

WBIF PROJECT FINANCIERS' GROUP 13

Tuesday 6 - Wednesday 7 November 2012

Rixos Libertas Hotel, Dubrovnik

Minutes

Attendees:

GOFAS Christos	DG ELARG	co-Chair	Tues 6 Wed 7
SCHIO Luka	CEB	co-Chair	Tues 6 Wed 7
REINERTSEN Olav	DG ELARG		Tues 6 Wed 7
CINGOLANI Massimo	EIB		Tues 6 Wed 7
ARNOUX Jean-Marc	EIB		Tues 6 Wed 7
VIEZZOLI Claudio	EBRD		Tues 6 Wed 7
CLARKSON Caroline	EBRD		Tues 6 Wed 7
VASISTA Manish	EBRD		Wed 7
RAGUZ Miles	CEB		Tues 6 Wed 7
SPRANGER Karin	KfW		Tues 6 Wed 7
ROWLAND Alexander	World Bank		Tues 6 Wed 7
LVOVSKY Ksenja	World Bank		Tues 6 Wed 7
KLABUNDE Oliver	Germany		Tues 6 Wed 7
TREPPEL Leander	Austria		Tues 6 Wed 7
DI EMIDIO Raffaella	Italy		Tues 6 Wed 7
PAPADOUPOULOU Marianna	Greece		Tues 6 Wed 7
KNUTRUD Lars-Henrik	Norway		Tues 6 Wed 7
O'MAHONY Mary	IFI CO (PM Group)		Tues 6 Wed 7
LAZENBY Jeremy	IPF 1 (WYG)		Tues 6 Wed 7
SINCLAIR Nicolas	IPF 1 (WYG)		Tues 6 Wed 7
HASSAN Sohail	IPF 1 (WYG)		Tues 6 Wed 7
OSBORN Martyn	IPF 1 (WYG)		Tues 6 Wed 7
MEZZANO Luis	IPF 1 (WYG)		Tues 6 Wed 7
PAPANAGIOTOU Yanni	IPF 1 (WYG)		Tues 6 Wed 7
EVMOLPIDIS Vassilis	IPF 2 (COWI)		Tues 6 Wed 7
LAMOND Gordon	IPF 3 (Mott Macdonald)		Tues 6 Wed 7
SCHANKLER Art	IPF 3 (Mott Macdonald)		Tues 6 Wed 7
DUMA Grida	NIPAC Office Albania		Wed 7
POLENA Arjen	NIPAC Office Albania		Wed 7
MUSKAJ Arjan	NIPAC Office Albania		Wed 7
HALILOVIC Zara	NIPAC Office BiH		Wed 7
GRANOV Sabina	NIPAC Office BiH		Wed 7
TOMASOVIC Damir	NIPAC Office Croatia		Wed 7
MEDVEN Zelka	NIPAC Office Croatia		Wed 7
ALEKSOSKI Andreja	NIPAC Office FYROM		Wed 7
KIRKOVSKI Evjenija	NIPAC Office FYROM		Wed 7
CANNOLLI Lorik	NIPAC Office Kosovo*		Wed 7
JAKUPI Lorik	NIPAC Office Kosovo*		Wed 7

* *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.

DRLEVIC Aleksandar	NIPAC Office Montenegro	Wed 7
VUJOVIC Bojan	NIPAC Office Montenegro	Wed 7
LIKA Arta	NIPAC Office Montenegro	Wed 7
MIRIC Ognjen	NIPAC Office Serbia	Wed 7
SPASIC Petar	NIPAC Office Serbia	Wed 7

The meeting took place in Dubrovnik over two days in the presence of representatives of some contributor States including Austria, Greece, Italy and Norway and in a climate of good will and cooperation. It was co- chaired by the EU Commission and by the CEB. The meeting was in two parts with the first session devoted to matters of general interest, including the PFG Work Programme for 2011, the Monitoring Report, the Annual Report, measuring the impact of WBIF investments, management of WBIF Technical Assistance and the screening and assessment of the 29 project grant applications received in September for the 8th round. The assessment of project grant applications resulted in 12 applications being recommended for submission to the Steering Committee to be held in Paris on 6 December 2012 in addition to the two carried over from the 7th round. Representatives from each of the NIPAC offices were also invited to the second session of the meeting (Policy and Strategy) which focussed on the macro-economic situation, the evolution of IPA, the development of the WBIF pipeline, the discussion of key issues and practical guidelines for the submission and approval of WBIF grants.

SESSION I – REVIEW OF PFG WORK PROGRAMME AND SCREENING AND ASSESSMENT OF ROUND 8 APPLICATIONS

Christos Gofas (Head of Section, ELARG D3) opened the meeting and Co-Chair Luka Schio (Central Directorate for Studies and International Relations, CEB) made a welcoming address. Schio emphasised the importance of devoting time to verifying the quality and progress of the existing pipeline. This was an important item on the agenda and will continue to be under discussion at future meetings. He also welcomed the attendance of the NIPAC offices at the strategy and policy session and the opportunity that this provided to obtain direct feedback from beneficiaries.

General session on the PFG Work Programme

The minutes of the PFG12 were approved.

Monitoring Report

The IPF 1 consultant presented the November 2012 Monitoring Report explaining the process that had been followed to update the project data held in the MIS Monitoring Module. It was highlighted that 28 projects were now at tendering/construction stage, that 45 projects had signed loans and that the WBIF pipeline had exceeded the targets originally set (€2 billion of signed loans) with the total estimated cost of the projects now at approximately €12 billion.

Projects not progressing were discussed and in all cases except for one – "Municipal Water – Nis and Novi Sad municipalities"[†] from round 3 – the lead IFIs anticipated progress in the near future and recommended to maintain the grants for another period.

[†] EC wants to discuss more in detail with the lead IFI, which is EIB

There was a discussion around the fact that a significant number of loans had been signed prior to the award of a WBIF grant and it was agreed to monitor this category separately in the future.

The report raised the issue as to whether the pipeline should continue to expand given the limited fiscal space available or whether different priorities should be set in the future (eg prioritising disbursement of existing loans). EIB commented that they considered investments of up to € 10 billion per year for the region (excluding Croatia) to be feasible. The World Bank stressed that fiscal space should be investigated on a country by country basis.

An update on the two large financing facilities was provided. EIB reported that EIF was due to conclude an agreement with the EU by end November on EDIF with binding agreements to be signed for the funds by the end of the year. The official launch is planned for 5 December 2012. EBRD reported that they had commenced work on all three windows of REEP (Energy Efficiency) and that they planned to have all operational by the end of the first half of 2013.

The Monitoring report will be updated to take into account all comments received by 16 November and will be presented in a final version to the Steering Committee in December.

Management of WBIF Technical Assistance

The Co-Chair, Christos Gofas, explained that the EC was now putting its contribution directly into the EWBJF and that the management of future IPF Technical Assistance programmes using these funds would be by EIB. The EIB commented that the IPF TAs had been very successful and that an internal comparison undertaken by EIB had attributed part of the success of WBIF to the appointment of the IPF framework consultants. They proposed to launch an IPF 4 in 2013 using € 15 million of EC funds allocated to EWBJF and circulated their draft proposal. This was extensively discussed, and Austria recommended that an external evaluation of IPF should be undertaken before this was launched, while Italy recommended some improvements to the wording. Also KfW had some questions regarding the functioning of IPF 4.

It was agreed that EIB should revise its proposal to answer a number of questions before submitting the proposal for IPF 4 to the SC in December. The decision the SC would be asked to take, will be decided upon in due course – also reflecting the revised paper from EIB.

Measuring impact of WBIF projects

The Head of the WBIF Secretariat, Olav Reinertsen, outlined a proposal to measure the impact of WBIF projects using a simple one page reporting format recommended by DFID (UK). It was explained that this had the advantage of being simple and rapid to implement and would respond to the expectations of Donors. Reinertsen recalled that i) IFIs are obliged to carry out comprehensive impact assessments on all projects that they finance and (ii) they must share the results of such mandatory impact assessments for WBIF supported projects. The proposal was broadly supported and the IPF teams were tasked with producing a first proposal template for consideration by the IFIs. Implementation would in principle be by the consultant responsible for project preparation for a given project.

