it is not clear whether, given the ethos of WBIF, this proposal should be reviewed by the beneficiary – perhaps it is fair to say that the IFI should be relied upon to make this decision as the better informed the beneficiary is the more likely the loan will go through). The proposal could consist of:

1. Methodology: a detailed but brief methodology explaining how the ToR will be implemented, adding detail where necessary (especially where clarification is required due to gaps or ambiguities in the ToR), and profiles of the team members.
2. Team CVs: the proposal will include CVs of proposed team members (many of whom will already have worked on a number of IPF studies). Thus, by approving the proposal, any CVs that are new to IPF, are therefore *de facto* approved by the contracting authority (DG NEAR or EIB in the cases of IPF 3 and 4).
3. Workplan: this will show the timeline for each output and related activity and the days per team member, by activity. It can be produced on a detailed spreadsheet (MS Excel) or using more complex project management software (MS Project).

Note: the use of separate ToR (from IFIs) and Proposals (from IPF) may help resolve the current incongruous practice of IFICO preparing ToR for studies that IPF will carry out. It seems sensible to split the roles as outlined above – with IFIs commissioning the studies by IPF – and with IPF responding to the ToR with their detailed proposals.

- vi. Approval of IPF TA Proposal by IFI (maximum two weeks): the relevant IFI would review each proposal in detail and – after any necessary discussions or clarification – provide written approval (to the IPF team leader, IFICO team leader, and the relevant part of the Steering Committee member).
- vii. Mobilisation of IPF TA team (minimum two weeks): the IPF TA team would then be mobilised by an agreed date, with a kick-off meeting attended by the IPF TA team manager (and other relevant team members), the relevant IFI manager, the beneficiary contacts (with careful consideration of the national/regional geopolitical situation, in particular – Bosnia and Herzegovina at state and entity level and the resulting increase in complexity and, therefore, time required).
- viii. Implementation of IPF TA Study (according to workplan): the IPF team would carry out the agreed work (pre-feasibility study, feasibility study, EIA etc.) as defined in the ToR and clarified in the proposal. They will report, as agreed in the ToR and proposal, and maintain close liaison with IPF management and with the relevant IFI and beneficiary.
- ix. Reporting and Visibility: based on feedback from the country visits during the WBIF evaluation, it seems that the current JGF/IPF project cycle is a mystery to a number of actors, especially at the local level. It seems unclear to them how exactly projects are chosen by the SC for implementation by IPF, the time from study concept to team mobilisation seems rather lengthy and the reporting process is not that holistic. Two recommendations are therefore made in this context:
  1. Reporting: the reporting function be enhanced by adoption of a standard approach (using the IFICO run MIS, currently being updated) thus allowing (appropriate) access to reports and outputs by the relevant parties (WBIF Secretariat, IPF, IFICO, IFIs, Beneficiaries). Reporting should be carried out at the appropriate level of detail, by the appropriate people for the appropriate audience.
  2. Visibility: while the WBIF is well known throughout the region, it can be difficult for people to easily and quickly find updates on the overall progress of the whole system and on progress with the preparation and implementation of individual projects. This may imply an enhanced role for all relevant parties (WBIF SC, IPFs, IFIs and IFICO in particular).

***There has been no principal difference in performance compared to TA directly contracted by IFIs.***

Feedback from the IFIs, in particular, confirms that work carried out to date by IPF teams has been of sufficient quality. However, one issue that was mentioned a number of times concerns the reporting



mechanism in that some of the IFIs feel that more efforts could be made by both sides to maintain contact during the implementation of project preparation activities. In addition, IFIs sometimes feel that they have more control over the situation and more flexibility when they hire project preparation teams directly.

***Where differences appear they often can be attributed to the specific characteristics of the individual projects.***

Due to the geopolitical conditions in the WB region, it is clear that great care and attention needs to be paid when preparing large scale investment projects. The long term presence of the IPF contractors has enhanced their ability to tap into their local knowledge and provide appropriate expertise. However, there have been some delays in the start-up of project preparation work and this has sometimes been due to the specific characteristics of projects and the difficulties faced in reaching agreement at national level (in particular this is the case in Bosnia Herzegovina).

***However, several TA assignments have been delayed under the various IPF contracts, as the TA provider must deal with uneven volumes of approved grants and unexpected delays on assignments when deploying resources.***

TA project implementation is also rather slow in terms of preparation and approval of ToR for the projects.

**Table 4: Transport projects – average duration (days)**

Country	Construction	Project preparation	Study only	Tendering	Grand Total
Albania		296			296
Bosnia Herzegovina	1,722	753	270	665	819
Kosovo		408			408
The former Yugoslav Republic of Macedonia	564				564
Montenegro		296			295
Serbia		261			261
<b>Grand Total</b>	<b>1,143</b>	<b>452</b>	<b>270</b>	<b>665</b>	<b>553</b>

Source: WBIF Monitoring Database

**Table 5: Energy projects – average duration (days)**

Country	Built/ Operational	Construction	Project preparation	Study only	Grand Total
Albania			375	538	429
Bosnia Herzegovina			561		561
Croatia			348		348
Kosovo		989	336		554
The former Yugoslav Republic of Macedonia	821	640			731
Montenegro			1,452		1,452
Regional			503		503
Serbia			687		687
<b>Total</b>	<b>821</b>	<b>815</b>	<b>555</b>	<b>538</b>	<b>603</b>

Source: WBIF Monitoring Database

***The average time needed for completion is high in both the ENE and TRA sectors.***

It is worth noting that the majority of projects have not yet been completed. The ToR preparation phase requires a particularly long time - more than 7 to 8 months. For instance, in Serbia the Stalac-Djunis railway connection project (not part of the evaluation sample) was approved by the Steering Committee in December 2012. The ToR was produced only in February 2014 and it was approved in May 2014. The project preparation work started finally in October 2014. In Kosovo the ToR preparation phase for the project "Rail Route 10" took about 450 days.

Given the fact the beneficiaries are assisted by external consultants (IPF) the time for ToR preparation – if indeed this will continue to be carried out by IPF/IFICO (see above) - should be considerably less, particularly if compared to the quantity of the output produced. The underlying reasons can include delays due to political/institutional issues (i.e. internal reorganisations, elections), the fact that the external consultants are only part-time in the field and that during the ToR preparation phase, time is used also to discuss the financial issues and conditions of the project between the lead IFIs and the beneficiaries.

The extension of a ToR preparation phase is sometimes followed by a long period for tender evaluation procedures for the selection of the awarded company. Moreover, the phase for the signature of the Contribution Agreement can also take a long time.

***WBIF guiding principles – governance, transparency, accountability and participation – have been largely applied.***

Based on a wide range of interviews, it is clear that there have been few problems in this regard. However, it seems that continued efforts are required to maintain and improve a sufficient level of visibility in order to maintain the good perception of the WBIF process.

***However, full transparency in decision-making (e.g. selection of projects for IPF support) has been questioned by some Western Balkan country stakeholders.***

Some stakeholders consider the WBIF project identification and selection process to be rather opaque, noting that particular IFIs are the "preferred candidates" for projects. In particular, NIPACs made the point that information on other projects financed through the JGF, whose implementation is directly managed by the IFIs, is rather scarce.

The identification and submission of regional projects is often seen as rather opaque, especially when the project is submitted by an IFI (i.e. Regional Energy Efficiency Programme for the Western Balkans (REEP)-EBRD, the Biomass Study - World Bank, REBIS).<sup>11</sup> National authorities have also limited knowledge on the implementation of regional projects, yet if invited, they actively participate in activities organised by those projects. For instance, participation in the REEP project is very useful, as it contributes to the implementation of energy efficiency treaties, which is one of the criteria of EU accession of Serbia. Namely, as an obligation to EU integration, the Ministry of Mining and Energy has to prepare about 30 rulebooks for energy efficiency. Out of this total, three or four rulebooks will be developed with REEP support, which is highly welcomed by the Ministry.

***Furthermore, there is also an issue with the horizontal flow of information.***

Local branches of IFIs are usually informed about WBIF projects from their head offices; therefore, communication with national actors is quite limited. This is especially true during project selection and project preparation, while communication between IFIs and national beneficiaries during implementation is quite vivid. Horizontal communication between other actors is also insufficient, such as communication between WBIF/IPF and EUDs. Often, the NIPACs communicate with all actors and pass on relevant information - which is quite a big assignment for such an institution.

<sup>11</sup> For instance, the relevance of the project WB9-REG-ENE-SDP 01 (Sector Study on Biomass-based Heating in the Western Balkans) was questioned by the relevant line ministry in Serbia. The individual interviewed claimed not to have any information on how the project was identified and selected, as well as its current status (but this may be due to the involvement of the particular individual rather than the Ministry as a whole). EUD representatives also operated with very limited information on regional projects (the Biomass Study, REEP, REBIS).

### 3.4. Impact

#### EQ 11: To what extent is WBIF facilitating the EU enlargement process?

***Taking into account its scope and the degree of leverage it brings to larger investment projects in different sectors, WBIF facilitates specific national development, thus contributing to the enlargement process.***

In fact, the WBIF has no direct influence on the EU enlargement process. Nevertheless, WBIF projects contribute to the accession process through support to the development of legislation, related to particular projects (e.g. electricity interconnectors) and other requirements that are part of the Accession process. For the two sample sectors, particular reference can be made to the energy community treaty, regional co-operation and connectivity to TEN-T and Trans-European Energy Networks (TEN-E). Contributions to the Connectivity Agenda and energy community standards are important for bringing the Western Balkan countries to a higher level of connectivity and adaptation to EU standards.

***Upon completion, current investments supported by the WBIF might significantly increase the facility's role in regional cooperation, especially in TRA and ENE.***

During country visits and interviews it was clear that the Ministries in particular had benefitted from regional cooperation initiatives. This was especially true in relation to SEETO and the planning of concrete actions under the Connectivity Agenda. Some problems were experienced in the ENE sector.

***Most WBIF projects do contribute, to a limited extent and often indirectly, to social development and poverty reduction goals.***

These basic development and transition goals are woven into or become a by-product of most projects covered by WBIF. ENE and TRA projects improve quality of life and either directly or indirectly contribute to social development and poverty reduction.

#### EQ 12: To what extent are WBIF planned results supported and implemented by the beneficiaries (e.g. Government, Ministries, Municipalities, enterprises)?

***Beneficiary ownership at early stages of project preparation has been often insufficient.***

Line ministries in the WB region are usually understaffed, having a limited number of people working on multiple assignments and unable to follow project implementation in a substantial manner. Therefore, the ministries prefer not to be directly engaged in implementation. However, they seem very interested in being consulted during ToR preparation.

***Where relevant, public enterprises, such as Energy Operators or District Heating companies are actively involved in the implementation of projects.***

For instance in Serbia, as a lead beneficiary of projects related to electricity transmission networks, EMS actively participates in all stages of the project cycle, from project preparation to project implementation. EMS has been able to learn from participation in this process and to improve internal procedures based on the experience gained. Implementation of the 400kV Interconnector – Serbia-Montenegro-Bosnia and Herzegovina (WB5-REG-ENE-02) contributed to advancement of relevant national legislation, as well as to regional co-operation. Implementation of the district heating project (WB5-SER-ENE-06) also contributed to capacity development of public utility companies that provide district-heating services. Those companies reduced energy losses and developed internal procedures that will result in a billing system based on actual consumption.

***Certain WBIF projects are initiated by other actors (apart from national beneficiaries).***

In Serbia, the feeling was that the European Commission insisted on the Interconnection with Bulgaria Gas Transmission Pipeline project (WB4-SER-ENE-04). During discussions, the Government of Serbia was not interested in a gas interconnector with Bulgaria since the South Stream project was under preparation. The lack of interest was also related to the fact that a gas interconnector with Croatia or Romania was also being considered. Therefore, local ownership of the Serbia-Bulgaria interconnector was very weak. In addition, the Feasibility Study showed a low degree of profitability, which further strengthened doubts regarding the project. Furthermore, there was some frustration that Serbia has to take a loan for their part of the gas interconnector, while Bulgaria has access to Structural Funds.

Ultimately, with the cancellation of South Stream, the situation completely changed. Serbia is heavily dependent upon Russian gas that arrives via Hungary. The situation will most likely become more critical from 2017 (or earlier), when Russia plans to cut off a gas pipeline that transits through Ukraine. Therefore, Serbia re-examined gas supply routes and as such, the gas interconnector with Bulgaria became highly relevant in these new circumstances. This was confirmed during the Second Session of the Joint Serbian-Bulgarian Intergovernmental Commission, held in Belgrade on 2 June 2015, when the Serbian Minister for Mining and Energy confirmed the Government's commitment to finish this project by the end of 2018.<sup>12</sup>

***National projects appear to be better managed and supported, compared to regional projects where the majority of stakeholders seem less informed about developments***

It was clear from country visits and interviews that communication around straightforward national projects is difficult enough but normally goes well. However, any communication problems experienced at a national level were multiplied once the projects took on a regional dimension.

***Investments in the region are significantly limited by borrowing capacities (fiscal space)***

Growth could be more effectively stimulated by revising the concept of fiscal space. Evidence on the relationship between infrastructure, public investment, and economic growth suggests that options for increasing fiscal space might be a triggering factor for boosting also WBIF impacts.

Governments seeking to create fiscal space for additional infrastructure investment within their budgets have four broad options at their disposal (source IMF):

- Reprioritisation of spending away from less productive forms of expenditure and toward growth-enhancing infrastructure investment and improvements in expenditure efficiency within a given overall expenditure envelope;
- Identification of new domestic sources of revenue which can be used to finance additional infrastructure investments without affecting the overall fiscal balances;
- Attracting additional grants and concessional finance from bilateral or multilateral sources;
- An expansion of sovereign borrowing on domestic or international commercial credit markets.

Given the scale of the infrastructure challenge in the region, governments need to explore all four options if they are to mobilise the resources necessary to reach their growth potential. While in the immediate future, the fiscal space of a country for public investment is basically determined by its current fiscal capacities, in a longer-term perspective the evolution of fiscal space comes to depend increasingly on the institutional context. This includes the national framework of fiscal relations across all levels of government, the nature and characteristics of the country's revenue sources and spending responsibilities, the country's resilience to crises, and its structural ability to borrow.

<sup>12</sup> Coverage from the Second Session of the Joint Serbian-Bulgarian Intergovernmental Commission is available (in Serbian language) on the website of the Ministry of Mining and Energy, <http://bit.ly/1dMVDny>

**EQ 13: Is an assessment performance framework already in place? Does it respond to the needs? What are the most suitable indicators to measure the direct and indirect effects of WBIF operations on socio-economic development?**

***WBIF operations are largely based on a results-oriented management framework.***

WBIF is clearly results-based. The description of the actions planned for WBIF under IPA II implies some preference to the delivery of substantiated outcomes such as (pre-)investment studies and products as well as the, preferably blended, support to realising priority investments in the Western Balkans.

**Table 6: Indicators for WBIF performance measurement under IPA II**

Indicator	Description	Baseline 2014	Target 2017	Target 2020
<b>Outcome Indicator 1</b>	Total number of projects implemented (construction completed)	4	8	12
<b>Outcome Indicator 2</b>	Number of projects prepared which were financed (signed loans)	40	60	80
<b>Output Indicator 1</b>	Number of TA projects delivered by WBIF and TA projects managed by IFIs	150	195	220

Source: WBIF 2014-2020 Action Description

***The monitoring system allows for tracking of WBIF operational performance.***

The current monitoring and reporting system is focused on outputs and results. It gives an adequate feedback on the achievements being made under the various components and sectors of the WBIF. Since IFICO started its involvement in reporting the quality of the WBIF reports has improved.

***The new MIS will potentially improve the performance assessment and reporting framework and could act as a focus point for a number of roles (communication, reporting at all levels, monitoring and evaluation).***

At the time of this evaluation, a revised MIS has been under development by IFICO. Closed consultation with stakeholders, particularly the concerned IFIs is therefore anticipated. Upon successful completion, the new MIS might enhance access to data, and should be able to support the project management of grants, either WBIF or IFI managed, through the full cycle, from request to project completion.

***The new MIS could handle indicators since these have been included in the design, but these need to be introduced first in the Application Form and related guidelines.***

However, indicators rarely apply to a single grant action - which is currently the requested focus of the new MIS - and more frequently shall be applied to the whole project financed by grant(s), loan(s), and other contributions. The tendency with the new MIS is to use it primarily to manage the individual grants.

***The new MIS can produce aggregated statistics.***

Nevertheless, it can aggregate only the objective data it has available, and that is mostly limited to dates (preparation of ToR, start and end of contract performance etc.) and derived durations. Such dates and durations are somehow obtainable for the WBIF-managed grants, and constitute a novelty for the IFI-managed ones, for which the actual availability from the IFIs has to be verified.

Concerning subjective data (synthetic appraisals, identification of issues and corrective measures, etc.) the IFIs have raised concern that such information needs to be checked, verified, and approved

internally before "publication" on the new MIS. Limited innovation has been implemented in the new MIS to "grade" such subjective information in order to generate objective values which can then be aggregated.

***New financial requirements particularly for direct control and liability, are posing additional administrative and operational restrictions on speedy investment financing.***

The new financial regulation will be fully respected in future WBIF operations. However, it remains to be seen how and whether this can be maintained in view of the revised financing mechanism and governance structure.

***IFIs usually have sound mechanisms for socio-economic and environmental analysis within their project cycle.***

It is generally acknowledged that this is the case. Indeed, it is felt by some of the IFIs that the roles of the various players, e.g. EC, donors, banks, should be clearly defined and acknowledged and that a level of trust be placed in the ability of the banks to meet their obligations in examining socio-economic and environmental aspects of planned projects. However, given the ongoing changes to the WBIF implementation structure (which should be finalised by the December 2015 Steering Committee meeting), it is clear that positive moves are being made to harmonise the analysis and reporting on socio-economic and environmental impacts of WBIF supported projects – and this can be seen as a positive step.

***WBIF has not developed specific mechanisms for the assessment of such aspects but relies on the IFIs mechanisms – which in most cases are considered standard and sufficient.***

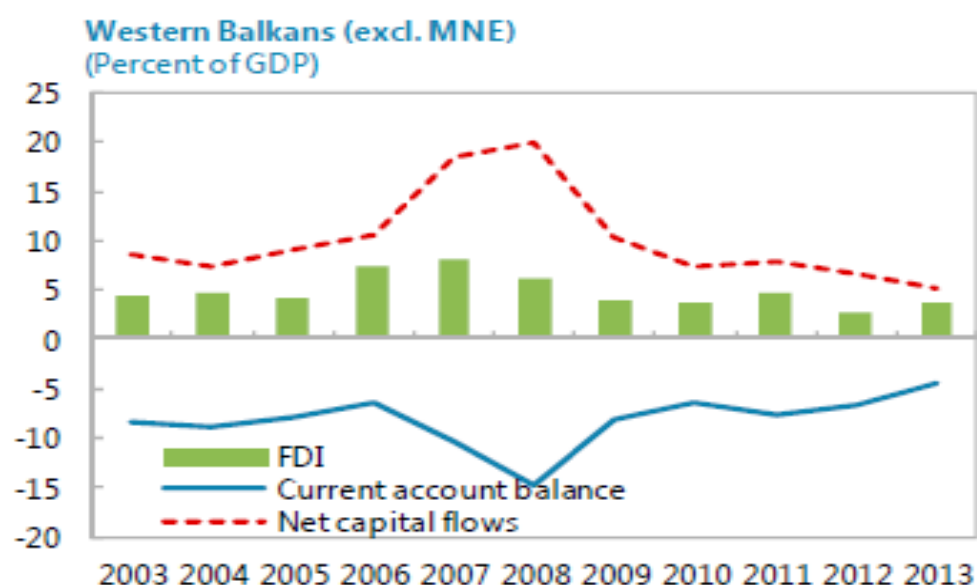
Consistency of approach is a standard and sometimes vexing problem faced by project preparation mechanisms that support more than one IFI. While it is true to say that across the board the approaches to socio-economic and environmental analysis is standard, there are specific differences between the approaches adopted by each bank. For example, some IFIs may place more emphasis on examination of alternatives and / or descriptions of environmental mitigation measures than others. Likewise, each WB country may have slightly different requirements (one to another) and when compared with the IFIs. This places an additional duty of care on IPF to ensure that they meet the requirements of the particular bank (and country) when preparing an investment project.

***In the absence of a defined impact indicator framework the total flow of investment (grants and loans) can be considered as a proxy-indicator for WBIF financial impact.***

According to such approximation and as reported in the 2014 WBIF Annual Report, WBIF developed a signed loan volume of €2.8 billion over time. This in turn triggered a current investment volume of €13.1 billion in the Western Balkans region.

***WBIF supported investments started at a time when the region was under severe economic and fiscal pressure.***

Western Balkan countries were financed by increasing capital inflows, mainly Foreign Direct Investment (FDI). FDI dominated up until about 2006. However, during 2006–08, bank inflows gained importance as foreign bank networks became more prevalent in the Western Balkans. This composition of inflows is consistent with patterns observed across emerging European economies. Moreover, rising capital inflows until 2008 allowed the Western Balkan economies to achieve much faster economic growth than before, though still lower than other emerging European economies. Since the global economic crisis, recession and slow recovery have remained stable characteristics of the region and this is still the case. The contribution of WBIF supported investments to the region's investment flow, particularly FDI, cannot be separated. However, it is apparent that the WBIF - at least in those sectors that received preferred funding - has contributed to reducing the decrease in investments.

**Figure 11: Foreign Direct Investment, Current Account, and New Capital Flows**

Source: IMF

As an illustration, the former Yugoslav Republic of Macedonia has benefitted since 2009 from a total investment flow of more than €444 million, directly attributable to the WBIF. Whilst the TRA sector represents by far the biggest single investment, it is worth to mention that about one third of the total investment is related to various projects in the Social sector.

**Table 7: WBIF investments in the former Yugoslav Republic of Macedonia**

Grant Code	Title of the Operation	Grant allocated €	Loan allocated €	Lead IFI	Investment until April 2015 €
TA-MAC-01	Idrizovo Prison Reform Project in the former Yugoslav Republic of Macedonia	500,000	46,000,000	CEB	52,000,000
TA-MAC-02	Pilot Project - Windfarm Development	400,000	47,900,000	KfW	55,500,000
TA2-MKD- ENE-02	Construction of OHL 400kV the former Yugoslav Republic of Macedonia to Serbia	100,000	14,000,000	WB	21,360,000
WB5-MKD-TRA-01	Construction of Kumanovo – Deve Bair railway line, border with Bulgaria, Eastern part of Corridor VIII, section Kumanovo – Beljakovce	1,500,000	46,400,000	EBRD	46,400,000
WB6-MKD- SOC-02	Physical education facilities in secondary schools, acquisition of equipment and refurbishment of those below basic standards	1,000,000	12,500,000	CEB	15,300,000
WB6-MKD- SOC-03	Primary schools and existing physical education facilities, and acquisition of equipment for existing physical education facilities	2,000,000	30,000,000	CEB	47,000,000
WB6-MKD- SOC-04	Complementary funding for competition of works related to HPIs – Rehabilitation Phase I	3,000,000	23,000,000	CEB	49,000,000



Grant Code	Title of the Operation	Grant allocated €	Loan allocated €	Lead IFI	Investment until April 2015 €
WB7-MKD-TRA-02	Railway line Eastern part of Corridor VIII, Kumanovo - Deve Bair, section Beljakovce –Kriva Palanka	2,700,000	/	EBRD/EIB	145,000,000
WB10-MKD-ENV-01	Water and Sewerage Programme	400,000	8,635,000	KfW	13,099,143
<b>Total</b>					<b>444,659,143</b>

Source: Ministry of Finance

**EQ 14: Can WBIF impacts be sufficiently measured? Did the expected impacts materialise? Did WBIF activities result in any additional or unexpected impacts (negative or positive)?**

***WBIF has so far not developed adequate and harmonised tools to assess its broader effects.***

As pointed out above, the current monitoring and reporting system is focused on outputs and results. At present there are no specific impact indicators identified (possible indicators are suggested in Annex 6). There is no WBIF mechanism in place that would allow tracking the broader effects, in particular socio-economic impacts of investment projects being implemented under the WBIF umbrella. In view of the increasing regional dimension of WBIF indicators – hopefully harmonised between the main actors - covering EU integration in line with the desired regional cooperation would be appreciated. However, given the timing of the evaluation, during the development of new WBIF implementation structure, it is understood that this topic is currently being considered.

***As envisaged, WBIF should contribute to EU integration through supporting steps to fulfil the acquis.***

This applies in the case of the priority sectors, particularly in terms energy treaties (e.g. the third energy package) and the connectivity principle related to the Trans-European Networks. WBIF TA grants often start an investment process and are predominately initiators and triggers for bringing investment ideas to fruition. Key improvements are noted for infrastructure in various sectors, which could, to a greater or lesser extent be attributed to the WBIF support provided. While WBIF is not by any means the main driving force behind the work to comply with the acquis, it is clearly supporting incremental progress in this regard.

