

## Minutes of the Meeting

### 1<sup>st</sup> Annual Meeting of WG 1 Investment Planning Sub-Group Regional Environmental Network for Accession (RENA)

**Date:** 29<sup>th</sup> November 2010, Skopje, FYR of Macedonia

**Place:** Hotel Holiday Inn, Skopje

**Time:** 08:30 – 18:00

#### Participants:

Beneficiaries/WG 1 Coordinators



**Mr. Fatos Bundo**, *RENA Focal Point, Ministry of Environment, Forestry and Water Administration*



**Ms. Jadranka Ivanova**, *RENA Focal Point, Ministry of Environment and Physical Planning*



**Mr. Kiril Kalkašliev**, *WG 1 Coordinator, Ministry of Environment and Physical Planning*



**Ms. Albana Hajrizi**, *WG 1 Investment Planning contact person, Ministry of Environment and Spatial Planning*



**Ms. Milena Kapa**, *WG 1 Investment Planning contact person, Ministry for Spatial Planning and Environment*



**Ms. Biljana Vasković**, *WG 1 Coordinator, Ministry of Environment and Spatial Planning*



**Ms. Almila Nur Bahar**, *WG 1 Contact person for Investment Planning, Ministry of Environment and Forestry*

#### European Union

- Ms. Joanna Fiedler, *RENA Task Manager, DG Environment, European Commission*
- Ms. Teodora Andreeva, *Environment and infrastructure, Delegation of the European Union in FYR of Macedonia*

#### Other initiatives

- Mr. Jaap Butter *DABLAS Secretariat*
- Ms. Christine Haffner-Sifakis *H2020-Western Balkan and Turkey Hot Spot Investment Study*
- Ms. Mary O'Mahony *IFI Coordination Office*
- Mr. Sohail Hasan *WBIF-IPF*

#### Environment Forum Project

- Mr. Zvezdan Kalmar *Environment Forum representative*

#### Project Team

- Ms. Daiva Semenienė *Key expert 3 /WG 1 Investment Planning Sub-Group Leader*
- Arunas Kundrotas *ST Expert / WG 1 Investment Planning Sub-Group Leader*

#### RENA Secretariat

- Mr. Ruza Radovic *Project manager, Human Dynamics*



## Official welcoming

The meeting was opened by Ms. Ivanova by thanking all participants for coming to the first annual meeting of WG 1 Investment Planning sub-group, emphasising the importance of investment planning for both candidate and potential candidate countries. Ms. Ivanova explained that the purpose of the meeting is to define the proposed activities in the work plan and decide in which way the regional benefits can be achieved. The participants were welcomed by Ms. Andreeva on behalf of EC Delegation to FYR of Macedonia. Ms. Andreeva explained that the investment planning is the most difficult part of the accession process. There are three necessary elements for successful investment planning: establishment of necessary capacities for strategic planning, projects identification and prioritization; full familiarity with project preparation process; exchange of experience. Investment planning and absorption is of crucial importance for the environmental sector as the changes required for EU accession within area of environment require significant investments. Ms. Semenienė welcomed the participants, outlining in brief the main elements of the agenda, including the involvement of other initiatives, cooperation with Environment Forum project and work plan of WG1 Investment Planning sub-group and inviting the participants to briefly introduce themselves.

## Approval of the agenda

The proposed agenda was approved by the participants.

## RENA Secretariat - Role and function (Ruza Radovic)

Ms. Radovic presented the roles and functions of RENA Secretariat including the rules for utilisation of the Incidental Expenditures in line with the project ToR.

## H2020-Western Balkan and Turkey Hot Spot investment study (WeBTHSiS) – (Christine Haffner-Sifakis)

Ms. Sifakis presented Elaboration of a Hot Spot inventory for the West Balkans and Turkey as complementary to the Mediterranean Hot Spot Inventory Programme under Horizon 2020.

In 2007 a study screened priority hot spot pollution sites identified in the National Action Plans (NAPs). Joint missions with UNEP/MAP staff led to the development of a short list of projects which appeared mature and bankable. The study resulted in the Mediterranean Hot Spots Investment Programme (MeHSIP) with support from the European Union.

