

## SEVENTH MEETING OF THE WBIF STEERING COMMITTEE, PARIS, 6 DECEMBER

### CO-CHAIRS

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AND

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~~DRAFT~~ MINUTES

### OVERVIEW

The 7<sup>th</sup> SC Meeting of the WBIF Steering Committee (SC) was kindly hosted by the Council of Europe Development Bank (CEB) and followed an intensive agenda that considered:

- the economic and institutional environment in which the WBIF operates;
- how the WBIF can evolve to address some of the challenges arising from this dynamic environment;
- the need for increased awareness of the importance of investments in the social sector;
- approval of 13 WBIF grants for a total of €11 million to support the preparation of investments in key WBIF sectors;
- the rate of progress under the pipeline of investments that has been developed under the WBIF ; and
- the key elements of the WBIF work programme for 2013 and the future chairmanships of WBIF structures namely that Greece will assume the co-chairmanship of the WBIF SC for 2013, while the European Investment Bank (EIB) will co-chair the Project Financiers' Group (PFG) between 1 January and 30 June 2013.

Some of our main conclusions are:

#### 1. OPERATING ENVIRONMENT AND THE WBIF RESPONSE

As noted by the Vice Governor of the CEB, Mr Dowgielewicz, the Austrian Co-chair and further expanded by the EBRD in their presentation, the on-going economic difficulties in both the region and in the Eurozone have resulted in decreasing growth projections and thus limits the financial capacity of the countries for much needed investments. Tackling the effects of the crisis will require efforts to address institutional weaknesses, overcome trade barriers and develop infrastructure. The recently announced Joint Action Plan of the EBRD, EIB and World Bank is an important signal regarding the support available for the region. The WBIF has a vital role to play in assisting the beneficiaries to prioritise public investments, facilitating the blending of grants and loans and helping the market to resume lending (especially to SMEs). ~~As highlighted by the~~ EIB [recalled the results of recent IMF research<sup>1</sup> that revised upwards short-term fiscal multipliers, sometimes to 1.6. This implies that](#), a well-coordinated programme of strategically important public investments can have a very positive impact, particularly in times of economic crisis.

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<sup>1</sup> ["Are We Underestimating Short-Term Fiscal Multipliers?", box 1.1 pp. 41-42 in World Economic Outlook, International Monetary Fund, October 2012](#)

It was emphasised that for such investments to deliver the expected benefits for the citizens of the Western Balkans, they must be accompanied by structural reforms and improvements to the regulatory legislative and institutional environment. The DG Enlargement presentation outlined the large body of existing regional, sectoral and national strategies that are highly relevant for WBIF, including the recently agreed headline targets for SEE 2020 – the region’s response to the EC’s request to use the EU 2020 as a framework for policy reform – and the new Regional Energy Strategy. These should be complementary to, and supported by, the development of sector based programming under IPA II. The Steering Committee endorsed the Albanian and Serbian comments that the WBIF’s objective of aligning and targeting WBIF support to priority investments in accordance with the various strategies will be a substantial challenge. It was agreed that the practicalities of ensuring the most efficient allocation of WBIF resources in line with the relevant strategies will be addressed by the various WBIF structures in 2013.

As a first step to improve the efficiency of WBIF given the dynamic operating environment, guidelines for the application process will be finalised in the coming weeks and issued with the next call for proposals. It was stressed that the guidelines are a living document that should evolve over the future calls for proposals to ensure that WBIF can remain responsive to the rapidly changing environment.

## **2. INVESTING IN THE SOCIAL SECTOR**

The CEB led presentation on the social sector outlined the substantial challenges facing the Western Balkans in areas such as education, health, inclusiveness, employment generation, and competitiveness. The WBIF has supported investments in the social sector since the outset of the Framework and there are number of projects underway in education, health and judicial facilities. Investments in areas such as development of human capital and education, health and inclusion of vulnerable groups such as Roma, are often delayed or postponed in times of economic crisis, however they are critically important for the future competitiveness and social cohesion of the region.

Setting such investments in the context of sectoral reforms ensures that they can really pave the way for future development. In this respect, the World Bank’s recent experience with a results based approach for lending in the social sector in Albania is encouraging.

The SC participants endorsed CEB’s view on the importance of maintaining investments in the social sector and encouraging the mainstreaming of social issues into all sectoral policies. Strengthening project design, ensuring provision of adequate technical assistance and exploring ways to increase the involvement of the private sector and non-governmental organisations (NGOs) in such investments are all issues that should be taken into account in future WBIF support.

## **3. APPROVAL OF PROJECT SUBMISSIONS FROM THE ROUND 8 CALL FOR PROPOSALS**

Of the 29 applications received under the 8<sup>th</sup> call for proposals, 11 were recommended by the PFG following the screening and assessment process. Additionally, two projects carried over from the previous round were also presented for the approval of the SC.