**Box 5: Impact example – project: “Improvement of district heating Pristina Phase I and II”**

The district heating sector in Kosovo is inadequate and underdeveloped meeting only 5% of total heat demand in the country. There are three DH systems supplying urban areas of the municipalities: Prishtina, Gjakova and Mitrovica. The Prishtina DH system accounts for over 80% of the total DH capacity in KS. The DH production system in Prishtina was not technically or financially sustainable and increased heat consumption must be considered due to the predicted major expansion of the city. The project had two components, rehabilitation and enlargement of the heating system in Prishtina and connecting the heating system with the Power Plant “Kosova B” in order to enable the use of steam to heat the city. The overall value of the investment was EUR 27.3m, consisting of EUR 14.3m grant provided by the EU through the WBIF and EUR 6m loan by the German Ministry of Economic Cooperation and Development (through KfW). The project started in 2005 with the preparation of a Detailed Feasibility Study for supplying heat from the lignite fired power plant Kosovo B for supplying heat to the DH System in Pristina. The project aimed at cogeneration or combined heat and power (CHP), delivering fuel efficiency in an integrated way through a fuel efficient energy technology that, unlike conventional forms of separate electricity and heat production, uses the by-product heat from Kosovo B that is normally wasted by being released into the environment.

Benefits:

Use of the waste heat from Kosovo B to supply the Pristina DH system.



Reduced fuel consumption.  
 Reduced overall harmful emissions and CO<sub>2</sub>.  
 Improved heating energy security.  
 Reduced need for electricity imports as increased heating availability reduced electricity demand for existing DH customers.  
 The additional heat availability also allowed the connection of more customers both in existing buildings as well as in new constructions.

Reduced electricity demand.  
 Improved air quality for the inhabitants of Pristina.  
 Other benefits for the Kosovo Energy Corporation through additional business opportunities and mitigated cooling water problems as well as improved billing and collection for district heating.

Source: Project documentation

***In certain cases, WBIF projects, besides the planned effects, clearly trigger sector reforms.***

Virtually all WBIF assistance contributes towards this aim. However, in most cases, it would be very difficult, if not impossible, to separate the impacts of the WBIF from the impacts of other components of the accession process, and where relevant, the contributions of other donors, not least because of the general absence of adequate indicators of achievement. Factors such as the increased profile of the respective sector and political pressure to tackle sectoral issues in order to comply with the *acquis*, clearly contribute to a climate increasingly conducive to the achievement of such additional WBIF impacts.

***Besides the level of achieved results there have been impacts which primarily affect those involved in executing/benefiting from WBIF projects.***

Sometimes, these impacts do not constitute specific goals but occurred nevertheless. Such immediate effects manifest *inter alia* in an improved ability of project participants and beneficiaries to network and to collaborate and communicate also within their respective services. By the end of an intervention, those involved in projects have often enhanced their personal skills and knowledge base. They are often better in managing internal resources, or in more professionally formulating sector related perspectives and developments. Consequently, personal reputation and image has been enhanced too.

The WBIF/IFIs are funding only one element of some investment projects, and as such, an impact is dependent on the completion of components that are beyond the control of the WBIF/IFI. For example, where the upgrading of a sewerage system as a comparatively minor element of a multi-funded project is financed, the impact of the WBIF/IFI component is to a very large extent dependent on the successful completion of the other elements, in particular the waste water treatment plant.

***Where regional projects are really taken on board, improved regional cooperation and communication is evident.***

WBIF regional support strengthens the development of regional infrastructure. There has been some added value of regional cooperation, promoting economies of scale. In the case of road transport and infrastructure, they have managed to cooperate together and establish regional priorities, particularly in line with the South-East Europe Transport Observatory. Increased awareness for the need to undertake effective regional investments in sectors such as the environment, transport (expanding the SEETO network and relevant connections to this network – e.g. in Bosnia Herzegovina) or energy has been achieved. However, there have been some complaints from Bosnia and Herzegovina (anecdotal evidence) where it was felt that more efforts should be made to allow them to access connectivity funds.

***Tracing the socio-economic impacts of the WBIF assistance provided appears to be difficult in the absence of any statistical data collected.***

Insufficient data quality is also an obstacle to a possible *ex-post* evaluation. Nevertheless, wider impacts - at least at the micro level - have appeared for the overwhelming majority of infrastructure interventions. The information on employment effects, particularly resulting from the WBIF supported

infrastructure investments, is weak. However, employment effects in the short term have definitely materialised during the construction of infrastructure. In some cases, the longer-term effects are by nature present, i.e. the additional employment in running and maintaining the infrastructure.

***As concerns ENE, increasing efficiency of national and regional energy systems and mitigating climate change appear to be long-term effects and are difficult to assess.***

As far as energy is concerned, the WBIF has contributed to the expansion of existing regional, national or trans-national networks. Further reducing the cost of technologies by increasing efficiency of state-of-the-art technologies has been apparent with WBIF investments. State-of-the-art technology is very heterogeneous across sectors, implying different objectives. Sometimes, WBIF has aimed at developing a new generation of technology (e.g. biofuel) or improving existing plants (small hydropower) or buildings (refurbishment for energy efficiency). The expectations regarding the potential turnover and impacts on energy generation, energy savings, renewable energy generation and CO<sub>2</sub> reduction are high but the path to a positive impact is long. Concrete economic and energy impacts are still limited, but not absent.

***Medium- and long-term spill over benefits from the TRA sector to other industries and to the overall national and regional economy can be envisaged in a number of countries, due to WBIF investments.***

The completed WBIF investment projects in TRA potentially contribute to increased economic efficiency and innovation that can occur in the production process and efficiency of firms thus reducing costs to consumers and increasing the level of trade.

Moreover, labour market improvements, competition and agglomeration of population can all be potentially derived from TRA investments.

An example for the anticipated socio-economic impact of a WBIF supported investment is given below.

#### **Box 6: Example of anticipated socio-economic impact**

Feasibility Study and Environmental and Social Impact Assessment (ESIA) Study for constructing 400 kV Interconnection line between Elbasan (Albania) and Bitola (the former Yugoslav Republic of Macedonia) – potential impact

This project is among the first that are considered for 2015 grant financing in response to the regional dimension of WBIF and the Connectivity Agenda. This important regional ENE interconnection entails a very positive impact on the further development and strengthening of the transmission systems in Albania and the former Yugoslav Republic of Macedonia. Construction is estimated to take about five years, including the time allowed for obtaining financing and the necessary environmental permits. The estimated commissioning time is late 2017.

The forecasted positive effects to the societies of the two countries include dramatic improvement in the reliability of electricity supplies in the region, significant reduction of electricity losses and potentially an additional contribution to the GDP amounting to €37.9m in the former Yugoslav Republic of Macedonia and €43.9m in Albania within a 35 year perspective.

Source: Final progress brief on IPF projects' implementation in Albania, June 2015

***Gender impacts had been targeted, particularly in the Social Sector, but in many cases have not been followed up after project completion.***

In the main, the effects of WBIF projects equally benefit all citizens and residents. Due to the very technical nature of the WBIF – infrastructure investment preparation and implementation – there has been usually no direct gender or minority related impact (this does not imply that IFIs have ignored the issue and standard approaches seem to have been followed as appropriate). However, and

particularly in the Social Sector, there can be found some previous projects<sup>13</sup> (not part of the sample projects for this evaluation) that targeted gender and minority population issues and thus contributed to a better understanding by Western Balkans societies of gender equality and inclusion in the framework of European integration. However, there was usually no follow-up during or after project implementation on these particular issues. Therefore the existing data do not allow reasonable assessment of progress-made in relation to progress in gender and minority related issues across the Western Balkans, which can be attributed to the WBIF.

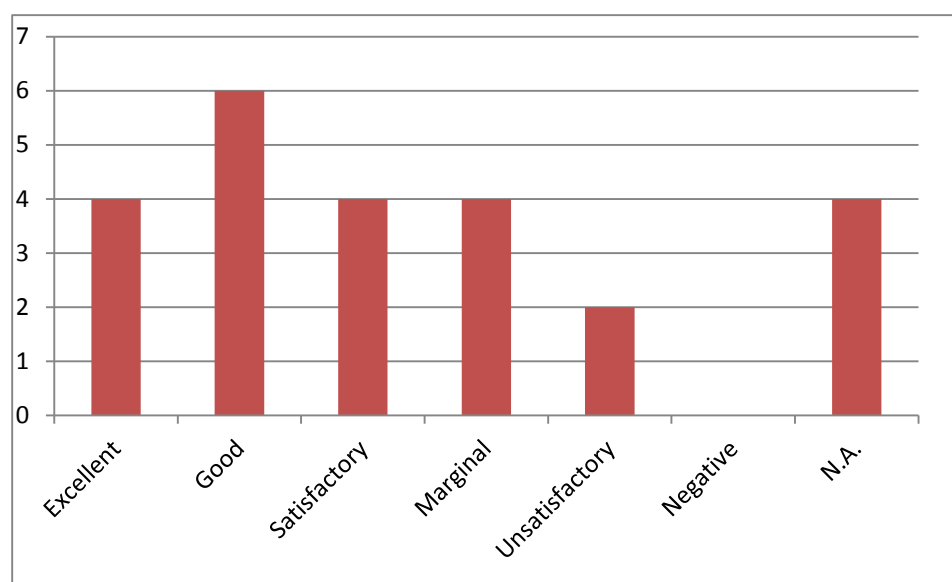
***Besides immediate impacts in terms of investment preparation and realisation, participation in the WBIF has sometimes improved the recognition of certain partner countries.***

In Kosovo there is clear evidence of a real benefit gained through WBIF assistance, besides investment preparation and realisation. KfW has been assisting Kosovo since the war ended in 1999, particularly with establishing an efficient and sustainable power supply. As recently as December 2012, KS became a member of EBRD. In 2013, EIB signed a Framework Agreement with Kosovo, allowing it to finance priority projects, particularly in the areas of the environment, transport, telecommunications and energy infrastructure. The benefits are evident since the WBIF stimulates project preparation, from pre-feasibility stage to detailed design, and the pooling of financial resources based on well-managed donor coordination.

***Sample projects, where they have been completed, mainly demonstrate adequate impact.***

Just 42% of the sample projects score “Good” to “Excellent” when judging the achievement of impact. The impact of 25% of the projects has been considered “Marginal” or “Unsatisfactory”. In particular, marginal impact can be attributed to ongoing or recently completed TA projects, where the expected impact in terms of investment realisation has not materialised yet. For 16% of the sample projects, it has been premature to identify any substantial impact. As pointed out above (blending of sample projects), this relates to a considerable extent to the sample projects in Croatia. While, as stated earlier, it would be very difficult - if not impossible - to separate the impacts of the WBIF from the impacts of other components of the accession process, and where relevant, the contributions of other donors - there has been no evidence of negative impact of any of the projects in the sample.

**Figure 12: Impact of sample projects**



Source: Field findings

<sup>13</sup> ALB-SOC-G-SPA 10 - *My book on gender equality: Promotion of gender equality in upper secondary education*; BiH-SOC-G-CHE 02 - *Gender Equality Agency*; MTN-CSO-G-EC 08 - *Gender Equality*.

### **EQ 15: How does WBIF contribute to the visibility of the EU, and the accession process, in the Western Balkans?**

***Stakeholders are aware of WBIF as an EC-funded facility - awareness about the instrument is high in the region and at all levels.***

The visibility of the WBIF programme is gradually increasing. Several years ago, national beneficiaries did not know much about WBIF, whereas of late, they have become increasingly acquainted with it and awareness has become significantly higher. Information that the WBIF will have an investment component has also contributed to the visibility of the programme among national actors. However, it was clear from country visits that actors outside the core government organisations were sometimes less aware of the WBIF operations.

***WBIF certainly contributes to EU visibility, even though the direct relation with the accession process is not so pronounced per se.***

WBIF/IPF follows the EU visibility rules. Besides, WBIF is usually in contact with the EUD Information and Communication Unit for preparing press releases, visibility events or briefing the EU Delegation/European Commission high officials for public events. EU visibility is based on standard practices (press, media, conference and logos) but often the beneficiaries give more importance to the lead IFIs than the EU/WBIF.

However, the visibility of WBIF projects is limited in principle, mainly due to their nature (primarily focusing on technical documentation or on intermediate stage of a large infrastructure development). At the investment stage, beneficiaries most likely see it from the point of view of the IFI and its overall loan/investment potential.

## **3.5. Sustainability**

### **EQ 16: To what extent do beneficiary systems, structures and resources help ensure sustainability of WBIF results? Will these results remain once EU funding finishes?**

***Sustainability is intrinsic to the WBIF structure and conditions future project development.***

WBIF is primarily involved in the development of large infrastructure projects with many single interventions and WBIF being engaged only in some parts (usually in preparation of project design and other technical documentation). National beneficiaries are involved in this process, from selecting the projects, through preparing and submitting the applications to implementation. Beneficiaries are also engaged in ensuring sustainability, adjusting legislation and procedures, acquiring finances for continuation of investments and maintaining the achieved results.

***WBIF grant support is mainly focused on studies that will lead to investment projects.***

Consequently, the sustainability of WBIF TA support depends on the longer term realisation of the individual target investments. As an integrated part of the project identification agenda, any prioritisation and selection process needs to include sustainability and maintenance considerations. This however, is not fully explored yet in WBIF.

Within the WBIF, only REEP and the EDIF are looking at the longer term sustainability. Both regional facilities have been constructed such that some activities are provided with finance immediately and some activities have a longer term perspective. For example, the EDIF has an expansion fund for high growth Small and Medium-sized Enterprises (SMEs) and an innovation fund for seed capital. Before the EDIF was launched, there was no concept of seed capital. A complementary pillar is looking at the regulatory environment so that seed capital companies could be created and be sustained in the

longer term. A similar situation can be recognised in REEP with two financing windows supplemented by one policy window (which looks partially at creating a policy framework for the creation of energy companies).

***Administrative capacities of beneficiaries vary by project/sector/country***

The administrative capacities of the assessed beneficiaries vary significantly: there are very knowledgeable and engaged beneficiaries, usually those ones that were developed through long-term international support. They are able to fully contribute to the whole programming process and properly and utilise the funds in a timely manner.

***However, too many of the WBIF beneficiary institutions are completely dependent on external technical assistance during each project cycle phase.***

For instance, in Albania, the general administrative capacities of beneficiaries for implementation of investment projects are low due to insufficient staff, inadequate experience or missing necessary structures and project implementation systems. In addition, difficulties are apparent in Bosnia Herzegovina, due mainly to the fragile relationship between the state and entity systems. A shortage of necessary skills is another factor that hinders successful project implementation.

***Prevailing weaknesses in urban and regional planning in the beneficiary countries often undermine the proper planning of investments.***

This observation is true almost for all IPA countries and relevant in particular when it comes to the planning of actions targeting the municipal level but it is also apparent for many national investment projects. Besides the prevailing administrative weaknesses, leading to lengthy approval procedures for building permits etc., in particular unresolved land ownership issues appear as a dominant factor for slowing down proper project preparation and implementation. Social housing in the Western Balkans is an example of an intervention type which faces such challenges permanently but the issue is systemic for many large infrastructure actions.

***Projects with local/municipal governments often suffer substantially from a lack of proper administrative, managerial and financial capacities.***

Tailoring design to the real needs could be improved in some projects, particularly those related to local/ municipal beneficiaries. This is especially valid where the beneficiary is a local institution, for which mostly work contracts are implemented. Indeed, at local level, the capacity is limited when it comes to conducting an assessment of their needs and capacities. Local stakeholders seem more likely to request or accept projects that they will not be able to operate or maintain fully.

***Policy and legislative environment represent another potentially critical dimension of sustainability for those actions requiring sector reforms.***

Political resistance to reform and transition play still a central role in undermining impact of WBIF assistance. Political commitment to sectoral reforms has been in many countries not underpinned by timely and serious action in implementing the reforms needed to move these countries forward in the process.

Moreover, political instability in certain countries can be considered as a relevant external factor that hampers the achievement of results and particularly affected impacts and sustainability of WBIF assistance. However, there has been general confirmation that an atmosphere of goodwill is present in almost all the steering groups and project meetings that take place. This indicates that the political tensions that still affect the region have hardly any severe impact on the workings of the projects. Consequently, despite limitations, a certain extent of co-operation has been reached between national administrations even when daily political disputes affected the region – for example projects requiring combined state and entity approval in Bosnia and Herzegovina have been successful (but this has not always been the case).

***Market prices represent a critical variable for sectors such as renewable energy production (e.g. feed-in tariffs).***

This is a common issue faced not just in the Western Balkans. Sensitivity to the level, type and conditions of the feed-in tariffs set by governments is apparent when planning renewable energy projects that rely on selling energy to the grid (e.g. hydro, wind and solar). Recent developments in Ireland and Spain with unanticipated reductions in the feed-in tariffs have caused severe problems with existing and planned projects.

***At Western Balkan country level, budget restrictions are the prevailing adverse factor for operational sustainability and maintenance.***

There appears to be a gradual improvement of economic conditions in the region. However, in the main the expected socio-economic impacts have not been achieved yet. Due to external factors, notably the adverse impact of the global financial crisis, infrastructure investments in the region remain moderate since state budgets are characterised by the need for austerity measures, and both IFIs and EU investors remain hesitant to invest in the region, reducing also the possibility to leverage pilot investments and to scale them up to regional levels. This is unfortunate since, in particular, regional infrastructure presents an area where impacts are generally clearly visible and countries are extremely keen to work together.

Consequently, the sustainability of the WBIF's results is undermined by fiscal constraints of the governments and other national beneficiaries. The prevailing administrative budget policy in many WB countries is a further impediment for sustainability. Particularly in the Western Balkans it is apparent that operation and maintenance budgets usually have to be requested each year. Due to budget cuts, the availability of sufficient budgets is often not ensured. Where maintenance and even consumable costs exceed the available beneficiary budget, there is a strong risk the operation of investments might be curtailed.

***Moreover, having implemented a WBIF project does not guarantee that the government will apply for or that the IFI will provide a loan.***

Distribution of loans also depends from IFI internal conditionalities, such as the case of the Serbian Gas Interconnector where the EBRD does not want to provide a loan to Srbijagas until they restructure. However, WBIF projects are always attractive to IFIs and in the latest example, EIB will step in, replacing EBRD in the financing of that project.

## 4. Conclusions

*This section sets out the conclusions on the strategy and performance of the programme under evaluation. The analysis of strengths and weaknesses in the way WBIF assistance is planned and implemented can help optimise the approach for future assistance within the overall context of technical cooperation.*

***Conclusion 1: Overall, WBIF provides a relevant and highly important response to the development needs of the Western Balkans region; however, strategic fine-tuning would be desirable.***

The new strategic orientation of WBIF, together with the various steps for increasing governance and accountability, have a clear potential to improve performance in the longer term. However, at the moment, there is hardly a shared vision in terms of what the WBIF actually intends to achieve in the remaining period till 2020. At the national beneficiary level, the existence of a strong and coordinated strategic framework for sectoral investments constitutes a major factor for the durable success of the WBIF. In view of the global situation and the overall political context for investment financing, WBIF administrative and management arrangements need to consider competition with other investors in the region. The quality of regional cooperation could be further improved through a stronger representation of the regional organisations for the priority sectors.

At the time of this evaluation, most of the reform measures introduced were still under preparation. The current lack of clear rules and guidance provides uncertainty among the various stakeholders. It is hoped that the situation will be clearer by the end of 2015.

Provided NICs perform in a satisfactory manner, both at national and WB-EU level, they could further contribute to harmonised sector coordination – in particular through the development of Single Project Pipelines - as concerns WBIF and IPA II investment projects.

***Conclusion 2: Prospects for effective delivery of TA projects are good in general, but vary from case to case. WBIF's efforts to pool grant resources in order to leverage loans for priority infrastructure and socio-economic development can be considered largely effective.***

The number and volume of TA grants and mobilised loans confirm the largely effective performance of the WBIF.

Added value in WBIF TA grants is usually ensured; most of the sample projects reviewed would have limited chance to be developed from national resources alone. The added value of the investment grants is less clear cut and insufficiently explored during decision making. Sector relevance and maturity represent the key criteria for WBIF funding decisions. Blending and leverage functions of the WBIF are apparent. Following the increase of investment funding until 2020 for the two priority sectors (TRA and ENE), with a focus on connectivity and the regional dimension, the importance of WBIF as a blending instrument will be maintained.

If additionality remains a key feature for WBIF it needs to be more clearly defined and identified, possibly by the applicants (WBs and IFIs), prior to funding decisions.

ENV and SOC investments have accelerated sector reforms in various beneficiary countries. However, these sectors no longer appear to be a WBIF priority. The effectiveness of TA grants and investments in the pipeline is therefore, currently unclear. Hopefully the situation will be clarified as part of the current development and implementation of the new WBIF structure.

***Conclusion 3: Efficiency in terms of management, monitoring and co-ordination has been adequate or even very good and commitment by respective beneficiaries, with some exceptions, mostly appearing at the initial phase of project preparation.***

Taking the complexity of the WBIF, its multiple stakeholders and demanding coordination and management mechanism, it appears to be a rather unique and largely efficient platform. Coordination and the quality of the dialogue within the WBIF is excellent.

It is clear that WBIF has built up good momentum. However, it takes continued effort by all parties to continue the high level of achievement to date. Moreover, in view of various reform steps being underway and the need to adopt new financial control and liability rules, the administrative burden is not likely to reduce markedly.

TA under the individual IPFs and the directly contracted IFI assignments have mostly provided good technical know-how. However, programming appears to be too long-lasting. In order to simplify the WBIF programming process a revised TA project preparation pathway should be considered.

The new MIS could potentially produce more immediate support to Monitoring and Evaluation, provided the stakeholders (in particular banks and, to a lesser extent, beneficiary institutions) agree to sufficient additional raw data – of high quality and on a regular basis.

***Conclusion 4: Most of the investment projects, once contracted, are heading towards substantial achievement of impact at least in the medium term.***

WBIF has so far not developed adequate and harmonised tools to assess its broader effects. However, it is apparent that WBIF support is providing very necessary assistance to Western Balkan countries in their attempt to meet the requirements for development and accession.

WBIF TA grants often start at the very beginning of an investment process and they are predominately initiators and triggers for turning investment concepts into reality. Key improvements are noted for the infrastructure in various sectors, which could, to a greater or lesser extent be attributed to the WBIF support provided. However, the WBIF achievements need to be counterbalanced with the size of investment needs for the entire region, which is far beyond the possibilities of the WBIF and the involved IFIs and bilateral donors.

***Conclusion 5: Most of the investment projects undertaken are likely to maintain their results in a sustainable way assuming legislative frameworks have been amended to meet EU-related provisions under each project.***

Moreover, it is clear that any effective structures and qualified staff operating and maintaining new investments provided for many respective beneficiary authorities constitutes a continuous challenge. As concerns sustainability, investments in the region are significantly limited by the prevailing capacities to adequately operate and maintain investments at the local levels and due to borrowing capacities or “fiscal space”.

There needs to be a concept for realising those Environmental and Social investments already in the WBIF pipeline, otherwise effectiveness, impact and sustainability of these projects is likely to get lost.

Overall sustainability is building up in the medium and long term, in line with the actual progress being made in terms of creating durable national project pipelines, national investment coordination mechanisms and mechanisms for leverage financing.



## 5. Lessons learnt and recommendations

*This section sets out lessons learnt about the strengths and weaknesses of the way WBIF support was programmed and implemented. This report recommends two sets of action aiming at the Strategy and Implementation of the programme under evaluation.*

### 5.1. Lessons learnt

**EQ 17: What lessons can be learned from the WBIF project identification, programming, preparation, blending and implementation process?**

***A major success factor of WBIF, particularly in response to the Connectivity Agenda, will be the quality and volume of individual WB project pipelines.***

The focus is clearly on projects that come from WB countries – increasingly through Single Project Pipelines and ownership is a very strongly embedded principle.

***The quality of single project pipelines needs to be carefully maintained.***

Taking into account the dependence of most of the beneficiary institutions on TA, combined with the lack of national funds for contracting assistance, the risk that project pipelines might fail to offer a sufficient number and quality of investment opportunities is apparent. External TA, funded by the EC, might be needed to build up pipelines of good quality projects in certain countries.

***Early involvement of WB Ministries of Finance (through NICs) is crucial for prioritising projects that are really needed and economically viable.***

As the borrowing capacity of the respective beneficiary country represents the major bottleneck for undertaking investments, the role of the Ministries of Finance is key to the WBIF investment process at country levels. This has been considered in the past only by a few beneficiary countries, such as the former Yugoslav Republic of Macedonia. However, with the establishment of the NIC, a coordinated and coherent approach for involving Ministries of Finance is likely to materialise. In the case of Bosnia Herzegovina, the additional administrative layer at the entity level needs to be kept in mind.

***Improved communication with bilateral donors would help regain their trust in WBIF.***

Financial contributions from bilateral donors for the Joint Fund, in particular for co-financing the ENV and SOC sectors, would provide clear added value.

***Within the region, Serbia has developed good practice in co-ordination of development assistance.***

Use lessons learned and best practice from Serbia in order to replicate the system for co-ordination of WBIF to other WB countries.

**EQ 18: What are the main strengths and weaknesses of the WBIF process?**

***The main strength of the WBIF process can be seen in flexibility, responsiveness and openness) to assist with project preparation and implementation.***

However, this might diminish in light of recently introduced measures and a requirement for compliance with financial regulations. The WBIF administrative burden is not likely to reduce markedly under the new funding and implementation structures.

***The main weakness of the WBIF process can be seen in a sometimes opaque system of decision making during the programming phase.***

Clarification and simplification of the WBIF “call process”, combined with the establishment of the NICs might address this weakness to some extent.

Further strengths and weaknesses are identified as part of the SWOT analysis, provided in Annex 5.