With the extension of the Union for the Mediterranean to cover the coastal states of the Western Balkans, the Commission, under the framework of the ENPI Horizon 2020 Capacity building/ Mediterranean Environment Programme, is now carrying out a similar exercise in those countries. The project will review the hot spots identified by the coastal states of the Western Balkans and Turkey in their National Action Plans (NAPs). The project will identify which of them need project preparation assistance, or need to be promoted if they are bankable but no funds were earmarked for them. The project will build on several initiatives involving the SEE coastal states, such as PEIP and the DABLAS Task Force. The challenge is to avoid duplication, ensure complementarity and maximise potential benefits of using instruments like the IPA Multi Beneficiary's Infrastructure Projects Facility (IPF).

The objective of the assignment is, based on the country priorities identified in the NAPs, to expand the identification of environmental hot spot investments to also cover the Western Balkan Mediterranean countries (Albania, Bosnia& Herzegovina, Croatia and Montenegro) and Turkey and

- ✓ to identify and prioritize the projects which represent most polluting industrial and/or municipal point sources per country, appearing to offer the best possibility of being bankable
- ✓ to assess the need for coordination on current and future technical assistance support.

Ms. Sifakis reflected once again on various existing initiatives emphasising that collaboration between initiatives is necessary in order to ensure that the overlap is avoided and maximum complementary is achieved.

Ms. Ivanova commented that in case the aim of the project is to reduce the pollution created by Western Balkans countries, the project should include Serbia and FYR of Macedonia, as countries that although not being directly on the coast still have a large influence on the Mediterranean coastal zone.

Ms. Sifakis replied that from the aspect of science the observation of Ms. Ivanova is absolutely correct. However in creating new initiatives, EC is trying to build on the achievements of past or existing initiatives and current



study is based on Barcelona convention whose signatories are the EU member states and the WB countries on the coast (listed above).

### **Western Balkans Investment Framework-Infrastructure Project Facility – (Sohail Hasan)**

Mr. Hasan presented WBIF-IPF as an innovative financing mechanism designed to pool grants, loans and expertise from the countries of the Western Balkans, the EC, IFIs and bilateral donors to prepare financing for a common pipeline of priority investment projects.

Continuing the discussion started under Horizon 2020 session and necessity for inclusion of some countries in the project Mr. Hasan added that under WBIF-IPF similar restrictions exist since the project cannot cooperate with candidate countries in the sector of environment and transport. Although these sectors in the candidate countries are covered through IPA funds, the existing needs are still significant. Ms. Ivanova agreed that the needs for financing and project preparation are significant in all countries, including FYR Macedonia and that this kind of division is unnecessary and the country would benefit of being covered on all sectors. Ms. Andreeva explained that in most of the candidate countries there is no sufficient absorption and administrative capacity even for the funds available under IPA Component 3 and that this is to some extent the reason for this kind of division among countries.

Overall strategies and policies guide the identification of priority investments. A number of structures and mechanisms have been put in place to facilitate coordination and cooperation among the beneficiary countries, EC, IFIs and bilateral donors on strategic and policy issues. The main sectors covered are: Energy; Environment;; Transport and Social Policy. From 2011 investments to stimulate private sector development are also encouraged.

WBIF-IPF comprises joint grant facility and joint credit facility for the countries of Western Balkans for the projects within the above mentioned sectors. The advantage is the one point entry application that is further processed by the project team.

### **NGOs perspective on investments (Zvezdan Kalmar)**

Mr. Kalmar gave a brief overview of Environment Forum project. He explained that Environment Forum and selected mirror coordinators for RENA working groups are still in the process of defining their standpoints for each of the WGs. Cooperation with RENA and participation in the activities of RENA is seen as rather important due to the fact that general opinion of the NGOs is that NGOs are not sufficiently involved in the development and accession process of the countries not only in the field of environment but also in other fields. When it comes to investment planning, the same opinion prevails, insufficient involvement in the process of strategic planning. NGOs had their EF annual meeting in September 2010 where they presented their standpoints on investment planning to European Commissioner for Environment, Mr. Potocnik. Cooperation with RENA is seen as a tool for development of capacities, both of the governmental institutions but also of the NGOs and as a good basis for development of further, closer cooperation between them.

Ms. Semenienė agreed that based on the experience in her and in other new member states, it is important to involve NGOs and local communities as early as possible in all processes of investment and strategic planning.

