

SIXTEENTH MEETING OF THE WBIF PROJECT FINANCIERS' GROUP (PFG)

HOTEL THON, BRUSSELS, 20 MAY 2014

MINUTES OF MEETING

Introduction

The PFG co-chairs (DG ELARG and CEB) welcomed the participants of the PFG group and briefly mentioned the recent activities and developments both at WBIF and EU levels, such as the adoption of IPA II-regulation and the forthcoming adoption of the Multi-Country Strategy Paper (MCSP), the completed detailed review of the WBIF project pipeline and the resulting need for a new methodology for WBIF.

Following a request of the BiH Minister Jerko Ivankovic-Lijanovic to the EU delegation in BiH, to unfreeze funds for flood related project/s, the PFG decided to bring this matter to the attention of the Steering Committee in Berlin.

Screening

The screening of the last round of applications was based on the two eligibility criteria (a) continuation of an existing project / initiative and / or (b) regional context. The table below shows the result of the screening and PFG decisions exercise and which projects will be presented to the WBIF Steering Committee in Berlin (11-12 June 2014).

Project Code	Project Title (short)	PFG decision	Remarks
WB11-ALB-ENE-01	Gas Master Plan	Positive, SC Berlin	
WB11-REG-ENE-01	South gas intercon.	Positive, On hold	Await BiH developments.
WB11-BiH-ENV-01	Flood risk mgmt. RS	Positive, On hold	Await decision at SC Berlin (due to the current flood situation).
WB11-MNE-ENV-01	Wastewater system Plav	Negative	Ownership questions not solved. Negative screening.
WB11-MNE-ENV-02	Waste treatment Bar	Negative	Does not meet the two criteria.
WB11-REG-ENV-01	Sava rb flood mgmt.	Positive, SC Berlin	To be split in 2 phases as amount is too large for SDPs/WBIF.
WB11-BiH-TRA-01	Traffic mgmt. Banja L.	Negative	Negative screening.
WB11-KOS-TRA-01	N9 Pristina	Positive, SC Berlin	NIPAC KOS clarified priorities.
WB11-KOS-TRA-02	Highway Sec. E Pristina	Positive, SC Berlin	
WB11-MKD-TRA-01	Rail corridor VIII	Positive, SC Berlin	The requested € 3 M should be from

Project Code	Project Title (short)	PFG decision	Remarks
			the JF.
WB11-ALB-SOC-01	Infrastr. Coast ALB	Negative	Does not meet the two criteria.
WB11-BiH-SOC-01	Medical compl. RS	Positive, On hold	Await BiH developments. Reduction of amount to € 880k.
WB11-SER-SOC-01	Judiciary fac. SER	Positive, SC Berlin	Continuation of existing project.
WB11-SER-SOC-02	Prison TA SER	Negative	Appears as PIU support, which is not eligible. CEB reserves to raise this issue at SC in Berlin.
WB11-REG-SOC-01	SEECCEL impl. support	Positive, SC Berlin	

In addition, a project from round 10, Flood Risk Maps and Flood Risk Management in BiH (WB10-BiH-ENV-01) has been requested to be put to the WBIF SC's consideration for eligibility for funding (together with the WB11-BiH-ENV-01 project).

In total, 15 projects were eligible for screening and assessment of which 10 projects were screened and assessed positively. Due to the restricted IPA-programme for BiH, WB11-REG-ENE-01 and WB11-BiH-SOC-01 will be kept on hold. However, the two projects regarding flood management, namely WB10-BiH-ENV-01 and WB11-BiH-ENV-01 are currently being discussed in EC/DG ELARG and may be presented at the SC-meeting in June.

Including the two latter projects, altogether 9 projects will be considered by the WBIF SC meeting in Berlin, with a total grant request of € 10.48 M. If these projects are not be presented at the SC-meeting, there will be 7 for approval.

Climate Change

Climate change mitigation and adoption are integral parts of the project assessments, the relevant markers are on the MIS (0-1-2).

Monitoring Report

The WBIF Monitoring Report has been published in May 2014. Key findings show that the total number of grants is falling per round (from about 20 in the first rounds to about 10 in this round), 3 to 4 projects are cancelled in recent rounds and the overall value of potential investments totals at € 13 billion. The number of loan agreements signed and projects where construction works started have increased. Conversion of grants into signed loans remain slow in the energy sector.

Project Cancellations

The table below shows the projects considered for cancellation.

Project Code	Project Title (short)	PFG decision	Reasons/Comment
WB5-ALB-ENV-06	Durres water	Cancellation	Funds return to JF.
WB6-ALB-SOC-14	Master plan ALB Alps	Keep	CEB reports project is back on agenda with relevant stakeholders in ALB.
WB6-MNE-ENE-06	E-network RES	Keep	Delay was due to limited capacity. Loan agreements to be signed; EBRD

Project Code	Project Title (short)	PFG decision	Reasons/Comment
			proposed to move this project from JF to IPF.
WB7-BiH-SOC-04	Vulnerable persons acc.	Keep	CEB reports that loan agreements have been signed (awaiting ratification).
WB7-REG-ENE-11	Cro-main transmission	Keep	EBRD reports that ToR are now finalised.
WB8-MNE-ENV-31	MNE solid waste	Cancellation	Project not ready for ToR, funds returned to IPF3 (€ 70k).
WB9-BiH-ENE-02	HPP Vinac	Cancellation	Municipality no longer supports project, funds are returned to JF (€ 750k).
	Tramline Tirana	Cancellation	No movement, funds are returned to JF (€ 750k).
	District heating Pale	Cancellation	Pale does no longer support the project. Funds are returned to JF (€ 1.5M).