## **5.2. Recommendations**

**EQ 19: Could WBIF assistance be better targeted and implemented to improve effectiveness, impact and sustainability, particularly in view of IPA II requirements (e.g. sector approach)?**

*The following proposed recommendations address two main areas: 1) the overall strategic orientation of the WBIF, particular in the light of recently introduced measures; and 2) aspects of the implementation of WBIF, particularly in view of further increasing efficiency, effectiveness and impact.*

In addition, Annex 6 suggests possible quantitative and qualitative progress indicators for measuring the WBIF performance.

## Recommendations Table

Specific issue/conclusion	Recommendation1/proposed action	Addressee (Responsibility)	Deadline for implementation
<b>Strategy</b>			
There is no shared vision in terms of what WBIF actually intends to achieve.	Adopt a simplified framework of strategic objectives for the remaining life of WBIF, reflecting the principles and priorities set until 2020.	WBIF Steering Committee WBIF Secretariat	Mid 2016
WBIF administrative and management arrangements need to consider competition with other investors in the region.	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.	WBIF Secretariat IFICO	Continuous
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.	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/CBC projects – casting the WBIF net a little wider in terms of coverage and funding sources.	WBIF Steering Committee WBIF Secretariat DG NEAR	Mid 2016
Investments in the region are significantly limited due to borrowing capacities or “fiscal space”.	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 in order to increase the space for investments (the capacity to borrow) that are highly needed and economically viable.	DG NEAR and other Directorate-Generals	Continuous
<b>Implementation</b>			
ENV and SOC sector investments have accelerated reforms in various countries. However, these sectors no longer appear to be a WBIF priority.	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”.	WBIF Steering Committee WBIF Secretariat	End 2015
The revised WBIF funding architecture is still under development. The current lack of clear rules and guidance creates uncertainty among the various stakeholders.	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.	WBIF Steering Committee WBIF Secretariat	Preferably end 2015, latest March 2016
In order to simplify the WBIF programming process a revised project preparation pathway	One possible project preparation pathway could consist of the following steps:	WBIF Steering Committee WBIF Secretariat	Mid 2016

Specific issue/conclusion	Recommendation1/proposed action	Addressee (Responsibility)	Deadline for implementation
should be considered.	<ul style="list-style-type: none"> <li>a) 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);</li> <li>b) WBIF Secretariat review and selection of projects using a clearly defined process;</li> <li>c) 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);</li> <li>d) Approval of IPF proposals by IFI/government side;</li> <li>e) IPF delivery of project preparation outputs;</li> <li>f) IPF and IFI reporting to WBIF – more detailed and frequently than at present.</li> </ul>		
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.	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.	WBIF Steering Committee WBIF Secretariat	Mid 2016
The quality of regional cooperation could be further improved through stronger representation of regional organisations for the priority sectors.	As concerns the priority sectors, stronger involvement of the regional organisations would be helpful (SEETO, ECS) both at the level of SC as well as for certain NIC meetings.	WBIF Steering Committee WBIF Secretariat	End 2015
NICs potentially might further increase complementarity and coordination of the WBIF, particularly at individual WB country level.	Communication channels between all NICs in the region need to be established and maintained, particular in view of regional projects.	WBIF Steering Committee WBIF Secretariat	Immediately
	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.	WBIF Steering Committee WBIF Secretariat	End 2016
	Concerning NICs, the Commission Services should encourage the IFIs to send representatives regularly to the meetings.	WBIF Steering Committee WBIF Secretariat	Immediately

## 6. Annexes

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## Annex 1 – Specific Terms of Reference – Evaluation of WBIF

### FWC COM 2011 - LOT 1

#### Request for services n. 2014 / 352-812 Version 1

### BACKGROUND

#### A - 1 INTRODUCTION

This document sets out the background to this assignment, the overall objective, activities to be undertaken and the expected results. It also provides details on the resources required in terms of consultancy inputs and reimbursable expenditures. Finally it outlines the expected duration, location and reporting requirements.

##### A -1.1 Beneficiary country

Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo<sup>14</sup>, Montenegro, Serbia and Turkey.

##### A -1.2 Contracting Authority

The European Union, represented by the European Commission on behalf of and for the account of the beneficiary countries: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey.

#### A -2 BACKGROUND TO THE ASSIGNMENT

##### A – 2.1 General context

The European Union is strongly committed to fulfilling the Aid Effectiveness goals agreed in the Paris Declaration (2005) and the Accra Agenda for Action (2008) as well as the European Code of Conduct on Division of Labour in Development Policy (2007). The European Commission, with the participation of a number of EU member states and European development financiers, has launched new financing instruments for operations outside the EU aimed at translating these commitments into real action. Called loan and grant blending facilities (LGBFs), these instruments link EU budget grants – sometimes topped up with member state grants – with loans by European international and bilateral financial institutions.

The main rationale, while promoting blending mechanisms, is that by adding grants to loans, one can achieve a number of objectives:

To increase the volume of development finance in a context of constrained resources.

To make transfers to heavily indebted countries without excessively exacerbating debt overhang problems (although in practice in the EU blending mechanisms, the grant share in total loans and grants is often below 5-10%);

To address positive externalities to bring the financial rate of return closer to the economic rate of return for projects with a high socio-economic and/or positive environmental impact;

To improve the quality of funded projects;

To increase the coordination among financial partners and between them and the local Governments;

To improve the policy dialogue

Since 2007 several Investment Facilities have been launched, either with a sector (Infrastructure Trust Fund) or with a geographic focus. The Western Balkans Investment Framework (WBIF), set up in 2009, is one of them<sup>2</sup>.

##### A 2.2 – Background on WBIF

The WBIF was set up by the EC, European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB) and bilateral donors. The KfW and the

<sup>14</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

World Bank joined later. The WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of finance and technical assistance for strategic investments, particularly in infrastructure, energy efficiency and private sector development. It is a joint initiative of the EU, International Financial institutions, bilateral donors and the governments of the Western Balkans. The WBIF manages a large grant programme to support the investment projects carried out by the WBIF member banks. The Joint Grant Facility pools resources from the European Commission IPA, the IFIs, and grant contributions from bilateral donors. From 2008-2012, the European Commission committed approximately €250 million to the WBIF. The three partner IFIs (EBRD, EIB and CEB) each committed €10 million, and 19 donor countries pledged €84.95 million<sup>3</sup>. These latter contributions are managed in a dedicated Trust Fund called the European Western Balkans Joint Fund (EWBJF) jointly managed by the EBRD and EIB. By April 2014 the number of grants awarded is currently standing at 178 and the total amount of potential investments stands at approximately €13 billion. The latest developments show an increase in completion of projects, but there is a slight slowdown in the increase of the number of signed loans which is due to the difficult economic climate and limited fiscal space in the beneficiary countries. As of June 2014 there are 35 projects which are constructed or under construction with a total investment of €4.3 bn. The Joint Lending Facility has a portfolio of €2.7 billion in signed loans as of April 2014. The signed loans are mainly in the transport, social and environment sectors. This facility allows better distribution of funding resources, sharing investment scenarios and multiplying good investment cases within and across sectors of different Western Balkan countries.

The WBIF can provide the right responses to the various challenges in the WBs and the adoption of a sector oriented approach for the pre-accession assistance<sup>4</sup>. In relation to regional cooperation in infrastructure investment, the Western Balkans Investment Framework (WBIF) is seen to be a good example of effective regional cooperation in practice. The WBIF has coordinated a large programme of much needed infrastructure investment in the Western Balkans.

The key lessons are:

- Need for a single sector projects pipeline (transport, energy, environment, social);
- Investments should fit in sector strategies and policies at country level (ownership);
- Enhanced cooperation of all stakeholders (beneficiaries, IFIs, bilateral donors and the EC);
- 36% of projects funded from National IPA and 43% of projects funded from IPA Multi-country have a regional dimension.

This should change with the arrival of IPA II. Its Regulation has been adopted and came into force on 16 March 2014, applicable retroactively from 1st January 2014. The aim under IPA II will be to establish a single pipeline of projects.

A new methodology and key principles are proposed:

- Projects should fit in sector development plans (Strategic approach);
- Set-up of National Investment Committees NICs where appropriate (Transparency, Ownership/Political commitment and Prioritisation);
- An efficient project preparation. As regards the WBIF covers mainly regional but also national projects with FI support;
- Focus of IPA Multi-country on projects with regional dimension (Clear distinction between local, national and regional projects);
- Grant co-financing of projects' Implementation;
- Full respect of WBIF governance structures for revision of WBIF structures and funding documents;
- Key role of NIPACs;
- Stronger involvement of EU Delegations.

## B DESCRIPTION OF THE ASSIGNMENT

### B – 1 OBJECTIVE, PURPOSE & EXPECTED RESULTS

The overall objective of this evaluation is to enhance EU value added and cost-effectiveness in delivering investment and TA grants while addressing beneficiary needs. The purpose of this evaluation is to assess the performances of the WBIF since 2009. The assignment will be carried out taking on board findings from past and ongoing detailed reviews and needs assessment as well as complementary findings from a sample of sectors, namely Transport and Energy sectors, for a selected number of countries. A targeted samplings of projects considered representative per country and region are annexed to the ToR.

values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union

membership. Through such support, IPA II shall contribute to their stability, security and prosperity.

The evaluation will also make recommendations about future strategic directions. The movement to a sector-based approach in IPA II will require a much more strategic vision in programming, the need for much closer collaboration

amongst ministries and a further reinforcement of coordination with donors and IFIs, particularly for the Western Balkans. The WBIF represents a good example of such a mechanism, where the EU (IPA) represents a stakeholder, with a strong coordination function (WBIF secretariat), among various IFIs.

With an harmonised approach across the sample countries and a proposed final list of sample projects, the evaluation can explore further the evolution of WBIF and try to assess its capacity:

- To increase predictability and transparency in the calendar for project submission, screening and assessment including information about the availability of funds;
- To ensure coordination services in each beneficiary country;
- To speed up mobilisation of Joint Fund grants in the continuation of the work of the Task Force;
- To implement and supervise the project pipeline, in particular in order to manage stakeholder conflicts and institutional weaknesses;
- To support the participation by the private sector, e.g. through preparing for PPPs.

On the basis of measurable indicators, the evaluation will provide relevant recommendations to improve the design, programming and implementation of WBIF co-ordination mechanisms, with the view to improving its relevance, effectiveness, efficiency, impact, sustainability.

#### B – 1.1 Global objective

The global objective of this contract is to provide the Contracting Authority (the European Union, represented by the European Commission, DG ELARG Unit A.3) with relevant findings and conclusions showing the overall relevance of WBIF, its contribution to the achievement of objectives set out, as well as recommendations to enhance the WBIF's efficiency and effectiveness.

#### B – 1.2 Specific objective(s)

Assessment of the relevance, value added and cost effectiveness of WBIF.

##### B – 1.2.1 Specific tasks

The specific tasks of the experts will include the following:

- To assess the relevance, effectiveness, efficiency, impact, sustainability of WBIF
- To provide lessons learned and recommendations for decision-making on improvements of WBIF.

#### B – 2 Requested services

This evaluation will assess WBIF from 2009 to date. Based on the received project lists the evaluators should harmonise the approach across the sample countries and propose a final list of sample projects. Key factors that led to project selection include: projects should be from Energy and Transport sectors; there should be both projects preferably with higher budget/complexity and lower quality of implementation. Likewise, projects should preferably be completed. Furthermore, projects which are at different stages in the project cycle (i.e. ToR preparation; TA implementation; Further project preparation; Project financing; Construction) and studies not envisioned to directly progress to construction of particular projects, but rather provide input on prioritizing, can be assessed as well.

On the basis of measurable indicators, the evaluation will provide relevant recommendations to improve the design, programming and implementation of WBIF, with the view to improving its relevance, effectiveness, efficiency, impact and sustainability. The evaluation is foreseen as a strategic, policy-oriented evaluation and to this extent it should be launched at the DG Enlargement HQ level, and it will require support of the WBIF Steering Committee – the IFIs and bilateral donors. Furthermore, support is needed from EUDs, the IFIs, the bilateral donors, the final beneficiaries and main interlocutors at national level.

For the sake of providing a thorough assessment of the performance of WBIF to enlargement countries, the evaluation should cover Croatia<sup>5</sup>/IPA beneficiaries. The evaluation shall:

- Assess the policy coherence and complementarity between the WBIF's activities with IPA and IPA II programmes;
- Assess the wider impact of the WBIF operations on the availability of finance within IPA beneficiaries and compare the effectiveness, in terms of impact and additionality, of the grants available under WBIF;
- Conduct a SWOT analysis on WBIF capacity of coordination and implementation of both national and regional projects (for project implementation, at this moment, only regional projects can be supported by WBIF);



Based on relevant findings, conclusions and lessons learned above, it will provide relevant operational and concrete recommendations:

To identify more systematically investment needs and priorities and to establish – through a National Investment Committee or a similar national coordination mechanism – single sector project pipelines;  
 To make WBIF more responsive to the various challenges in the Western Balkans and the implementation of sector approaches in the framework of IPA II;  
 To identify the most suitable progress indicators and implementation methodologies according to the future design and implementation of working methodology for WBIF support to investment projects.

The evaluation will focus on the following questions:

#### Relevance:

To what extent are WBIF implementation modalities relevant and efficient?  
 To which extent the on-going reform has addressed WBIF weaknesses?  
 To what extent was the support provided coherent?  
 How could WBIF become more instrumental to the implementation of sector approaches in the framework of IPA II?  
 How relevant is WBIF in view of the accession priorities?  
 How is complementarity ensured with programmed actions at country/regional level?  
 What lessons can be learned from the implementation of WBIF?  
 What were the weaknesses and strengths of WBIF setting?  
 What are the specificities (if any) of the WBIF compared to similar schemes?  
 Which is the coherence of WBIF interventions with the whole set of instruments put in place by the EC at national/regional level to support the Western Balkans countries?

#### Effectiveness:

How effective is WBIF throughout the whole process (project identification, selection, implementation and appraisal)?  
 How effective is the prioritisation of the projects by the beneficiaries and the EU?  
 How far have WBIF's ways of working (including rules, governance structures, procedures, strategic direction, and how they have operated in practice) been optimal in channelling WBIF grant resources to where they add most value?  
 What is the degree of coordination of WBIF with the other forms of assistance provided by the EC?  
 Is the blending approach conducive to results aligned with development and accession objectives? Is there a risk that blending deviates EC funds from regions/projects mostly in need?  
 What is the value added of the EC with the grant contributions? Do they meet standard criteria to support private sector development and infrastructures?<sup>6</sup> Would the investments be financed even without the EC grants?

#### Efficiency:

To what extent were the costs of WBIF justified by the benefits generated in IPA Region?  
 How far has WBIF assisted in achieving the expected outcomes on the environment, energy, transport and social sectors and also private sector development?  
 How efficient is the flow of information and the practical arrangements among the different actors involved in the process (DG ELARG, contractor/sub-contractors, Delegations, beneficiaries, experts, IFIs)?  
 How efficient is the current reform with respect to the WBIF evolution? Which aspects could it further contribute to address?

#### Impact

To what extent are future WBIF's activities in IPA II programmes complementary and coherent with projects supported under the IPA National Programmes and/or other donors activities?  
 To what extent was WBIF effective in achieving the desired results, and what possibly hampered its achievement?  
 To which extent the WBIF is having or will have an overall positive effect on the facilitation of the Enlargement process?  
 To which extent are the conditions for impact in place?  
 To which extent are the outcomes of the WBIF supported and implemented by the beneficiaries?  
 Is an assessment performance framework already in place? Does it respond to the needs? What are the most suitable progress indicators to measure the direct and indirect impact of WBIF operations on socio-economic development?  
 What the possible undented impacts of the scheme put in place?

#### Sustainability

To what extent are WBIF project's outcomes consistent with the sector approach by the main stakeholders?  
 To what extent are the beneficiaries' systems, as well as, available resources stable and adequate?

To which extent the outcomes of WBIF are sustainable?

How adequate is the level of "EU visibility" provided by the WBIF during project implementation?

Coordination, coherence and complementarity: to what extent has WBIF been consistent with the support provided by other actors?

The final version of the Evaluation questions will be agreed at the end of the inception phase.

For each evaluation question at least one appropriate judgement criterion should be proposed, and for each such criterion the appropriate quantitative and qualitative indicators should be identified and specified. This, in turn, will determine the appropriate scope and methods of data collection.

#### B - 3 Suggested methodology

All Western Balkan countries are on focus.

The assignment will be carried out taking on board findings from a sample of projects for the selected number of countries. The projects subject to the evaluation are divided as follows:

Energy sector

Transport sector

The following aspects and assumptions for the methodology and evaluation tools should be taken as a minimum requirement for the present project:

The evaluation and methodology approach should take in consideration the specific mandate, the situation relative to IPA, the WBIF procedural rules and implementation mechanisms.

Data collection should be based on the documents and information provided by the Commission's services, the beneficiaries and the stakeholders, as well as, what is collected during the research, interviews and field observation.

A quantitative/qualitative methodology should be proposed to come up with a more concrete assessment of the impact/additionality of one or more interventions.

As guidance, the evaluation should follow the steps described below:

#### *Desk Phase*

Identification of a sample of relevant assistance to look at;  
Collection and analysis of relevant documentation;  
Assessment of WBIF Management System;  
Completion of the evaluation approach and methodology;  
Establish a list of contacts and sources of data for the field phase;  
Conduct preliminary interviews with HQ;  
Prepare and submit a draft inception report, which:

summarises the objectives, scope and outputs of the evaluation;  
provides the final draft of the evaluation questions;  
describes the methodological approach, including the judgement criteria;  
presents a work plan for the field and reporting phases.

#### *Field Phase*

The field phase will include personal interviews in ELARG Headquarter in Brussels, in IFI's HQs and in the EU Delegations. E-mail questionnaires and other tools may complement the interviews and data collection.

In this phase, the team will work in Brussels, in IPA countries and at their own premises, and will (non- exhaustive list of actions):

Conduct interviews with selected stakeholders according to the workplan.  
Collect and/or generate data, as agreed in the assessment methodology.  
At the end of the field work, a briefing and a de-briefing meeting will be organized in Brussels to present preliminary findings, conclusions and recommendations stemming from the field/desk phase and getting relevant feedback.  
In consultation with ELARG A3, DEVCO/C/3 and DEVCO/R/8, exchange views and coordinate approaches, to the possible extent, with DEVCO evaluation team working on the blending mechanism evaluation.

#### *Synthesis Phase*

This phase is mainly devoted to the preparation of the evaluation report based on the work done during the field phase and taking into consideration the outcomes of the briefing meetings.

The evaluator will make sure that his/her assessment is objective and balanced, affirmations -accurate and verifiable, and will present findings, conclusions and recommendations following a logical cause- effect linkage. When formulating findings and conclusions, the evaluator should describe the facts assessed, the judgement criteria applied and how this led to findings and conclusions.

Recommendations should address the weaknesses identified and reported. Recommendations should be operational and realistic in the sense of providing clear, feasible and relevant input for decision making. They should not be general but should address the specific weaknesses identified, clearly showing the measures to be undertaken.

Recommendations for action will be addressed to the Commission. However, where appropriate, the evaluator should specify the role of any actor other than the Commission, including beneficiary organisations, in implementing the recommendations.

The Consultant is required to use his/her professional judgement and experience to review all relevant factors and to bring these to the attention of the Commission.

The Draft Final Report should be sent to the Commission at the end of the Synthesis Phase. Conclusions and recommendations stemming from the field phase will be presented in Brussels.

Comments from the stakeholders and the Commission will be sent by the Commission to the Consultant. The final report will be delivered and presented by the Consultant's Team Leader and one Junior Expert in Brussels.

### B – 3.1 Required outputs

The outputs of the evaluation will be:

An Inception Report.

The inception report will draw the structuring phase of the evaluation and set out a detailed planning of the project's activities, including the work programme / workplan. If necessary it will reformulate and clarify the evaluation questions. It will also describe how the proposed method will be implemented in the light of examination of the quality and appropriateness of existing data and in particular, how the method can provide answers to the questions and respective judgements. The inception report should be submitted within 4 weeks after the start of the assignment.

A Final Evaluation report.

The evaluation report should specifically answer each of the evaluation questions agreed in the Inception phase, and meet all the specific objectives and requested services. The final outline of the report will be agreed during the inception phase. All reports should be drafted in English. The draft and final reports will be presented and discussed in Brussels. The final report should not exceed 60 pages in length not including the executive summary.

The draft report should be submitted within a maximum of 4 weeks after the end of the field visit. The draft report will be forwarded for consultation to the stakeholders within the Commission, as well as to the concerned target groups and beneficiaries. Each party will be invited to submit its comments within 4 weeks.

The final evaluation report takes into account the results of quality assessments and discussions with the European Commission, insofar as they do not interfere with the independence of the evaluator in respect to his/her opinions.

The revised report will include a table indicating how the comments have been handled.

The evaluation report should specifically answer the whole of the revised set of questions defined after the inception phase.

The main section of the evaluation report should be in line with the DG ELARG Evaluation Guide and contain the following sections:

An executive summary

Main text: workplan; findings and project profile sheets; recommendations for further investments; relevance, value added, visibility and sustainability of WBIF.

Conclusions

Recommendations

The final report should include in the annexes, as a minimum:

A list of the meetings held, as well as a summary of the discussions with each stakeholder;

A list of the documentation consulted.

The final report should be submitted within 2 weeks after receipt of the European Commission's comments.

The final outline of the report will be agreed during the inception phase. The draft and final report will be presented and discussed in Brussels.

The content and the format of the final report shall be elaborated and approved in the inception phase. The Contractor should provide an abstract of no more than 200 words and, as a separate document, an executive summary of maximum 6 pages, both in English and French. The purpose of the abstract is to act as a reference tool helping the reader to quickly ascertain the evaluation's subject. An executive summary is an overview, which shall provide information on the (i) purpose of the assignment, (ii) methodology / procedure / approach, (iii) results / findings and (iv) conclusion and recommendations. The final report should be suitable for publication.

#### A Final Activity Report.

It should describe in a concise and structured way how the above described "requested services" have been fulfilled (max 8 pages). In annex, it will include all requested information and analysis as necessary. This report will be in the English language.

The experts should ensure an internal quality control during the implementing and reporting phase of the evaluation. The quality control should ensure that the Final Evaluation report complies with the requirements in the methodology section above before its submission to the Reference Group<sup>7</sup>.

Evaluation Report dissemination/presentation, as deemed appropriate, in relevant meetings with Commission services and other stakeholders.

### C EXPERT PROFILE

The Consultant shall provide an appropriate team of experts to complete the requested evaluation. The contract will entail a global price.

#### C - 1 Number of requested experts per category and number of man-days per expert

Five experts are requested for this assignment.

The experts will be expected to be available for the whole duration of the assignment. It is expected that the assignment will require 200 working days.

Expert	Working days
Team leader	63
Senior expert	53
Junior expert n. 1	28+28+28
Junior expert n. 2	
Junior expert n. 3	

#### C – 2 Profile of the experts

The contract requires the following categories of expertise:

##### Senior Expert (Team leader):

University degree, preferably in social sciences or seven years of equivalent professional experience  
Minimum of 10 years post-degree relevant professional experience in evaluation, project management, performance audit, monitoring or academic research, including at least 5 years on evaluation;  
Advanced knowledge and experience in the development field;.

##### Senior Expert 2

University degree, preferably in Engineering or Economics or seven years of equivalent professional experience;  
Minimum of 8 years of post-degree relevant professional experience in project financing and in design, implementation of infrastructural projects;  
Strong knowledge of blending mechanisms and funding is a requirement.

Three Junior Experts:

Minimum of 3 years post-degree relevant professional experience in evaluation, project cycle management, performance audit, monitoring or academic research.

Strong knowledge of blending mechanisms and funding for at least one of them is a requirement

The minimum requirement for the team as a whole are:

Excellent oral and writing skills in English (all experts);

Previous experience in the context of project evaluation in the development field and financing of infrastructure projects, as well as transport and energy sectors will be an asset;

Two experts should have command of the Serbian and/or Croatian and/or Bosnian language(s).

The following would be considered as assets:

Knowledge of the Enlargement environment;

Knowledge of WBIF.

CVs must be attached to the tender bid for all experts. The technical proposal should include a table showing how the proposed key experts, both as a whole and for each individual expert, meet the above requirements.

	Team leader	Senior Expert	Junior Expert	Junior Expert	Junior Expert
	Mandatory requirements				
N+1					
N+2					
	Assets/advantages				
N+1					
N+2					

The technical proposals which do not meet the minimum requirements for the experts will be rejected.

**D LOCATION AND DURATION D – 1 ASSUMPTION AND RISKS**

Risks and assumptions cannot be listed exhaustively. It is assumed that services within both the Commission and the implementing authorities of the beneficiaries accept the evaluation as an integral part of the project management cycle and are committed to provide the necessary information, and will subsequently act on recommendations and findings, as well as provide the follow up information to the Commission.

The following are additional relevant assumptions for the above evaluation:

Monitoring data is available on time and provide sufficient and adequate information;

Access to requested documentation and information on WBIF is ensured by the Commission and the beneficiaries;

The WBIF Contact Points in IPA Beneficiary Countries, EU Delegations staff, beneficiaries and implementing parties are regularly informed on objectives and methods of this evaluation, in order to ensure their full cooperation.

The experts should immediately inform DG ELARG Unit A.3 in the event one or several of the above assumptions prove to be untrue. The experts will also report any limitations to the evaluation due to insufficient collaboration from key stakeholders.

**D – 1.1 Timing***Starting period*

The evaluation is expected to start in December 2014 and to last 12 months.

