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## **- Minutes and conclusions-**

### **Fifth Meeting OF THE WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF) Steering Committee**

**Luxembourg – EIB Headquarter- 7 December 2011**

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#### **SUMMARY**

The 5<sup>th</sup> meeting of the Steering Committee (SC) of the WBIF was kindly hosted by the EIB at their offices in Luxembourg. High level representatives of all members – beneficiaries, IFIs, bilateral donors and the EC – informed participants of the latest views on the WBIF and progress in the Western Balkans from the perspective of their country/organisations. The SC was also briefed on the current challenging economic situation facing the region and the severe impact of the ongoing crisis. The SC approved a total of 59.09 million EUR in grant funding for 22 projects in the region including the major private sector initiative, the Western Balkan Enterprise Development and Innovation Facility. One additional project in Albania has been provisionally approved and will be confirmed by written procedure to the SC Members early 2012. The meeting also reviewed progress in 2011 and made some recommendations to improve the future functioning of the WBIF including: a review of the fee structure for lead IFIs; guidelines for use of grants; and enhanced communication flows, particularly with beneficiaries. The SC reviewed the proposed work programme for 2012 and welcomed the additional funding pledges by the EC. The meeting also discussed the issue of energy efficiency financing - a key topic for 2012. The SC thanked Norway for its excellent co-chairmanship in 2011 and welcomed Austria as the Co-Chair in 2012.

#### **1. WELCOME AND INTRODUCTION**

The meeting opened with a series of introductory remarks by representatives of the WBIF stakeholders.

***Vice President Scannapieco of the EIB*** welcomed all participants to the EIB headquarters and highlighted how pleased EIB was as a founding member to see that

the WBIF idea had become an operational framework blending grants with loans to fund strategic investments in the Western Balkans. He welcomed the progress on implementation of the various recommendations under the WBIF review and urged progress on the recommendation regarding the fee structure for lead IFIs as this was important to comply with cost coverage requirements. He also emphasised the strategic element of the WBIF and the importance of ensuring that investment decisions were consistent with the relevant development strategies. The current discussions within the EU regarding the future financial perspective indicated that blending mechanisms such as the WBIF would become even more important. For the EIB, pre-candidate and candidate countries will remain a priority for its lending outside of the EU.

**Ms Elizabeth Walaas, the Director General of the Ministry of Foreign Affairs of Norway** and the current co-chair of the WBIF SC, highlighted Norway's ongoing commitment to the Western Balkans. Recent developments include the full endorsement by the Norwegian parliament of the government's white paper on the Western Balkans and recent high level visits to Norway and from Norway. Ms Walaas outlined some of the changes to Norwegian assistance in light of the White Paper and emphasised areas of particular interest for its assistance including environment, renewable energy, innovation and private sector development. Whereas Norway will gradually reduce its financial assistance to the former Yugoslav Republic of Macedonia, Montenegro and Albania it will continue having a strong presence in Bosnia and Herzegovina and Kosovo in the long term. Croatia is no longer eligible for ODA-assistance. She noted the White Paper's explicit references to the WBIF and the value of pooling EC, donor and IFI funds. The progress made by the WBIF since its inception is welcomed by Norway, which will continue to strongly support the WBIF in the future.

**Mr Bozidar Djelic, Deputy Prime Minister, Republic of Serbia** representing the beneficiaries, stressed the importance of instruments such as the WBIF in demonstrating to the citizens of the Western Balkans the benefits of the EU and the European project, despite the challenges of the lengthy enlargement process. He noted that the WBIF had stimulated greater coordination and cooperation among the beneficiaries as evidenced by the joint letter from NIPACs regarding the post-2013 financing instruments for the region and the joint proposal for the SME platform, which included co-financing from beneficiaries. Given the difficult economic climate, Mr Djelic proposed that the SC develops a common proposal on how the WBIF should develop in the 2014-2020 period. In particular he emphasised the need to use all available funding – the Connecting Europe facility, IPA, bilateral donor funds, IFI loans and domestic financing to deliver strategic investments in areas that are important to all stakeholders. Examples given included the Danube strategy, the railway lines to connect the EU to Turkey, the major highways in the region and gas pipelines that will contribute to security of supply.