Ms. Ivanova explained that in case of her country the Government is willing to cooperate with NGOs but so far the experience showed that on the side of NGOs there is not only lack of capacities but also lack of organisation in terms of which NGO is responsible for which part and area of activities, i.e. the clear structure is missing and there is often a situation that even where is the will to involve NGOs it is not clear which NGO to contact and include.

### **Environmental investment planning in FYR of Macedonia – (Kiril Kalkašliev)**

Mr. Kalkašliev presented to process and structure of environmental investment planning in FYR of Macedonia. The main actors for this process are Ministry of Environment and Physical Planning responsible for environmental policy on national level and local self governments, communal and other PE implementation of environmental policy on local level based on national environmental policy. National environmental investment strategy defined for the period 2009 to 2013 is mostly focused on water supply and waste water projects and solid waste management projects. Main source of funding is the central budget, but great use is made of IPA funds and to smaller extent to other donors. When it comes to waste water and water supply projects the NEIS is intended to contribute to the implementation of the Water Framework Directive (2000/60/EC); Urban Waste Water Treatment Directive (91/271/EEC); Drinking Water Directive (98/83/EC); Sewage Sludge Directive (86/278/EEC). In the field of solid waste management the main intention is to invest in the construction of regional sanitary landfills in compliance with the EU Landfill Directive; improve organisation of the separate



collection of waste streams for recovery where appropriate, collection and transportation of residual waste and to organise remediation of illegal dumpsites. These investments will primarily support the implementation of the following directives: Directive 2006/12/EC of the European Parliament and of the Council of 5 April 2006 on waste; Landfill Directive (99/31/EC); Hazardous Waste Directive (91/689/EEC as amended by 94/31/EEC); Directive 94/62/EC of the European Parliament and of the Council of 20 December 1994 on packaging and packaging waste.

### **DABLAS Task Force – (Jaap Butter)**

Mr. Butter presented the activities, structure and processes of DABLAS. The DABLAS Task Force was set up in November 2001 with the aim to provide a platform for co-operation for the protection of water and water-related ecosystems in the Danube and Black Sea Region. This was in response to an EC Communication adopted in 2001, which highlighted priority actions required to improve the environmental situation in the region. Focus is placed on municipal wastewater projects. DABLAS has developed project cycle that is followed in order to bring the hotspots to the projects. Identification of projects is based on the protection of Danube River and the Black Sea. Prioritisation is based on two pillars (1) IRBM priorities and (2) sustainable (waste) water sector development. Once identified project is formulated and implemented finishing with going through the evaluation and audit phase. Ms. Semenienė asked if DABLAS will prepare priority list of projects. Mr. Butter answered that list of projects within DABLAS exists and this list has been used by many other initiatives. It was agreed that no new list will be prepared, but the efforts will be directed elsewhere, at the moment the idea is to provide support to Bosnia and Herzegovina in prioritizing and selecting projects based on the efforts of ICPDR Master Plan in combination with DABLAS prioritisation criteria.

### **IFI Coordination Office – (Mary O’Mahony)**

Ms. O’Mahony presented the IFI coordination office as an umbrella style service that ensures co-ordination between the EC and IFIs at policy, technical and operational level in the areas of energy, environment, transport and social policy and private sector development of the beneficiaries. The IFI coordination office is aiming at improving the information exchange coordination, advice and policy actions focusing on horizontal and sectoral issues; improving coordination of investment support to beneficiaries and public awareness and increasing involvement of beneficiaries in the IFI and donor coordination process. Main partners to the IFI coordination office are European Commission (DG ELARG and line DGs); IFI Advisory Group (EC, BSTDB, CEB, EBRD, EIB, KfW, World Bank & RCC) and Regional Sectoral Organisations (ECS, SEETO, RENA, SEE Investment Committee, and DABLAS). IFI coordination office provides service such as research and analysis, improving information flows; secretariat services for IFI Advisory Group meetings (environment, energy and transport WGs providing amongst other the latest information on the ongoing initiatives and progress in the relevant sector); contribution to strategy and policy discussions under the WBIF; preparation of information/promotional events involving beneficiary countries and contribution to activities undertaken by sectoral organisations.