By the "rapid measurement" the WBIF would monitor progress regularly without duplicating IFIs tasks.

Annual report 2012: Presentation of draft report

The IPF 1 consultant presented a draft of the report which will be updated following the recommendations of PFG13 and submitted to SC7. It was emphasised that the content of this latest report is designed to reflect the emergence of real construction projects and the development of the pipeline. Comments were requested by 16 November.

Preparation of the SC7: Draft agenda

The draft agenda for SC7 to be held in Paris on 6 December, and hosted by CEB, was presented. It was emphasised that the SC7 will highlight the outcome of the discussions on how to respond to the challenges presented by the dynamic environment. Additionally, it will discuss the impact on the ground by selecting a number of projects under construction for presentation at the meeting. Christos Gofas noted that DG Enlargement was looking at a roadmap for transport and that this could be added to the discussion on "Adapting to a changing environment". The World Bank informed the meeting that their SEE Economic report would be available in November.

Work programme and preparation of SC8

The objectives and programme of activities recommended for WBIF in 2013 were presented by Christos Gofas and a draft calendar of meetings planned for 2013 was provided. The next PFG is planned to take place in Brussels mid-May (exact dates TBC) and it was agreed to delay the deadline for Round 9 submissions until Friday 22 February to maximise the time for preparation of submissions. It was noted that a visit to the Western Balkans by Bilateral donors was planned to be organised in spring 2013 during which they would visit a number of ongoing WBIF projects.

Austria proposed Greece to succeed them as co-chair of the SC which Greece confirmed they would take on. The meeting thanked Greece for their kind offer. Greece asked for some flexibility in fixing the date of the SC8 which would be held around mid-/end of June 2013.

Screening and assessment of the grant applications for Round 8

29 new project grant applications were received in response to the Round 8 call request in addition to the two which were held over from Round 7. This represented an overall demand of € 34.2 million for grant assistance with a total estimated investment of € 3.5 billion.

The applications were processed by sector with the lead IFI presenting each project followed by comments from the IPF Key Expert who had been responsible for upstream assistance during preparation of the applications and the views from the EC. 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 together with the proposed source of financing.

WBIF resources

The Head of the Secretariat announced that the resources available in the EWBIF amounted to € 29.5 million in total. This takes into account the transfers of € 28.34 million to be made by the EC into the EWBIF and € 1.817 million due to be transferred by Germany. The total value of the grants proposed for approval at SC7 amounts to € 11.98 million of which € 8.08 million would be from EC (IPF) and € 3.9 million from EWBIF.

The overall summary of the projects to be proposed for approval to SC7 for approval is:

- 9 projects to be financed by the EU (IPF) for a total of €8.08 million
- 5 projects to be financed by the EWBIF for a total of €3.90 million

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

- Beneficiary: ALB 1 ; BiH4; CRO 1; FYROM 0; KOS 2; MNE 2; SER 3; REG 1
- Sector: Energy 4; Environment 5; Social 2; Transport 3

Call for Round 9

A letter will be sent to all NIPACs to announce the Round 9 call for projects and this will also be highlighted on the website. A briefing on Round 9 will be provided to the SC in December when guidelines on the sector development projects will be presented together with general guidelines on project submission and priorities. The timetable planned is:

- Deadline for 1st calls for proposals (Round 9) 22 February 2013
- PFG 14 meeting to review Round 9 projects Mid May 2013 (TBC)
- Steering Committee meeting for decision (SC 7) TBA

SESSION II – STRATEGY AND POLICY ISSUES

In line with the PFG Work Programme for 2012, senior representatives from NIPAC offices were invited to attend a special Policy and Strategy Session of the PFG meeting as part of the overall objective to enhance communications among the key WBIF stakeholders. The CEB Co-Chair, Luca Schio, welcomed the NIPAC offices to the meeting and underlined the important role played by the beneficiaries in the WBIF.

