

WBIF PROJECT FINANCIERS' GROUP 14

Wednesday 15 May 2013
Hotel Martin's Central Park, Brussels

Draft Minutes

Attendees:

GOFAS Christos	DG ELARG	co Chair
CINGOLANI Massimo	EIB	co Chair
REINERTSEN Olav	DG ELARG	
PAPANASTASSIOU Panayotis	DG ELARG	
BLOM Hubert	DG ELARG	
LOPPE Elodie	DG ELARG	
STEFANOWICZ Inga	DG ELARG	
MARIN Antongiulio	DG CLIMA	
ARNOUX Jean-Marc	EIB	
HOLROYD George	EBRD	
CLARKSON Caroline	EBRD	
KOGELSCHATZ Michael	EBRD	
RUHE Charlotte	EBRD	
SCHIO Luca	CEB	
RAGUZ Miles	CEB	
WUNSCH Simone	KfW	
SPRANGER Karin	KfW	
MATHERNOVA Katarina	World Bank	
ROWLAND Alexander	World Bank	
TREPPEL Leander	Austria	
KLABUNDE Oliver	Germany	
PAPADOUPOULOU Marianna	Ministry of Foreign Affairs, Greece	
KNUTRUD Lars-Henrik	Norway	
LINDVALL Kristian	Sweden	
O'MAHONY Mary	IFI CO (PM Group)	
CHRETIEN Claire	IFI CO (PM Group)	
FIEDLER Joanna	IFI CO (PM Group)	
LAZENBY Jeremy	IPF 1 (WYG)	
SINCLAIR Nicolas	IPF 1 (WYG)	
HASSAN Sohail	IPF 1 (WYG)	
PAPANAGIOTOU Yanni	IPF 1 (WYG)	
EVMOLPIDIS Vassilis	IPF 2 (COWI)	
LAMOND Gordon	IPF 3 (Mott Macdonald)	
SCHANKLER Art	IPF 3 (Mott Macdonald)	

These minutes are mainly focussed on the key results and actions determined by the PFG. More elaborate content can be found in documents of the meeting.

The meeting took place in Brussels in the presence of representatives of some contributor States including Austria, Germany, Greece, Norway and Sweden. It was co- chaired by the EU Commission and by the EIB. The meeting discussed the PFG Work Programme for 2013, the Monitoring Report, the draft IPF 4 Terms of Reference, an overview of the key policy and strategy issues, the IFI fees,

and the screening and assessment of the 26 project grant applications received in February for the 9th round. The assessment of project grant applications resulted in 15 applications being recommended for submission to the Steering Committee to be held in Athens on 13 June 2013.

The meeting was co-chaired by *Christos Gofas (Head of Section, ELARG D3) – Olav Reinertsen (Head of WBIF Secretariat) in the morning – and Massimo Cingolani (Deputy Head of Division, EIB).*

Olav Reinertsen provided an update on recent developments within the EC. He informed the meeting that in the context of the next financial perspective (IPA 2 2014-2020), the EC in cooperation with the beneficiary countries is preparing country strategy papers which will have a sectoral focus. In the future there will be no distinction between candidate and non-candidate status countries, no breakdown by “components”, and the senior management of DG Enlargement is currently reviewing a proposal to channel more funds through WBIF in order to expedite priority socio-economic investments and relevant sectoral reforms. He also highlighted that the new financial regulation will introduce the requirement to move to an accrual accounting reporting system which will have implications for the contribution agreements between the EC and IFIs.

In addition, DG Enlargement is concerned at the scale of investment required in the region and the challenges imposed by the impact of the financial crisis. To this end, ELARG has asked the IFI Coordination Office to look at this issue and to explore options for how WBIF could evolve to meet these challenges. This includes looking at potential mechanisms to leverage additional private capital for investments in the region. The IFI CO’s work will be shared with all WBIF stakeholders to launch discussions on how WBIF should respond. It was suggested by EIB that, once the budget available for WBIF will be known and all the new regulations in force, it would be advisable to consider a review or an evaluation of the WBIF, in 2014. The Head of the Secretariat added that the EC country desks would also be reviewing their experience of WBIF and how best to move forward next year.

General session on the PFG Work Programme

The minutes of the PFG13 were approved.

