

To the:

Slovenian Presidency of the Council of the European Union
President of the European Council, Honorable Mr. Charles Michel
President of the European Union Commission, Honorable Ms. Ursula von der Leyen
President of the European Union Parliament, Honorable Mr. David Maria Sassoli
High Representative/VP, Honorable Mr. Joseph Borrell
Commissioner for Neighborhood and Enlargement, Honorable Mr. Oliver Varhelyi

15 September 2021

Open Letter to the European Union

Request from specialized Western Balkans Civil Society Organizations for their formal participation in the new Western Balkans Investment Framework's good governance mechanism

Honorable EU Representatives,

The EU Economic and Investment Plan for the Western Balkans (EIP) aims to support the post-pandemic recovery of the region and its economic convergence with the EU, to contribute to the building of a Regional Common Market and to make possible for the regional economies to take a stronger position in the European value chains, thus directly contributing to the EU's strategic autonomy in the long term.

Up to EUR 30bn will be the financial muscle put at the service of recovery, economic development, and green transition in the WB6 for the next seven years, out of which EUR 9bn will be IPAIII funded grants provided by the EU.

To be delivered through the Western Balkans Investment Framework (WBIF), this amount represents a qualitative jump in the financial assistance to the region towards a project-based development model that goes in parallel with countries' reforms.

But while the WBIF governance is being updated to reflect IPAIII requirements, WB6 homegrown problems that directly impact the successful preparation, implementation and operation of EIP flagship projects are dealt with only partially.

No remedies are proposed to deal with identified WB6 structural weaknesses such as low involvement of local authorities, capacity constraint at beneficiary level, or change of governments and subsequent alteration of political will required to push forward with the implementation of EIP flagship projects. Issues falling in the category of Fundamentals, such as corruption and conflict of interest, public procurement and rule of law do not figure in the framework factors conditioning the delivery of EIP.

At the 23rd (WBIF) Steering Committee meeting of December 2020, the need for specific EU conditionality regarding the EUR 30bn disbursement has been partially acknowledged through the obligation for accompanying reforms. However, no specific benchmarks, neither

any information about the “carrot and stick” mechanism applying to EIP project financing has been provided.

The welcomed WBIF focus on the project “eligibility criteria” rightly brings into the limelight the quality of National Sector Strategies and of Sector Project Pipelines and the administrative capacity of WB6 administrations. But the proposed EU technical assistance falls short of dealing with good governance challenges affecting the preparation phase, where the most important challenge is integrity compliance and political will.

Also, while the emergence of connectivity initiatives around the world is also being felt in the WB6, the increasing presence of third actors in the peninsula does not appear in the WBIF risk list either.

In the region we are witnessing parallel prioritization pipelines: one that produces the mature projects as per the EU methodology, and other ones that prioritize and finance infrastructure projects through alternative mechanisms and criteria different and unrelated to EU’s.

Infrastructure project governance is the soft underbelly of EU Enlargement in WB6: if designed wrongly, it can derail the whole economic conditionality as embedded into the Economic and Reforms progress of the WB6 countries. Wrong infrastructure prioritization can affect country’s mid-term economic projections; financial overstretch in project financing and any resulting liabilities will impact the 3-year budgetary plans, and; corruption in public works will endanger the structural reform agendas.

But what is even more important, when we talk about good governance in infrastructure projects, we are talking about the practical and tangible implications of the rule of law in the everyday life of WB6 citizens.

In the new Enlargement methodology, the progress achieved in the Fundamentals cluster, conditions the advancement of negotiations in the Transport, Energy or Digital chapters, and is reported as such. But in the case of EU supported infrastructure initiatives such as in the EIP, the WB6 citizens will not need to consult the yearly EU country reports to learn about the adoption of the *acquis* or progress of reforms, and how they may impact their life. They will assess infrastructure’s utility immediately because they will use it (or not) every day.

How to effectively embed accountability in the EIP so that it protects the interests of EU taxpayers, of IFI shareholders and of WB6 citizens all by making it compliant to IPAI requirements?

We believe that when dealing with hybrid states, the active participation of specialized CSOs and think tanks in the EIP good governance mechanisms, practically and immediately contributes to the correct handling of the structural weaknesses of WB6 institutions.

Specialized WB6 CSOs and think tanks have regularly produced since 2015 high quality monitoring assessments and analyses on the impact and challenges of the Connectivity Agenda (CA) projects. They have brought their unique knowledge of local context and their expertise in producing concrete proposals of how to improve CA governance.

By intervening into the way WB6 infrastructure is planned, implemented and operated WB6 specialized think tanks and CSOs are trying to bridge the democratic deficit in policy making, all by contributing to the efficiency of how EU taxpayer’s money is spent in our region.

The phenomena of policy capture, embezzlement, abuse of functions, trading in influence etc., have been identified as direct causes for misallocation of state revenues, wastage of resources, inflated prices, reduced quality, and negative impact on environment, health, and safety of WB6 citizens. By participating in policy-making and project implementation, WB6 CSO and think tanks directly represent and defend the WB6 citizens' interest.

In June 2021, the consequences of special laws drafted to contract infrastructure projects in Serbia or in Albania, political prioritization of highway tracks in Kosovo, alternative national project pipelines in Montenegro, low quality of infrastructure project preparation in North Macedonia, environmental impact in Bosnia and Herzegovina, substantial use of Public Private Partnerships and change of project parameters in Albania have all been dissected, debated, discussed and resulted in policy recommendations during the Civil Society Forum (CSF) "Road to Berlin".

For those WB6-wide policy recommendations to not remain paper exercise, we have decided to formally request for the specialized CSO and Think Tanks to become part of the new EIP delivery mechanism. Given the weight of the sovereign-backed loans in the EIP financing and taking into account the "structural weaknesses" of WB6 administrations in charge, the CSO participation in the good governance mechanisms of EIP and 10 Flagship projects will definitely contribute to its transparency and accountability.

In the spirit and the letter of inclusive partnership principle as figuring in the Regulation of the EU Parliament and of the Council establishing the IPAIII, First Reading, we believe that this is an appropriate situation where the EU can ensure that relevant stakeholders of beneficiaries such as civil society organization are duly consulted, have timely access to information that allows the said CSOs to play a meaningful role during the design, implementation and associated monitoring process of programs.

Based on our expertise, experience, local knowledge, knowledge of EU programing, and building on the policy recommendations CSF of Western Balkans Summit in Berlin 2021, we kindly request that:

- the appropriate and adapted transparency and accountability mechanisms to EU and to WB6 taxpayers must be embedded into the new WBIF good governance mechanism. They should cover all the stages of project-cycle from identification to operations included;
- the new WBIF governance mechanism must create space and the right conditions for the WB6 specialized CSOs and Think Tanks to formally contribute into its good governance throughout all the EIP policy-making components and flagship project phases. The role of civil society should be enhanced also in programs and actions implemented through responsible institutions and government bodies, and not only as a direct beneficiary of EU assistance.

Honorable EU Representatives,

Through this open letter we are kindly requesting for formal participation of CSOs in the national and WBIF's programming and implementation cycle, through appropriate mechanisms, to obtain the best value for money for the benefits of our citizens.

Prepared in Belgrade, Podgorica, Prishtina, Sarajevo, Skopje, and Tirana

(Follows list of signatories up to 15th September 2021)

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