**Mr Imre Tarafas, Vice- Governor, Council of Europe Development Bank** emphasised that there is no contradiction between economic growth and social inclusion. Human capital is vital for future economic growth. He underlined that the social sector needs a specific approach given the challenges in securing financing for projects and hence it is rarely suitable for innovative forms of financial engineering. He noted the progress being made in the development of a major regional housing

programme under the auspices of the Sarajevo Process. From the CEB perspective the WBIF is showing results both in terms of projects and IFI cooperation.

**Mr Jean-Marc Peterschmitt, Managing Director, Central and SEE, EBRD** listed four key attributes of the WBIF - an excellent vehicle for coordination; the mobilisation of funding and expertise under a single roof; the emphasis on a regional dimension; and the central role of beneficiaries through the NIPACs. He noted that earlier doubts regarding complexity of the WBIF had been proven wrong and that in addition to mobilising projects it was providing a platform for coordinated policy dialogue. The EBRD welcomed the new funding for Energy Efficiency and in particular the expansion to the private sector. Mr Peterschmitt informed participants that the Board of the EBRD had approved the day before the EBRD's participation in the SME Platform.

**Ms Jane Armitage, Regional Coordinator for SEE, World Bank** expressed the World Bank's pleasure at being formally associated with the WBIF and looked forward to strengthening its links with all the partners. The World Bank is keen to focus on sectoral analysis and listed a number of potential areas for research including railways, flood management, education and health and hazardous waste. Ms Armitage informed the meeting that in view of the impact of the eurozone crisis the World Bank would increase its lending somewhat to the region, mainly in the form of budget support to promote structural reforms.

**Mr Stefano Sannino, Director General DG Enlargement, European Commission** reminded participants of the various important meetings that were taking place during this week in relation to the Western Balkans including the General Affairs Council and the European Summit. He gave a brief overview of the political progress in the region including the expected signature of the accession treaty by Croatia on 9 December, the progress made by Montenegro on the various criteria raised with respect to their candidacy, the considerable work on reform in Serbia, the bilateral dialogue between Belgrade and Pristina and the breakthrough on visa liberalisation in Kosovo.

In parallel to the WBIF SC meeting, the College of Commissioners was meeting to discuss the new IPA for 2014-2020 – the so-called IPA 2. The instrument has been revised in a number of ways following consultations with the beneficiaries and it is clear that it is not just an instrument for *acquis* alignment and capacity building but also a factor to increase socio-economic development in the region. Mr Sannino highlighted the benefits of the move to sector-based programming, noted that it would be a challenge for all concerned but that it was already underway.

Mr Sannino stressed the EC's commitment to the WBIF, particularly in light of the ongoing economic crisis; the EC's desire to innovate more in terms of its financial instruments; and the need to ensure that the Western Balkans is physically and economically integrated into the EU space. He highlighted the relevance of the Europe 2020 strategy for the Western Balkans and WBIF and urged the countries to progressively align with the overall Europe 2020 goals. Mr Sannino welcomed the fact that following the July SC meeting all IFIs including the World Bank were now active partners in the WBIF. The WBIF has proven itself capable of being a real driver of strategic investment in the region and one that should be used to facilitate the implementation of European strategies such as the Danube strategy and the forthcoming Adriatic Strategy in the Western Balkans

## 2. UPDATE ON ECONOMIC DEVELOPMENTS IN THE REGION

Mr Alex Lehmann of the Office of the Chief Economist of the EBRD presented an economic outlook for the Western Balkan region, drawing in particular on some of the findings of the recently published EBRD Transition Report for 2011. He highlighted that the gradual economic recovery in the region is in danger of stalling. The problems in the Western Balkans' main market – the EU – puts the recovery at risk as the economies are highly exposed to the eurozone through trade, FDI and remittances. He presented the current EBRD growth projections for the various countries, but warned that these already low rates are likely to be revised downward in January 2012. The economies are now more resilient to external shocks and banks are better capitalised than in 2008. However public debts have risen, thus requiring more fiscal financing.