Current status of the WBIF pipeline of investments

The IPF 1 consultant presented the May 2013 Monitoring Report (hard copy distributed) highlighting the composition of the pipeline, the status with respect to project preparation (Joint Grant Facility) and the latest situation concerning the financing of the projects (Joint Lending Facility). The WBIF pipeline has now reached a point where: 152 grants have been awarded; 41 grants for TA have completed the requested project preparation activities; 34 loans have been signed for a total value of €2.6 billion; and 24 projects are at tendering/construction stage. The report reviewed twelve grants for which Terms of Reference had not been prepared within one year since grant approval and it was decided to recommend the cancellation of seven of them to the Steering Committee (see attached table). This would release €6.375 million for re-allocation. A recommendation based on the monitoring process and contacts with NIPACs was for improved communications to NIPACs on the IFI managed projects. It was agreed to clarify the process for implementation of all WBIF grants in the WBIF Guidelines, which will be updated prior to the next call for proposals, and to ask the WBIF Country Managers to provide a communications link between the direct Beneficiary and the NIPAC with respect to the status of IFI managed projects. The Monitoring report will be updated to take into account all comments received by 24 May and will be presented in a final version to the Steering Committee in June.

Further to the decision taken in PFG13 to prepare summary assessments of the benefits of each WBIF project the meeting was informed by IPF1 that a standard one page template had been developed for this purpose and that they were under preparation by the WBIF Reporters. They will be presented at SC8 in a Project Compendium which will combine the project description with the benefit assessment for all WBIF grants organised according to the status of the project (construction, project preparation, ToR etc).

Preparation of the 8th meeting of the WBIF SC

The draft agenda for SC8 to be held in Athens on 13 June had been circulated in advance of the meeting and was discussed. Greece briefly outlined the proposed logistics for the meeting and emphasised how much they looked forward to welcoming the WBIF to Athens. It was confirmed that a meeting on EDIF will be held on Friday 14 June.

IPF 4: Discussion and approval of Terms of Reference

The draft Terms of Reference prepared by EIB were discussed and approved.

Overview of key policy and strategy issues relevant to WBIF

The IFI CO consultant reported on their activities in support of WBIF under the headings of: research and analyses; information and communications; and support to WBIF structures. Research undertaken had included: a review of options for the government of the Western Balkans to implement NEEAPs; an update on financing mechanisms available for Energy Efficiency in Western Balkans; a stock taking of climate change initiatives in the region; an update on the macro-economic outlook; and a review of EU funded mechanisms to enhance financing of socio-economic investments. All of these had required considerable contact with relevant experts in the EC and IFIs and the IFI CO thanked all concerned for their cooperation. An EC/IFI workshop on the social sector is planned for the autumn and IFI CO will be in touch with all IFIs on this.

Under communications they reported that the website continued to be updated, as did the database for investment flows, and that they had held several in country seminars with EU Delegations and NIPAC office and line ministries on regional policy and strategy issues. A series of in-country workshops being carried out in conjunction with the Energy Community Secretariat on energy efficiency financing options also provides an opportunity to promote the various EC/IFI financed funding mechanisms including the recently launched WBIF financed Regional EE Programme. In addition IFI CO continues to support the WBIF Secretariat to improve communication with beneficiaries and other stakeholders through different activities including briefing meetings for Western Balkans missions to the EU and for Brussels based representatives of bilateral donors and on-going cooperation with regional sectoral organisations (RCC, ECS, SEETO, SEE2020 etc) including participation in relevant meetings.

A key activity in this period had been the preparation of a climate change window (CCW) in WBIF. CCWs are being introduced in all EC blending facilities and the methodology based on Rio Markers is being adopted which will allow tracking of climate finance. This will be obligatory under the new Multi-Annual Financial Framework 2014-2020. Hence WBIF is obliged to introduce a CCW. Based on extensive discussions with the EC (DG CLIMA) and the IFIs, IFI CO presented a proposal to do this including changes to the PGAF according to which: the Beneficiary would provide descriptions of the climate change impact in the request; the screening process would include a request for comments on the climate change contribution; and the assessment by the lead IFI would include allocation of Rio Markers. These proposals were approved and this proposal will be recommended to the WBIF

SC meeting in Athens to allow the 10th call for proposals in autumn 2013 to be used as a test case for the CCW. A joint IFICO/IPF seminar will be organised before the summer break to brief NIPAC offices on the implications for the project application process and further capacity building possibilities will be considered via the NIPAC workshop and the newly launched EC programme - ECRAN.

