

19TH MEETING OF THE WBIF PROJECT FINANCIERS' GROUP (PFG)

HOTEL RADISSON, BRUSSELS, 19TH OCTOBER 2015

Minutes of Meeting

Welcoming / Introduction

The **PFG co-chairs** (CEB / Mr L Schio and DG NEAR / Mr M Jung) welcomed the participants to the 19th PFG meeting. Mr Jung thanked the participants for their ongoing support and efforts in the implementation of the Road Map and updated the participants on the overall progress with the Co-delegation Agreement (CDA), the EWBJF General Conditions (GC) and the Rules of Procedure/ToR (RoP/ToR). The 20th PFG in Podgorica will be a crucial milestone in this process, since all WBIF stakeholders will have reviewed the documents and have provided their comments. Mr Jung also mentioned the overall developments of the Connectivity Agenda, the summit in Vienna on the 27th of August and emphasised the specific criteria that will be attached to support provided under the Connectivity Agenda (so-called soft measures). The PFG Co-chair - Mr Schio - emphasised the volume of work already conducted and expressed his confidence that this process will lead to a successful conclusion at the 13th WBIF SC meeting on the 16th December in Paris.

DG NEAR (W Schlaeger) informed the participants that drafting efforts have gone into these documents until the last minute, dissemination was therefore somewhat late. This 19th PFG should be understood as an informative meeting, a “first reading” of these documents, followed by one or two rounds of comments, with a view of having more consolidated versions available for discussion at the 20th PFG in Podgorica on 10-11 November.

Norway enquired if the aim was still to adopt these documents at the 13th WBIF SC meeting in Paris and asked why the CDA was not distributed to the bilateral donors. **DG NEAR** replied that the GC regulate the relation between the Contributors of the Joint fund, the Fund and its Mangers as well as the Lead IFIs. The CDA should be seen as a complementary document adding only those provisions which would not be regulated in the GC or which were to be applied only once the provisions in the GC would be exhausted.

EWBJF General Conditions

EBRD (A Bozo) presented the overall contracting structure and architecture, mentioned that the contribution arrangement will stay the same, while the adherence agreements to be signed by the Lead IFIs are new. The GAFs will take the form as agreed and approved by the WBIF SC. The EU specific contribution arrangements will be signed twice per year and only name the projects that are to be financed. The CDA will be signed by the COM and the Lead IFIs only once. EBRD then introduced all proposed changes to the GC, by grouping the amendments under (a) new

provisions, (b) provisions where substantive changes have been made, (c) provisions where non-substantive changes have been made and (d) provisions where tidy up changes have been made. These changes are visible in the documents “Document Architecture” and “General Conditions Working Draft” both of which were disseminated.

DG NEAR (B Banki) introduced the foreseen reporting requirements under the GC. The current main reports are the WBIF Annual report, a visibility tool, the bi-annual monitoring report, showing high level aggregate data (from the MIS) and an analysis of the project portfolio level, the Annual Implementation Report covering the EWBJF projects (mainly TA) and the bi-monthly IPF report.

The WBIF stakeholders, but in particular the Contributors to the Joint Fund should reflect on what type of reports they want in future. The Commission has identified the Annual Implementation Report (AIR) as an adequate report to measure the progress of project implementation and is therefore proposing to improve its quality and extend its content. In order to cater for the requirements of the Commission, it is proposed to obtain two reports on an annual basis on:

(a) fund operations and

(b) the implementation of projects, to be prepared by each Lead IFI for each project under their responsibility.

The AIR would have a narrative part, covering project description, results achieved against indicators, progress, problems, etc. and a financial part covering the approved budget, disbursements received, information on the disbursed amounts and costs incurred as a special qualification of disbursed amounts.

Discussion

Norway enquired if the envisaged co-financing structure would allow for co-financing in all WBIF sectors. **EBRD** replied that co-financing will be discussed at the PFG and, technically, co-financing will be possible for all WBIF eligible sectors. **Bosnia and Herzegovina** requested details if there were specific requirements on “how” bilateral donors could co-finance. **EBRD** mentioned that funds should be channelled through the EWBJF, and the PFG and ultimately the WBIF SC will decide on the allocation of these funds. **Norway** agreed that all funds should be channelled through the EWBJF, since pooling is in the DNA of WBIF, but preferences (of bilateral donors) should be taken into account. Norway also indicated that it might increase their contributions through the EWBJF if circumstances are right. **Sweden** agreed on the importance of having one joint pooling platform, and within this pooling platform the “same principles” should apply to all, but “different priorities” should be possible.

DG NEAR replied that different priorities are possible at this moment and that the concerns of the bilateral donors are understood and noted.

Serbia enquired about the new provision allowing for beneficiary contributions. **IPF 3** replied that this situation has occurred (and may well re-occur), where a beneficiary administration (e.g. the Sava River Project) agreed to shoulder parts of the burden. In this case, a normative basis allowing for beneficiary contributions is needed.