The Transition Report 2011 provides insight into the effect of the crisis on the lives of people in the Europe Central Asia region based on the latest iteration of the Life in Transition Survey jointly carried out by the EBRD and the World Bank. This clearly demonstrates that SEE households were more badly affected by the crisis than those in Western Europe, including stark figures on the reduction of staple food consumption and postponement of visits to doctors. Social safety nets were used less than in Western countries and were less effective. Overall the crisis has had a negative effect on attitudes to democracy and market institutions in the region, albeit to a lesser extent than the drop in support recorded in new EU Member States.

The EBRD is concerned at the potential impact of bank deleveraging on the region as parent banks seek to meet new capitalisation requirements and react to tightening in their home countries. There are calls for greater coordination and cooperation and a reinforcement of the Vienna Initiative.

## 3. PROJECTS SUBMITTED FOR APPROVAL

Forty-nine grant requests for projects were submitted in September 2011 to the Project Financiers' Group, including the private sector development project (discussed below), and of these thirty-one were screened positively at the 10<sup>th</sup> meeting of the PFG. Following IFI assessment, twenty-two project grant requests were recommended for approval to the Steering Committee. Each project and grant request was presented and described by the representative from the relevant NIPAC and all twenty-two grants were approved by the Steering Committee. Albania asked for a clarification regarding the prioritisation of their projects, all of four of which had been assessed positively, with two recommended to the Steering Committee. Their national prioritisation had placed the "Feasibility Study for the construction of the sanitary landfill for Vlora Region" above the "Feasibility study for 220kV double circuit line Elbasan 1- Fieri". After discussion it was agreed on an exceptional basis to also provisionally approve "Feasibility study for the construction of the sanitary landfill for Vlora Region" with KfW as lead IFI and under EWBJF funding subject to KfW being able to use money from the Joint Fund (pending signature of the implementation agreement with the co-managers). The project will be confirmed by written procedure to the SC Members early 2012. *(Note: the project in Albania (Feasibility study for construction of sanitary regional landfill - Vlora Region - EUR 1 million) has been approved by a written procedure on the 17 February 2012).*

The total grant funding for the twenty three grant applications approved or provisionally approved is 60.09 million EUR of which 34.2 million EUR is for the private sector development project and 25.89 million EUR for the infrastructure sector projects. Of the twenty-two infrastructure applications approved or provisionally approved, eighteen were for technical assistance grants, three were for investment grants and three were for a combination of technical assistance and investment grant. It was noted that three of the projects were regional projects supported by more than one beneficiary and the submission of such applications will continue to be promoted during the coming year.

The provisional breakdown of the approved or provisionally approved funding from the available WBIF sources is as follows: 37.45 million EUR from EC-IPA (30 million EUR for EDIF and 7.45 million EUR for IPF); EWBJF 16.64 million EUR; EIB 0 million EUR; EBRD 2 million EUR; CEB 4 million EUR.

During the discussion Sweden stated that they would like to see future environmental applications presenting greater quantification of the environmental improvements expected. It was agreed that in future the NIPACs should prioritise their submissions and that communication between the PFG and the NIPACs needs to be further enhanced. In 2012, the longer time foreseen between the PFG meeting and the SC meeting should allow for more consideration and dialogue regarding the results of the PFG assessment. It was announced that the PFG would provide guidelines on the eligibility governing applications in the different sectors to assist NIPACs to determine the feasibility of the various proposals they receive for submission to the WBIF. Several NIPACs reiterated their wish to participate in or at least attend PFG meetings to discuss their applications. While it is foreseen that NIPACs will be invited to participate in a policy/strategy oriented PFG meeting in 2012, it was noted that procedures did not allow their attendance at the meetings dealing with grant screening and assessment.

#### **4. PRIVATE SECTOR DEVELOPMENT PROJECT**

As noted above, the SC approved grant funding for the private sector development programme that was submitted by Serbia on behalf of the beneficiaries in the Private Sector Development area – it is the first such submission in this sector under the WBIF and the work on the project design over the last year has led to the development of a comprehensive mechanism designed to stimulate the growth of innovative and high-potential SMEs in the region.