*Suggested indicative Planning (to be reviewed)*

Phase activity	Location	Estimated Experts' input (nr of days)				
		Junior Expert	Junior Expert	Junior Expert	Senior Expert (Team Leader)	Senior Expert 2
Desk Phase						
Kick-off Meeting	Brussels	1	1	1	1	1
Data collection & processing	Home based	3	3	3	8	8
Drafting of the inception report	Home based	2	2	2	3	3
Mission preparation	Home based	3	3	3	3	3
Field Mission Phase						
Data collection	Brussels				2	2
Data collection/Phone interviews	Home based	3	3	3	4	4
Data collection/ interviews	IPA Region	10	10	10	32	22
Synthesis Phase						
Drafting of the 1st version of the final report	Home based	6	6	6	7	7
Briefing	Brussels				1	1
Debriefing	Brussels				1	1
Evaluation Report dissemination	Brussels				1	1
		28+28+28			63	53

The final planning will be discussed with the DG ELARG Unit A.3 and D.3 as identified in the contract.

#### D – 1.2 LOCATION AND DURATION

##### D – 1.2.1 starting period

The evaluation is expected to start in December 2014.

D – 1.2.1 Foreseen finishing period or duration The duration of the assignment is 12 months.

#### D – 2 Location of the assignment D – 2.1 Location

The desk research will be performed at the Consultant's office. The field research will take place in Brussels, IFI's HQ countries and IPA beneficiary countries. No travel expenses will be reimbursed in relation to desk work. Meetings in Brussels will take place at the beginning and end of the desk phase, with the presence of the team leader (other experts as appropriate).

#### D – 3 QUALITY CONTROL

##### D - 3.1 Internal quality control

The evaluator should ensure an internal quality control during the implementing and reporting phase of the evaluation. The quality control should ensure that the draft reports comply with the above requirements and meet adequate quality standards before sending them to the Commission for distribution to stakeholders for comments. The quality control should ensure consistency and coherence between findings, conclusions and recommendations. It should also ensure that findings reported are duly substantiated and that conclusions are supported by relevant judgement criteria.

##### D - 3.2 Quality control by the Commission

The inception report will be reviewed by the Commission. At a later phase for the draft final report, the Commission will coordinate the collection of input from other stakeholders. The Commission will return the consolidated comments to the Consultant before production of the Final Report.

#### E- REPORTING

##### E – 1 Sources of information

Sources of information to be used include but are not restricted to:

Planning and programming documentation and strategic documents;  
Project fiches;  
Monitoring and evaluation reports;  
Previous relevant Interim and Final reports;  
Available publications, surveys and reviews;  
Interviews and other survey methods;  
Relevant Strategies for IPA communities.

All the relevant documents will be provided by the WBIF team in DG ELARG after the kick off meeting. Websources of information to be used by the experts include, but are not restricted to:

<http://www.wbif.eu/>

##### E – 2 Working language

The main working language of the assignment and for the reports is English; the Executive report (max 6 pages) to be provided also in French.

##### E – 3 Submission/comments timing (to be reviewed)

Phase I: Inception phase (December 2014/January 2015)	
1.1 Preliminary data collection	
1.2 Initial briefing in Brussels	
1.3 approach criteria	
1.4 Fine tuning of assessment approach and methodology: questionnaires, judgement criteria identification of field	Evaluation questions, set up of
1.5 Finalizing Inception Report	
Phase II: Desk analysis and review (December 2014/January 2015)	



2.1 Collection and update validation of strategic documents
2.2 Desk analysis based on evaluation question and judgement criteria
Phase III: Fields missions (January 2015)
3.1 Field interviews/Phone interviews and validation of assumptions – per country
Phase IV: Synthesis Phase I (July 2015)
Phase V: Synthesis Phase II (September/October 2015)
4.1 SWOT Analysis on WBIF
4.2 Quantitative and qualitative indicators
4.3 Drafting Final Evaluation report and Final Activity report to Reference group
4.4 Intermediary validation briefing in Brussels
4.5 Revising Final reports to DG ELARG Unit A.3
4.6 Final presentation and debriefing
The Final reports to be submitted (October 2015)
Dissemination of the report (November/December 2015)

#### E – 4 Number of copies

The draft Reports (Inception report, Evaluation report, and Activity Report) will be submitted to the DG ELARG project manager in electronic form by e-mail. The Final Evaluation report will be submitted in electronic form by e-mail. Upon acceptance of the report, six paper originals shall be delivered to the EC.

The draft final report will be due by the end of July 2015 and the final report in October 2015, following incorporation of comments and suggestions from the Delegations. The dissemination of the evaluation findings to a wider audience is scheduled at the end of the assignment, in principle

The table of contents for all reports will be agreed with the DG ELARG project manager. The Final Activity Report (in 3 paper originals and in electronic version) should bear record to the assignment as a whole. It should describe in a concise and structured way how the above described “required services” have been fulfilled (max 8 pages). In annex, it will include all requested information and analysis as necessary.

All the reports and expected outputs shall be produced in English of a high standard, using the appropriate style, and with the text structured in a clear and concise way. The Final Evaluation report should be suitable for publication.

All electronic versions have to be submitted in a format compatible with MS Office software. The EC reserves the right to request additional revisions of the reports, if this is deemed necessary in order to reach an appropriate outcome and to satisfy quality control requirements.

#### F ADMINISTRATIVE INFORMATION

##### F – 1 Language of the specific contract

The specific contract is in English.

##### F – 2 Request for succinct methodology

A methodology (not longer than 5 pages) should be submitted with the offer.

##### F – 3 Items to foresee under ‘Reimbursable’

Travel and per diem costs may be included in the reimbursable costs if justified by the methodology (which will be finalised in the inception phase). The number of working days for each expert in different locations will also be based on the methodology. For the purpose of making an offer, the following travel information/translation cost should be taken into consideration:

International travel to Brussels and IFI HQ, max. 13 return trips;

International travel to IPA Region, max. 12 return trips;

Inter-city travel, max 30 trips;

Per diems in Belgium, Germany and UK, max. 15 per diems in case the expert is based outside of Belgium;

Per diems in IPA Region and Croatia, max. 84 per diems

Translation costs for an abstract of no more than 200 words and an executive summary of max 6 pages in French.

The framework contractor will make sure that the experts are covered by an appropriate travel insurance (i.e., it includes medical repatriation coverage).

In the event that the totals for a particular line in the budget will/could be impacted as a result of any circumstances not foreseen in these terms of reference (inter alia implementing modalities agreed with the EC task manager), the contractor must alert the EC task manager. In any case, should any modification be required to the budget agreed at contract signature, these will have to be properly justified, and will be subject to the ex-ante written approval in line with the general conditions.

#### F - 3.1 Tax arrangements

Taxes, including VAT and other duties are exempted from EU financing.

#### F - 4 OTHER IMPORTANT REMARKS:

During all contacts with stakeholders, the Consultant will clearly identify him/herself as independent consultant and not as official representative of the European Commission. All reports shall clearly indicate the number of the contract on the front page and on each of the pages and carry the following disclaimer: "This report has been prepared with the financial assistance of the European Commission. The information and views set out in this [report] are those of the author(s) and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this evaluation. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained therein". The report shall apply EC Visual Identity.

In accordance with Article 14 of the General Conditions of the Contract, whereby the Contracting Authority acquires ownership of all results as part of the current assignment, these results may be used for any of the following purposes:

use for its own purposes: making available to the staff of the contracting authority, making available to the persons and entities working for the contracting authority or cooperating with it, including contractors, subcontractors whether legal or natural persons, Union institutions, agencies and bodies, Member States' institutions, installing, uploading, processing, arranging, compiling, combining, retrieving, copying, reproducing in whole or in part and in unlimited number of copies,

distribution to the public: publishing in hard copies, publishing in electronic or digital format, publishing on the internet as a downloadable/non-downloadable file, broadcasting by any kind of technique of transmission, public presentation or display, communication through press information services, inclusion in widely accessible databases or indexes, otherwise in any form and by any method;

modifications by the contracting authority or by a third party in the name of the contracting authority: shortening, summarizing, modifying of the content, making technical changes to the content necessary correction of technical errors, adding new parts, providing third parties with additional information concerning the result with a view of making modifications, addition of new elements, paragraphs titles, leads, bolds, legend, table of content, summary, graphics, subtitles, sound, etc., preparation slide-show, public presentation etc., extracting a part or dividing into parts, use of a concept or preparation of a derivative work, digitisation or converting the format for storage or usage purposes, modifying dimensions, translating, inserting subtitles, dubbing in different language versions:

rights to authorise, license, or sub-license in case of licensed pre-existing rights the modes of exploitation set out in any of the points (a) to (c) to third parties.

Where the Contracting Authority becomes aware that the scope of modifications exceeds that envisaged in the contract or order form the Contracting Authority shall consult the contractor. Where necessary, the contractor shall in turn seek the agreement of any creator or other right holder. The contractor shall reply to the contracting authority within one month and shall provide its agreement,

including any suggestions of modifications, free of charge. The creator may refuse the intended modification only when it may harm his honour, reputation or distort integrity of the work. All pre-existing rights shall be licensed to the Contracting Authority. The contractor shall provide to the contracting authority a list of pre-existing rights and third parties' rights including its personnel, creators or other right holders.

The evaluation questions and methodology for this assignment may need to be further elaborated by the evaluator in the inception report.

Attention is drawn to the fact that the European Commission reserves the right to have the reports redrafted as many times as necessary, and that financial penalties will be applied if deadlines indicated for the submission of reports (drafts and final, in hard and electronic copy) are not strictly adhered to.

## Annex 1 – Transport sector

Project Code	Title of Operation	Country(ies)	Sector(s)	Round	Services requested	Grant Approved	Total Est. Inv.
TA-BIH-08	Corridor Vc – second phase	BiH	TRA	1	FS; TMA	€ 500.000	€ 180.000.000
TA-BIH-06	Construction of Main Road Foca (Brod na Drini)-Hum	BiH	TRA	1	FS	€ 700.000	€ 80.000.000
TA-KOS-02	Rehabilitation of Railway Route 10 (Leshak – Mitrovicë – Fushë Kosovë – Ferizaj – Hani i Elezit)	KOS	TRA	1	PFS	€ 500.000	€ 75.900.000
WB11-KOS-TRA- 02	Highway section E, Pristina - Merdare	KOS	TRA	11	EIA; FS; PD	€ 500.000	€ 150.000.000
TA2-BiH-TRA-02	Railway Sarajevo-Podlugovi	BiH	TRA	2	DD; TD	€ 600.000	€ 30.000.000
WB1-BiH-TRA-03	Mahovljani Interchange: Assistance with Institutional Strengthening of RS Motorways	BiH	TRA	3	TMA	€ 300.000	€ 28.700.000
WB1-BiH-TRA-01	Corridor Vc Motorway	BiH	TRA	3	SoW; TMA	€ 2.000.000	€ 495.000.000
WB5-BiH-TRA-14	Corridor Vc Railways, Track overhaul Bos. Šamac/Šamac – Sarajevo, Sections: Dobož – Maglaj, Jelina- Zenica		TRA	5	ATP; DD; FS	€ 1.000.000	€ 31.000.000
WB5-KOS-TRA- 06	Feasibility Study for the key railway links (East – West)	KOS	TRA	5	FS; PD	€ 600.000	€ 182.000.000
WB6-BiH-TRA-15	Technical assistance during construction of Brčko bypass	BiH	TRA	6	ATP; TMA	€ 500.000	€ 45.000.000
WB6-BiH-TRA-18	Study on toll collection & system design for RS motorways	BiH	TRA	6	TMA	€ 300.000	€ 10.300.000
WB7-REG-TRA- SD-02	Updating the Regional Transport Study (REBIS)	REG	TRA	7	SD	€ 600.000	€ 600.000
<b>TOTAL</b>						<b>€ 8.100.000</b>	<b>€ 1.308.500.000</b>

**Grant types:** DD Detailed Design; EIA Environmental Impact Assessment; FS Feasibility Study; IRS Interest Rate Subsidy; PFS Pre-Feasibility Study; SoW Supervision of Works; TA Technical Assistance; TMA Technical and Management Assistance; SD Study

## Annex 2 – Energy sector

Project Code	Title of Operation	Country(ies)	Sector(s)	Round	Services requested	Grant Approved	Total Est. Inv.
TA-SER-26	Uprating of transmission network in Western Serbia to 400kV operation	SER	ENE	1	FS; PFS	€ 500.000	
WB4-SER-ENE- 04	Interconnection with Bulgaria Gas Transmission Pipeline	SER	ENE	4	EIA; FS; SIA	€ 1.000.000	€ 62.500.000
WB4bis-REG- ENE-01	Albania – the former Yugoslav Republic of Macedonia 400 kV Interconnection		ENE	4bis	EIA; FS	€ 650.000	€ 36.150.000
WB5-HR-ENE-01	LNG Regasification Vessel	HR	ENE	5	EIA; FS; PD	€ 1.000.000	€ 101.000.000
WB5-HR-ENE-02	LNG Evacuation Gas Pipelines Omišalj-Zlobin-Rupa(Slovenia)	HR	ENE	5	EFA	€ 180.000	€ 95.680.000
WB5-SER-ENE- 06	Rehabilitation of the District Heating Systems in Serbia – Phase IV" - Program implementation – SECOND STAGE	SER	ENE	5	FAA; TMA	€ 1.512.000	€ 58.262.000
WB5-REG-ENE- 02	400 kV Interconnection Serbia – Montenegro – BiH - Regional Project	REG	ENE	5	EIA; FS	€ 850.000	€ 92.850.000
WB5-REG-ENE- 03	Regional Project Ionian Adriatic Pipeline	REG	ENE	5	EIA; FS	€ 3.500.000	€ 583.500.000
WB6-REG-ENE- 08	South Gas Interconnection of BiH and Croatia (Option 1: Zagvozd-Posusje- Travnik; Option 2 Ploce-Mostar)	REG	ENE	6	EIA; FS; PD	€ 400.000	€ 101.000.000
WB7-REG-ENE- 09	Establishment of a Regional Energy Efficiency Programme for the Western Balkans	REG	ENE	7	CF; EFA; TMA	€ 23.350.000	€ 186.500.000
WB8-HR-ENE-11	FS, ESIA & CBA – regulation & development of the Sava river	HR	ENE	8	EIA; FS; SIA	€ 1.500.000	€ 1.210.000.000
WB9-REG-ENE- SDP-01	Biomass heating in Western Balkans sector study	REG	ENE	9	SD	€ 875.000	€ 875.000
<b>TOTAL</b>						<b>€ 35.317.000</b>	<b>€ 2.528.317.000</b>

**Grant types:** DD Detailed Design; EIA Environmental Impact Assessment; FS Feasibility Study; IRS Interest Rate Subsidy; PFS Pre-Feasibility Study; SoW Supervision of Works; TA Technical Assistance; TMA Technical and Management Assistance; SD Study

## **Annex 2 - Methodology**

## Methodology – Main Components

The Inception Report of this contract outlined the main components of the evaluation methodology. Its main elements were:

- Framework for answering the evaluation questions;
- Inception stage methodology;
- Field stage methodology;
- Synthesis stage methodology and outputs.

This was underpinned by an Evaluation Matrix that was prepared specifically for this evaluation and that is presented below:

Evaluation Questions	Judgement Criteria	Judgement Indicators	Sources of Information
EQ 1: To what extent has WBIF support helped the Western Balkans achieve the strategic objectives of EU accession?	Consistency of WBIF objectives and priorities with country (pre-accession) strategy and (accession) needs  Integration of needs assessments into relevant country and sector strategies and programmes, policies and legislation	Objectives of WBIF projects as stated in overall WBIF strategies are identifiable in country and sector strategies; i.e. hierarchy of objectives is discernible from WBIF to country programmes WBIF country strategies and programmes reflect/make reference to accession-related outcomes of needs assessments prepared as part of the programming process	Multi-annual Indicative Planning Documents (MIPDs)/Country Strategy Papers (CSPs); IPA national and regional programmes; country/ sector strategies; administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Enlargement Progress Reports, Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 2: To what extent will the new methodology help improve WBIF?	Identification and comparison of planned and realised improvements throughout the WBIF operations	Planned improvements are confirmed by reality WBIF investments are prepared, procured and implemented according to the planned improvements Type, quality/ quantity of improvements directly attributable to the reform Type, quality/ quantity of improvements directly attributable to other factors	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 3: To what extent is ongoing and planned WBIF support coherent with, and to what extent does it complement/ coordinate with national, regional, EU (sector) and other (donor) assistance?	Extent of complementarity and coherence with other assistance	Evidence of real benefit gathered from complementarity and coherence Loss of project benefit directly attributable to inappropriate complementarity and coherence	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 4: How relevant is WBIF in view of	Consistency of WBIF objectives and	Objectives of WBIF projects as stated in	MIPDs; IPA national and regional



Evaluation Questions	Judgement Criteria	Judgement Indicators	Sources of Information
the priority needs (including accession and sector specific needs, e.g. connectivity) of the countries in the region?	<p>priorities with country (pre-accession) strategy and (accession) needs</p> <p>Integration of needs assessments into relevant country and sector strategies and programmes, policies and legislation</p>	overall WBIF strategies are identifiable in country and sector strategies; i.e. hierarchy of objectives is discernible from WBIF to country programmes	programmes; country/ sector strategies; administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Enlargement Progress Reports, Monitoring and Evaluation Reports
EQ 5: What differentiates WBIF from other project and programme identification / preparation / blending approaches?	Identification of the WBIF approach compared to other similar facilities	<p>Identification and usage of defined quality standards</p> <p>Organisational, technical and financial concepts developed and approved by both WBIF management and national authorities</p> <p>Benchmarking with similar blending mechanisms</p>	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 6: How effective is WBIF throughout the investment process (project identification, prioritisation, selection, implementation and appraisal)?	Extent to which the WBIF investment process leads to achieving the set goals	<p>Identification and usage of defined quality standards</p> <p>Projects prepared, procured and implemented in line with set timetables</p> <p>WBIF initiatives bring the expected benefit to target groups</p> <p>Identification of external factors influencing the investment process</p>	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 7: Does the WBIF blending approach produce results consistent with development and accession objectives – or is there a risk that European Commission funds are diverted from worthwhile projects that don't meet WBIF criteria?	Extent to which the blending approach produces results, consistent with given overall and strategic objectives	WBIF criteria and efforts deployed in blending reflect the priorities established	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 8: What added value does the European Commission gain from supporting WBIF? Would WBIF supported projects be financed without European Commission grants?	<p>European Commission benefits directly attributable to the WBIF</p> <p>Likelihood of overall project realisation in the absence of WBIF</p>	<p>Identifiable benefits for European Commission.</p> <p>Evidence of projects that would not be realised in the absence of WBIF</p>	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 9: To what extent has WBIF helped (or hindered) the development of the energy and transport sectors (the main focus of this evaluation)? Reference can	WBIF assistance provides for a mix of financial instruments that well address needs and constraints as identified and formulated in EU and national	<p>Ratio of WBIF projects approved / applications/ investments realised overall and among sectors</p> <p>Ratio demand/supply</p>	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG

Evaluation Questions	Judgement Criteria	Judgement Indicators	Sources of Information
also be made to environment, social and private sectors.	strategies, policies and programmes targeting the Western Balkans	Number and quality of beneficiary coverage Level of project satisfaction expressed by beneficiaries	NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 10: How efficient are the administration and management arrangements and information flows within the WBIF ecosystem (DG NEAR, European Commission contractors, EU Delegations, beneficiaries, experts, IFIs and donors)?	Administration and management arrangements and information flows are appropriately ensured at reasonable cost	Effective dialogue among all WBIF stakeholders is operational Management and administrative tasks being discharged timely and respecting established deadlines Factors that contribute to achieving/ non-achieving efficient arrangements and flows Benchmarking with similar facilities	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 11: To what extent is WBIF facilitating the EU enlargement process?	WBIF impacts are identifiable and continue to contribute to country aspirations for EU accession.	Type, quality/ quantity of intended and unintended impacts on country accession efforts	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Enlargement Progress Reports; Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 12: To what extent are WBIF planned results supported and implemented by the beneficiaries (e.g. Government, Ministries, Municipalities, enterprises)?	Ownership and active buy-in by WBIF beneficiaries in preparation and implementation	Quality of ownership in beneficiary implementation approach Number, type and quality of identifiable actions demonstrating ownership	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, IFIs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 13: Is an assessment performance framework already in place? Does it respond to the needs? What are the most suitable indicators to measure the direct and indirect effects of WBIF operations on socio-economic development?	Formal and operational performance framework in place, ensuring the efficient planning and follow-up of WBIF performance	Performance review structures in place through formal appointments of staff and adoption of procedures Quality data collection, analysis and disbursement mechanisms in place	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 14: Can WBIF impacts be sufficiently measured? Did the expected impacts materialise? Did WBIF activities result in any additional or unexpected impacts (negative or positive)?	WBIF support had an identifiable impact on the Western Balkans  WBIF support had an identifiable impact on the priority sectors identified for the Western Balkans	Existence of measurable indicators of achievement Existence of WBIF programme document containing information that could be used for defining indicators of achievement	MIPDs; IPA national and regional programmes; country/ sector strategies; administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Enlargement Progress Reports; Monitoring and Evaluation

Evaluation Questions	Judgement Criteria	Judgement Indicators	Sources of Information
	WBIF has had additional/ unexpected impact on the target region, individual beneficiary countries or the various stakeholders	Additional/ unexpected benefits to the target sectors are acknowledged/ recognised by direct and non-direct stakeholders	Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 15: How does WBIF contribute to the visibility of the EU, and the accession process, in the Western Balkans?	WBIF assistance has effectively contributed to increased EU visibility in the target region	Examples identified of an effect of WBIF support that are relevant for increased EU visibility Evidence of increased EU visibility directly attributable to WBIF	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 16: To what extent do beneficiary systems, structures and resources help ensure sustainability of WBIF results? Will these results remain once EU funding finishes?	<p>Institutional/ administrative strategies and actions (at governmental, ministerial, agency, local level, etc.) supporting project outcomes are in place</p> <p>Availability and provision of administrative capacities for procurement, implementation and utilisation</p> <p>Availability of clear provisions and procedures for ensuring proper maintenance and continuation</p> <p>Availability of financial and human resources for continuation/ maintenance of activities and further improvements</p>	<p>Institutional strategies are in use by beneficiaries</p> <p>Supporting legislation (especially secondary legislation) in place</p> <p>Beneficiary budgets in place for hiring and employing staff for project preparation, procurement and implementation</p> <p>Staffing plans exist and there is evidence of their application in practice.</p> <p>Beneficiary budgets in place for managing, operating and maintaining infrastructure/ equipment</p> <p>Evidence of training sessions and number of participants in specific training activities</p> <p>Staffing plans exist and there is evidence of their application in practice</p> <p>Government policies towards the relevant sectors encourage/ require regular maintenance and continuation</p> <p>Quantitative targets of the respective project are met (continue to be met)</p>	Administrative data from DG NEAR, EUDs, IFIs and national authorities (if available); Monitoring and Evaluation Reports; Structured interviews with DG NEAR, EUDs, national authorities, programming and implementing actors, and beneficiaries of WBIF assistance
EQ 17: What lessons can be learned from the WBIF project identification, programming, preparation, blending and implementation process?	Judgement criteria and indicators are not applicable for lessons learned/ recommendations as they in essence synthesise the findings of the evaluation questions, which have been developed using the judgement criteria above		-
EQ 18: What are the main strengths and weaknesses of the WBIF process?	Judgement criteria and indicators are not applicable for lessons learned/recommendations as they in essence synthesise the findings of the		-

Evaluation Questions	Judgement Criteria	Judgement Indicators	Sources of Information
	evaluation questions, which have been developed using the judgement criteria above		
EQ 19: Could WBIF assistance be better targeted and implemented to improve effectiveness, impact and sustainability, particularly in view of IPA II requirements (e.g. sector approach)?	Judgement criteria and indicators are not applicable for lessons learned/recommendations as they in essence synthesise the findings of the evaluation questions, which have been developed using the judgement criteria above		-

## **Annex 3 – Scope of the evaluation**

## a) WBIF Mapping

### Introduction

The Western Balkans Investment Framework (WBIF) is a blending financial instrument, which combines grants and loans from various sources. WBIF was established in 2009 with the goal of supporting socio-economic development and EU accession across the Western Balkans - through the provision of finance and technical assistance for strategic investments in infrastructure, private sector development and energy efficiency.<sup>15</sup>

The WBIF was initially set up by the European Commission (EC), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB) and 19 bilateral donors while KfW and the World Bank later joined the initiative. Geographically, WBIF focuses on Albania, Bosnia and Herzegovina, Croatia, Kosovo\*, the former Yugoslav Republic of Macedonia, Montenegro and Serbia. Those countries are also called WBIF "Beneficiaries".

The WBIF also fosters a multi-beneficiary and a regional approach, where projects might cover more than one WBIF Beneficiary country, or where projects link with particular EU member states.

The WBIF has two main objectives:<sup>16</sup>

- To pool grants, loans and expertise together in order to prepare finance for a common pipeline of priority investment projects;
- To strengthen coherence and synergy in donors' support thus ensuring a positive impact and high visibility of these priority investments in the beneficiary countries of the region.

As mentioned earlier, the WBIF 'blends' financial instruments: grants and loans. Grants are provided from various sources and pooled into a Joint Grant Facility (JGF). This consists of grant resources from the European Commission Instrument for Pre-Accession (IPA), grant contributions from participating IFIs, and grant contributions from bilateral donors through the European Western Balkans Joint Fund (EWBJF).<sup>17</sup>

The purpose of the grants is to attract much larger amounts of loan finance. Grants are used in two ways: (a) for technical assistance (TA) in preparing a project for investors to make their investment potential project decision "bankable" (this is a predominant modality in using grants); and, (b) for direct grant investments (this only happens in particular cases).