IFI fees

The EIB presented a paper prepared jointly by the IFIs which updated the application of the lead IFI fee structure. This was as required at SC5 in December 2011 which approved the fee structure with the provision that it should be reviewed one year later based on a more detailed analysis and a further breakdown of costs. Austria commented that they did not find the methodology employed in the paper convincing and felt that it should be emphasised that the IFIs had access to loans because of the grant funding. Norway expressed concern that it gave the impression that fees were low compared to actual costs and that it implied increases could be requested in the future. The EIB confirmed that costs were not completely covered but agreed to modify the wording to avoid mention of future increases. The World Bank recommended some changes, particularly with respect to Table 3, which they would communicate to EIB. It was agreed that comments on the paper should be received no later than 24 May. All IFIs thanked EIB for having coordinated the work on the note so far and kindly asked the EIB to prepare a final version including all comments received by the 29, in order to submit it to the Steering Committee.

Small Business Support programme

EBRD presented the Small Business Support programme which has been supporting SMEs since 1993. EBRD made clear that the programme was presented to the PFG for information only, since the PFG is not responsible for the governance of EDIF. SBS promotes good management in small businesses by providing direct assistance to individual enterprises through two instruments namely the Enterprise Growth Programme (EGP) and the Business Advisory Service (BAS). EGP supports the introduction of international best practice through the use of international advisors with senior management experience whilst BAS assists by engaging local consultants, both inputs being resourced on a cost sharing basis. Since 1996 BAS had assisted with over 3500 projects in the Western Balkans and EGP with other 500. The EBRD proposed that SBS could become a component of the EDIF. The EC clarified that further discussions between EDIF (which is now becoming operational) and the SBS team of EBRD were required to determine the feasibility of such an approach. EBRD indicated that in the future they may approach the WBIF to contribute to the financing of SBS in the Western Balkans.

Briefing on recent bilateral donors meeting

The Head of the Secretariat informed the meeting that the bilateral donors had organised an informal meeting to discuss WBIF, which he had attended in Berlin on 25 April, and which he had found to be very useful. Germany provided a brief overview of the discussions and highlighted the high level of interest among bilateral donors in having such a possibility to discuss WBIF and relevance for their assistance programmes. He noted that further similar meetings would be held probably back to back with PFG meetings. The Head of the Secretariat also stated that, in line with the WBIF work programme agreed in December 2012, it was planned to organise a visit to WBIF projects for bilateral donors during the week of the PFG (provisionally 4/5 November).

Screening and assessment of the grant applications for Round 9

26 project grant applications were received in response to the Round 9 call request which included 4 regional projects. This represented an overall demand of €30 million for grant assistance with a total estimated investment of €1.4 billion.

The applications were reviewed by sector with the EC presenting a summary of comments received on each PGAF and the outcome of the screening process. For those applications which were screened positively the lead IFI presented the results of their assessment and this was followed by an open discussion. The attached tables summarise the conclusion of the screening and the assessment for each grant request with 15 applications recommended for submission to SC8.

The distribution of the project allocations by beneficiary and by sector is as follows:

- Beneficiary: Albania 0; Bosnia and Herzegovina 4; Croatia 3; former Yugoslav Republic of Macedonia 2; Kosovo* 1; Montenegro 0; Serbia 2; Regional 3
- Sector: Energy 7; Environment 2; Social 4; Transport 2

Call for Round 10

A letter will be sent to all NIPACs to announce the round 10 call for projects and this will also be highlighted on the website. The timetable planned is:

- Deadline for 1st calls for proposals (round 10) 13 September
- PFG 15 meeting to review round 10 projects 6 November (back to back with the 4th workshop for NIPACs)
- Steering Committee meeting for decision (SC 9) 5 December (to be confirmed)

Conclusions of the meeting

- **Minutes of the PFG13 were approved**
- **PFG selected grants to be presented for approval and amended existing projects to the SC8**
- **PFG approved the monitoring report (comments by 24 May), the SC 8 agenda, the IPF 4 Terms of Reference, and the implementation of a climate change window (CCW) within WBIF**
- **PFG took note of the review of policy and strategic issues**
- **PFG discussed the draft note on IFI fees, asking EIB to prepare a final version based on comments received in order to submit it to the Steering Committee**
- **The PFG took note of the intention of EBRD to discuss SBS in the EDIF governance structures in order to obtain potential support.**
- **PFG decided to launch the call for projects Round 10 with 13 September deadline for submission**
- **Next meetings on 6 November in the Western Balkans region: PFG 15 followed by NIPAC regional workshop. Bi-lateral donor visit to projects planned for 4/5 November.**
- **Next co-chairs of the PFG to be EBRD**
- **Contact and communication address: elarg-wbif@ec.europa.eu**

* "This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence"