

WBIF PROJECT FINANCIERS' GROUP 11

Tuesday 15 and Wednesday 16 November 2011

Martins Central Park Hotel, Brussels

Minutes

Attendees:

GOFAS Christos	DG ENLARG	co Chair	Tues 15 Wed 16
CINGOLANI Massimo	EIB	co Chair	Tues 15 Wed 16
DE BETHUNE Thomas	DG ENLARG		Tues 15 Wed 16
DI SEBASTIANO Valentina	DG ENLARG		Tues 15 Wed 16
PAPANASTASSIOU Panayotis	DG ENLARG		Tues 15 Wed 16
STEFANOWICZ Inga	DG ENLARG		Tues 15 Wed 16
BO Caperman	DG ENLARG		Tues 15
BACIU Denisa	DG ECFIN		Tues 15 Wed 16
KOK Sophie	DG ELARG		Tues 15 Wed 16
TSIAVOS Eleftherios	DEVCO		Tues 15 Wed 16
ARNOUX Jean-Marc	EIB		Tues 15 Wed 16
BULLOCK Anna	EIB		Tues 15
TSAKIRIS Ionnis	EIF		Wed 16
FELTES Daniela	EIF		Wed 16
VIEZZOLI Claudio	EBRD		Tues 15 Wed 16
CLARKSON Caroline	EBRD		Tues 15 Wed 16
BROWN Ian	EBRD		Wed 16
MUELLER-URI Magdalena	EBRD		Tues 15
GAFUROVA Lola	EBRD		Wed 16
JORDAN- TANUK Matthew	EBRD		Tues 15
HERRERA Léon	CEB		Tues 15 Wed 16
RAGUZ Miles	CEB		Tues 15 Wed 16
SMITH Claire	CEB		Tues 15
STRAUSS Reinhold	KfW		Tues 15 Wed 16
REINERMANN Dirk	World Bank		Tues 15 Wed 16
BURUNCIUC Lilia	World Bank		Tues 15 Wed 16
Alexander Rowland	World Bank		Tues 15 Wed 16
FROMWALD Raffaella	Oesterreichische Enstwicklungsbank AG		
PAPADOUPOULOU Marianna	Ministry of Foreign Affairs, Greece		Tues 15 Wed 16
KONTOPANAYOTOU Stamatia	Greek Permanent Representation		Tues 15 Wed 16
DI EMIDIO Raffaella	Ministry of Economy and Finance, Italy		Tues 15 Wed 16
REINERTSEN Olav	Ministry of Foreign Affairs, Norway		Tues 15
CVEK Nadja	SID Bank, Slovenia		Tues 15 Wed 16
O'MAHONY Mary	IFI CO (PM Group)		Tues 15
LAZENBY Jeremy	IPF 1 (WYG)		Tues 15 Wed 16
SINCLAIR Nicolas	IPF 1 (WYG)		Tues 15 Wed 16
EVMOLPIDIS	IPF 2 (COWI)		Tues 15 Wed 16

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

The meeting took place in Brussels in the presence of representatives of some contributor States including Austria, Greece, Italy and Slovenia and in a climate of good will and cooperation. It was co-chaired by the EU Commission and by the EIB. The meeting discussed strategic issues and matters of general interest, including the PFG Work Programme for 2011, the Annual Report, the Monitoring Report, the activities of the IFI AG, the implementation of the Review of the WBIF, and the assessment of the 30 project grant applications for the 6th round which has been identified to be eligible at PFG 10. The project grant applications were assessed with 22 being recommended for submission to the Steering Committee to be held in Luxembourg on 7 December 2011.

Christos Gofas (Head of Section, ELARG D3) opened the meeting by welcoming participants and co-chaired the meeting with *Massimo Cingolani (Deputy Head of Division, EIB)*.

