




European Bank
for Reconstruction and Development

KFW

BMZ  Federal Ministry
for Economic Cooperation
and Development

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

 Frankfurt School
Financial Services



Western Balkans Municipal Infrastructure Development Fund

WBIF Steering Committee Meeting
11th June 2014

- No commercial banking market for municipalities in Western Balkans (except Serbia), because:
 - Banks are not experienced in municipal lending and therefore do not want to take the full risk
 - Projects are not well prepared and therefore cannot be properly appraised by banks

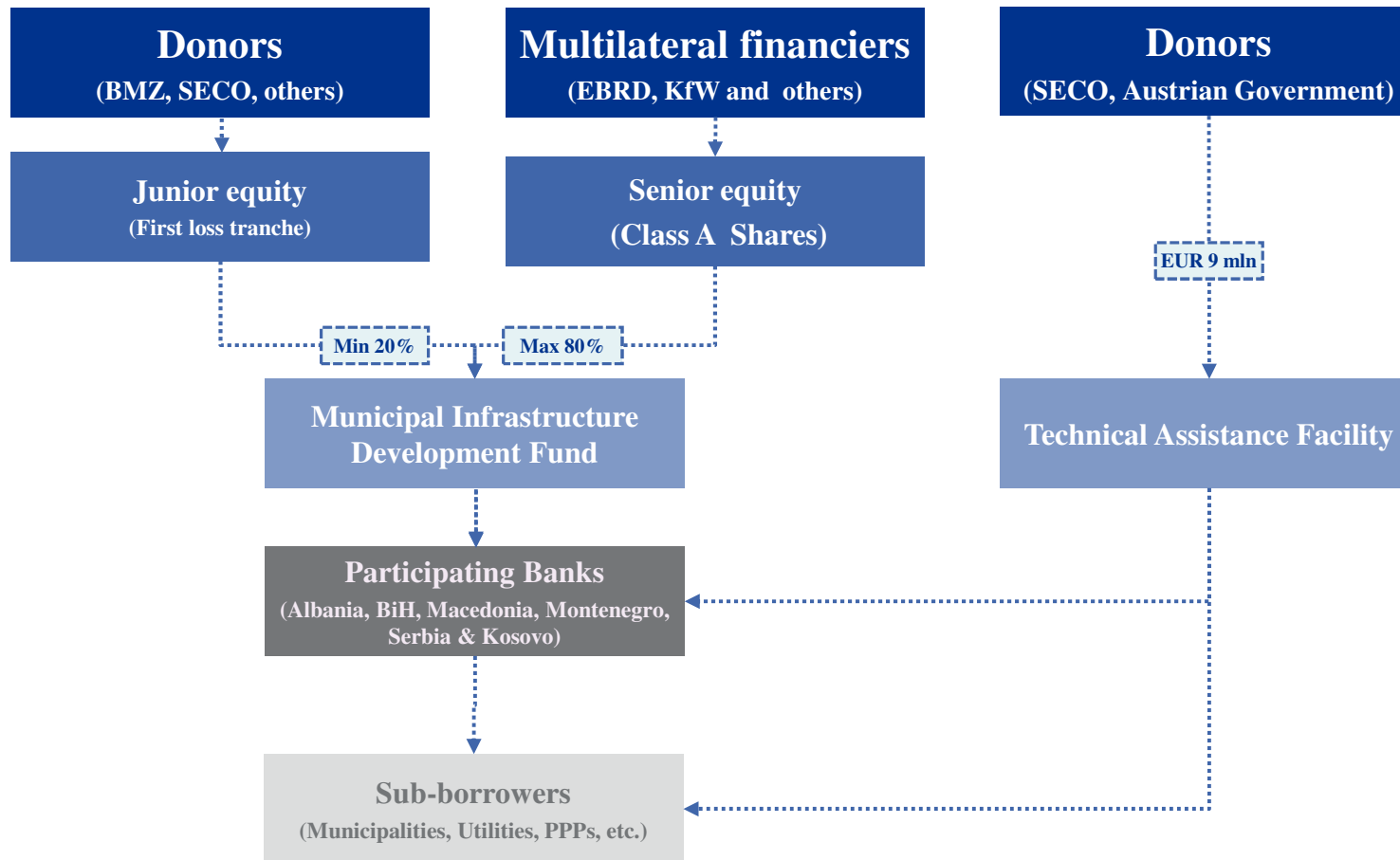
- Therefore, municipal investments are mainly financed via loans/grants from IFIs, EU and other donors – inadequate for countries that are preparing for EU accession