The SC approved the 13 WBIF grants requested for a total of €10.98 million (grants to the value of €5.78 will be delivered by the IPF and the balance €5.2 million will be implemented directly by the relevant IFIs under the Joint Grant Facility). These grants are summarised in the table below and are expected to result in loans to a value of approximately € 583million and a total investment of approximately €1.6 billion.

Sector	Project Code	Project Title	Country	Lead IFI	Grant approved by SC	Funding (€)	
						IPA IPF	EWBJF
Environment	WB8-BIH-ENV-27	Water and Sanitation Project in Republika Srpska	BiH	EIB	1.250.000	1.250.000	
Environment	WB8-BIH-ENV-29	Optimization of sewerage collectors & WWTPs in Modrac Lake basin	BiH	EBRD	1.000.000		1.000.000
Environment	WB8-MNE-ENV-31	Montenegro solid waste – TA in preparation of project implementation	MNE	EIB	70.000	70.000	
Environment	WB8-MNE-ENV-32	Reconstruction of main water supply pipeline in Andrijevica	MNE	EIB	400.000		400.000
Environment	WB8-REG-ENV-03	Support to water resources management in Drina River Basin	REG	WB	1.200.000		1.200.000
Social	WB8-KOS-SOC-06	Kosovo* education improvement project	KOS	WB	550.000		550.000
Social	WB8-SER-SOC-13	Extended TA for improvement of prison facilities	SER	CEB	700.000	700.000	
Energy	WB8-BIH-ENE-11	Smart metering/AMR system design & implementation support	BiH	EIB	460.000	460.000	
Energy	WB8-HR-ENE-11	FS, ESIA & CBA – regulation & development of the Sava river	HR	EBRD	1.500.000	1.500.000	
Energy	WB8-KOS-ENE-11	FS – Fuel switching & system expansion for district heating in Gjakove	KOS	KfW	300.000	300.000	
Energy	WB8-SER-ENE-11	EE Programme in public buildings – Serbia EEP	SER	KfW	1.300.000		1.300.000
Transport	WB8-ALB-TRA-13	FS & preliminary design of two tram lines in Tirana	ALB	EBRD	750.000		750.000
Transport	WB8-SER-TRA-14	Reconstruction & modernisation of existing railway track & construction of second track on the Belgrade – Nis; Stalac – Djunis section	SER	EBRD	1.500.000	1.500.000	
					<b>10.980.000</b>	<b>5.780.000</b>	<b>5.200.000</b>

Twelve of the applications approved are for technical assistance grants with one being an investment grant. One of the grants, “Support to water resources management in the Drina River Basin”, is a regional project supported by more than one beneficiary and is also allocated to the sectoral studies window of the WBIF.

While all grant requests were approved, it was agreed that ~~that~~ further ~~bilateral~~ discussions would take place between Albania, EBRD and the EC (DG MOVE), to determine the final total and best method of implementation of the grant for Albania for the “Feasibility Study and preliminary design of two tram lines in Tirana”. This follows the new information provided by France at the meeting that it had recently agreed to finance a feasibility study and preliminary design of one of the tram lines for an amount of €719,000. The SC will be informed on the outcome of these discussions.

#### 4. IMPACT OF WBIF

The newly expanded Monitoring Report prepared by IPF 1 illustrates the progress being made on the WBIF pipeline of investments and was welcomed by the SC. As of November 2012, 139 grants with a value of €267 million had been awarded to projects in the Western Balkans. Eighteen of these grants are investment grants i.e. co-financing for specific investments while the remainder are mainly for TA with two large grants being awarded for specialised financing facilities, namely the Enterprise Development and Innovation Facility (EDIF) and the Regional Energy Efficiency Programme (REEP). Some individual projects have received more than one grant so as of November 2012, a total of 127 individual projects are being supported.

In general project preparation is proceeding satisfactorily and the WBIF pipeline now exceeds the original expectations in terms of the forecasts for expected loans (original forecast in December 2009 was € 2 billion, while forecasted loans in November 2012 stood at €6.5 billion of which €2.3 billion had been signed). The pipeline includes 45 signed loans, 35 preparatory studies financed by WBIF grants are now completed and 28 projects are at tendering stage or under construction. The total estimated investment of the WBIF pipeline is approaching €13 billion.

The SC agreed on the importance of regularly reviewing the status of individual projects that comprise the WBIF pipeline of investments to ensure that the investments foreseen are making progress and are being realised on the ground. The SC looks forward to receiving regular reports on the status of the individual projects and also on the impact of the investments. These regular reports will be compiled by IPF and will complement the obligatory impact assessments that are carried out by IFIs.