In his presentation on the background to the application, Vice Prime Minister Djelic emphasised the need to catalyse the build-up of the venture capital and private equity ecosystem in the region and to boost and sustain competitiveness by moving up the value chain through value added services and innovation. He outlined the main elements of the programme and noted the relevance for further integration into EU policies and programmes such as Europe 2020, the Innovation Union and implementation of the Small Business Act. Given the low participation in the FP7 and CIP instruments, he noted that the project can create users of any such more advanced measures. He emphasised the potential of the project as the main entrepreneurship support channel in the region, also influencing the development of a innovation and growth-friendly regulatory environment. This is why a commitment of

the beneficiaries is key, also with respect to the financial contributions. On the other hand, he stressed the importance of the regional coverage and of the experience management of the project, as well as of a sufficient investment size.

The European Investment Fund (EIF) on behalf of the financiers described the four pillars of the programme as follows.

- A new **Innovation Fund** to focus on seed and early stage equity investments in innovative SMEs;
- A new **Expansion Fund** to focus on expansion capital equity investments in high growth SMEs;
- A new **Guarantee Facility** to support access to bank lending for local SMEs that currently have limited access to finance;
- A TA Facility to support enhancement of the regulatory framework for innovative and high-potential SMEs and stimulate the build-up of the venture capital ecosystem.

The proposed corporate governance and structures as well as the financing plan for the scheme were also outlined in the EIF presentation. The expected outcomes of the programme were summarised as:

- Innovation will be supported through equity investments;
- Access to finance will be provided to those SMEs currently outside the banking sector radar due to limited financial history, size etc;
- The Venture Capital ecosystem in the region will be developed and best market practices will be disseminated;
- Reforms in the legal framework in the region when it comes to SME financing;
- The visibility of the region when it comes to Venture Capital operations will be increased.

The EIF also observed that the programme has been designed so as to be a flexible tool to allow it to use more funds in the future as well as add further components.

In the discussion that followed, the EBRD informed participants that the Platform had been approved on 6 December at the EBRD Board Meeting including a co-financing facility of up to 50 million EUR for the Expansion Fund. The EBRD Board had stressed that the expansion fund would contribute to long-term economic growth in the region and build on the success to date of the EBRD's various SME facilities, especially the Local Enterprise Facility. It welcomed the capacity of the WBIF to prepare and agree on such a platform in such a coordinated manner. Looking ahead, the EBRD stressed that the preparatory work for the launching will be carried out over the next half year among all parties involved. The initial capital should be seen as a starting point and further increases could be foreseen, as well as participation by the private sector.

The OECD briefed on the steps proposed to further identify key reform priorities to be implemented in each country in order to sustain impact of the facility, and for the design of the Technical Assistance pillar to ensure that it leverages the resources and outputs from current activities in the region focused on improving the investment climate for SMEs. Key next tasks include identifying the priority reforms that need to be undertaken and the availability of relevant technical assistance under current programmes and projects. Coordination meetings will take place in March and in

April/May to define the priority reforms, determine the technical assistance required and how this could be delivered.

Croatia emphasised its strong support for the project and commended Serbia for leading the request to the WBIF. Based on its experience to date, linking the development of innovation with access to financing is extremely important. While Croatia already created a EUR 300 million facility similar to ENEF, nevertheless, other components of the project as well as their coordinated and interrelated nature remain important. Croatia asked that they have more involvement in the future development of the project and the decision making process. Albania also supported the proposed programme and noted that access to financing for SMEs was a particular difficulty in Albania.

Montenegro and the former Yugoslav Republic of Macedonia voiced general support for the Platform but reminded the SC of their requests that a branch office of the Fund be opened in their respective countries. They also requested further details on the technical aspects of implementation and questioned whether the minimum investment foreseen for the Innovation Fund was appropriate given the very small size of SMEs in most of the countries. In addition, Montenegro stressed the importance of coordination with the existing National IPA projects.

