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I. WBIF: Adapting to a Changing and Challenging Environment

Outcome of WBIF stakeholder discussions on enhancing the application, screening, assessment and monitoring of WBIF grants

Olav Reinertsen, WBIF Secretariat, DG Elarg

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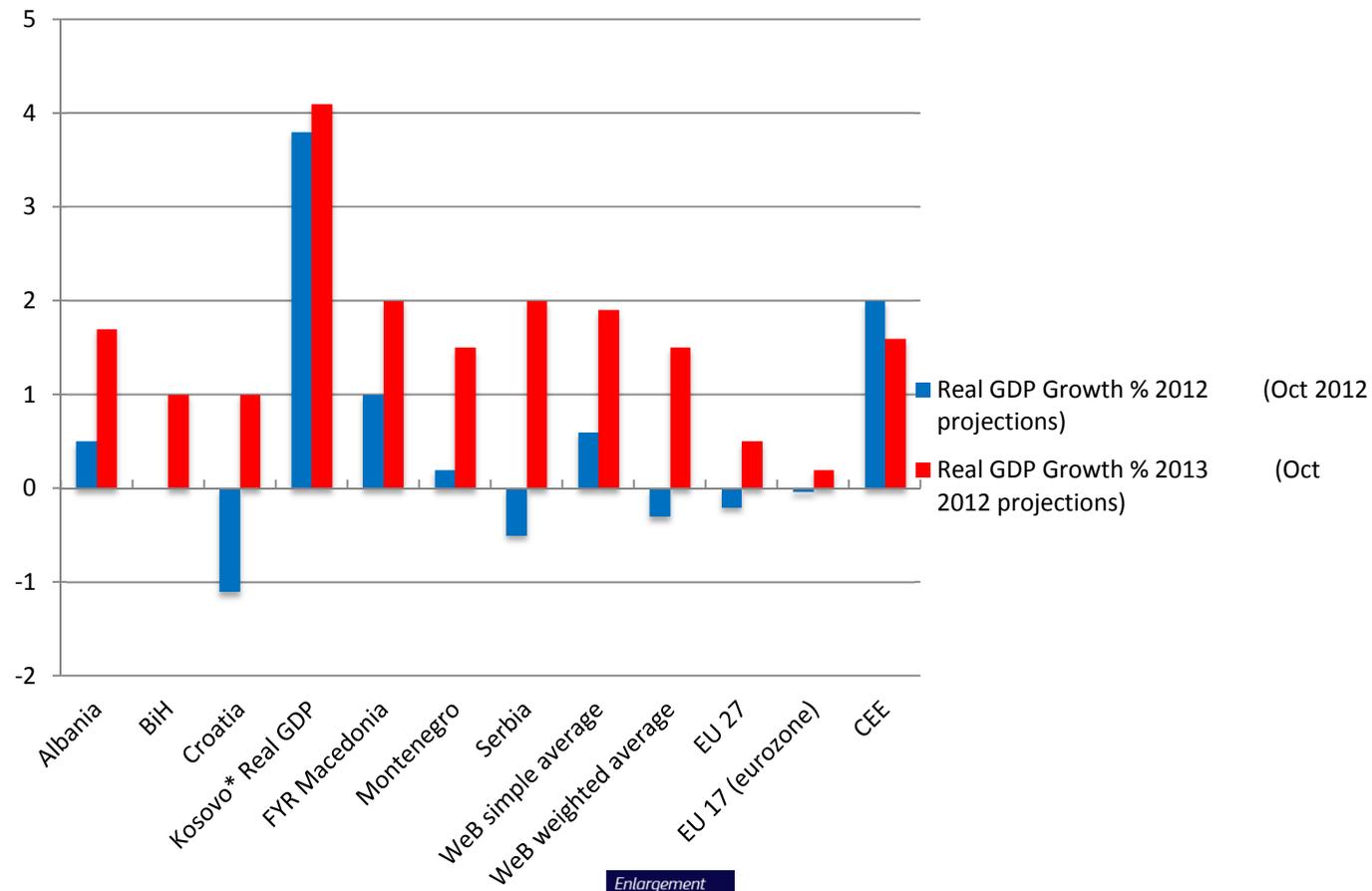
- *Brief summary of the WBIF's operating environment*
 - **Macro-economic environment**
 - **Strategy and policy developments**
 - **Evolution of IPA II**
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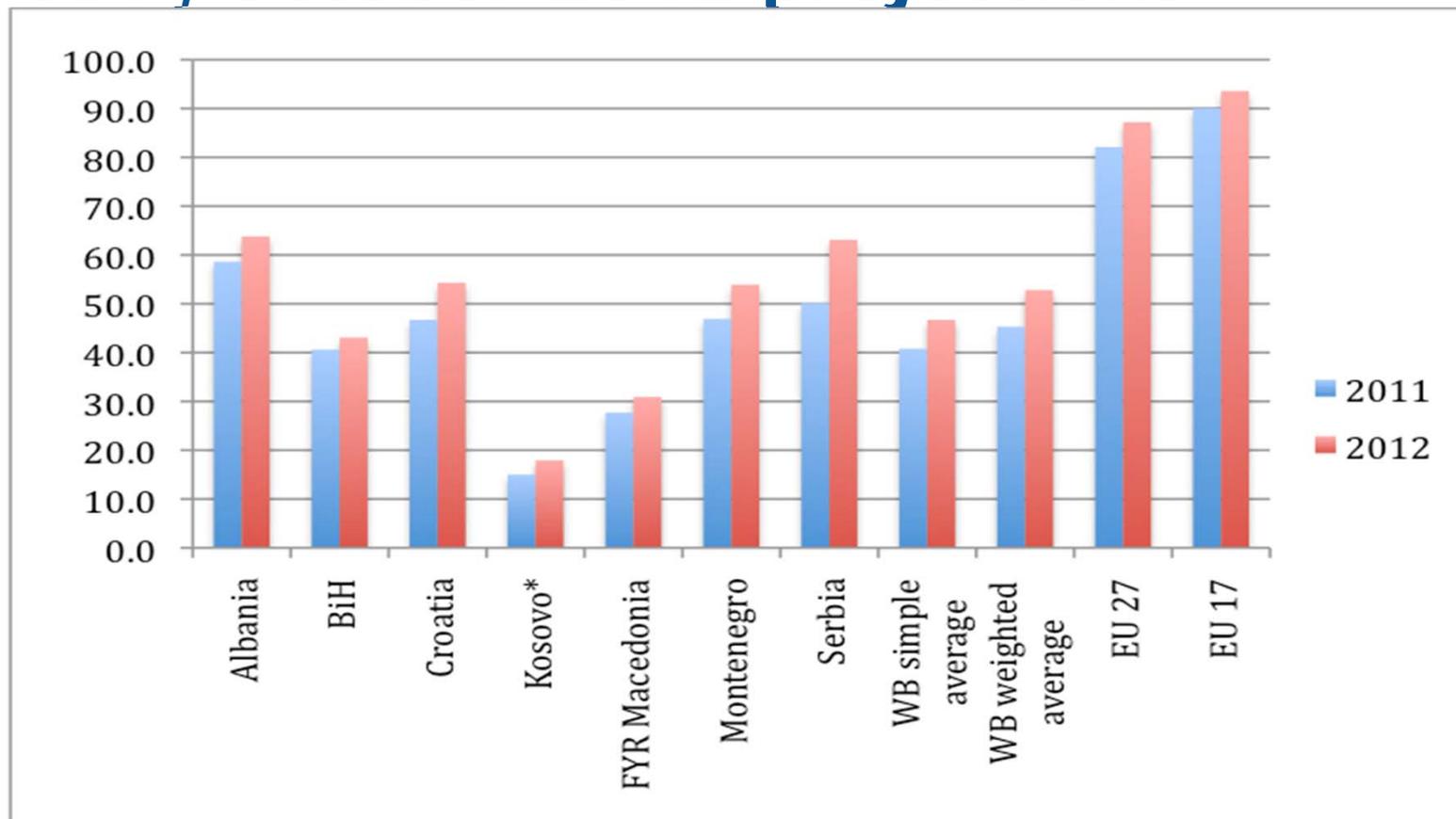
Macro-Economic Environment