General session on the PFG Work Programme

The minutes of the PFG9 were approved. The composition of the WBIF Secretariat team was presented. A management overview will be provided by Massimo Cingolani: EIB, co-chair of the PFG and Christos Gofas: Head of section DG Elarg, co-chair of the PFG. The unit itself will be composed of:

Thomas de Béthune: Head of the Secretariat

Valentina Di Sebastiano: IPF

Panayotis Papanastassiou: Greek Secondment

Olav Reinertsen: Norwegian Secondment (as officially from 16/11)

Cristina Alvarez Fernandez: Secretariat (part-time)

In addition the remainder of the DG Enlargement IFI section will provide assistance on an ad-hoc basis: Mariangela Fittipaldi: Energy and transport; Bo Caperman and Inga Stefanowicz: Private sector development.

Annual Report

The first draft of the Annual Report was circulated prior to the meeting and was presented by the IPF 1 consultant. Any comments received by 23 November will be integrated into a final draft to be produced for SC5 in December. Some initial comments were received and in particular EIB requested that a project under construction should feature with a quotation from a Beneficiary.

Monitoring Report

The IPF 1 consultant presented the November Monitoring Report explaining that this for the first time had been produced using the MIS Monitoring Module to update the information held in the WBIF project database. It was explained that, whilst the report presents data by sector, presentations by country and IFI are also available for viewing and downloading on the MIS. It was announced that the Annual Report will contain a user name and password for a read only public access to the monitoring module and that this will be the mechanism by which the NIPACs also view the information. EIB recommended to report on the loans that have been committed (as well as those that are signed) and it was also suggested to try to highlight those investments which have been triggered through WBIF. The Monitoring Report will be presented at SC5 taking into account any comments received by 23 November.

Inclusion of EWBIF projects in MIS and website

The Secretariat highlighted the objective that ideally similar information should be held on all WBIF projects on both the MIS and the website. At the present time this applies to the MIS but there is a lack of information on EWBIF projects on the website. It was suggested and agreed that to remedy this IPF will prepare draft project descriptions of EWBIF projects using the PGAF which will be sent for checking to the responsible lead IFI for each project. IPF will post the project descriptions on the WBIF projects section of the website and seek updates on a six monthly basis.

EBRD and CEB reported that while they are happy to use the MIS they would benefit from further explanations and assistance as they were still experiencing some difficulties. It was explained that there are support mechanisms in place (see support module) but it was agreed that the IPF MIS team would organise a visit to each IFI in the first quarter of 2012.

Clarification on projects approved in the past

DG Enlargement outlined the general problem highlighting that some projects experienced changes compared to what had been approved by the Steering Committee. Two examples were tabled namely the Danilovgrad wastewater project and the Elbasan water projects. The principle was agreed that projects would be brought back to the PFG for clarification if any of the following criteria applied:

- a) there was a change in the IFI status;
- b) there was a change in the scope of the project (services requested);
- c) there was a lack of local support.

With respect to the two specific examples quoted it was agreed that the respective lead IFIs (EBRD and KfW) would make a proposal in writing to the PFG to decide if they should be referred to the SC or whether more time should be allowed.

IFI and EC Coordination Office

The IFI CO consultant updated the meeting with respect to the key activities undertaken or planned since PFG10 in Skopje. In terms of sectoral activities these were:

- EC & IFI Workshop on EIA and Update on EC & IFI Activities – Brussels 17 & 18 November;
- EC/KfW Workshop on EE Credit Lines – Frankfurt 23 November;
- Summary Report on current EE credit lines, EE Task Force meeting, Vienna 30 November;
- Draft Strategic Work Programme for SEETO Secretariat, SEETO Ministerial Meeting 29 November; preparation of report on challenges of financing projects in the social sector;
- LSEE Socio-Economic Research Network – Launch Workshop London 14 & 15 November.

Under the heading of communications there had been a policy seminar in Bosnia and Herzegovina on 9/10 November to discuss the Impact of austerity measures and issues regarding the new growth agenda and others were planned. In addition work continued on updating the website and on refining the database of investment flows.