Slovenia observed that the Platform clearly addressed real needs in the region and highlighted the importance of the financial contributions from beneficiaries. They also requested further details from the lead IFIs regarding the fees foreseen in the financing plan as they have received conflicting information. Slovenia asked EBRD to examine the feasibility of having a reflow of funds so that they could revolve. Italy noted its strong support since 2006 for the EBRD's LEF and subject to formal approval Italy will authorise that 3 million EUR of LEF **resources be reallocated to the Enterprise Expansion Fund (ENEFF) of** the new project

The PFG Co-Chairs noted that the relevant financiers would address the various questions raised as the detailed design proceeds and the SC Co-Chair later re-confirmed this. In particular an issue regarding the availability of IFI offices in the different countries was mentioned and it was emphasised that the fund manager will have to demonstrate its ability to ensure adequate coverage and to agree on the technical details with the various participants.

In summing up the discussions on the SME Platform, the PFG Co-Chair noted that

- The SC approved the Private Sector Development project for implementation
- The SC approved the proposal for the use of EUR 30 m from the EU budget, 2.2 m from the WBIF Joint Fund and 2 m from the EBRD contribution for the first two years 2011-2012
- The SC noted the overall financing package for the project and endorsed the financing plans for the first two years of the project implementation

The SC also endorsed the new project name as recommended by the PFG – the Western Balkan Enterprise Development and Innovation Facility – EDIF.

## 5. WBIF RESOURCES

The SC Co-Chair noted that all but one of the recommendations from the 2010 review of WBIF operations had been agreed and many were already implemented. The reason for the outstanding recommendation - i.e. the fee structure with the introduction of a 4% fee for the lead IFIs - was that not all donors were fully convinced that the recommendation should be implemented. The EC Co-Chair emphasised that all stakeholders have a common interest in keeping the management of WBIF interventions as cost-efficient as possible while ensuring that IFIs can cover their real costs and that what matters most in this respect is transparency.

It was proposed that concerning the fee structure, the SC accepts the recommendation, which will apply for new projects, not retroactively, with the following provisions:

- The fee for the lead IFI will be "up to 4%", not "4%", covering the real cost that should be monitored
- It is agreed to review the appropriateness of this structure before the end of 2012 on the basis of a more detailed analysis which will take into account in particular the following:
  - The lead IFIs will submit a further breakdown of costs incurred.
  - The lead IFIs are invited to identify in more detail the added value they provide in this role and which justifies the increased fee rate.
  - The Commission will report on the discussions in the Expert Group set up jointly with the Council which looks into the costs/benefits of setting up a common platform for external cooperation and development and which compares existing blending mechanisms.

It is understood that the review before the end of 2012 will not lead to a further increase of the lead IFI fee rate beyond 4%.

Slovenia on behalf of Slovakia, Hungary and the Czech Republic accepted the proposal and looks forward to the review where some of their proposals can be considered e.g. role of accrual of interest. The UK expressed its support for the review and requested much more information and examples on the type of expenditure that IFIs expect to incur in their role as lead IFI.

Slovenia also asked for information from EIB on the lack of reference to the WBIF in the current version of its corporate work programme. EIB responded that work is underway to ensure that a reference to the WBIF will be included.

The SC Co-Chair noted that the review was now concluded and while further improvements will be made, progress to date included:

- The World Bank is integrated into the Framework as an associate IFI.
- Pooling of funds has increased. The EC transferred €10 million to the EWBIF in 2011 and will transfer another €20 million in 2012. The EIB confirmed that it would transfer its own resources in the EWBIF as soon as possible in 2012..
- The secretariat is installed in DG Enlargement and in addition to EC staff includes two Seconded National Experts – from Norway and Greece. The EC Co-Chair

invited any other countries or IFI interested in seconding staff to contact DG Enlargement.

The Steering Committee also confirmed the PFG recommendation that Thomas de Béthune of DG Enlargement be appointed as Head of the Secretariat.

With respect to the pledging of grant funds, the Co-Chair noted that the demand for WBIF grants was steadily increasing and while 23 million EUR was added to the fund in 2011 further funds would be required to build on the progress to date. The EC confirmed that it will contribute a total of 52 million EUR to the WBIF in 2012 across four areas – IPF TA, Energy Efficiency, contribution to the EWBJGF and the technical assistance component of the EDIF. Bilateral donors were encouraged to continue to consider the WBIF when programming their assistance.