- *Updated “Food for Thought” paper with latest projections for the Western Balkans*
- *Expected recession in Euro area will further deteriorate growth prospects for Western Balkan countries*
- *Consolidated GDP of WB in 2012 is projected to remain below the 2008 level*

Projected growth rates for Western Balkans countries



Projected General Government Debt % GDP, October 2012 projections





Current Financing Situation in WBIF*

- *132 projects awarded grant financing totaling € 267.7 million*
- *Total estimated investment approx. €12 billion*
- *Total amount of secured funding (grants and signed loans) = €3.24 billion*

*Figures based on data from the WBIF MIS as of 20 October 2012



Strategy & Policy Developments

- *Development of SEE 2020*
 - Response to EC request to use EU 2020 agenda as a framework for policy reform – albeit adapted to circumstances of the region
 - RCC mandated to lead process via the SEE Investment Committee
 - Ministerial meeting Tirana 9 November adopted headline targets
 - Five pillars comprising: (i) integrated growth, (ii) smart growth, (iii) sustainable growth, (iv) inclusive growth, within a (v) good governance framework

SEE 2020

- *Next Steps*
 - Development of overall strategy & action plan for implementation including (i) second tier objectives for all of the pillars, (ii) measures and actions, and (iii) indicators and budgets for adoption end 2013
 - Involvement of other relevant regional platforms – e.g. ECS, SEETO etc
 - Linkage with evolution of IPA – sector based programming



Sectoral Strategies/Policies

- *Energy – Regional Energy Strategy adopted by Ministers for Energy in October 2012*
- *Environment – 7th Environmental Action Plan adopted by EC, need to enhance WBIF's monitoring of climate change financing*
- *Transport – integration into TEN-T network, new screening criteria for priority transport projects*
- *Social sector – importance of human capital development for socio-economic growth*



Increased relevance of WBIF under IPA II

| IPA II | WBIF |
|---|---|
| <p data-bbox="210 687 1057 783">Advocates a more coherent and strategic approach</p> <p data-bbox="210 879 1057 975">Consolidate financial assistance with the political agenda</p> <p data-bbox="219 1054 936 1098">Types of actions financed by IPA II:</p> <ul data-bbox="264 1102 1057 1358" style="list-style-type: none">• Transition process and capacity building• Regional Development• Employment, social policies and human resources development• Regional and Territorial cooperation• Agriculture and rural development | <p data-bbox="1144 687 1874 783">Strengthening of the WBIF as a real strategic driver for investments</p> <p data-bbox="1144 879 1960 1070">Increased importance of WBIF mechanisms (blending) and of ensuring that the strategic planning is in line with IPA II</p> <p data-bbox="1144 1118 1910 1358">More emphasis on socio-economic development and on the activities covered by WBIF: 4 out of the 5 types of actions fall on the scope of the WBIF</p> |

Implications for WBIF

IPA II

- Requires more detailed planning and definition of objectives to achieve (result-oriented, rewarding performance)
- Coherence of assistance and donor coordination
- Principle of partnership
- Result-oriented and performance rewarding features of IPA II call for a better assessment of progress

WBIF

- More detailed project applications with clear objectives and planning of activities in order for projects to be more accurately prioritised
- Increased role of WBIF in bringing together the investment needs and the financing available → single entry point for projects
- Coordination between stakeholders and enable the beneficiaries to be in the driving seat to propose projects (“ownership”)
- More close monitoring of projects and increased importance of defining indicators both to choose between applications and to do the proper follow-up of the projects



Some Conclusions

- *Economic outlook for the region remains difficult in the short to medium term*
- *In general, financing capacity is strained but there is a mixed picture across the Western Balkans with respect to current debt levels*
- *2012 saw significant developments with respect to regional/horizontal, sectoral and national strategies and policies*
- *WBIF operates in a very dynamic environment & therefore must be flexible and able to adapt to changing circumstances*

WBIF Response

- *Emphasis of WBIF support to be directed to priority investments that contribute to competitiveness & reform agenda*
- *Importance of financial sustainability of proposed investments*
- *Agreement to analyse WBIF pipeline to determine progress & identify where further assistance useful*
- *Agreement to monitor progress & impact of WBIF supported investments on an continuous basis & compliment obligatory IFI assessments of impact*
- *Strengthen further policy and strategy discussions among all WBIF stakeholders*

WBIF Response

- *Preparation of guidelines for project promoters with objective to:*
 - Provide beneficiary institutions with clear, user friendly guidance for preparation of applications for WBIF assistance
 - Create a “living document” that can provide information on specific characteristics of a particular call for proposals (e.g. request for applications for a regional EE programme in Round 7) & allow WBIF to adapt to changing environment.

Guidelines will

- *Improve quality of applications by (amongst others) requiring clearer evidence of:*
 - **Links to relevant regional/sectoral/national priorities**
 - **Analysis of financial sustainability**
 - **Justification for additional assistance (where further assistance sought for a current investment project)**
 - **Involvement of financiers in preparation**
- *Allow for better alignment with IPA II – during preparation of IPA II and actual implementation*