Guidelines for Sector Development Projects

DG Enlargement presented a short note with the guidelines for the research and analytical studies to be eligible for funding under the WBIF up to an indicative limit of €2 million per annum. This defined the objective and the typical characteristics of eligible projects as well as the mechanisms for their application and implementation. The World Bank thanked DG Enlargement for the guidelines and for taking on board their comments. They had already some good ideas on what they might be able to contribute which included: development of the gas ring idea for the Western Balkans; taking

further the World Bank studies on railways; studying the impacts of climate change on flood protection and drought; sharing capacity across the region in the health sector. Norway, as co-chair of the SC, welcomed the introduction of the sector development projects and appreciated the guidelines.

Preparation of SC5

The draft agenda and programme for SC5 to be held in Luxembourg on 7 December was outlined. EIB requested people to confirm their attendance at the dinner to be held on the evening of 6 December. With regard to the pledging of resources, Norway confirmed its contribution of €2.5 million for 2012. With respect to the appointment of its successor as a new co-chair for the SC, Norway indicated that there were neither clear specifications nor guidelines in the Terms of Reference as to how this was to happen. Norway had carried out informal discussions with the other donors and that they proposed Austria. This proposal was welcomed and there were no objections. Greece stressed the need for increased transparency in the process of appointing new (rotating) co-chairs in the future, e.g. through a gentlemen's agreement. The ensuing discussion highlighted the key principles of firstly rotation and secondly consensus on the part of the different contributors to the EWBJF.

Work programme for 2012

The work programme for 2012 was presented. This reduced the number of PFG meetings from four to three and focussed on: further expediting priority investments in the key sectors in Western Balkans; streamlining the screening and assessment process for WBIF project applications; advance discussions and raise awareness on economic and sectoral policies and strategies that have an impact on the identification, financing and implementation of priority investments; enhance communication among all WBIF stakeholders; promote the opportunities and achievements and encourage greater involvement of both beneficiaries as well as current and potentially new donors and financiers; building cooperation with IPA national plans. The activities were built around two rounds of call for projects. It was announced that the next round of call for projects will now be launched, with a letter being written to all NIPACs, and that the deadline for submissions will be 17 February. The next PFG will be on 26 April. Italy questioned the meaning of the work "sub-committee" and it was explained that the EC/IFIs will need to meet to agree the screening of the projects but that all projects will be presented at the PFG. It was proposed by Slovenia to combine PFG 13 and 14 into one week rather than to have them in separate adjacent weeks.

Status of the pending issues of the review

EIB explained that they had contacted the four countries which had expressed concern over the fees advocated by the IFIs. All countries had been pleased to be consulted but there was as yet no overall conclusion. EIB will report in writing to the EC and it is expected that the EC will make a proposal. It was recommended by EBRD not to discuss it again at the Steering Committee.

Some preliminary estimates of the investment needs in the Western Balkans

A tool developed by the World Bank has been used by the EIB to produce some preliminary estimates of the investment needs of the Western Balkans. Different projected growth rates provide a range of investment needs. It is proposed to present the results of this work on a short presentation at SC5.

Assessment of the grant applications for Round 6

49 project grant applications were received in response to the Round 6 call request including the private sector development project. 31 projects were considered to be eligible at PFG10, representing €49.2 million of grant requested, and for each one the lead IFI had undertaken the assessment.

Each IFI presented the results of their assessment and this was then opened for discussion. Following a review of all the projects a prioritisation of the requests was agreed and a decision made on the source of financing. It was decided not to over commit on EU financed projects given that the funding mechanism would be through IPF 3 which was currently out to tender and therefore subject to some uncertainty. It was agreed that EBRD will provide a paper for the next PFG (May 2012) on energy sector WBIF support with respect to potential market distortion. The attached table summarises the conclusion of the assessment for each grant request together with the proposed source of financing.