The PFG Co-Chair invited participants to consider findings from a recent EIB paper that seeks to provide an illustrative projection of the potential investment needs of several countries in the region across different growth scenarios using the Investment Capital Output Ratio (ICOR) model.

## **6. IMPLEMENTATION OF APPROVED PROJECTS**

The PFG CO-Chairs summarised the findings from the latest Monitoring Report indicating the current status of the various projects approved under the WBIF since its establishment. The report is available on the MIS and is available to all SC participants. The Co-Chairs noted significant progress in the implementation of the projects. Projects approved under rounds 1 and 2 are nearly fully completed (more than 90% of the 27 projects approved in August 2008 and March 2009). Over 50% of the 42 projects approved in December 2009 and June 2010 have approved Terms of References and are under implementation. Of the 100 grants approved, 87 are for TA and 13 are investment grants. The EC's IPF programme is managing implementation of 64 of the TA projects while IFIs are responsible for implementation of 23 TA projects.

The total estimated investment from projects supported by WBIF now exceeds 8 billion EUR. Over 1.2 million EUR of loans are already signed and there is a reasonable degree of confidence that this will in due course exceed 4 billion EUR.

Austria noted the increasing level of planned investments under the WBIF and reiterated the need for the SC to consider in more details the fiscal space available to the countries. It was agreed that this issue would be addressed in the next SC meeting. Several beneficiaries highlighted the value of information on the implementation of approved projects and suggested that the Steering Committee is a good forum to discuss common implementation challenges.

Given the significant number of grants approved to date and based on the experience of implementation, the Co-Chairs proposed that the SC adopt some rules on the use of WBIF grants.

- Approved grants can be spent only and exclusively for the scope of the project which has been screened and assessed. Grants cannot be used for a different scope.

- Approved grants with a lead IFI, for which the IFI support is it not taking form or not confirmed within one year of SC approval, should be returned to the general WBIF resources.
- Approved projects should get ToR defined and approved within one year of SC approval. Any delays should be notified to the PFG meeting and following review by the PFG related grants might return to the WBIF resources.

## **7. FINANCING ENERGY EFFICIENCY IN THE WESTERN BALKANS**

The Energy Community Secretariat outlined the commitments on Energy Efficiency (EE) undertaken by the countries of the Western Balkans under the Energy Community Treaty and the ambitious work programme being pursued by the ECS' Energy Efficiency Task Force to meet these commitments. National Energy Efficiency Action Plans (NEEAPs) are guiding the work in each country across the different sectors - residential, services, industry, transport, agriculture and cross cutting measures.

The ECS advocated a greater focus in the WBIF on the provision of financing for the public sector given:

- The untapped potential for EE in this sector (estimated at between 20-40% in public services and 35-40% in public buildings);
- The high efficiency gains available;
- The capacity to enhance the impact through parallel policy and institutional development measures;
- The possibility of using similar measures across the region; and
- The particular difficulties of securing financing for the public sector due to debt limitations lack of capacity among local government and limited awareness of the benefits that stem from EE investments.

For these reasons, the ECS believes that the holistic approach of the WBIF combining grants with loans and thereby facilitating technical assistance, capacity building and reducing investment costs makes it particularly suitable for stimulating EE in the public sector.

DG Enlargement highlighted the commitment of the EC to promoting EE in the region through adoption of the "acquis", technical assistance and financing and noted that to date under the IPA Multi-beneficiary programme, the EC has allocated 73.7 million EUR to EE and renewable energy schemes. The recent review of financing mechanisms for EE in the Western Balkans carried out by the IFI Coordination Office had demonstrated that approximately 830 million EUR is available for EE and renewable energy investments across 25 different financing mechanisms. The majority of which are loan funds, some with grant funding, mainly from the EC that funds technical assistance to help local banks prepare, promote and implement the scheme and in some cases provides incentives for end borrowers to take up the loan. The majority of credit lines are aimed at the SME sector and industry.