The presentations by the relevant NIPAC offices of the completed R& D investment in Serbia and the imminent construction of the electricity network in Montenegro, as well as the progress on Corridor VIII presented via the EBRD video provided the SC with welcome tangible evidence of the impact of WBIF and its role in expediting priority investments.

The SC welcomed the formal launch of the WBIF's Enterprise Development and Innovation Facility – EDIF. This is viewed as an ambitious response to the need to improve access to finance particularly for high growth and innovative small and medium sized enterprises (SMEs). This Facility has received the single largest grant under the WBIF - €34 million and comprises a series of related financial facilities and a technical assistance component. The SC looks forward to future progress reports as EDIF is rolled out.

## 5. WBIF WORK PROGRAMME

The SC noted the successful implementation of the WBIF work programme in 2012. This will be recorded in the forthcoming WBIF Annual Report for 2012 and SC members are asked to submit their comments on the draft version of this report as circulated at the meeting to IPF 1 by 25 January.

The SC looks forward to the implementation of the 2013 work programme as outlined by the Co-Chairs of the PFG. The next call for proposals under the WBIF will be launched shortly, following the finalisation of the current version of guidelines and with a **deadline of 22 February 2013**. NIPAC offices are encouraged to already inform potential project promoters of this imminent call and to stress that EDIF is the main WBIF platform for support to private sector development. The SC welcomed the proposal from the NIPAC Office of the former Yugoslav Republic of Macedonia for IPF supported information sessions to promote the next call for proposals and facilitate better quality applications. The efforts planned to increase alignment between WBIF activities and activities under IPA, particularly preparations for IPA II are viewed as important by all.

The SC warmly welcomed the pledges from Austria and Norway for additional financial support for the WBIF's Joint Grant Facility (JGF) (€2 million and €0.5million respectively). This augments the German pledge for € 1.18 million made at the PFG meeting in November. The EC is finalising the relevant procedures to transfer €28 million to the JGF by the end of the year. Based on this, the JGF should have approximately €33 million at its disposal in

addition to approximately €4 million available under the IPF for to allocate to the approved Round 8 applications and future rounds in 2013.

## **6. FUTURE MANAGEMENT OF WBIF FINANCED TA**

The SC approved the proposal that in order to ensure rapid mobilization of technical assistance support under WBIF, up to EUR 15 million of WBIF grants from the EWBIF (Joint Fund) are to be delivered through an IPF-type consultancy contract to be managed by EIB.

The EIB is thus mandated to prepare the detailed terms of reference by April 2013 for agreement by the PFG. These ToR should be based on the proposal and any comments of SC members (comments to be submitted by end January 2013).

Following the approval of the ToR by the PFG in May, EIB will immediately launch the tender for the necessary services to allow the contract to be operational by early 2014. The SC looks forward to receiving information on progress made at its next meeting in June 2013.

The importance of maintaining WBIF related support, capacity building and information sharing to NIPAC offices and beneficiaries was emphasized and it was noted that the EC will continue to finance such technical assistance under a new project that will expand the scale and scope of the services provided by the IFI Coordination Office (IFI CO). The EC emphasized the importance of coordinating such TA with the IPA II preparations so that it can assist countries to ensure clear linkages between relevant strategies and policies and requests for WBIF support. SC members were encouraged to provide comments on the IPF 4 proposal to ensure that the support provided under WBIF is delivered as efficiently and effectively as possible.

In regard to the fees charged by the IFIs when managing WBIF supported projects, the SC agreed that the interim report from IFIs required on the use and added value of the fees originally scheduled for December 2012 should be presented in June 2013 given that the projects to which the new fee structure applies were approved in June 2012.

## **7. CHAIRMANSHIP OF WBIF STRUCTURES**

The SC commended CEB for its generous hosting of the 7<sup>th</sup> SC meeting and thanked it for its efforts over the past six months as the Co-Chair of the PFG. EIB will assume the PFG Co-Chairmanship in January.

The SC also thanked Austria for its excellent co-chairmanship in 2012 and its substantial and continuing political and financial support for the WBIF.

The SC welcomed Greece as the Co-chair for 2013. Greece noted that the timing of its forthcoming chairmanship of the WBIF SC in 2013 is particularly auspicious given that it will hold the EU Presidency in the first half of 2014. The centrepiece of Greece's EU Presidency will be the so-called Agenda 2014 Initiative - a political initiative which contains issues of great relevance to the WBIF's work as its overarching theme is improving the competitiveness of the region through, amongst other things greater integration and connection of the region with the EU.

The WBIF SC will meet again in Greece in June 2013.