In summary, the cancellations mean that about € 4 M are returned to the fund and the overall JF value stands at about € 6.5 M.

Preparation of SC Meeting Berlin

Agenda has been distributed, background documents will be sent out soon, some documents will only be sent closer to the meeting date.

WBIF Task Force Recommendations

Before starting the discussions on the Task Force recommendations, NIPAC BiH, supported by NIPAC SER requested flood related projects to be unfrozen (as far as BiH is concerned) and to be prioritised.

(a) Detailed Review of the WBIF project pipeline

The Detailed Review reported on the analysis carried out for the 150 TA grants, 20 investment grants, 2 investment facilities and 6 interest rate subsidies approved during the first nine rounds. Recommendations were formulated for improving the efficiency of WBIF and these were discussed. DG ELARG was in broad agreement with the recommendations formulated by the consultant but these need to be adjusted in the light of the planned restructuring of WBIF.

It was agreed that 5-6 key recommendations will be put forward to the Steering Committee in June.

(b) Potential to increase PPP under WBIF

Further findings as regards to PPP show that there will be only a small number of projects suitable for PPPs in the Western Balkans and PPP should be seen as an alternative procurement method. There are insufficient capacities in the region to absorb PPP projects.

A further concept paper on PPP will be distributed before the SC meeting in Berlin, identifying concrete early PPP criteria, according to which countries or sectors can be subjected to PPP. The IFIs will be involved into this exercise.

Discussion

EIB and others emphasised that “leveraging” is an important issue and should be made more prominent. KfW raised concerns over (a) the IFI’s role to confirm maturity, (b) the phasing of projects leading to undue delays in the approval process and funds possibly not being available when needed, (c) the maturity of the WB for PPP and (d) the reporting requirements not being defined. The EC suggested that subsequent phases of projects could be given priority.

In general, it was agreed to put 5 key recommendations to the WBIF SC in Berlin, aimed at increasing efficiency and speeding up the processing (raised by German MoF, seconded by World Bank and EBRD).

Comments to the DR should be submitted in writing to IPF1 until 26th May 2014.

Infrastructure Investments in the Western Balkans - “New Methodology”

The new – updated - WBIF structures have been introduced at the Task Force meeting on 8 April 2014 and by a document circulated to the PFG-members. Key is the NIC (“National Investment Committees”), a national body that will require the involvement of the Ministry of Finance, demonstrating national commitment to the prioritised projects. The NIC should be established where appropriate, existing structures can and should be used.

The methodology is still under development. However, it should allow channelling substantial resources from IPA II Multi-Country (MC) allocation also for (grant) co-financing of investment projects. The Joint Fund (EWBJF) of the WBIF will be kept as a tool for channelling funds and there will be two distinct phases; (a) the “Preparatory Phase” and (b) the “Implementation Phase”, once projects are mature.

In the future, projects will be identified by a list of prioritised projects of the NICs and not by calls. Even though details are to be confirmed, this might be a list of 3 to 4 projects per sector as far as mature projects are concerned. Priority for funding from the IPA II MC-allocation will be given to regional projects.

Discussion

EIB submitted a list of “9 bullet points”, outlining the IFI views on the new structure which in principal is supporting the new structure (the 9 bullet points are in the Annex). KfW submitted 3 slides on their view of the new structure (also attached in the Annex). One of the main concerns is the blending of funds, an issue currently addressed by TG6 under

EUBEC (also raised by NIPAC SER). EIB sees WBIF as a blending mechanism, and “blending” is rather “mixing” of funds (KfW). IFIs see the WBIF (PFG and SC) retaining a central role in the process and requested a consultation in the context of WBIF to include all investment projects (national and regional projects as well as preparatory actions, Technical Assistance, and implementation of mature projects). IFIs endorse the NIC concept and believe that success will require strong support.

The representatives from the German Ministry of Finance (current co-chair of the WBIF SC) emphasised that all WBIF stakeholders – including the bilateral donors – should agree on a new structure before any final decision is made. Furthermore, Germany would seek to prepare a joint position to the new approach on behalf of the bilateral donors.

MoF of the former Yugoslav Republic of Macedonia mentioned that 100% of their TA projects being processed through to construction and therefore sees little need to “improve” or “change” the system in the former Yugoslav Republic of Macedonia too dramatically. This view was shared by NIPAC SER. The EC mentioned that projects need to be prioritised by NIC or a NIC style body. Not all beneficiary countries will need a “NIC”; existing structure can and should be used, but some countries will need advice and support to this end. In case no NIC or equivalent is established, the MoF has to issue a letter for each project confirming it is a priority and that the required national funds/loan guarantees are reserved.

NIPAC ALB, NIPAC KOS and NIPAC MNE requested support in the establishment of the NIC and NIPAC SER offered to share their experience with a "NIC-style" structure. EC confirmed that the beneficiaries would receive such support.

Summary of PFG meeting

1. Five-six key recommendations from the Detailed Review to improve the WBIF efficiency will be submitted to the SC in Berlin;
2. The new methodology will be discussed further at the SC meeting in Berlin, in view of agreed basic principles;
3. WBIF will decide on next steps;
4. The Task Force should be used to develop certain WBIF aspects further (new methodology, PPP, etc.).

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