Ensuring the efficient functioning of these schemes is a critical task and DG Enlargement thanked KfW for its recent initiative to jointly host a workshop with the EC, IFIs and the ECS to review experience to date, which had identified a number of

areas here further efforts are needed to improve the operation of current credit lines and to expand to other sectors. The EC would also like to encourage governments to examine different options for financing the implementation of their NEEAPs and a recent study has outlined a number of recommendations in this regard. It is important to secure stable financing for the NEEAPs and the EC would like to align its funding to reaching the targets set in NEEAPs.

Under the IPA Multi-beneficiary programme for 2012, the EC has allocated 20 million EUR for EE in the Western Balkans and looks forward to receiving good proposals for projects in time for the next WBIF round in February. The EC noted the need for grant funding and loan financing to be complimented by regulatory reform by the governments. Based on the rationale given by the ECS, the focus should be stimulating EE in public services and the public sector but other sectors will also be considered based on success to date. Given the specific nature of this sector, DG Enlargement recommended that the ECS be given the mandate to coordinate the preparation of any applications with the support of NIPACs and IFIs.

The Green for Growth fund – the newest, multi-donor EE fund in South Eastern Europe was presented by the EIB on behalf of the various donors. The particular nature of this fund – a public private partnership with a layered risk/return structure was highlighted. The scheme operates through financial institutions in the region and has a range of financial products at its disposal. It covers both EE and renewable energy investments and capacity building for financial institutions is an important component.

EBRD noted the increasing share of EE related lending within its portfolio in the Western Balkans and the ethos of the EBRD is that EE should be an embedded principle of investments. Current EBRD facilities in the region are moving well and illustrate the extent of demand for both EE and renewable energy. The EBRD believes that a combination of coordination and inventiveness should allow good use of the financing being made available by the EC particularly given the limited fiscal space.

KfW stressed that EE has been a high priority for Germany for the past two decades and that KfW will be happy to share their experience in this field from Germany and elsewhere. KfW also welcomes the increased cooperation between the main financiers, as evidenced by the recent Frankfurt workshop. KfW also supports the idea of extending financing to the public sector where the additional challenges of limited fiscal space and administrative capacity lends itself to a coordinated effort.

## **8. PFG ANNUAL REPORT 2011, WORK PROGRAMME 2012 AND RESOURCES**

The PFG Co-Chairs invited all SC members to review the draft annual report for 2011 prepared by the IPF consultants. It provides a clear description of the Framework and also indicates the progress achieved in 2011. This year's report focuses on the increase in regional projects approved under the WBIF and contains input from the relevant regional sectoral organisations that cooperate with the WBIF. It is planned to publish the report in early 2012 and SC members were invited to send any comments to the WBIF Secretariat by the end of December 2011.

The Head of the WBIF Secretariat presented the outline PFG work programme for 2012. The activities are based on experience to date and also the recommendations stemming from the 2010 review. Attention was drawn to the streamlining of the screening and assessment process which will cut the number of PFG meetings devoted to project assessment to two per year and these will be held well in advance of the SC meetings to allow for greater communication with the NIPACs on the PFG recommendations. A third PFG meeting will be held in autumn focused on relevant policy and strategy issues that impact on the operation of the WBIF and beneficiaries will be invited to participate in this meeting. Efforts will be made to coordinate further with national IPA programmes and enhancing communication, particularly with beneficiaries will be a key element of the work programme. The revamped WBIF website is seen as a key tool for better communication and this will be supplemented by missions and meetings. In addition the preparation of guidelines for projects in the different sectors, which will be done in consultation with all WBIF stakeholders, should help address some of the issues raised in the earlier session on projects.

The indicative WBIF calendar for the year was presented including indicative dates for PFG and SC meetings. Based on the success of the Regional NIPAC workshops in both 2010 and 2011, a 3<sup>rd</sup> workshop will be held in November bringing together all WBIF stakeholders. Some sector specific workshops will be held in advance to prepare particular aspects of the general workshop.