The loan money funds are used to pay for an infrastructure project's development through to completion.

### WBIF Governance Structures

The WBIF governance structure is organised as follows:

**The Steering Committee** is the highest decision making body in the WBIF. It takes all decisions related to the Joint Grant Facility (JGF), including project approvals, and provides strategic guidance for the WBIF. It is composed of representatives from the beneficiaries, the EC, partner IFIs 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).

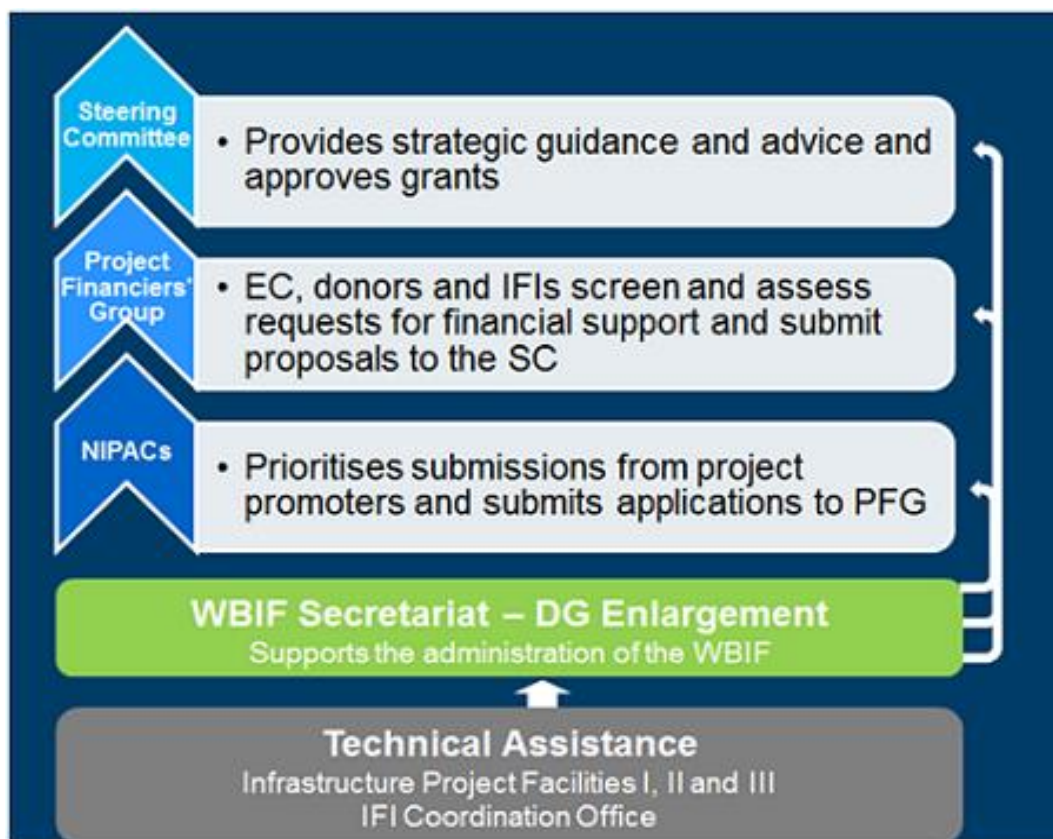
**The Project Financiers' Group (PFG)** is responsible for screening and assessing the applications from beneficiaries for financial support from the Joint Grant Facility (JGF). The PFG is composed of representatives of the European Commission,<sup>18</sup> IFIs and bilateral donors. It is co-chaired by DG NEAR (permanent) and the partner IFIs (on a rotating basis every 6 months). The PFG meets four times a year, twice at monthly intervals before SC meetings.

<sup>15</sup> Private sector development and energy efficiency were not initially planned - they were later added as areas for support.

<sup>16</sup> [http://ec.europa.eu/enlargement/instruments/donor-coordination/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/donor-coordination/index_en.htm)

<sup>17</sup> EWBJF is a Trust Fund created by 19 donor countries and jointly managed by EBRD and EIB.

<sup>18</sup> DG NEAR coordinates the participation of all relevant Commission services.



In line with the agreed criteria, only projects submitted and/or endorsed by the beneficiary government **National IPA Coordinators** (NIPACs) from the individual beneficiary governments are eligible. Following the formal calls for project submissions, issued by the WBIF Secretariat to all NIPACs, applications must be received in accordance with the published deadline. Following receipt of applications a detailed screening and assessment process, involving the EC, IFIs and bilateral donors, is then launched and carried out by the WBIF Secretariat.

The general administrative support to the WBIF administration and governance is provided by the **WBIF Secretariat**, (DG NEAR), which is established with the aim to improve coordination among the donors, the IFIs and the beneficiaries. The Secretariat prepares supports and implements the decisions of the other WBIF structures, such as the Project Financiers' Group (PFG) and the Steering Committee of the WBIF. The Secretariat also has a role in overseeing the implementation of grants financed by the European Commission funds. It also supports the monitoring of all approved grant activities and related projects. The Secretariat also ensures cooperation between NIPAC and the EU Delegations, as well as other relevant European Commission and/or IFI programmes. In addition, the Secretariat carries out visibility events, including: provision of information and communication on the progress and achievements of the WBIF; and, publication of the relevant-related reports such as WBIF Annual Report, bi-annual Monitoring Reports and a series of WBIF Policy and Strategy reports. The WBIF Secretariat is based at DG NEAR and its work it is supported by the EC-financed consultancy assignments such as the IFI Coordination Office (IFICO - based in Brussels) and the three ongoing Infrastructure Project Facilities (IPFs – based in Belgrade).

**The IFI Coordination Office** was established in February 2010 under the EC-financed project 'Support to IFI Coordination in the Western Balkans'. It focuses on coordination, cooperation and communication between IFIs, EC, bilateral donors and beneficiary countries across the key WBIF sectors.

**The Infrastructure Project Facilities (IPF)** are EC-financed facility that supports the identification and preparation of WBIF investment projects under the WBIF. IPF teams are present in each of the beneficiary countries and can assist project promoters and NIPACs with the preparation of applications. Once grant funding has been approved by the WBIF Steering Committee, IPF experts assist with the development of infrastructure projects through feasibility studies, detailed designs or impact assessments, for example, so that potential investors (IFIs) can make investment decisions



that will then enable the project to proceed. There are three technical assistance contracts Infrastructure Project Facility I, II and III, which are managed by the WBIF Secretariat/DG NEAR of the European Commission. The IPF IV is managed by the EIB.

**Regional and Sectoral Coordination Mechanisms.** In its work, the WBIF structures closely cooperate with relevant regional sectoral organisations such as the Regional Cooperation Council, the Energy Community Secretariat (ECS), the South East Europe Transport Observatory (SEETO), the Environment and Climate Regional Association Network and the South East Europe Investment Committee.

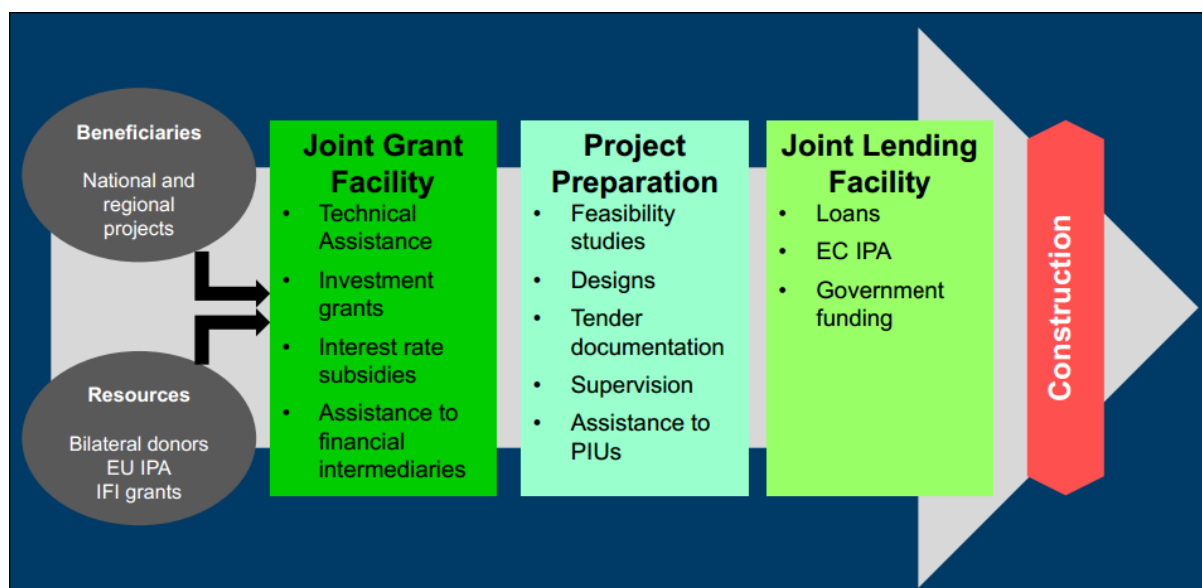
## Funding Sources

The WBIF has two main financial facilities, the Joint Grant Facility and the Joint Lending Facility.

The Joint Grant Facility (JGF) is funded by contributions from: IPA and IPA II; IFIs (CEB, EBRD and the EIB); and, bilateral donors. These contributions are pooled in the EWBIF, managed by EBRD and EIB. Between 2008 and 2014, the European Commission committed €257 million, the IFIs €30 million and bilateral donors €50 million.

The Joint Lending Facility is the platform for IFI cooperation in order to leverage Joint Grant Facility support (i.e. loan and grant financing). The IFIs collaborate with the European Commission to deliver appropriate financing arrangements to the beneficiaries. In doing so, the IFIs co-finance wherever possible thus maximising available funding.

While the process can be rather complex, the investment generation process – the financial engine of WBIF – is not too difficult to chart (below):



## Process of the Project Cycle

WBIF is based on a high degree of ownership and high level of participation of beneficiaries. A project cycle, from a concept note to a financial commitment by an IFI, goes through three stages:

- Accepting projects into the pipeline;
- Preparation of Terms of Reference for projects;
- Implementation of the project's preparation (e.g. feasibility study, Environmental Impact Assessment, technical specifications).

The pipeline process has several distinct phases:

1. Project Identification: is done in close collaboration with the beneficiary, the National IPA Coordinator (NIPAC), Donor Coordination Offices and other relevant local stakeholders.
2. Submission of a grant application to the PFG: is done either by the beneficiary, via the relevant NIPACs, or by partner IFIs in coordination with NIPACs and Donor Coordination Offices. IPFs also support the beneficiaries in preparing the grant application. Grant

applications should be in line with the eligibility criteria and submitted twice a year, with submission deadlines in February and September.

3. **Screening:** the submitted grant requests are screened to verify eligibility and consistency with EU pre-accession policies.
4. **Assessment:** grant requests are then assessed by the PFG to determine the project's technical and financial quality as well as long-term sustainability together with its technical and financial quality.
5. **Steering Committee Approval:** the positively assessed grant requests are then presented by the PFG to the Steering Committee for review and approval.
6. **Approval by the Steering Committee.** Each approved project has a defined scope of activities and budget.

Once a grant request for a particular project is approved, there is a need to engage technical assistance (TA) for preparing the detailed scope of works. This TA is provided and managed either by an IFI or by the European Commission (normally via IPF), depending on which WBIF budget pot the grant award is drawn from.

To implement the defined scope of support, the IPFs prepare terms of reference (ToR) that define the precise work that needs to be done together with an implementation plan and budget, which is a second stage of the project cycle. This process requires consultation with the project beneficiary, sometimes including a need for requiring specific technical expertise and advice too. Once Final ToR are completed they are submitted to the WBIF Secretariat (DG NEAR) for approval by the beneficiary and the relevant IFIs supporting the project.

The final stage is the implementation of the project in accordance with the prescriptions of the ToR. A full range of project preparation activities may be carried out ranging from studies such as identification exercises, pre-feasibility studies, feasibility studies, through to design, tender documentation, assistance and preparation of Environmental Impact Assessments or Social Impact Assessments. In addition, management support to Project Management and Implementation Units is also possible.

At the completion of the project preparation process, comments are invited from the beneficiary and the supporting IFIs. If all stakeholders agree, and the project implementation budget is available, approval may be granted to proceed to the next (implementation) stage.

The aim of the project preparation process is to prepare appropriate documentation thus allowing the beneficiary and the IFI to agree an appropriate financing commitment for a priority project.

## **WBIF Sectors**

In terms of sectors, WBIF focuses on:

- Energy, including energy efficiency (Chapter 15, 21);
- Transport (Chapter 14, 21);
- Environment, including the climate change<sup>19</sup> (Chapter 27);
- Social sector (Chapter 19);
- Private sector development (Chapter, 17, 20).

## **Energy**

Energy policy in the Western Balkans is guided by the Energy Community Treaty, signed between the EU and the Western Balkan countries.<sup>20</sup> The Treaty provides the overall framework to guide the necessary reforms and promote investments and it also makes a significant contribution to security of supply across in the wider Europe.

The WBIF has supported energy investments since its start. These investments comprise a mixture of energy related projects, from power generation and transmissions lines, through strategic studies to

<sup>19</sup> Climate change is one of the top five priorities in the Europe 2020 Strategy, which led to inclusion of climate considerations into all aspects of EU activities, including the financial frameworks. According to this, specific Climate Change Windows were established in the EU Regional Blending Facilities. WBIF included the climate change by the decision of the Steering Committee from June 2013 and 10<sup>th</sup> call for proposals was used as a testing call for incorporating climate issues into WBIF.

<sup>20</sup> The treaty establishes the Energy Community, which extends the EU internal energy (electricity and gas) market to South East Europe and beyond. The Energy Community Secretariat (ECS) supports the contracting parties in fulfilling their obligations and in that regard has established a number of working groups and task forces to facilitate their efforts. The ECS is one of the key stakeholders for the WBIF.

an innovative financial platform to support energy efficiency (such as the Regional Energy Efficiency Programme for the Western Balkans - REEP).<sup>21</sup>

In cooperation with the ECS, the IFI Coordination Office has, from 2012 to 2014, focused its efforts on the specific issue of support for implementing energy efficiency commitments of the Beneficiaries.

### **Transport**

Transport policy is focused on the full integration of the Western Balkans into the Trans-European Networks (TENS). In that regard, the WBIF structures closely cooperates with the South East European Transport Observatory (SEETO), which facilitates cooperation in this sector, particularly the annual updating of the SEETO Multi-annual Plan, which provides the framework for prioritisation of investments.

The WBIF supported the Update of the Regional Transport Study that assists WBIF stakeholders to identify the main measures and priority investments required to integrate the SEETO comprehensive network into the Ten-T.<sup>22</sup> Together with the IFI Coordination Office, SEETO has developed an approach to help the SEETO participants review the transport investment projects nominated by the individual countries as priorities under the Multi-Annual Development Plan methodology for project prioritisation of projects.

### **Environment**

The Environment *Acquis* represents a significant portion of the EU accession negotiations. In supporting the environment sector, the WBIF cooperates with the Environment and Climate Regional Association Network, which, in turn, supports the Beneficiaries in monitoring, investments, compliance, climate change, cross-border and inspection issues.

The IFI Coordination Office promotes the realization of environment-related investments in line with EU accession requirements through the implementation of an annual work programme based on priority policy and strategy issues agreed with the European Commission and IFIs. These work programmes provide the basis for the annual European Commission and IFI workshop on environment and thematic workshops with the beneficiaries. In 2012, the IFICO Office focused on issues relating to the implementation of Environmental Impact Assessments in the Beneficiaries and a stocktaking of climate change related financing in the region. In 2013, the IFI Coordination Office supported the promotion of climate change issues within the WBIF and also looked at investments in relation to issues relating to the implementation of the water sector directives. Initial research on investments in the water sector has been the focus in 2014.

### **Social Sector**

Development of social policy and reform of the social system are priorities for all stakeholders in the region. The reform efforts are aimed at modernisation of education, as well as of the health and pension systems, including financing, poverty reduction, social inclusion and improvements to the social safety net focusing on better social assistance targeting. Accompanying social infrastructure measures include the construction and/or modernisation of social housing, education, health and judicial facilities. Progress in this sector is a vital component of the Western Balkan's efforts to align as appropriate with the EU's Europe 2020 strategy, in particular through the SEE 2020 strategy.

### **Private Sector Development**

Private sector development is a key precondition for increasing the competitiveness of Western Balkan all the economies of the Western Balkans. The development of the private sector is linked to a number of policy areas including enterprise policy, public administration reform and infrastructure development.

The Western Balkans Enterprise Development & Innovation Facility (EDIF) is a new EU-funded initiative aiming at improving access to finance for small and medium-sized enterprises in the Western Balkans, helping to develop the local economy as well as the regional venture capital markets. It

<sup>21</sup> In 2012, the WBIF approved a €20 million allocation to establish the REEPWB. An additional €3.35 million was allocated from the EWBJF. The REEPWB is managed by the EBRD and consists of a TA pillar and two credit facilities (direct and through local banks).

<sup>22</sup> As of January 2014, the European Union has a new transport infrastructure policy that connects the continent between East and West, North and South, which is called the Ten-T. This policy aims to close the gaps between Member States' transport networks, remove bottlenecks that still hamper the smooth functioning of the internal market and overcome technical barriers such as incompatible standards for railway traffic.

promotes policy reforms that improve to support access to finance through financial engineering instruments. EDIF is the first regional initiative in the private sector development area channelled through the WBIF. Approximately €145 million in of initial capital pulled together under this Facility by the EC, IFIs, governments of beneficiary economies and bilateral donors will translate into over €300 million of direct financing available for SMEs in the region. EDIF is a joint initiative of the EU, IFIs, bilateral donors and the governments of the Western Balkans.

The WBIF projects are scattered across the Western Balkans, yet the level of investments varies per by beneficiary and per sector. Serbia is the largest recipient of investment flows, followed by Croatia and Bosnia-Herzegovina. The largest share of investments was allocated to Private Sector Development (while the lowest amount went to investment in Energy sector. The main contributor to the WBIF is EIB, with a portfolio of €9.6 billion (or 30.3% of total investment), followed by the European Commission with €7.6 billion (or 24.2%) and EBRD with €6.6 billion (or 21.1%).<sup>23</sup>

## WBIF Reform

### Recent WBIF Activities

Key activities undertaken during 2014 include: identification, screening and assessment of investment projects; submission of grant requests to the Steering Committee; operation of a Task Force to review the evolution of the WBIF; detailed review of the WBIF pipeline and recommendations to improve efficiency ahead of IPA II implementation; preparation of regular monitoring reports; merger of the WBIF and IPF websites into an upgraded WBIF website; and, design and development of an entirely new MIS and preparation of the WBIF Annual Report.

At the 11<sup>th</sup> meeting of the WBIF Steering Committee (Luxembourg, 09 December 2014) the WBIF Secretariat presented the results of the most recent WBIF monitoring report. By late 2014, the WBIF had held 11 calls for proposals, allocated 169 grants - totalling €296 million - linked to €2.6 billion in signed loans. In addition, the estimated overall loan potential was €7 billion with €13 billion in overall investment volumes.

### IPA II -> new WBIF methodology

The EC's Instrument for Pre-Accession (IPA) was recently updated. The new 'IPA II Regulation' came into force on 16 March 2014 (applicable retroactively from 01 January 2014). As part of the new IPA II approach, a new WBIF methodology has been proposed. This new approach was recently presented to the WBIF Steering Committee (09 December 2014) by the European Commission.

The main points of the new WBIF methodology, as presented in December 2014, can be listed as follows:

#### Substantial new co-financing stream from European Commission to the Western Balkans (via WBIF)

- Approx. €100 million/year
- Strict focus on regional projects and connectivity
- Requirement for direct control and liability (EC-IFI)

#### Traditional TA provision will continue

#### Development of single project pipelines

- National Investment Committee will provide a framework for transposition
- Better classification of projects (including regional/national/maturity status)

#### WBIF Voting Principles

- The Steering Committee will continue to decide eligibility of projects proposed by the PFG
- The Steering Committee's unanimous voting principle will remain in place
- Bilateral donors retain 'ownership' of their contributions

#### WBIF co-financing

- Eligibility: mature, regional, priority infrastructure projects with IFI involvement

<sup>23</sup> Source: [http://www.wbif.eu/reports/investments\\_by\\_beneficiary\\_and\\_sector](http://www.wbif.eu/reports/investments_by_beneficiary_and_sector), (last access on 11 July 2015). Note: WBIF recently changed the design of its website and the data presented above are no longer available.

- Co-financing of hard investment components
- European Commission makes direct agreements with lead IFI (under the European Commission new financial regulation)
- Involvement of regional organisations (ECS and SEETO)

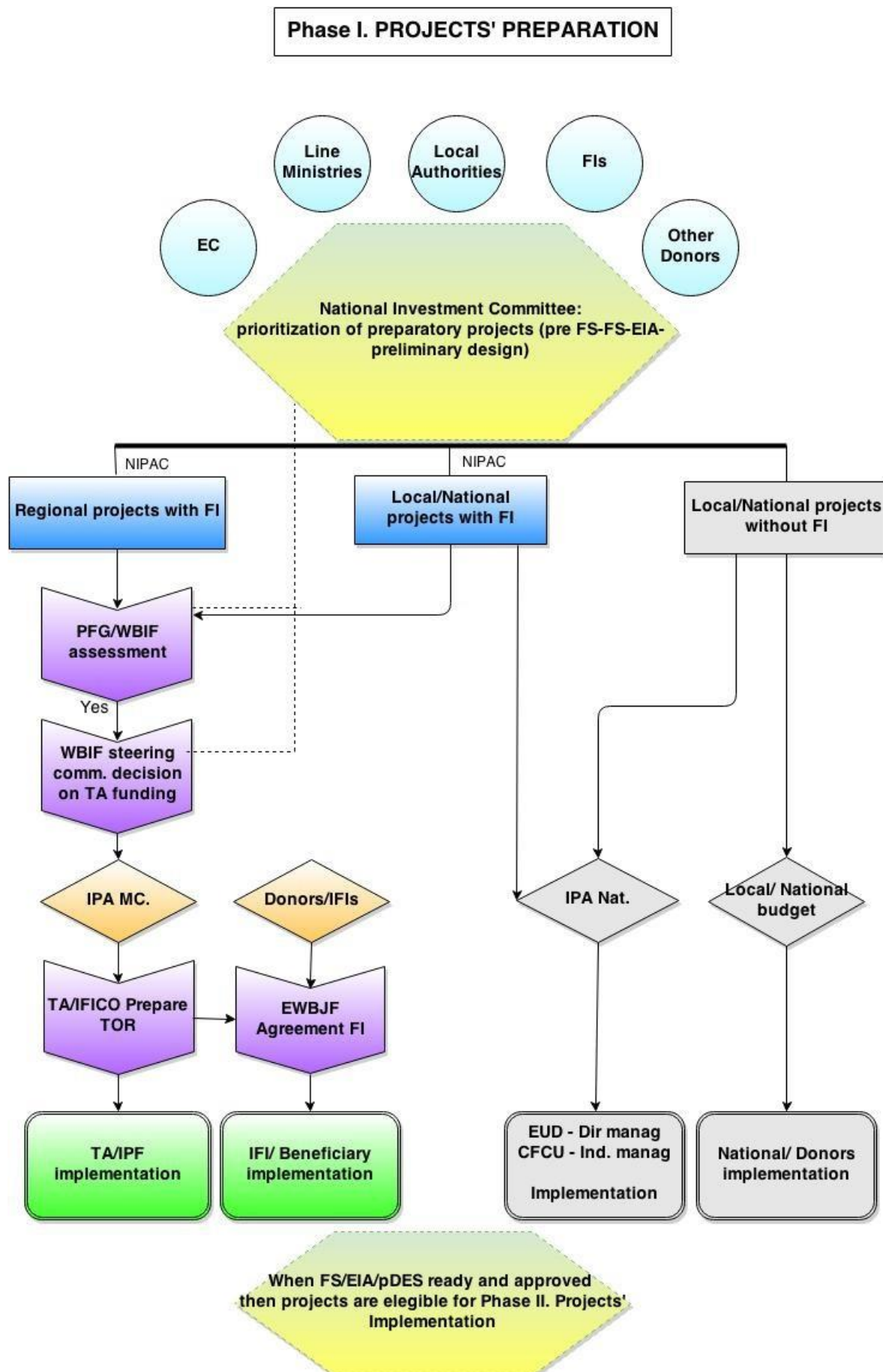
#### **Restricted Task Force**

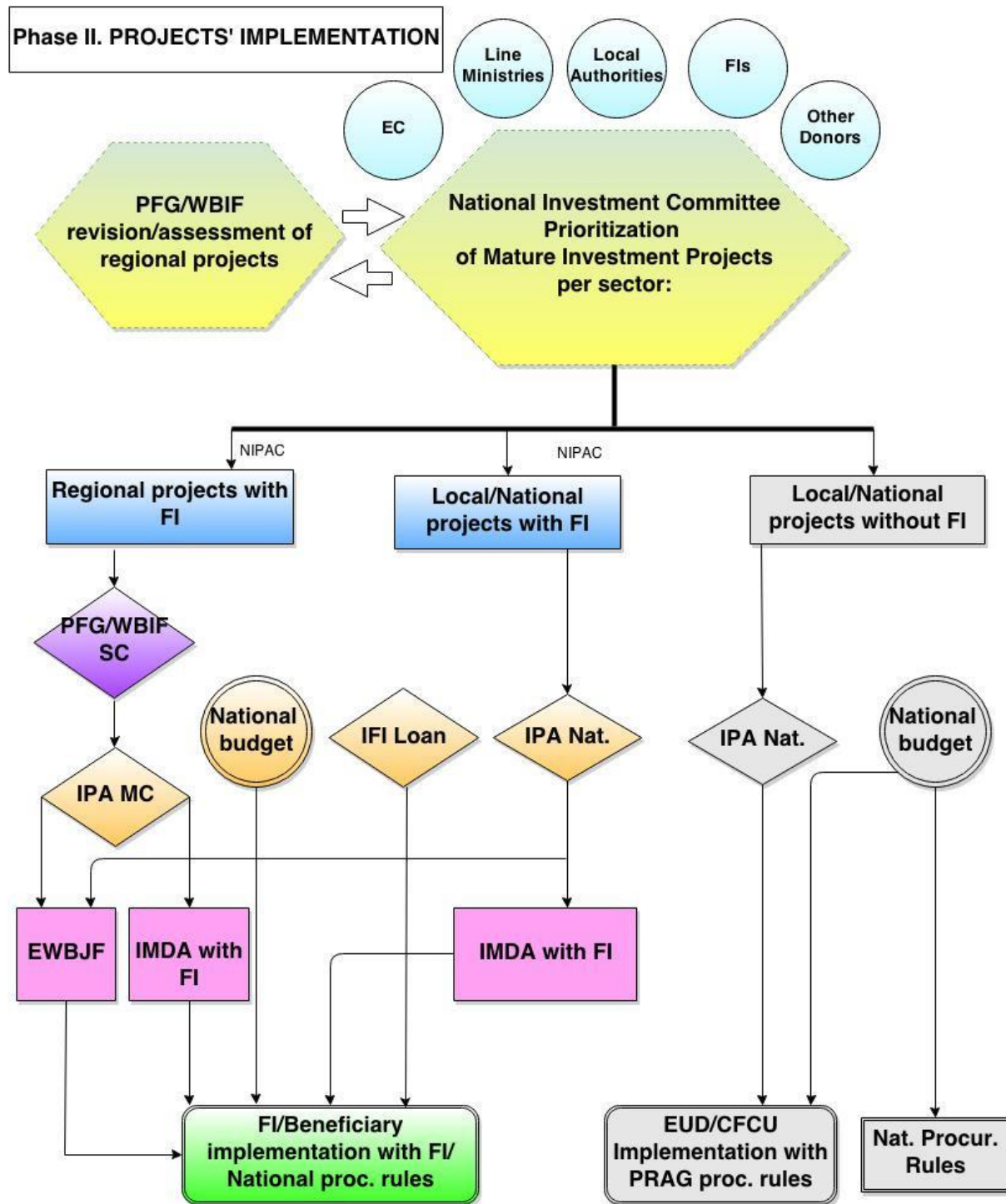
- Will deliver concrete recommendations to Steering Committee on structural and operational issues