The IFI coordination office covers the same group of countries as RENA and Ms. O’Mahony presented possible area of cooperation between two projects. These opportunities include: sharing the information on websites; distribution of research papers, studies & reports; participation in meetings organised by RENA and RENA participation in IFI Coordination Office information events/seminars/workshops.

Ms. Fiedler added that during PEIP the IFIs were invited to the annual meetings and conferences, but since the establishment of IFI coordination office this approach under RENA will change and all messages from the region regarding investment planning are going to be channelled to IFIs through IFI coordination office. The expectation of IFIs when it comes to RENA is big since they expect RENA will transmit to them the messages and priorities of the region and therefore it is important that RENA and persons from Investment Planning sub-group are actively present on all meetings involving various IFIs.

Mr. Hasan commented that under WBIF-IPF the structure for project selection and further implementation involves NIPAC (National IPA Coordination Offices) that are more or less in the centre of the whole process coordinating between Ministries and consultants but also between direct beneficiaries and IFIs. The question is how NIPACs as national institutions with certain prerogatives will react to inclusion of RENA in defining the priorities. Ms. Fiedler replied that at the recently held meeting on the investment framework for the NIPAC offices where all IFIs were present, the issue of priorities was discussed. The issue of priorities was in fact raised by the IFIs, as it is not very clear what the grounds for prioritisation are especially having in mind different priorities defined by different initiatives. The solution and the possibility for enhancement of Investment Planning sub-group activities is to provide for bigger involvement of NIPACs into RENA. This idea was presented to NIPACs and they will reconsider this possibility with the relevant authorities in their countries.





Another idea presented by the EIB supported by other IFIs at the meeting in Podgorica was that there is a need for development of new regional database of all possible projects in all sectors in the region. This was clearly not in line with the findings of RENA Inception missions where most of the countries stated that there is no need for development of regional list of projects. If RENA and its Investment Planning sub-group is going to serve as a regional platform for cooperation between IFIs and the countries the questions is in which way this will be implemented.

Mr. Hasan added that the reaction of NIPACs on the presented idea at the meeting in Podgorica was a bit lukewarm and since they have already invested a lot of efforts in establishing current structures it can be expected they will be a bit reluctant to the involvement of new initiative such as RENA.

Ms. Ivanova added that although all countries have their own national list of priority projects in different sectors, preparation of one regional list based on the criteria agreed by all countries could be used as one additional toll for attraction of more investments for the region. The most important issue in that case would be to define criteria that will be acceptable for all countries involved. The communication with IFIs is important since often the countries need funds for the projects that have to be implemented rather quickly which is not always possible with IPA funds since the process of allocation of funds is often time consuming.

Ms. O'Mahony commented that during the preparation of any list to be proposed to various IFIs, internal consultations between NIPACs, Ministry of Finance and other relevant authorities are extremely important, otherwise the credibility of the list and proposed projects will be jeopardised.

### **Role of investment planning in the negotiation process – (Arunas Kundrotas)**

Mr. Kundrotas presented the investment planning experience of Lithuania as a new member state. Key preconditions for successful investment planning are: implementation plans; timetables and milestones (prioritisation); financing strategies and plans for securing public and private investments; institutional set up for investment process management. All of these also provide background for the transitional periods, if required. Most countries have experienced period, when, from one side, country faced a lot of environmental problems, from another side – donors hardly have any projects for financing. In such case investment planning process has to overcome all gaps environmental policy might have. The positive side is that accession process is providing clear policy frame – the environmental acquis that have to be adopted; therefore the situation described before can be avoided. The 1<sup>st</sup> Lithuanian Environmental Financing Strategy was developed before the EU accession process imposing the lack of clearly defined goals and timetables. The accession process also requires development of various implementation plans that are later on used as major source of information for investment planning. Once the investment needs are assessed the issue of affordability for people and institutional capacity to manage investment projects has to be addressed. When you come to the position to present your action plan to the EU you will have to provide background for the proposed decisions. Some criteria for priority settings might be given in the EU law, but where EU law does not provide criteria for project selection, then you have to establish your own criteria and explanations. During the development of financing plans special attention has to be placed on matching needs with available or potential resources. Developed plans have to be realistic not only in terms of investment needs, but also in terms of operational costs. The country will necessary face the need to request transitional periods for implementation of various EU directives and experience of Lithuania is that transitional periods were required because of high implementation costs.