The proposed SME platform project was presented by the EIF who noted that the comments made in Skopje were being addressed. The issue of “pari passu” treatment required by ECFIN had been taken into account. EBRD had also undertaken to limit their involvement in ENEF by keeping their capital contributions below 50% and restricting their voting powers in ENEF's investment committee to avoid a controlling stake. A decision on the EBRD involvement by the EBRD board is scheduled for 6 December 2011. It was explained that a Platform Advisory Group will report to the Steering Committee and that EIF will prepare the work of this body. It could also be foreseen that the Advisory Group meetings are organised back to back with the WBIF SC meetings, given important overlaps in membership. The design of the platform was endorsed by the PFG for the December SC consideration. It was proposed that EIF would prepare an Action Plan for the project launching following its endorsement by the SC.

The budget and funding of the platform is proposed to be: €30 million from multi-beneficiary IPA; €2.2 million from EWBIF; 2.0 million from EBRD. This was accepted and it was noted that a further €2 million is planned from IPA 2012. EIF informed the meeting that they were proposing to approve €5 million for ENIF and €5 million for ENEF immediately after approval by the SC and that the aim is for the platform to be running by mid 2012. The EC issued letters to all beneficiaries following the 10th PFG requesting written commitments (both financial and to reforms) by the December SC at the latest. It was noted that no responses had been received as yet but that Serbia had confirmed that support letters will be in place. It was suggested by EBRD to use SC5 as an opportunity to request additional pledging from IFIs and donors. The PFG recommends to the SC to endorse the full financing package of the project as the basis for sound financial planning.

DG Enlargement explained that the TA component will assist beneficiaries to implement reforms. The EC has asked OECD to carry out three preparatory activities prior to project launching, namely: review of potential reform priorities and existing commitments; mapping of TA initiatives already being delivered and main TA actors to avoid overlaps and obtain synergies; dialogue with each beneficiary to agree the priority reforms. The World Bank commented that the TA would need to be narrowly focussed with agreement on the prioritisation of reforms as the budget will not stretch very far. The fiche will be redrafted to reflect this approach. EBRD also suggested that the TA component could benefit from special advisory arrangements, which could be achieved by either instituting a separate TA advisory board or the Project's Advisory Board sub-committee/working group. Suggestions were also made regarding a possible expansion of the TA component (and injection of more resources into it) as the project evolves in the future.

The name of the platform was discussed with the EC reporting on the recent consultations resulting with the proposal of the Western Balkans Enterprise Development and Innovation Facility (EDIF). A couple of other suggestions were made and the Chair suggested that EDIF is used for the time being, leaving a possibility for a later change should consensus be reached on another proposal.

The overall summary of the projects to be proposed for approval to SC5 is:

- 11 projects to be financed by the EU (IPF) for a total of €7.44 million
- 10 projects to be financed by the EWBJF for a total of €13.44 million
- 1 private sector development project for a total of €34.2 million

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

- Beneficiary: ALB 2 ; BiH5; CRO 1; FYROM 3; KOS 0; MNE 4; SER 4; REG 3
- Sector: Energy 7; Environment 3; Social 7; Transport 4, Private sector 1

Conclusions of the meeting

- **Minutes of the PFG10 were approved**
- **PFG selected 22 grants (21grants for infrastructure and 1grant for the private sector platform) to be presented for approval and amended existing projects to the SC (is this correct?)**
- **PFG approved in general the annual report 2011 and the monitoring report with comments to be provided within a week and the PFG work plan 2012**
- **PFG approved the guidelines for the « sector development » projects**
- **PFG decided to launch the call for projects Round 7 with 17 February deadline for submission**
- **PFG took note of the review strategic issues and the implementation of the review**
- **Next meeting the 26 April May in Brussels: PFG 12**
- **Contact and communication address:**
elarg-wbif@ec.europa.eu