#### **Public-Private Partnerships and the WBIF Pipeline**

- Limited to 5-10% of public investment needs
- EPEC's Project Preparation Tool (PPAT) will facilitate the PPP process

Together with a considerably revised funding architecture, National Investment Committees (NICs) and Single Project Pipelines in each partner country shall provide for a substantial change in preparing and implementing WBIF projects. The envisaged new coordination and management structures of the WBIF are presented below (source WBIF):

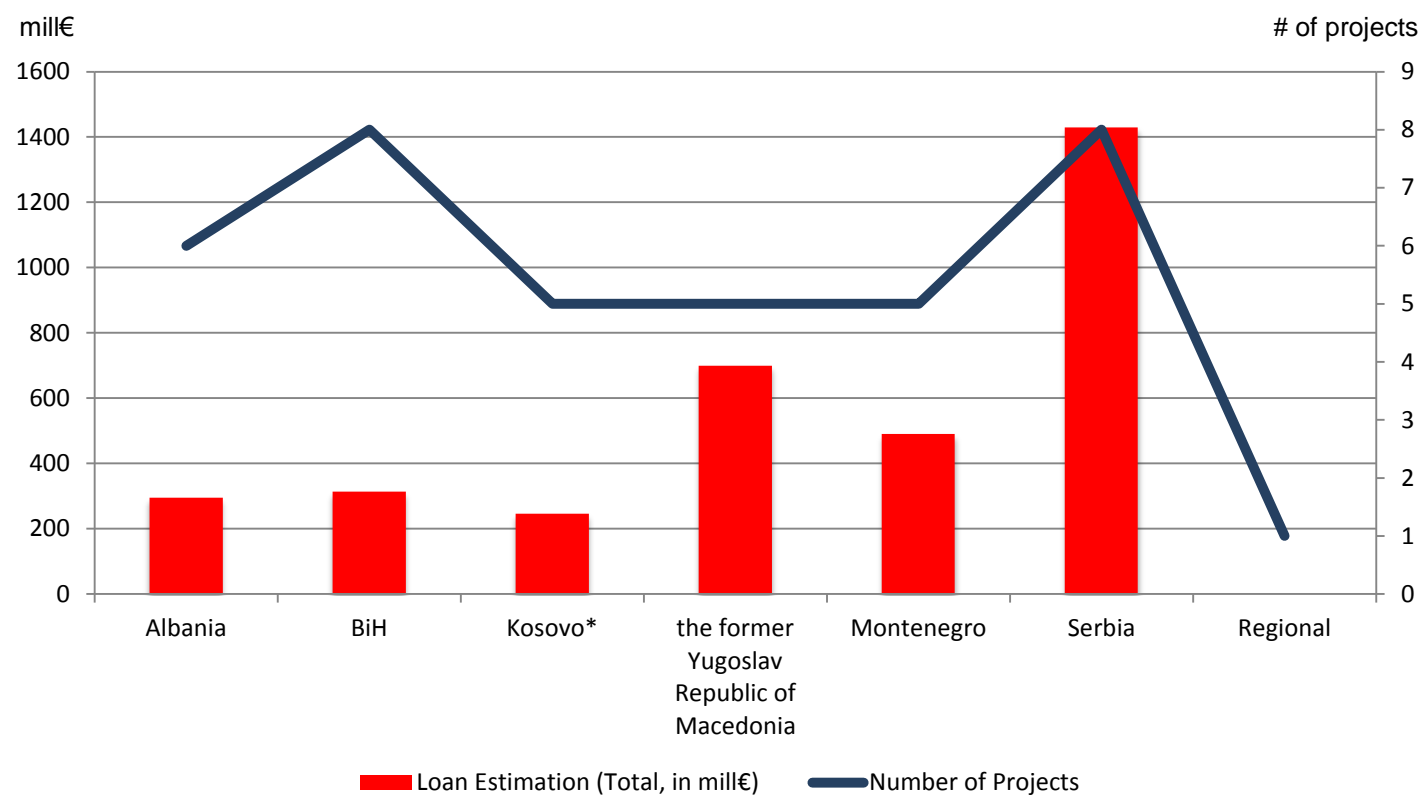




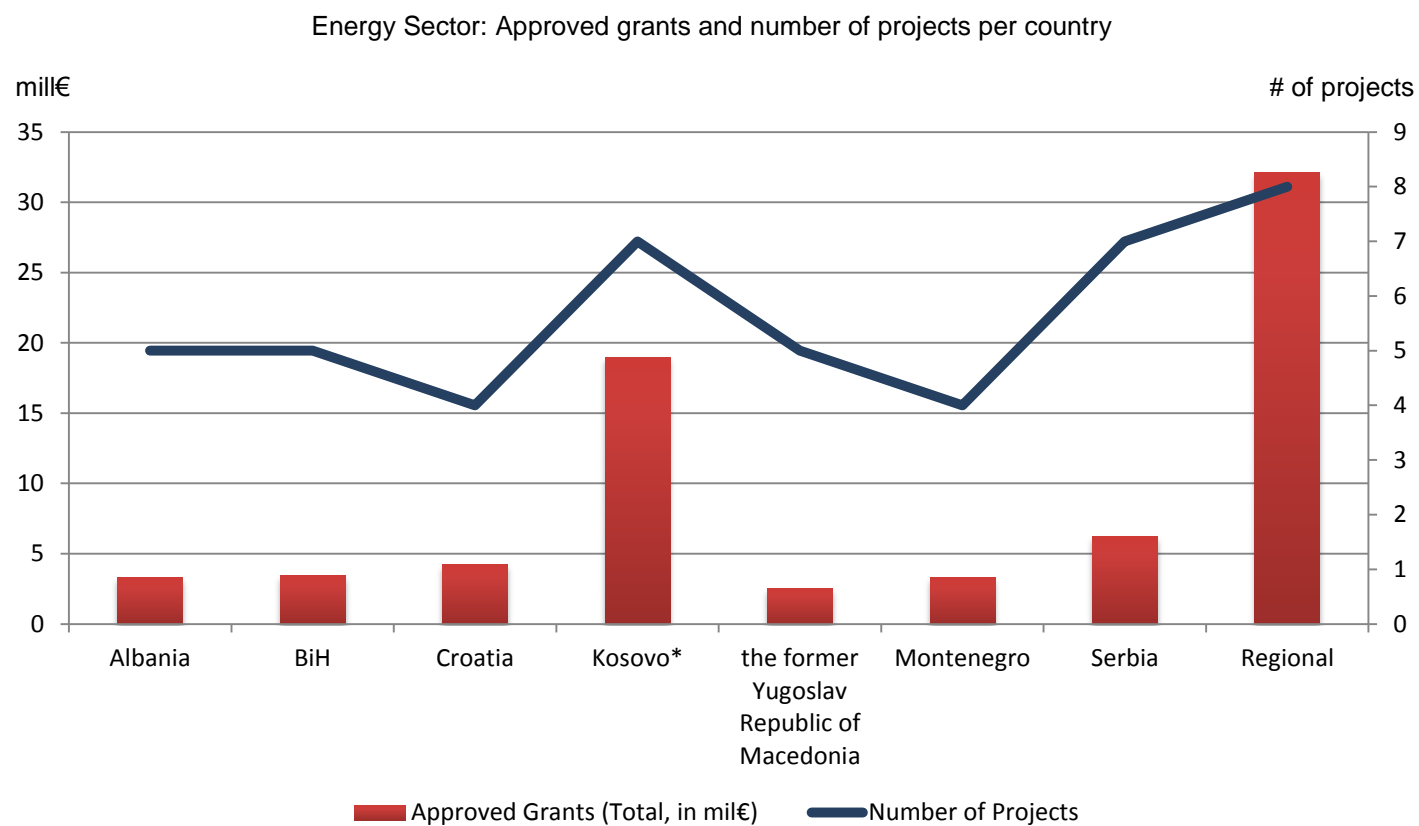


## b) WBIF sample sector portfolios

Transport Sector: Approved grants and number of projects per country



Source: WBIF



Source: WBIF

## b) List of sample projects (from evaluation ToR)

## Transport Sector

Project Code	Title of Operation	Country(ies)	Services requested	Grant Approved €	Lead IFIs	Loan Estimation €	Total Est. Inv. €	Status	Current stage
TA-BIH-08	Corridor Vc – second phase	BiH	FS; TMA	500.000	EBRD; EIB		180.000.000	Completed	Construction
TA-BIH-06	Construction of Main Road Foca (Brod na Drini)-Hum	BiH	FS	700.000	EBRD; EIB		80.000.000	Completed	Project preparation
TA-KOS-02	Rehabilitation of Railway Route 10 (Leshak – Mitrovicë – Fushë Kosovë – Ferizaj – Hani i Elezit)	KOS	PFS	500.000			75.900.000	Completed	Project preparation
WB11-KOS-TRA-02	Highway section E, Pristina - Merdare	KOS	EIA; FS; PD	500.000	EBRD	100.000.000	150.000.000		ToR preparation
TA2-BiH-TRA-02	Railway Sarajevo-Podlugovi	BiH	DD; TD	600.000			30.000.000	Completed	Project preparation
WB1-BiH-TRA-03	Mahovljani Interchange: Assistance with Institutional Strengthening of RS Motorways	BiH	TMA	300.000	EBRD		28.700.000	Completed	Built/Operational
WB1-BiH-TRA-01	Corridor Vc Motorway	BiH	SofW; TMA	2.000.000	EIB	245.000.000	495.000.000	Under Execution	Construction
WB5-BiH-TRA-14	Corridor Vc Railways, Track overhaul Bos. Šamac/Šamac – Sarajevo, Sections: Doboj – Maglaj, Jelina-Zenica	BiH	ATP; DD; FS	1.000.000	EIB	30.000.000	31.000.000	Completed	Project preparation
WB5-KOS-TRA-06	Feasibility Study for the key railway links (East – West)	KOS	FS; PD	600.000	EC	106.400.000	182.000.000	Completed	Project preparation
WB6-BiH-TRA-15	Technical assistance during construction of Brcko bypass	BiH	ATP; TMA	500.000	EBRD	28.500.000	45.000.000	Completed	Tendering
WB6-BiH-TRA-18	Study on toll collection & system design for RS motorways	BiH	TMA	300.000	EBRD	10.000.000	10.300.000	Completed	Study only
WB7-REG-TRA-SD-02	Updating the Regional Transport Study (REBIS)	REG	SD	600.000	WB		600.000	Under Execution	Study only
				<b>8.100.000</b>			<b>1.308.500.000</b>		
Grant types: DD Detailed Design; EIA Environmental Impact Assessment; FS Feasibility Study; IRS Interest Rate Subsidy; PFS Pre-Feasibility Study; SofW Supervision of Works; TA Technical Assistance; TMA Technical and Management Assistance; SD Study									

## Energy Sector

Project Code	Title of Operation	Country(ies)	Services requested	Grant Approved €	Lead IFIs	Loan Estimation €	Total Est. Inv. €	Status	Current stage
TA-SER-26	Uprating of transmission network in Western Serbia to 400kV operation	SER	FS; PFS	500.000	EBRD			Completed	Project preparation
WB4-SER-ENE-04	Interconnection with Bulgaria Gas Transmission Pipeline	SER	EIA; FS; SIA	1.000.000	EBRD		62.500.000	Completed	Project preparation
WB4bis-REG-ENE-01	Albania – The former Yugoslav Republic of Macedonia 400 kV Interconnection	REG	EIA; FS	650.000	EBRD	30.000.000	36.150.000	Completed	Project preparation
WB5-HR-ENE-01	LNG Regasification Vessel	HR	EIA; FS; PD	1.000.000	EBRD	100.000.000	101.000.000	Under Execution	Project preparation
WB5-HR-ENE-02	LNG Evacuation Gas Pipelines Omišalj-Zlobin-Rupa(Slovenia)	HR	EFA	180.000	EBRD	95.500.000	95.680.000	Completed	Project preparation
WB5-SER-ENE-06	Rehabilitation of the District Heating Systems in Serbia – Phase IV” - Program implementation – SECOND STAGE	SER	FAA; TMA	1.512.000	KfW	45.000.000	58.262.000	Under Execution	Construction
WB5-REG-ENE-02	400 kV Interconnection Serbia – Montenegro – BiH - Regional Project	REG	EIA; FS	850.000	EBRD	84.000.000	92.850.000	Under Execution	Project preparation
WB5-REG-ENE-03	Regional Project Ionian Adriatic Pipeline	REG	EIA; FS	3.500.000	EBRD	580.000.000	583.500.000	Completed	Project preparation
WB6-REG-ENE-08	South Gas Interconnection of BiH and Croatia (Option 1: Zagvozd-Posusje-Travnik; Option 2 Ploce-Mostar)	REG	EIA; FS; PD	400.000	EBRD	100.000.000	101.000.000	Completed	Project preparation
WB7-REG-ENE-09	Establishment of a Regional Energy Efficiency Programme for the Western Balkans	REG	CF; EFA; TMA	23.350.000	EBRD	160.000.000	186.500.000	Under Execution	Project preparation
WB8-HR-ENE-11	FS, ESIA & CBA – regulation & development of the Sava river	HR	EIA; FS; SIA	1.500.000	EBRD	300.000.000	1.210.000.000	Under Execution	Project preparation
WB9-REG-ENE-SDP-01	Biomass heating in Western Balkans sector study	REG	SD	875.000	WB		875.000	ToR Under Preparation	Study only
				<b>35.117.000</b>			<b>2.528.317.000</b>		
Grant types: DD Detailed Design; EIA Environmental Impact Assessment; FS Feasibility Study; IRS Interest Rate Subsidy; PFS Pre-Feasibility Study; SofW Supervision of Works; TA Technical Assistance; TMA Technical and Management Assistance; SD Study									

## **Annex 4 – Evaluation details**

## Detailed evaluation of sample projects (descriptive analysis and ratings)

Sample Project Title	Status	Expected Results	Observed Results as of April-May 2015 <sup>24</sup>	Observed Impact as of April-May 2015 <sup>25</sup>	Assessment of Blending as of April-May 2015 <sup>26</sup>	Assessment of Value-Added as of April-May 2015 <sup>27</sup>
TA-KOS-02 Rehabilitation of Railway Route 10	Completed Phase1 Under execution Phase 2	Phase 1 PFS Phase 2 .A new PGAF was submitted to WBIF Round 9 for the main design. It was approved and tender for designer launched WBIF Grant €1,840,000	Phase 1- PFS completed Phase 2- Tor prepared and agreed On July 2014 EBRD launched the Tender. The project will be implemented in three phases and consists of the rehabilitation and upgrading of the following sections: section Fushe Kosove – the former Yugoslav Republic of Macedonia border; (Phase 1); section Fushe Kosove – Mitrovica (Phase 2) and Mitrovica - Serbian border (Phase 3). This railway line is the only operational railway link connecting Kosovo's domestic network to the international network. The project is part of SEETO's Comprehensive Network and will support Kosovo's integration to the regional and European markets. Project award within July 2015. <b>Satisfactory</b>	EBRD and EIB interested in financing the Project.  <b>Satisfactory</b>	Total Estimated cost Euro 194 million. EBRD and EIB unofficial loan agreement for loan approximately Euro 80 million each totalling Euro 160 million. <b>Highly successful</b>	WBIF support has been carried out in two different propaedeutic phases. For PFS and DD respectively. WBIF provided the financial support to have the tools for achieving a loan agreement for the project implementation. Once the DD is completed and the PFS' costs are in the range the Project implementation can start in the short period. <b>Verified at large</b>
WB5-KOS-TRA-06 Feasibility Study for the key railway links (East – West)	Completed	Feasibility Study including CBA to assess the different options and their cost and recommend a preferred option; Preliminary Design and environmental elaboration of the preferred option and recommendation of a bankable project.	FS completed. No feedback on project implementation and financing. <b>Marginal</b>	Ministry of Transport has given priority to TA-KOS-02 Rehabilitation of Railway Route 10 The current project is still in standby and implementation process would take time. <b>Marginal</b>	<b>N.A.</b>	The FS has been produced but currently is not used for further project development. <b>Verified in part</b>

<sup>24</sup> **Rating of effectiveness:** excellent - good - satisfactory – marginal – unsatisfactory - negative

<sup>25</sup> **Rating of impact:** excellent - good - satisfactory – marginal – unsatisfactory - negative

<sup>26</sup> **Rating of blending:** highly successful – successful - partly successful - unsuccessful

<sup>27</sup> **Rating of value added:** verified in all aspects - verified at large - verified in part - not verified

Sample Project Title	Status	Expected Results	Observed Results as of April-May 2015 <sup>24</sup>	Observed Impact as of April-May 2015 <sup>25</sup>	Assessment of Blending as of April-May 2015 <sup>26</sup>	Assessment of Value-Added as of April-May 2015 <sup>27</sup>
WB11-KOS-TRA-02 Highway section E, Pristina – Merdare	Under Execution	The grant for financing of the technical assistance is used for updating of the existing Feasibility Study as well of the Preliminary Design completed in 2006. Technical assistance including preparatory work for eligible investment projects such as impact assessments, General Design and Feasibility Study for construction of Route 7 in the length of 22 km. from Merdare to Pristina with connection to Corridor X E-75 contribute to development of the network capacity, resulting in faster integration of Route 7 into the Pan-European and Regional system/ Comprehensive Network of SEE.	ToR still under preparation. <b>Unsatisfactory</b>	Ministry of Transport has given priority to a more recent road project supported by WBIF. The current project is still in standby and implementation process would take time. <b>Marginal</b>	<b>N.A.</b>	<b>N.A.</b>
WB7-REG-TRA-SD-02 Updating the Regional Transport Study (REBIS)	Ongoing	A) Prepare a Limited Transport Strategy Update: •Review the existing forecasting model developed under the 2003 Study •Refine the model using other factors, including trade flows, upgrade the traffic forecasts and scenarios, in order to assess existing and projected transport needs in SEETO and determine the priority corridors/roads within the SEETO Comprehensive Network. B) Develop a Priority Action Plan: Analyses of the transport network and transport services to be used by SEETO, transport agencies, and IFIs Development of traffic scenarios and prognosis for further development of transport strategies in the	Preliminary Study analysis and results have been developed and presented. Completion has been expected for June 2015. <b>Good</b>	The study has not yet been completed at the time of the evaluation. It needs some update and revision of the data collected and traffic scenarios. Potential significant impact on the longer term sector prioritisation and development is expected (2030 and 2050 forecasts). <b>N.A.</b>	As an overall sector study, there are no immediate consequences foreseeable in terms of investment funding and or project-specific blending of funds. <b>N.A.</b>	The major added value is the participatory process that involved all the regional stakeholders in debating the future Regional Transport Network. <b>Verified In Part</b>

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		region Development of a new Priority Action Plan for the SEETO Comprehensive Network Publication of the study report				
WB9-REG-ENE-SDP-01 Biomass heating in Western Balkans sector study	Ongoing	1. Stocktaking: Review of existing studies, assessments, programs, action plans and projects in the target countries. 2. Biomass supply potential 3. Biomass demand potential: 4. Analysis of economic and financial biomass potential for heating: 5. Review of existing framework for biomass-based heating 6. Analysis of issues and options to improve and/or increase the use of biomass-based heating 7. Detailed assessment of biomass for heating in selected regions and/or cities in the Western Balkans 8. Recommendations and proposed actions	The project is approved on 13 June 2013, with the budget of 875,000 Euro. The World Bank is assigned as a Lead Financial Institution to this project. Implementation Agreement was delayed by legal interpretation of rules under the new Financial Regulation of the EU. A solution was found in October 2014 and the project officially started on 1 March 2015.  There is a limited knowledge on this project among stakeholders in partner countries. The line ministry have been informed about the project recently and participated at one project event where ToR has been presented to them. The study has not yet been completed. <b>Good.</b>	The study has not yet been completed. <b>N.A.</b>	As an overall sector study, there are no immediate consequences foreseeable in terms of investment funding and or project-specific blending of funds. <b>N.A.</b>	As a regional sector study WBIF seems to be a relevant partner to deliver such analysis. The study is an update of the previous one, financed under World Bank. The major added value is the participatory process that involved all the regional stakeholders in debating the future of Biomass heating. <b>Verified in part</b>
WB5-HR-ENE-01 LNG Regasification Vessel	Ongoing	Develop a Conceptual Solution, feasibility & EIA/ SIA study, and Conceptual Design which once approved by the IFI, will be used in consideration of financing the line.	All studies and conceptual design completed. <b>Good</b>	Progress towards realisation needs to be seen in the context of Croatia's efforts in building up a regional market for LNG supply. Discussions with neighbouring countries (particularly EU member states) are on-going but there is no tangible result yet. <b>Marginal</b>	Principal political, technical and economic decisions still have to be made, prior to discussing investment financing. <b>N.A.</b>	As a regional preparatory project WBIF seems to be a relevant partner to deliver such analysis. A major added value, besides principal considerations of feasibility, is the participatory process that involved all the regional stakeholders in. <b>Verified in part</b>
WB5-HR-ENE-02 LNG Evacuation Gas Pipelines Omišalj-Zlobin-Rupa(Slovenia)	Completed	Develop a CBA, which once approved by the IFI, will be used in consideration of financing the line.	CBA completed. <b>Good</b>	Progress towards realisation needs to be seen in the context of Croatia's efforts in building up a regional market for LNG supply.	Principal political, technical and economic decisions still have to be made, prior to discussing	As a regional preparatory project WBIF seems to be a relevant partner to deliver such analysis.