Ms. Ivanova added that in terms of what was presented by Mr. Kundrotas, RENA within Investment Planning sub-group could work with beneficiaries on delivering the training or workshops on possible ways of increasing the revenues from investments.

### **RENA and Investment Planning Sub-group work plan – Daiva Semenienė**

Ms. Semenienė presented the established structure of RENA and the overview of RENA implementation status. The objectives and activities planned under Investment Planning sub-group were presented in more details, divided to five tasks:

1. Creation of the sub-group and organisation of annual meetings;
2. Finalisation of needs assessment;
3. Preparation of capacity building programme – several topics defined:
  - ✓ Approximation cost assessment,
  - ✓ Drafting investment and financing strategies,
  - ✓ Prioritisation of investment projects,
  - ✓ Project preparation,
  - ✓ Role and possibilities of Cohesion and Structural Funds,
  - ✓ Role of National Environmental Funds in environmental infrastructure investments,



- ✓ Cost-benefit analysis
4. Implementation of capacity building programme – using the national lists of projects. Following workshops proposed:
- ✓ Approximation cost assessment and update, and development of Environmental Financing Strategies
  - ✓ Prioritisation of environmental investment projects and project preparation
  - ✓ Role of National Environmental Funds in environmental infrastructure investments
  - ✓ Cost-benefit analysis of environmental investment programmes and projects
  - ✓ Development of the Programme of Measures according to the WFD
5. Coordination with other EC initiatives.

The work plan and training topics were presented to the participants and representatives of the countries were invited to express their opinion on the proposed topics. The countries representatives agreed with the proposed topics. Ms. Ivanova added that having in mind common situation in the countries the training should include as one of the dimensions better coordination and better usage of the opportunities that IFIs are offering.

Ms. Fiedler added that EC provided comments to the initial version of the work plan and one of the comments is that EC wants to see the proposed work plan after Inception missions as concrete as possible which is not done. In relation to the proposed specific activities, specific comments are:

Capacity building programme – it is not clear who will be the target audience (WG coordinators, municipalities, other people from the ministry, etc), how long the workshop will last, where, if it is designed as a workshop, training, block of meetings, round table discussions, etc.

List of priority projects – the activity defined in the ToR of the project but not included in the work plan based on the conclusions made after the Inception missions. If the conclusion is that the activity is not needed for the reasons still to be justified, then activity that will replace it has to be defined.

Coordination with other EC initiatives – is very much linked to the list of priority projects. If there is no list defined for promotion of regional priorities what kind of cooperation with IFIs and other EC initiatives will be established since it is not enough if RENA project team participates at the meetings of IFIs and other initiatives and vice versa.

Outputs (guidelines and checklists) – has to be defined in more details (topics to be covered, structure, timeline of publishing). One of the outputs is update of national list of projects – method to be defined in more details and to explain what would be the added value of the update as the lists are already updated regularly and even if they are not updated and their approval is time and effort consuming, therefore it can hardly be done by regional project such as RENA.

The expectation of the EC is that based on the national priorities and work already done under PEIP, RENA will provide regional list of priority environmental projects that will be further used for promotion amongst IFIs, but also as a message to the EC and IFIs on the priorities, issues and ideas in the region or that RENA will provide proper justification for not development of such list and propose other activity as a replacement.

Mr. Kundrotas commented that the participants depending on the topic will be nominated in collaboration with the WG coordinators. Trainings should be focused more on practical level, helping countries to bring their strategies closer to implementation.

Mr. Kalkašliev added that at this point it is hard to define the precise dates for the trainings as this has to be coordinated with all countries. The duration and number of participants has to be defined having in mind administrative capacities of the departments in the Ministries.

Ms. O'Mahony added that among other EC initiatives such as WBIF-IPF there is a need for kind of endorsement of the projects by some other regional initiatives that will be financed by IFIs, confirming the environmental projects proposed to other initiatives for financing as relevant ones.

### Closure of the meeting

The follow-up points resulting from the meeting are:

Follow-up points	By whom	Deadline
Revision of the work plan to be done in accordance with the lines proposed during the meeting	RENA project team	December 2010