The Head of the Secretariat announced that the next call for proposals under the WBIF would be issued shortly with a deadline of 20 February 2012 for completed applications. NIPACs will receive a formal letter shortly and the revised application form is available on the WBIF website.

Greece suggested that the SC examines how to increase the level of the involvement of beneficiaries in the decision making process under the WBIF. Greece also welcomed in particular the planned regional workshops in key sectors as regional projects are a key aim of the WBIF.

## **9. DESIGNATION OF CO-CHAIR 2012**

The Norwegian SC Co-Chair proposed that following a series of consultations Austria should take over as Co-Chair of the SC in 2012. The Austrian representative accepted the proposal and invited all members to Vienna for the next SC. The Co-Chair also asked any countries interested in assuming the co-chairmanship for 2013 to approach the Austrian Co-Chair in good time during 2012.

## **10. CONCLUSIONS AND RECOMMENDATIONS**

The EC Co-Chair summarised the key results of the 5<sup>th</sup> Steering Committee as follows:

- The SC approved the Minutes of the 4<sup>th</sup> SC meeting in Hamar, welcomed the draft WBIF annual report 2011 and took note of the progress made on previously approved projects. It was noted that information on implementation of the various projects approved is most valuable and the Monitoring Report should allow the SC to easily track the progress being made. It was proposed that the Steering Committee could provide a useful venue to discuss common issues arising with implementation.

- Some additional guidance on the use of grant funds in cases where there are delays and/or changes in the scope of the project was provided.
- The SC also agreed on the outstanding review recommendations with additional precisions to the recommendation regarding the fee structure for lead IFIs, which will be reviewed again before the end of 2012. It welcomed the implementation of the other recommendations and confirmed the appointment of Thomas de Béthune as Head of the Secretariat.
- This 5th SC meeting approved 22 grants for a total value of approximately 60 million EUR that will trigger loans and funds estimated at over 1 billion EUR from the IFIs for investment. The SC stressed the importance of having the NIPAC closely associated with project selection. In addition, one additional project in Albania has been provisionally approved and will be confirmed by written procedure to the SC Members early 2012. *(Note: the project in Albania (Feasibility study for construction of sanitary regional landfill - Vloa Region - EUR 1 million) has been approved by a written procedure on the 17 February 2012).*
- The SC approved the Western Balkan Enterprise Development and Innovation Facility–EDIF. It took note of the proposed tentative financing plan for this ambitious facility for the period 2012-2015.
- The SC took note of the ambitious commitments that the beneficiaries have taken under the Energy Community Treaty with respect to Energy Efficiency and recognised the progress made to date to transpose and implement the relevant EU Directives. The SC called upon the various institutions providing financing facilities for EE in the region to intensify their efforts to further enhance the functioning of their schemes. The meeting also welcomed the EC's decision to allocate 20 million EUR to WBIF for energy efficiency projects with a focus on public sector financing.
- The meeting welcomed the EC's commitment to put a total of 52 million EUR into different elements of the WBIF. Given the pace of approvals to date, it is important that the grants funds are replenished and donors are encouraged to continue to consider WBIF as they plan their assistance programmes.
- The SC took note of the PFG work plan for 2012 and emphasised the objective to further enhance communications between the stakeholders, particularly with the beneficiaries. The next call for project proposals will be issued shortly and the deadline for submission of applications is 20 February 2012.
- SC thanked Norway for its excellent chairmanship in 2011, the enthusiasm and dedication with which it carried out its role and its most welcome contributions to the grant fund. The SC welcomed Austria as the co-chair of the EWBJF for 2012 and looks forward to the 6<sup>th</sup> SC meeting, scheduled in June in Austria.
- Some key issues to be addressed as part of that meeting might include: public private partnerships (PPPs), the Danube Strategy, financing of projects in the social sector and the JASPERS programme.
- The SC thanked the EIB for kindly hosting the 5<sup>th</sup> meeting at their headquarters and for their generous hospitality.

The SC Co-Chairs thanked all the meeting participants for their active engagement and input into the meeting and the overall functioning of the WBIF. They noted with pleasure that the

beneficiary countries and sectoral organisations are taking an increasingly active role in WBIF processes.