- Smaller municipalities have investment needs that are too small for IFI loans, which further limits their access to debt financing

- **MIDF's** is an innovative financing vehicle, dedicated to provide debt financing for municipal infrastructure projects in Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro and Serbia (together the “Western Balkans”)

- The **MIDF's** main objectives are:
 - Ensure long term sustainability in municipal services
 - Improve cost recovery and municipal creditworthiness
 - Develop a commercial banking market for municipal lending through partnerships with local commercial banks
 - Mobilize substantial funds from commercial banks to invest alongside MIDF in local infrastructure

- Following a detailed **market demand study**, MIDF was established in Luxembourg as a private variable capital investment company (“SICAV”) under Luxembourg law, a structure allowing a layered capital structure.
- MIDF’s target size is **EUR 100 million**. First closing achieved on 28 November 2013, with total commitments of EUR 70 million as follows:
 - **EBRD, KfW** – senior shares
 - **German Government (BMZ) and Government of Switzerland (SECO)** – junior shares
- The MIDF’ operations is supported by a **Technical Assistance Facility**, which is instrumental for the achievement of the mission and objectives of the Fund. Donors are SECO and Austrian Government with total commitments for TA of EUR 9 million.



Operations: Operations through local commercial banks (**Participating Banks** or “**PBs**”) by providing funded and unfunded risk sharing and credit lines;

Target sectors: water and waste-water, district heating, solid waste management, energy efficiency, public transport, social infrastructure;

Products: Loans with medium and long-term maturity of between EUR 100,000 and EUR 5 million;

Ultimate Borrowers: creditworthy municipalities, publicly-owned utilities and companies as well as private sector operators involved in concessions or public private partnerships (“**PPPs**”);

Reform agenda: Implementing a covenanted transition agenda (utility tariffs reform, collection rates, financial ratios, improved efficiency).

- TA to **Participating Banks**: capacity development assistance in the following areas:
 - Development of internal methodology and approach for assessment of municipal credit risk, including training of a dedicated municipal finance team
 - Development of standardised loan documentation
 - Social and environmental due diligence
 - Procedures for loan administration and monitoring

- TA to **Ultimate Borrowers**: aimed at developing bankable projects of good technical quality and capacity building for project preparation and implementation:
 - **Project preparation**: feasibility studies; technical designs; definition of priority investment program, compliance with the national environmental, support in project implementation including procurement
 - **Reform agenda**: tariff setting, implementation of public service contracts, introduction of key performance indicators

- Ongoing negotiations with **13 shortlisted potential participating banks** to sign risk sharing agreements or loan agreements with MIDF. First loan agreement expected to be signed in September.
- In parallel, the IM is identifying and developing the **initial pipeline of projects** with high degree of readiness to be financed by the Participating Banks.
- Appointment of **consultant to provide TA to the Ultimate Borrowers** for project preparation and implementation support, contract is expected to be signed in September.

Iliyana Tsanova

Chairperson, MIDF

Senior Banker

EBRD

tsanovaI@ebrd.com

+44 20 7338 7483

One Exchange Square

London, UK

Christian Haas

Member of the Board

Head of Municipal

Infrastructure Division

Southeast Europe & Turkey

KfW

christian.haas@kfw.de

+49 69 74 31- 2152

Palmengartenstraße 5-9

Frankfurt, Germany

Jean Patrick Marquet

Member of the Board

Director

EBRD

marquetj@ebrd.com

+ 44 20 7338 6957

One Exchange Square

London, UK