Bosnia and Herzegovina required more detailed information and guidance on the reporting requirements, which should be aligned with the realistic deadlines. **Norway** enquired to which extent the MIS can be used for the elaborated reporting. **Italy** mentioned that the bilateral donors might not necessarily need the level of detail requested by the Commission. **Albania** enquired about the modalities of the reporting, for example if projects are delayed due to agreements not yet signed. **DG NEAR** replied that the MIS would not solve the problem of reporting requirements (how to report on cost incurred) but could eventually be used as a tool to collect data. **EBRD** stated that a single reporting template will be drafted.

Sweden mentioned the importance of gender equality. **EIB** questioned if negative interest would be taken into account. **Norway** enquired if the double 2/3 voting principle will remain, or if consensus voting could be employed. **Germany** enquired if the fee structures will be discussed and if the fees are likely to in- or decrease, and insisted that the four WBIF sectors should be mentioned in the GC. **Greece** enquired about the legal nature of the RoP/ToR.

DG NEAR replied that the voting (unwritten) principle was always “by consensus”. **EBRD** stated that the clarity on the fund managers duties and obligations are needed before a meaningful discussion on fees can be conducted; the fees will be a fair reflection of the work done; the issue of negative interest will be reviewed. In addition, the ToR are not a legal document, the GC are a firm set of rules, while the RoP/ToR would and should allow for some flexibility.

EWBJF ToR / WBIF Rules of Procedure

DG NEAR (E Vossou) presented the anticipated amendments to the EWBJF ToR that are proposed to become the WBIF Rules of Procedure. The RoP/ToR would be amended to mention all WBIF partners consistently, introduce the new methodology and thus cater for co-financing, require NICs (or equivalent) to be established and add the WBIF Secretariat as a governance structure. The proposed amendments would also clearly distinguish between TA and co-financing and add a call for co-financing of projects, with the new (to be finalised) GAF to be used in the future. For the use of IPA II funds for co-financing, connectivity will be a screening criterion, while in the project assessment phase, fiscal space and project maturity will be evaluated. The draft GAF form has been disseminated with the beneficiaries (and others) and comments are expected by the 30th of October COB (to IFICO). It is anticipated that a more mature GAF can be introduced at the 20th PFG in Podgorica. Final versions of the RoP/ToR and the GAF should be presented to the WBIF SC meeting in Paris.

Discussion

IPF 4 stated their wish that the new GAF should contain more information than the current version. In particular the budget projections need to be more accurate. The ToR should be renamed into Project Implementation Guidelines (or similar) allowing closer collaboration at the ToR drafting stage. **The former Yugoslav Republic of Macedonia** enquired if KfW and WB could also be considered as Lead IFIs, since the current Section 6.2.5 would appear to state this. **WB** clarified that only in KOS* can the WB be considered Lead IFI. **Sweden** enquired if “connectivity” should be mentioned in the RoP/ToR, and if so, then other issues are equally important from the Swedish view point, such as transboundary pollution, etc. **Greece** pointed out that a link from the GC to the RoP/ToR is missing, but is needed. **Italy** enquired if refugee related issues should be admitted as an eligible sector for WBIF. **Norway** enquired about the legal status of the RoP/ToR.

DG NEAR stated that the issue of Lead IFI will be clarified and attempts are underway to further streamline the ToR production and implementation process. Connectivity is a requirement for the IPA II funds. The WBIF ToR are rather a political commitment and not a legal/contractual agreement.

Road Map - Way forward to WBIF Steering Committee in Paris

DG NEAR (W Schlaeger and B Banki) reported on the overall progress of the Road Map implementation. Open chapters are the GC and the RoP/ToR, the CDA, project maturity (EIB and EBRD), the methodology for the selection of projects for co-financing in 2016 and the MIS. At the time of the PFG in Podgorica, main issues should have further advanced, such as the CDA framework should be clear, the RoP/ToR and the GC should be in a much more elaborated stage, the reporting requirements (AIR and WBIF reporting) and the payment conditions should be clarified. Until the WBIF SC meeting in December in Paris, the main principles and wide parts of the documentation should be finalised.

Bosnia and Herzegovina enquired about the eligibility requirements and deadlines for 2016, both for co-financing and TA and raised the issue of official notification on the side of DG NEAR about the SPP requirement by December SC in Paris. **DG NEAR** replied that these will be made clear soon via official notification.

AOB

DG NEAR (W Schlaeger) highlighted on the immediate next steps and events, being:

- (a) Comments to the GC by 28th October, COB, to EBRD
- (b) Comments to the RoP/ToR by 30th October, to IFICO
- (c) Comments to the GAF by 30th October, COB, to IFICO
- (d) Draft agenda, logistics note (IFICO reserved rooms at the venue – Hotel Ramada) and invitation for the 20th PFG in MNE will be disseminated soon
- (e) Revised documentation will be disseminated ahead of the 20th PFG
- (f) 20th PFG in Podgorica:
 - i. 09 October in the afternoon: Paris Group
 - ii. 10 October, all day: PFG open to all
 - iii. 11 October, morning, project related session, only PFG members
- (g) IPA committee meeting: scheduled for 17 November
- (h) Call for 2016 projects for co-financing will be launched at the 13th WBIF SC in Paris

Wolfgang Schlaeger

Acting Head of WBIF Secretariat