OPERATING IN A DYNAMIC ENVIRONMENT

Brief update on the macro economic outlook and recent policy developments of relevance to WBIF

IFI CO presented an update of the food for thought paper presented at the Steering Committee meeting in Vienna in June. Since that time economic projections for the region have worsened, with growth projections revised downwards and rising levels of public debt and non performing loans. While consolidation efforts have had some effect the fiscal position continues to be difficult. The potential impact of the current WBIF pipeline of investment projects on fiscal space was estimated with a mixed picture emerging. Some countries (e.g. Serbia, Montenegro and Albania) show relatively high levels of debt while others (e.g. FYR Macedonia and Kosovo*) have capacity to incur the necessary debt. In addition an overview was provided of key policy issues of relevance to WBIF at both overall level (the introduction of headline targets for SEE 2020, which mirrors the EU 2020 Agenda) and a sectoral level including the new regional energy strategy adopted by the contracting parties to the Energy Community Treaty

Evolution of IPA – expected impact on WBIF

Christos Gofas, Co-Chair, presented the anticipated profile of IPA II while noting that final discussions on future EC budgets were still ongoing. It was anticipated that IPA II will strengthen WBIF's role as a real strategic driver for investments as all projects receiving IPA support should be clearly identified within a national or regional strategy. Blending mechanisms such as WBIF have been highlighted as successful tools to leverage EU funds and thus are likely to become more important in

the new financial perspective 2014-2020. It was noted that 4 out of 5 policy areas addressed by IPA II fall within the scope of the WBIF and that WBIF is also consistent with IPA II's greater focus on socio-economic development. The role of WBIF in bringing together assistance with financing to achieve coherent coordination was seen as important as was the coordination between stakeholders in general and the ownership provided to beneficiaries. Finally, IPA II will be more result oriented which will be mirrored in WBIF by an increased focus on monitoring of progress and impact.

Current status of the WBIF pipeline and Management of WBIF TA

The presentations on the monitoring of the WBIF pipeline and the management of the IPF Technical Assistance programme were presented again for the benefit of the NIPAC offices prior to opening the floor to a general discussion.

In the ensuing discussions, the NIPAC offices voiced their pleasure in being able to contribute to the policy session of the PFG and confirmed that the limited fiscal space was impacting their decision making.

Common issues that emerged during discussions included:

- emphasis on WBIF support to be directed to priority investments which contribute to competitiveness;
- enhancing the role of the ministries of finance in the submission of WBIF applications;
- need for more information on loan disbursements ;
- support for analysis of the WBIF pipeline to determine progress and identify where further assistance could be useful to expedite priority projects;
- the challenges faced by the countries in preparing and implementing comprehensive sector strategies and the need for in-depth consultations on IPA II;
- widespread recognition of the valuable role played by the IPF contracts in expediting WBIF support and the usefulness of local IPF representatives for NIPAC offices.

The Co-Chair concluded that such joint policy and strategy discussions between the PFG and NIPACs were useful for all concerned. He stressed that it was crucial for the WBIF to focus on priority investments and to identify how any blockages to progress could be solved. He also emphasised the importance of mobilising private sector funds and involving closely the Ministries of Finance. He noted that there was overall support for ensuring that technical assistance provided under the WBIF could be mobilised and delivered as efficiently as possible and that a proposal to this end would be put to the WBIF Steering Committee.

PRACTICAL GUIDELINES FOR SUBMISSION, SCREENING, ASSESSMENT AND MONITORING OF WBIF PROJECTS

Draft Guidelines for the WBIF were tabled by IPF and IFI CO. These were prepared in response to requests from the beneficiaries to provide user friendly guidance to project promoters (line ministries and/or agencies) and a request from the WBIF Steering Committee to ensure that applications focus on priority investments in line with the discussions at the Steering Committee meetings. It was noted that the guidelines should be seen as a living document which would be updated on a round by round basis as priorities evolved. A number of key issues were highlighted including the grounds for which additional WBIF support could be requested, greater involvement of ministries of finance, links to regional and/or sectoral strategies etc. It was agreed that the draft document be circulated to the NIPACs and PFG members and that any feedback should be provided by 30 November with a view to submitting a final version to SC7 in December.