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				Discussions with neighbouring countries (particularly EU member states) are on-going but there is no tangible result yet. <b>Marginal</b>	investment financing. <b>N.A.</b>	A major added value, besides principal considerations of feasibility, is the participatory process that involved all the regional stakeholders in. <b>Verified in part</b>
WB4bis-REG-ENE-01 Albania – The former Yugoslav Republic of Macedonia 400 kV Interconnection	Completed	Develop a feasibility study for the Overhead Transmission Line between the former Yugoslav Republic of Macedonia and Albania.	The feasibility study was produced. The study included also the Environmental and Social Impact Assessment. <b>Good</b>	This important regional interconnection entails a very positive impact on the further development and strengthening of the transmission systems in Albania and the former Yugoslav Republic of Macedonia. Construction is estimated to take about 5 years, including the time allowed for obtaining financing and the necessary environmental permits. The estimated commissioning time is late 2017. <b>Satisfactory</b>	The investment is estimated to be approximately €65m (43.5 in the former Yugoslav Republic of Macedonia and 21.5 in Albania). For the former Yugoslav Republic of Macedonia, a corporate loan with the benefiting MEPSO is envisaged to be signed by the end of 2015. Negotiations with KfW for the Albanian investment part (based on a sovereign's guarantee) are much advanced. The revised total investment (grid extension, etc.) might be up to €129m. WBIF investment grants €15m for Albania, €12m for the former Yugoslav Republic of Macedonia have been earmarked for investment). <b>(potentially) Successful</b>	As a regional preparatory project WBIF seems to be a relevant partner to deliver such analysis. A major added value, besides principal considerations of feasibility is the participatory process that involved all the regional stakeholders in. Apparent shortcomings for project preparation both beneficiary countries also confirm added value. <b>Verified in large</b>

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WB5-REG-ENE-03 Regional Project Ionian Adriatic Pipeline	Completed	Develop a feasibility & EIA/ SIA study, which once approved by the IFI(s), will be used to develop financing.	Feasibility Study and Business Development have been completed at the time of this evaluation. <b>Satisfactory</b>	The completed project, potentially impacts on the common gas market, particularly the development of the South East Europe Energy Community Gas Ring. The envisaged transmission pipeline would enable the gasification of Albania and Montenegro, southern Croatia and southern Bosnia and Herzegovina, providing a diversified and reliable natural gas supply. Implementation depends on progress made with the Trans Adriatic Pipeline which represents the first substantial investment in building up a Gas Supply infrastructure for the WB. <b>N.A.</b>	<b>N.A.</b>	As a regional preparatory project WBIF seems to be a relevant partner to deliver such analysis. A major added value, besides principal considerations of feasibility, is the participatory process that involved all the regional stakeholders in. <b>Verified in part</b>
WB8-HR-ENE-11 FS, ESIA & CBA – regulation & development of the Sava river	Ongoing	To develop the overall programme of planned investments and to undertake the FS with ESIA and CBA aspects included both for the project as a whole, and the individual sub-projects.	Project launch has been delayed due to internal reasons on the Croatian side. Excellent relationship with IPF has been established. <b>Marginal</b>	Since the project has been just commencing there have been no impacts observed so far. Realisation currently needs to consider a time horizon of 10-12 years with the first investment phase starting by or after 2017, provided technical and financial conditions can be secured. <b>N.A.</b>	25% co-financing of the benefitting HEP demonstrates clear commitment. Investment realisation still needs to be explored; co-financing from Structural Funds seems to be a preferred option for the beneficiary; however the total investment will hardly be implementable without IFI loans. <b>N.A.</b>	The EU umbrella for this investment opportunity ensured broad awareness and recognition among the Croatian and local governments. <b>Verified in part</b>
TA-BIH-08 Corridor Vc – second phase	Completed	Feasibility studies for two Corridor Vc sections completed.	Feasibility studies for the two sections were completed. <b>Excellent</b>	The two sections are under construction. <b>Excellent</b>	The works financed by EIB/EBRD loan as a part of €497m total Corridor Vc loan. <b>Highly successful</b>	Work resulted in documents that were extremely relevant for construction of section of the Corridor. WBIF was most efficient avenue for this work.

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						<b>Verified in all aspects</b>
TA-BIH-06 Construction of Main Road Foca (Brod na Drini)-Hum	Completed	Feasibility study with preliminary design completed	Feasibility study and preliminary design completed within the scope of project. <b>Good</b>	This project was most controversial of all in sample. It was designed with agreement that such international road is priority in Bosnia and Herzegovina & Montenegro. However, the Montenegrin side lost interest in this road. Also, the Serbian government chose other priorities. Project never materialised. Only now, the EU, through IPA funds, is considering next steps for this project. <b>Unsatisfactory</b>	No loan agreement. The project obtained IPA 2011 funds (€2.5m) to complete WBIF preliminary and main design for 19km of road on Bosnia and Herzegovina side, and studies for the rest of the road (Foca-Sarajevo 83km) WBIF continued work on Hum-Plujisne section (13km), but this is no longer a priority for Montenegro. Evaluation was completed in 2014 and contract awarded – but unclear if work has started. <b>Unsuccessful</b>	This road is part of SEETO Network Route 2b. The value added is the completion of the Feasibility Study (complete) discovered that some sections of the planned route are not suitable for road construction and alternative routes were suggested, and proved feasible. However, the overall road construction project has not yet materialised. <b>Partly verified</b>
TA2-BiH-TRA-02 Railway Sarajevo-Podlugovi	Completed	Feasibility study of track overhaul completed.	Feasibility study was completed albeit with many issues during the process. Main issue was change of management in of the Railway company after which, the project approach was questioned and new requests were made. <b>Satisfactory</b>	The Corridor Vc also includes the railway corridor, and this section will be important for the core network. <b>Satisfactory</b>	The Loan agreement hasn't been signed yet. <b>N.A.</b>	The WBIF Project brought needed planning documentation for the railway network. Without these funds, the Railway Company would not be in position to conduct such a study. <b>Verified at large</b>
WB1-BiH-TRA-03 Mahovljani Interchange: Assistance with Institutional Strengthening of RS Motorways	Completed	Assistance to PIU.	Institutional Strengthening - support to the motorway company included assistance for environment policies, QMS, PR, management systems, tolling strategy (for the part of the motorway around the interchange). <b>Excellent</b>	The project was completed and works implemented EBRD loan of €21m implemented. <b>Excellent</b>	RS applied for €21m loan from EBRD and also received IPA funds (€5m). <b>Successful</b>	The project assisted institution building in the RS Motorway company <b>Verified at large</b>

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WB1-BiH-TRA-01 Corridor Vc Motorway	Completed	Main design of Pocitelj bridge, on Corridor Vc, completed	The Main design, including the design of some of the most complex sections of the road was done through the project. <b>Excellent</b>	The works have been under preparation and this road will be a very important section of the Corridor. <b>Excellent</b>	The works will be financed by EIB/EBRD loan as a part of €497m total Corridor Vc loan. <b>Successful</b>	The added value of the project is that it created the most viable solution for this section of the road, including the highest bridge on Corridor Vc. <b>Verified in all aspects</b>
WB5-BiH-TRA-14 Corridor Vc Railways, Track overhaul Bos. Šamac/Šamac – Sarajevo, Sections: Doboj – Maglaj, Jelina-Zenica	Completed	Feasibility Study for track overhaul	The Feasibility study was completed <b>Good</b>	The feasibility study led to negotiations on the loan, to support to Core network in Bosnia and Herzegovina. However, the loan is not signed yet. <b>Good</b>	Loan agreement hasn't been signed yet. <b>Partly successful</b>	WBIF projects support planning documentation for railways in Bosnia and Herzegovina are extremely relevant and provide added value as the Railway companies do not have funds or capacity to conduct such studies. The study provides good inputs for use by companies in loan negotiations. <b>Verified at large</b>
WB6-BiH-TRA-15 Technical assistance during construction of Brcko bypass	Completed	Assistance to PIU	The assistance was performed and was positively viewed in general. <b>Good</b>	The assistance contributed to professional implementation of the construction. <b>Good</b>	€45m loan signed and implementation is about to start. <b>Successful</b>	WBIF provided good inputs for constructing the Brcko by pass. <b>Verified at large</b>
WB6-BiH-TRA-18 Study on toll collection & system design for RS motorways	Completed	Selection of toll system for RS motorway.	Project successfully completed and implemented. <b>Excellent</b>	This is the first motorway toll system implemented in Bosnia Herzegovina. <b>Excellent</b>	Loan of €10m agreed. <b>Successful</b>	Excellent contribution to RS planning and systems for motorways that will be replicated on other toll sections. <b>Verified in all aspects</b>
WB6-REG-ENE-08 South Gas Interconnection of BA and HR (Option 1: Zagvozd-Posusje-Travnik; Option 2 Ploče-Mostar)	Completed	Optimal gas pipeline alignment selected.	TA Project was successfully completed. <b>Good</b>	Application for continuation of the project, FS development, not agreed within the country. Project will not continue. <b>Unsatisfactory</b>	None due to internal disagreement and blocking. <b>Unsuccessful</b>	WBIF provided good inputs for potential investment in gas interconnections. <b>Verified at large</b>
WB7-REG-ENE-09 Establishment of a Regional Energy Efficiency Programme for the Western	Ongoing	Three Themes: 1) policy dialogue – including energy efficiency and regulatory environment (€6m) 2) credit line – channelling	In most recent reporting period (to end 2014): 1) Substantial support for development of ESCO system. Results to date: Serbia: identified regulatory barriers for ESCO energy efficiency projects. ESCO project	1) REEPWB policy work has identified regulatory barriers for ESCO energy efficiency projects in most countries	<b>N.A.</b>	Good value added has been obtained as evidenced by the progress in overcoming regulatory barriers

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Balkans (REEP)		<p>funds through partner banks / financial institutions (incentive payments for e.g. CO2 reductions) (€11.5m)</p> <p>3) Direct financing facility for smaller projects (with incentive payments).</p>	<p>contract template has become part of a by-law to the Law on Rational Use of Energy. Montenegro: identified regulatory barriers. Regulatory work is on hold until legal basis is clear (expected 2015).</p> <p>Bosnia-Herzegovina: identified regulatory barriers. Work continues on template and legal clarifications of regulatory barriers.</p> <p>Croatia, the former Yugoslav Republic of Macedonia, Kosovo: EBRD will engage once there is sufficient interest from legislators on improving the regulatory framework.</p> <p>Albania: EBRD preparing related technical cooperation assignment.</p> <p>2) WeBSEFF II launched Oct 2013. By DEC 14, 9 local financial institutions extended credit lines in Bosnia Herzegovina, Croatia, Serbia and the former Yugoslav Republic of Macedonia (total - €89m, of which €15m in Bosnia and Herzegovina).</p> <p>3) EBRD has financed 3 renewable energy projects (€13.4m in total): Albania &amp; former Yugoslav Republic of Macedonia - two small hydropower projects; Bosnia and Herzegovina- 6.7MW biomass co-generation project</p> <p><b>Good</b></p>	<p>2) A total of €75m in loans has results in CO2 reductions in Bosnia and Herzegovina (23,000 t/yr); HR (17,000 t/yr); former Yugoslav Republic of Macedonia (550 t/yr); and, Serbia (650 t/yr). Good progress with secondary legislation and IT infrastructure.</p> <p>3) With additional €50m allocation, EBRD has financed 3 renewable energy projects (€13.4m) with resulting impact on emissions and energy security. Two further projects in advanced pipeline (up to €10.5m).</p> <p><b>Good</b></p>		<p>(ESCO), energy savings, energy production and relevant changes to legislation.</p> <p><b>Verified at large</b></p>
TA-SER-26: Uprating of transmission network in Western Serbia to 400kV operation	Completed	Feasibility Study	<p>The project was approved on 30 September 2009, where EBRD was assigned to act as a Lead Financial Institution. The project beneficiary was the Ministry of Energy and especially the Public Enterprise "Elektromreže Srbije" (EMS). The project budget was 500,000 Euros and it was completed on 30 November 2011.</p> <p>The project characterised implementation of different standards for preparing the feasibility study. While EBRD applied its own internal methodology that included environmental and social impact assessment, according to Serbian legislation it was requested to carry</p>	<p>The project of 400kV upgrade of the existing network in Western Serbia focuses on replacing the existing 220kV overhead lines and substation equipment in Bajina Basta and the overhead lines to Valjevo, Obrenovac and Beograd 3. This line is in a very bad condition after 50 years of continuous service. Besides, the new 400kV transmission network will accommodate the needs for</p>	<p>On 2 February 2013 EBRD approved a loan of 30 million Euros for implementation of this project, while total investment is estimated on 50 million Euros. The remaining amount will be covered by IPA 2016 and from the national budget. The project is still pending for implementation.</p>	<p>There was a problem in implementing national standards for development feasibility studies. To some extent the project contributed to adjusting national and EBRD standards in developing feasibility studies, which contributed to projects that came afterwards.</p> <p><b>Verified in part</b></p>

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			<p>out only the environmental impact assessment. Besides, the Serbian legislation also requires to carry out the environmental impact assessment after the main design, which was not the case with EBRD methodology. Therefore, after the completion of the project EMS has to carry out re-do the environmental impact assessment for this transmission network that is in line with national requirements, where the data was used from the study that is produced by EBRD. The latest activity was implemented with the support received by KfW.</p> <p><b>Good</b></p>	<p>further development of electrical system, not only in Serbia and the Western Balkans yet wider, connecting the North-East Europe and South-East Europe.</p> <p>The project is an important segment of a trans-national transmission network and contributes to implementation of the Third Energy Package and the Trans-European Energy Networks (TEN-E), which further relates to EU integrations of the Republic of Serbia. The project is listed on the list of Project of Energy Community Interest (PECI), which is also an important segment for regional and European energy stability initiatives.</p> <p><b>Good</b></p>	<b>Partly successful</b>	
WB4-SER-ENE-04: Interconnection with Bulgaria Gas Transmission Pipeline	Completed	Feasibility Study	<p>The project supports the gas pipeline between Nis and the Bulgarian border near Dimitrovgrad (108km), where it will connect to the Bulgarian pipeline.</p> <p>DG ENER initiated this project without strong support from the national beneficiaries. At the time when DG ENER proposed the gas interconnection with Bulgaria (in 2009), the Government of Serbia, the line ministry and the public enterprise "Srbijagas" (project beneficiaries) were focused on building the South Stream Pipeline that aimed to secure gas supplies from Russia. Besides, Serbia was more interested in building a gas interconnection with Croatia and Romania, as well as to finalise the gas underground storage facility in Banatski Dvor and Itebej. Besides, the Serbian Government and especially Srbijagas was not interested in taking a loan</p>	<p>The prospect on possible impact might be assessed through assessing relevance of this project to EU theatres and securing gas supplies to Serbia.</p> <p>The project is highly relevant to the Third Energy Package and TEN-E, and it is itemized on PECI list. The project contributes EU integrations of Serbia through implementation of Article 6 of the Directive 2009/73/EC from 13 July 2019 (so called <i>Gas Directive</i>), which obliges Member States to cooperate in order to promote regional</p>	The project supposed to be financed from current EBRD's loan to Srbijagas, yet due to conditionality that was not fulfilled by Srbijagas, EBRD pulled out from this project. There is a strong intention from EIB to join in to this project by providing the loan to Srbijagas for building the pipeline. Most probably, EU will also co-finance the project from IPA 2016, while Serbian Government will provide finances	<p>Evaluation mission could not identify tangible value added elements yet it doesn't mean there is no any.</p> <p><b>N.A.</b></p>



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			<p>for this project while for its side Bulgaria will get the support from the European Regional Development Fund (ERDF).</p> <p>Nevertheless, in June 2010 the project was approved by the WBIF Steering Committee for funding, where EBRD was assigned to act as a Lead Financial Institution. The reason why EBRD was assigned to this project was the fact they have already signed 150 million Euros loan with Srbijagas so it was a good opportunity to use that loan to finance this project. The WBIF provided 1 million Euros for preparation of the feasibility study with environmental and social impact assessment for the Serbian side of the pipeline. The project started on 11 April 2011 and was completed on 15 October 2012.</p> <p>Numerous issues challenged implementation of this project. Although two Prime Ministers signed the commitment for joint implementation of the project,<sup>28</sup> the national ownership was weak especially at the side of Srbijagas who is the primary beneficiary. Besides, the feasibility study showed a low degree of profitability of the gas pipeline with Bulgaria, which additionally strengthened doubts on this project. Serbia was never happy to take the loan for this project while Bulgaria will get support from ERDF. Cooperation between EBRD and Srbijagas has not been bright too. The loan that EBRD approved to Srbijagas has been conditioned by organisational and financial restructuring of that public enterprise, as well as by increasing standards of transparency, corporate</p>	<p>and bilateral solidarity.</p> <p>The project became very popular as of late 2014 when Russia cancelled the South Stream pipeline project. Serbia gets gas supplies only from Russia through a pipeline that goes through Ukraine. Since this gas pipeline will be closed in 2017, Serbia came to the position to urgently look for alternative routes of gas supplies. Therefore, the gas interconnector with Bulgaria became highly relevant in those new circumstances. Relevance of the gas interconnector was confirmed during the Joint Serbian-Bulgarian Intergovernmental Commission - Second Session, held in Belgrade on 2 June 2015, the Serbian Minister for Mining and Energy confirmed the Government's commitment to finish this project by the end of 2018.<sup>29</sup> The European Commissioner for Energy Union, Mr. Maroš Šefčovič, also confirmed the high relevance of this project during his visit to Serbia on 10-11 June 2015.<sup>30</sup> He</p>	<p>for land expropriation.</p> <p><b>Partly successful</b></p>	

<sup>28</sup> On 8 April 2011 a Memorandum of Understanding between the Government of the Republic of Bulgaria and the Republic of Serbia was signed to create favourable conditions for connecting the transmission systems of both countries.

<sup>29</sup> Coverage from the Second Session of the Joint Serbian-Bulgarian Intergovernmental Commission is available (in Serbian language) at the website of the Ministry of Mining and Energy, <http://bit.ly/1dMVDny>

<sup>30</sup> The Commissioner Šefčovič visited Serbia on 10 June 2015 when he stated that the Gas Interconnection between Bulgaria and Serbia is one of the key priorities for the European Union. <http://bit.ly/1eiN58q>

Sample Project Title	Status	Expected Results	Observed Results as of April-May 2015 <sup>24</sup>	Observed Impact as of April-May 2015 <sup>25</sup>	Assessment of Blending as of April-May 2015 <sup>26</sup>	Assessment of Value-Added as of April-May 2015 <sup>27</sup>
			governance and business conduct. Since Srbijagas refuses to go to the process of restructuring, EBRD has frozen the loan to this company, stopping all activities on this project too. On top of everything, there is a technical omission in projecting diameters of the pipeline on two sides of the border - the pipeline in Serbia is projected on 800mm diameter while in Bulgaria diameter is 750mm. This happens due to miscommunication issues, as well as due to the fact that two projects were not implemented simultaneously. Therefore, there is a need to re-do the project design in Serbia in order to match with Bulgarian pipeline. <b>Satisfactory</b>	stated that EU will explore possibilities for financing part of this project through IPA funds for 2016. EIB also showed their high interest to replace EBRD as a Lead Financial Institution. <sup>31</sup> The Serbian government will also financially contribute to this project, providing funds for land expropriation. <b>Satisfactory</b>		
WB5-SER-ENE-06: Rehabilitation of the District Heating Systems in Serbia - Phase IV - Program Implementation - SECOND STAGE	On going	The Program aims to improve technical and financial efficiency of the District Heating Companies in Serbia by replacing obsolete pipelines, boilers/heating rooms, other production facilities and substations, as well by modernising and automating them. In addition, the Program also targets to advance institutional and organisational capacities of District Heating Companies by introducing new business policies or sustainability measures such as billing systems that are based on real consumption. The fourth phase of the Program focuses on 18 District Heating Companies in cities and municipalities across Serbia. They are divided into two groups, where the first group of nine companies will take a loan from KfW (Group 1) and	The Program has an important role in reducing emission and energy losses, therefore contributing to energy efficiency in Serbia. The WBIF grant was approved on 24 November 2010, where KfW was assigned to act as a Lead Financial Institution. KfW will provide loan of 45 million Euro, while the total investment is estimated on 58.262 million Euro. The Program is expected to finish in late 2016 or in 2017  The fourth phase of the Program is under implementation and some infrastructure works have already been finished. The heating pipeline was changed in more than 15 cities and several boiler rooms have been built as well (i.e. Novi Sad, Šabac). Based on the replacement of 900m heating pipeline in the City of Novi Pazar energy losses were reduced for 80%. The Program significantly contributed to advancing management and organisational capacity of beneficiaries (District Heating Companies) through introducing new management procedures, business strategy and by developing billing mechanisms that are based on real consumption.	The project produced numerous results that can lead to positive impact on energy efficiency, and further to socio-economic development of targeted municipalities. <b>Good</b>	There is a good blending mechanism in implementation of this project. Due to improvements on distance heating systems, the beneficiaries (District Heating companies) created savings that can cover borrowing, operation and maintenance costs, which makes the whole investment sustainable. Nevertheless, due to limited fiscal space, especially at the local level, the Program has delays in implementation since beneficiaries are not able to fulfil their financial obligations. <b>Successful</b>	Evaluation mission could not identify tangible value added elements yet it doesn't mean there is no any. <b>N.A.</b>

<sup>31</sup> EBRD is no more interested in financing this project, due to the history of cooperation with Srbijagas and their internal conditionality for restructuring of this public enterprise.



Sample Project Title	Status	Expected Results	Observed Results as of April-May 2015 <sup>24</sup>	Observed Impact as of April-May 2015 <sup>25</sup>	Assessment of Blending as of April-May 2015 <sup>26</sup>	Assessment of Value-Added as of April-May 2015 <sup>27</sup>
		the second group of nine companies will receive subsidies from the Serbian Government gained from the Debt Swap funds (Group 2). With the project, WBIF supports with technical expertise in preparation and undertaking tasks that are necessary to be done before the start of the implementation of procurement and works for all 18 District Heating Companies, such as Heat Demand Forecasts, Hydraulic Calculations and Business Strategy.	There is a strong ownership on implementation of the Program. The line ministry has established the Central Project Implementation Unit, chaired by the Assistant Minister, which is active in project management and monitoring of activities. District Heating Companies and respective cities and municipalities also actively participate in this process. Cooperation and co-ordination with KfW and WBIF is also very good. <b>Good</b>			
WB5-REG-ENE-02: 400kV Interconnection Serbia - Montenegro - BiH - Regional Project	On going	Feasibility Study	<p>The project WB2-REG-ENE-02: 400kV Interconnection Serbia - Montenegro – BiH is an important segment of a regional initiative for enhancing transnational transmission infrastructure and cross-border electricity trade.</p> <p>The project focuses on developing a feasibility study for the Overhead Transmission Lines between BiH, Montenegro and Serbia together with environmental and social impact assessments. The project was commenced on 1 May 2012. The project value is 850,000 Euro and EBRD is assigned to act as a Lead Financial Institution. The main beneficiaries are public companies for energy transmission from Serbia (Elektromreza Srbije - EMS), Montenegro (Montenegro Electricity Transmission Company – CGES) and Bosnia and Herzegovina (Nezavisni Operator Sistema ISO and Elektroprenos BiH).</p> <p>The project is important segment of a transnational transmission network from South-East Europe to Italy. The high relevance of the project is confirmed by its significance in implementation of the Third Energy Package and the Trans-European Energy Networks (TEN-E). The project is also listed on PECE list,</p>	The project is still under implementation and it is hard to assess its prospective impact. Nevertheless, this project is an important segment of a trans-national transmission infrastructure that will connect North and Eastern Europe with Italy, therefore it can be assumed positive impact in many aspects, from energy stability to economic benefits. <b>Good</b>	The project supposed to be funded by EBRD yet everything depends from the feasibility study, whether the project is bankable or not, and from fiscal space of beneficiary countries. Nevertheless, this project has a high regional and trans-regional significance and there is a high probability to be funded. <b>Partly successful</b>	The project has proved that transnational transmission networks should rather be built as a single regional project then to sequence them into smaller national projects. <b>Verified in part</b>

Sample Project Title	Status	Expected Results	Observed Results as of April-May 2015 <sup>24</sup>	Observed Impact as of April-May 2015 <sup>25</sup>	Assessment of Blending as of April-May 2015 <sup>26</sup>	Assessment of Value-Added as of April-May 2015 <sup>27</sup>
			<p>and it is endorsed by DG Energy ENTSO-E and the Energy Community.</p> <p>This project has been built on lessons learned from the project "TA-SER-26: Upgrading of transmission network in Western Serbia to 400kV operation", especially in terms of following national legislation for the feasibility study, including social and environmental impact assessments.</p> <p>There is a high local ownership and good participation of beneficiaries in project implementation. The project contributed to good regional cooperation, exchange of experience and harmonization of regulations between Serbia, Montenegro and BiH, which was highly welcomed by project beneficiaries. WBIF experts were praised for transferring knowledge, EU standards and best practices in building transmission networks.</p> <p><b>Good</b></p>			

## **Annex 5 – SWOT analysis**

**SWOT analysis on WBIF capacity for coordination and implementation of both national and regional projects (for project implementation, at the moment, only regional projects can be supported by WBIF)**

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Effective coordination platform for selection, preparation and implementation of investment projects in the Western Balkans;</li> <li>• Largely effective blending mechanism and related leverage effect;</li> <li>• Flexibility, responsiveness and openness of WBIF (IPF) to assist with project preparation and implementation;</li> <li>• High level of political support from the EU side that helps ensure WBIF interventions and investments receive excellent recognition;</li> <li>• Where political commitment towards EU integration and accession is strong and continuous, WBIF is an excellent driver for development</li> <li>• Strong endorsement of WBIF investment projects by beneficiaries, enhanced by their central role in the project development process;</li> <li>• “Connectivity” represents a clear strategic orientation of the WBIF for the coming years.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Over-politicised and sometimes problematic administration in partner countries;</li> <li>• The legacy of wartime conflict constitutes a weakness in some countries;</li> <li>• Financial weakness: over-stretched public budgets and austerity policies, vulnerable local banking sector, limited borrowing capacity in the region;</li> <li>• Strategic sector-based planning often weak or incomplete in beneficiary countries;</li> <li>• Institutional incoherence combined with a lack of supportive and participatory policies in many sectors;</li> <li>• Some instances of weak ownership/low levels of involvement of beneficiaries in initial project identification and preparation stages;</li> <li>• Variations in the expectations of what WBIF actually intends to achieve;</li> <li>• Rather opaque WBIF programming process.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• WBIF can continue to contribute considerably to adoption, endorsement and improvement of strategic planning and programming approaches in sector ministries;</li> <li>• Completed WBIF investments can continue to deliver visible benefits directly to the public, thus promoting EU values and accession agenda;</li> <li>• WBIF projects can continue to promote inter-institutional cooperation and change beneficiary attitudes (good governance, transparency, evidence-based decision making);</li> <li>• WBIF TA projects and investments can continue to support socioeconomic development through preparation of high value projects;</li> <li>• Well designed and implemented projects can continue to improve visibility and perception of the EU amongst general public;</li> <li>• Current WBIF reform measures can potentially improve transparency and ownership of the project preparation and decision-making process.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• The EU-driven investment agenda for the Western Balkans is increasingly challenged by other global financiers who are increasingly active in the region;</li> <li>• WBIF flexibility, responsiveness and openness might diminish with recently introduced measures and need for compliance with financial regulations;</li> <li>• Continued risk of financing of inappropriate projects that are not a true priority or are not affordable for the country;</li> <li>• Constant decrease of available national budgets and limited borrowing capacity could further reduce capacity for local co-financing of investment projects, their operation and maintenance;</li> <li>• Current WBIF reform measures may further decrease speediness and flexibility of the decision-making process and increase bureaucracy.</li> </ul>

## **Annex 6 – Quantitative and qualitative progress indicators for WBIF**

## Quantitative and qualitative progress indicators for WBIF

Performance Criterion	Suggested Indicator	Source of information
<b>WBIF Efficiency</b>		
<b>Application selection and approval process</b>	Average time elapsed between receiving/approving TA applications	WBIF Management Information System
	Number of requests for clarification after each round	
<b>Tendering/ mobilisation process</b>	Average time elapsed between approving application and starting IPF or IFI project preparation work	WBIF Management Information System
<b>Performance of single project pipelines</b>	Ratio: No. of applications approved - total per year/per sector/per beneficiary country, national/regional compared to No. of applications received - total per year/per sector/per beneficiary country, national/regional	WBIF Management Information System
	No. of applications rejected due to insufficient quality - total per year/per sector/ per beneficiary country, national/regional	
<b>Quality of (financial) cooperation between the Commission, IFIs and Beneficiary authorities</b>	Perception of satisfactory (financial) cooperation expressed by Beneficiaries, IFIs and Commission	WBIF Steering Committee Minutes (annual) WBIF survey among National Investment Committees
<b>WBIF Effectiveness</b>		
<b>TA grants approved/ on-going/ completed</b>	No./amounts – total, per year, per sector, per beneficiary country, national/ regional	WBIF Management Information System
	Ratio of total amount of grants approved to total budget of signed projects	
	Ratio of IPF budget(s) to total budget of signed projects	
<b>Investment grants approved/ on-going/ completed</b>	No./amounts – total, per year, per sector, per beneficiary country, national/ regional	WBIF Management Information System
<b>Blending effect</b>	No. of TA projects prepared which found combined financing (WBIF grant and loan)- total, per year, per sector, per beneficiary country, national/ regional	IFI reports WBIF Management Information System
<b>Leverage effect</b>	Leverage ratio - total, per year, per sector, per beneficiary country, national/ regional	IFI reports WBIF Management Information System
<b>WBIF Impact</b>		
<b>Infrastructure investments launched/ on-going (grants, loans, government funding)</b>	No./ amounts – total, per year, per sector, per beneficiary country, national/ regional	WBIF Management Information System
<b>Infrastructure investments completed (grants, loans, government funding)</b>	No./amounts – total, per year, per sector, per beneficiary country, national/ regional	WBIF Management Information System
<b>WBIF infrastructure investment contribution to regional cooperation, especially on transport and energy (Energy Treaties, Trans-European Networks, etc.)</b>	Number of regional investment projects in transport and energy and other sectors, if any	IFI reports WBIF Management Information System
	Number of WBIF countries connected per investment project and sector.	
<b>Stimulation of socio-economic growth of the Western Balkans through the WBIF</b>	<i>Improvement of key sectoral indicators as (to be) defined under IPA II national/regional programmes</i>	IPA II monitoring system Beneficiary Countries' Statistical Offices Eurostat OECD reports IFI reports WBIF Management Information System

## **Annex 7 – List of documents**

## List of Documents

Origin	Date	Title
<b>European Commission Documents</b>		
European Commission		WBIF Website publications
European Commission	-	WBIF Energy Portfolio
European Commission	-	WBIF Transport Portfolio
European Commission	-	WBIF Monitoring Database
European Commission	-	WBIF IPA Project Fiches
European Commission	-	WBIF project applications for sample projects
European Commission	2013/2014	WBIF Steering Committee Minutes
European Commission	2014	Indicative Strategy Papers for Bosnia-Herzegovina, Serbia, Kosovo and multi-country assistance
European Commission	2014	Multi-country Programmes; Activity Report January-June 2014
European Commission	2006/2009	General Conditions of the European Western Balkans Joint Fund
European Commission/ Austrian Ministry of Finance	2012	Consolidated version of the Western Balkans Investment Framework Joint Grant Facility – Terms of Reference
European Commission	2010	Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings
European Commission	2012	DIRECTIVE 2012/27/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
European Commission	2015	Update – Restricted Task Force 2015 – Working Methodology
European Commission	2014	New Methodology to support Infrastructure Projects in the Western Balkans Discussion Paper - Internal Working Group DG ELARG
European Commission	2014/ 2015	Western Balkans Investment Framework – Annual Reports
European Commission	2015	Potential projects for WBIF 2015 Co-financing
European Commission /IFICO	2015	WBIF MIS2 – Technical Specifications
European Commission	2015	PFG presentations - Round 13: Screening and Assessment
European Commission	2015	PFG presentations – Co-delegation
European Commission	2015	WBIF Roadmap 2015
European Commission	2014	WBIF presentation Implementation structure for EU funds in WBIF
European Commission	2015	Project Grant Application Form – Round 13
European Commission	2015	Statement Western Balkans 6 meeting in Brussels
European Commission	2014	Practical Guidelines for WBIF Project Application and Submission
European Commission	2014	New methodology for infrastructure investment projects in Western Balkans 2014-2020 WBIF Steering Committee Berlin, 11 June 2014
European Commission	2014	Instrument for Pre-Accession Assistance, Indicative Strategy Paper for Serbia (2014-2020)
EU-Western Balkans Investment Framework	2011	Policy and Strategy Discussions Review of Financial Support -Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans
European Union	2014	Detailed Review of the WBIF Pipeline: Stage 2 - draft
European Court of Auditors	2014	The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies
<b>Country/Project Specific Documents</b>		
Directorate for EU Integration Bosnia and Herzegovina	2014	Instruction for preparation and submission of grant applications in BiH with deadlines
Council of Ministers of Bosnia and Herzegovina	2015	Decision on the establishment of National Investment Committee of Bosnia and Herzegovina
IPF	2014	WB5-REG-ENE-03 FS and ESIA for the Ionian – Adriatic Pipeline (IAP) Feasibility Study Report
IPF	2015	Final Progress Brief on IPF Projects' Implementation in Albania
IPF	2014	Projects Implementation Status in the former Yugoslav Republic of Macedonia Brief Report
STTE Consortium	2011	Support in identification, assessment and selection of eligible projects for IPA Regional Development Component – part transport
Ministry of Transport of former Yugoslav Republic of	2013	The challenges of the New Cohesion Policy 2014+ in the former Yugoslav Republic of Macedonia



Origin	Date	Title
Macedonia		
Ministry of Finance of the former Yugoslav Republic of Macedonia	2015	WBIF projects list
Ministry of European Integration Kosovo*	2014	NIPAC workshop- Single project pipeline and National Investment Committee
Programme Sava Ltd.	2015	Programme Summary
Ministry of Regional Development and EU Funds of Croatia	2013	Western Balkans Investment Framework and the Republic of Croatia Presentation
SEIO, Republic of Serbia	2014	National Priorities for International Assistance (NAD) 2014-2017 with projections until 2020
SEIO/PPF5, Republic of Serbia	2014	Methodology for Selection and Prioritization of Infrastructure Projects
Fiscal Council, Republic of Serbia	2015	Public Investments in Serbia: Supporting Growth in Fiscal Consolidation
Official Gazette of the Republic of Serbia	2015	Rulebooks on energy efficiency regulations in buildings and for street lighting, published in the Official Gazette of the Republic of Serbia no. 41 from 8 May 2015.
<b>Monitoring and Evaluation Reports</b>		
Pohl Consulting	2014	The political economy of donor intervention in Western Balkans and Turkey: mapping and potential for stronger synergies
ADE	2015	Inception Report Evaluation of Blending
ICCS-NTUA	2014	Evaluation of the EU-funded Support to Energy Sector (IPA II) in Kosovo*
Planet	2013	Technical Assistance for the Evaluation of Transport Sector implemented and financed by IPA Programme and other Donors in the Republic of Serbia
Particip	2012-2015	Available Reports from the Results-Oriented Monitoring for sample projects
IBF	2014	Third Interim Evaluation of IPA Assistance – draft interim report
Ecorys	2013	IPA – interim evaluation and meta-evaluation of IPA Assistance Evaluation of Multi Beneficiary Programmes
DRN et. al.	2013	Mid-Term Evaluation of the Neighbourhood Investment Facility under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013
Maxima Consulting and INTER	2013	Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per sector
<b>Other Documents</b>		
KfW	2015	KfW and the Project cycle (vis-à-vis the EU project cycle)
Energy Community Secretariat	2014	Regional Initiatives in the Energy Sector - 11 <sup>th</sup> WBIF Steering Committee
EBRD	2011	Annual Evaluation Overview Report for 2010
EBRD	2014	EBRD's Western Balkans Regional Energy Efficiency Programme (REEP), PPT prepared by Daniela Diedrich-Ristic, Toivo Miller & Nigel Jollands, Vienna, 2 July 2014
SEETO	2011	South-East Europe Core Regional Transport Network Development Plan 2011
EBRD	2013	Transport Sector Strategy
IFICO	2014	WBIF website & MIS2 – key features
IFICO	2014	Presentation MIS2
European Centre for Development Policy Management	2013	Blending loans and grants for development: An effective mix for the EU?
IMF	2015	The Western Balkans 15 years of Economic Transition, Regional Economic Issues Special Report
IMF	2008	Working Paper: Creating Sustainable Fiscal Space for Infrastructure
Mary O'Mahony	2014	Report on Realising Priority Infrastructure Investments for the Energy Community

## **Annex 8 – Presentation of Evaluation Findings, WBIF Project Financier's Group Meeting, Podgorica (10-11 November 2015)**



# EVALUATION OF WESTERN BALKANS INVESTMENT FRAMEWORK



## Findings

Project Financier's Group  
Podgorica, 10-11 November 2015

George McDonnell

## Background

### *Specific objective of the evaluation*

Assess performance of WBIF since 2009 – keeping in mind the IPA II regulation and new WBIF methodology.

### *Phases of evaluation*

- **Field Phase: APR-MAY 2015**
  - 4 WBIF sample recipient countries (BA, HR, KS,\* RS)
  - 2 sample sectors (Transport, Energy)
- **Presentation of Preliminary Findings: JUN 2015**
  - Presentation in Brussels
- **Evaluation Report**
  - Draft to EC – JUL 2015
  - Final to EC – OCT 2015

WBIF Evaluation



## Conclusions

1. Overall, WBIF provides relevant and important response to development needs of WB region. However strategic fine-tuning would be desirable.
1. Prospects for effective delivery of TA projects are good in general, but vary by case. WBIF efforts to pool grant resources in order to leverage loans for priority infrastructure and socio-econ. development are largely effective.
2. Efficiency in terms of management, monitoring and co-ordination has been adequate or even very good and commitment by respective beneficiaries, with some exceptions, mostly at the initial phase of project preparation.
3. Most of the investment projects, once contracted, are heading towards substantial achievement of impact - at least in the medium term.
4. Most of the investment projects realised are likely to maintain their results in a sustainable way assuming legislative frameworks are amended to meet EU-related provisions under each project.

WBIF Evaluation

## Strengths & Weaknesses



**Main strength:** flexibility, responsiveness and openness of WBIF to assist with project preparation and implementation.

This might diminish in the light of recently introduced measures and need for compliance with financial regulations.

**Main weakness:** a sometimes opaque process of decision making during programming phase.

Clarification and simplification of WBIF “call process”, combined with establishment of NICs might help address this weakness.

WBIF Evaluation



## Issues & Recommendations 1 & 2

**Issue 1:** no shared vision of what WBIF actually intends to achieve.

**Recommendation 1:** adopt simplified framework of strategic objectives for remaining life of WBIF, reflecting principles and priorities set until 2020.

**Issue 2:** WBIF administrative and management arrangements need to consider competition with other investors in the region.

**Recommendation 2:** IFI Coordination Office (IFICO) could provide specific analysis to identify strengths and weakness of EU funding in the WB. This would help to define and fine-tune strategic priorities.



## Issues & Recommendations 3 & 4

**Issue 3:** Provided NICs perform well, they could help harmonise sector coordination as concerns WBIF and IPA II investment projects.

**Recommendation 3:** in line with IPA II sector-based approach, NICs should consider involvement in selection and preparation of national IPA investment projects, helping to create synergies between WBIF and IPF national/CBC projects – casting the WBIF net a little wider

**Issue 4:** investments in the region are significantly limited due to borrowing capacities or “fiscal space”.

**Recommendation 4:** growth can be stimulated by revising the concept of fiscal space. The EC should initiate a facilitated policy dialogue with WB countries, IFIs and bilateral donors, in order to increase the space for investments (the capacity to borrow)



## Issues & Recommendations 5 & 6

**Issue 5:** ENV and SOC sector investments have accelerated reforms in various countries. However, these sectors have taken a back step as the "Connectivity agenda" with its regional focus has priority.

**Recommendation 5:** 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".

**Issue 6:** revised WBIF funding architecture still under development. The lack of clear rules and guidance creates uncertainty among stakeholders.

**Recommendation 6:** adopt sustainable funding architecture by end 2015, including co-financing methodologies for IFIs and bilateral donors, co-delegation arrangements; rules for eligibility etc.

WBIF Evaluation

## Issues & Recommendations 7

**Issue 7:** 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.

**Recommendation 7:** possible project preparation pathway...

- Submission of detailed project preparation ToR – prepared by beneficiaries/IFIs - to WBIF (placing project in WBIF / EU Accession / policy / strategy context, describing overall project & preparation work required with milestones and work day estimate – rather than financial budget)
- WBIF Secretariat review and select projects using clearly defined process
- IPF prepare proposals for work required to prepare accepted project (methodology and workplan – showing breakdown of the work, timing and work days per output)
- Approval of IPF proposal by IFI / government side
- IPF delivery of project preparation outputs
- IPF and IFI reporting to WBIF – more detailed and more frequent

WBIF Evaluation



## Issues & Recommendations 8 & 9

**Issue 8:** if additionality shall remain a key WBIF feature, it needs to be more clearly identified, possibly by applicants (WBs and IFIs), prior to funding decisions

**Recommendation 8:** adapt concept for ensuring additionality and sustainability in grant financing; provide detailed justification for additionality, request more detailed sustainability considerations at level of project application and investment grant approval.

**Issue 9:** quality of regional cooperation could be further improved through stronger representation of regional organisations for priority sectors.

**Recommendation 9:** for priority sectors, stronger involvement of regional organisations would be helpful (South East Europe Transport Observatory (SEETO), Energy Community Secretariat (ECS)) at level of Steering Committee (SC) and certain NIC meetings.

WBIF Evaluation

## Issues & Recommendations 10

**Issue 10:** NICs potentially might further increase complementarity and coordination of the WBIF, particularly at individual WB country level.

**Recommendation 10:**

- (a) communication channels between NICs need to be established and maintained, particularly in view of regional projects
- (b) performance of NICs should be assessed after first year of operation (benchmarking exercise between the various NICs might help detect factors for success and failure)
- (c) concerning NICs, the Commission Services should encourage IFIs to send representatives regularly to the meetings



WBIF Evaluation

## **Annex 9 –List of interviews**



## List of interviews

Institution	Interviewee
<b>European Commission</b>	
European Commission DG NEAR	Wolfgang Schlaeger, Head of Sector Olav Reinertsen, Head of WBIF Secretariat Barbara Banki, Deputy Head of Unit Davor Kunc, Programme Manager Panayotis Papanastassiou, Programme Manager Bo Capperman, Programme Manager Nadejda Mecheva, Programme Manager
European Union Delegation in Albania	Yngve Engstroem, Head of Cooperation Daniela Hanusova, Project Manager Water Antoine Avignon, Project Manager Environment and Energy Antonio García Suárez, WBIF Focal Point
European Union Delegation in Bosnia and Herzegovina	Mariangela Fittipaldi, Programme Manager Martin Schieder, Head of EUD Administration Section Amila Ibricevic, Political Adviser Goran Filipovic, Programme Manager Normela Hodzic-Zijadic, Programme Manager
European Union Office in Kosovo	Aferdita Tahiri, Task Manager Lendita Gashi, Task Manager
European Union Delegation in the former Yugoslav Republic of Macedonia	Martin Klaucke, Head of Operations Mauro di Veroli, Head of Section Dimitar Malinovski, Task Manager Snezana Kolekseska, Programme Manager
European Union Delegation in Serbia	Dejan Rebric, Programme Manager, Operations, Gligo Vukovic, Project Manager, Operations Dragan Lalic, Project Manager, Operations Konstantinos Soupilas, Programme & Coordination Manager, Operations
<b>Beneficiary Countries</b>	
<b>Albania</b>	
Ministry of European Integration	Roza Dedja, Expert, Sector for Coordination of Horizontal Programmes
Ministry of Energy	Alfred Bundo, Director of EU Integration and Projects Agim Bregasi, Director Electro Energy Policies
Ministry of Transport and Infrastructure	Argita Totozani, Director of Integration, Majlinda Lila, Head of IPA Funding Unit
<b>Bosnia and Herzegovina</b>	
Directorate for EU integration of the CoM of BiH (NIPAC)	Nermina Saracevic, Expert Adviser
BiH Ministry of Transport and Communication	Izet Bajrambašić, SPO for transport

Institution	Interviewee
BIH Railways	Emir Begovic, Manager of infrastructure department
BH Gas	Nadzida Ninkovic, Head of Development Sector Belma Filipovic, Engineer
Elektroprivreda BiH	Emir Aganovic, Assistant General Director Mustafa Music, Head of the Department for Strategic Development
Federal ministry of transport and communications	Ismet Demirovic, Assistant to Minister for Railway, Water-Way and Combined Transport Pavo Boban, Assistant to Minister for Management and Coordination of Development Funds
JP Autoceste FBiH	Mirza Resic, Senior Officer
Republika Srpska Motorways	Dusan Topic, General Manager Slavica Stanivukovic, Chief Construction Engineer Davor Vuckovic, Technical Control Engineer Davor Kostresevic, Civil Engineer
Republika Srpska Ministry of Traffic and Communications	Miodrag Blagojevic, Senior Associate, EU Programmes Division Natasa Kostic, Assistant Minister for Road Transport Dijana Obradovic, Assistant Minister for Postal Services
Republika Srpska Ministry of Economic Relations and Regional Cooperation	Darko Telic, Head, EU Funds Division Rade Rosic, Senior Associate, EU Funds Division Rade Rosic, Senior Associate, EU Funds Division
Republika Srpska Railways	Snjezana Ilic, Director of Investments and Development
<b>Croatia</b>	
Ministry of Regional Development and EU Funds (NIPAC)	Damir Tomasevic, Head of Department Tihana Suzancic, Head of Monitoring and Evaluation Unit Boris Micin, Senior Expert Advisor
Ministry of Construction and Physical Planning	Nada Mardjetko-Skoro, Head of Sector for Energy Efficiency in Buildings, EU affairs and projects Danijela Knez, Senior Expert Advisor Matija Sostaric, Expert Advisor
Plinacro d.o.o. Croatian Gas Transmission System Operator	Vladimir Durovic, Director Strategic Development Department Florijana Dedovic, Expert Strategic Development Department
Ministry of Economy Program Sava d.o.o.	Boris Maksijan, Head of Section Dubravko Ponos, Director
<b>The former Yugoslav Republic of Macedonia</b>	
Secretariat for European Affairs (NIPAC)	Orhideja Kaljosevska, Head of Sector Evgenija Serafimovska Kirkovski, Head of Unit for Monitoring and Evaluation
Ministry of Finance	Andrija Aleksoski, Assistant Head of

Institution	Interviewee
	Department
MEPSO	Sinisa Spasov, General Director Kliment Naumoski, Power System Planning Jordan Angelovski, Head of Office for International Cooperation
Ministry of Transport	Darko Spiroski, Head of Department for European Union
<b>Kosovo</b>	
Ministry of European Integration (NIPAC)	Demush Shasha, National IPA Coordinator Arta Uka, WBIF Contact Point
Infrakos	Xhevat Ramosaj, Deputy CEO
Ministry of Infrastructure	Rame Qupeva, Director of Roads Department Albert Kolgeci, Department for EU Integration and Transport policies
Agency for Energy Efficiency	Bedri Dragusha, CEO
Ministry of Economic Development	Luan Morina, Director of Energy Department,
<b>Serbia</b>	
Serbian Agency for European Integration	Petar Spasić, WBIF Dragan Mrkalj, Energy
Ministry of Mining and Energy	Natalija Lukovic, Head of Department for EU integrations and International Cooperation Antonela Solujic, Head of Department for Energy Efficiency Aleksandar Puljevic, Senior Advisor
Elektromreža Srbije	Nada Curovic
Ministry of Construction, Transport and Infrastructure	Tatjana Dzuverovic, Assistant Minister Mirjana Jovanovic, Head of Department for Strategic Planning and Project Management Jasmina Radonjic, Senior Advisor
<b>IFIs and bilateral donors</b>	
Federal Ministry of Finance of Austria	Leander Treppel, Head of External Economic Programme
Federal Ministry of Finance of Germany	Oliver Klabunde, Desk Officer
Ministry of Foreign Affairs of Norway	Lars-Henrik Knutrud, Senior Advisor
Ministry of Foreign Affairs of Sweden	Helena Alvin, Deputy Director
EBRD Headquarters	Caroline Clarkson, Manager
EBRD Bosnia and Herzegovina	Josip Polic, Principal Banker
EBRD Country Office Croatia	Josip Vukovic, Senior Banker Vedran Panjkovic, Principal Banker
EBRD Country Office the former Yugoslav Republic of Macedonia	Francesco Corbo, Principal Banker
EBRD Country Office Albania	Ilir Basha, Associate Banker Dorina Peristeri, Associate Banker
EBRD Country Office Kosovo	Arianit Blakaj, Principal Banker

Institution	Interviewee
EBRD Country Office Serbia	Mirjana Vujacic, Principal Banker
EIB Headquarters	Massimo Cingolani, Deputy Head of Division, Adriatic Sea Department Jean-Marc Arnoux, Adriatic Sea Department Zoran Stanic, Energy Efficiency and Renewables Division Projects Directorate Jacek Podkanski, Networks and Conventional Power Projects Directorate Marzenna Pettersson, Water Sector Specialist
EIB Regional Office for the Western Balkans	Andreas Beikos, Head of Office
World Bank	Alexander Rowland, Senior Operations Manager Raymond Bourdeaux, Programme Leader SEE, Europe and Central Asia Region
World Bank Country Office the former Yugoslav Republic of Macedonia	Liljana Sekerinska Gjorgjevski, Senior Transport Specialist
World Bank Country Office Kosovo	Rhedon Begolli, Operations Officer
World Bank Country Office Albania	Evis Sulko, Acting Country Manager Gazmend Daci, Senior Energy Specialist Artan Guxho, Senior Infrastructure Specialist
World Bank Country Office Bosnia and Herzegovina	Tatiana Proskuryakova, Country Manager
KfW Headquarters	Karin Spranger, Principal Country Manager
KfW Country Office Kosovo	Ganimete Huruglica, Energy sector
KfW Country Office Bosnia and Herzegovina	Stephan Leudesdorff, Director Gabriela Huskic, Project Coordinator
KfW Country Office Serbia	Jasmina Vulovic, Deputy Director Branka Dajic, Project Coordinator
<b>Regional organisations</b>	
Energy Community Secretariat	Violeta Kogalniceanu, Head of Infrastructure and Energy Efficiency Unit
Regional Cooperation Council	Sanjin Arifagic, Head of Economic and Social Development Unit Maja Pinjo – Talevska, Senior Policy Analyst
South-East Europe Transport Observatory SEETO	Dejan Lasica, General Manager
<b>Infrastructure Projects Facility</b>	
Albania	Ledina Gjikhuri, Country Manager
Bosnia and Herzegovina	Svjetlana Vukmirovic, Country Manager
The former Yugoslav Republic of Macedonia	Aleksandar Zravec, Country Manager
Kosovo	Alush Grosha, Country Manager
Serbia	Danko Gavrilovic, Country Manager Gordon Lamond, IFP3 Team Leader Arthur Schankler, IFP3 Senior Expert

Institution	Interviewee
	Vassilis Evmolpidis, IPF4 Team Leader Martyn Osborn, IPF4 Senior Expert
<b>IFI Coordination Office</b>	
Mott MacDonald	Falko Sellner, Team Leader Hubert Warsmann, Policy and Strategy Coordinator Elio Voci, MIS and Information Manager