

23rd Meeting of the WBIF PFG

IFI Cooperation in ENV and SOC Sectors

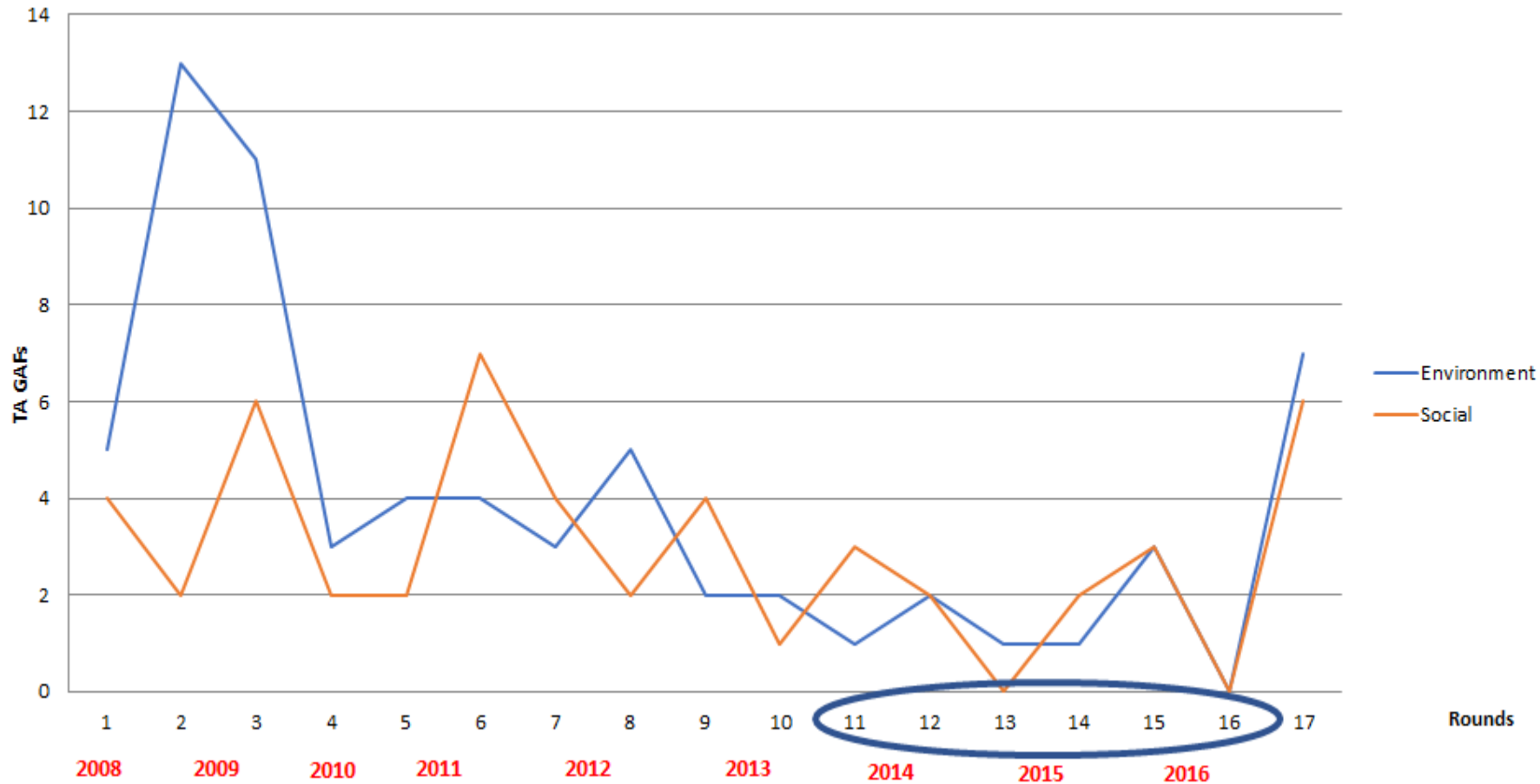
Wednesday 17 May 2017, 12:00

V. M. Raguz, PCM, CEB

Western Balkans, Czech Republic, Iceland, Georgia, Poland, Slovakia, Slovenia, Spain

SOC and ENV sectors: New Point of Departure

Number of GAFs per round since 2008



SOC and ENV, past

- Post-2008 period: fiscal retraction; disproportional effect
- 2014-2016 WBIF revamp period: uncertainty of TA for SOC and ENV from regional envelope
- Oslo SCM and London SCM support for TA from regional envelope and INV from bilateral donors
- 17th round: clarity leads to rebound in TA demand and first requests for INV

IFI Cooperation Examples

- Albania, education
WBG, EIB, CEB
- BiH, water delivery, Plava Voda
EBRD, CEB
- BiH and Albania, municipal infrastructure
WBG, EIB, KfW, CEB
- Serbia, R&D/education, health
EIB, CEB

- BiH, Serbia, FYROM, flood prevention
WBG, EIB, CEB
- Kosovo, health
EIB, CEB

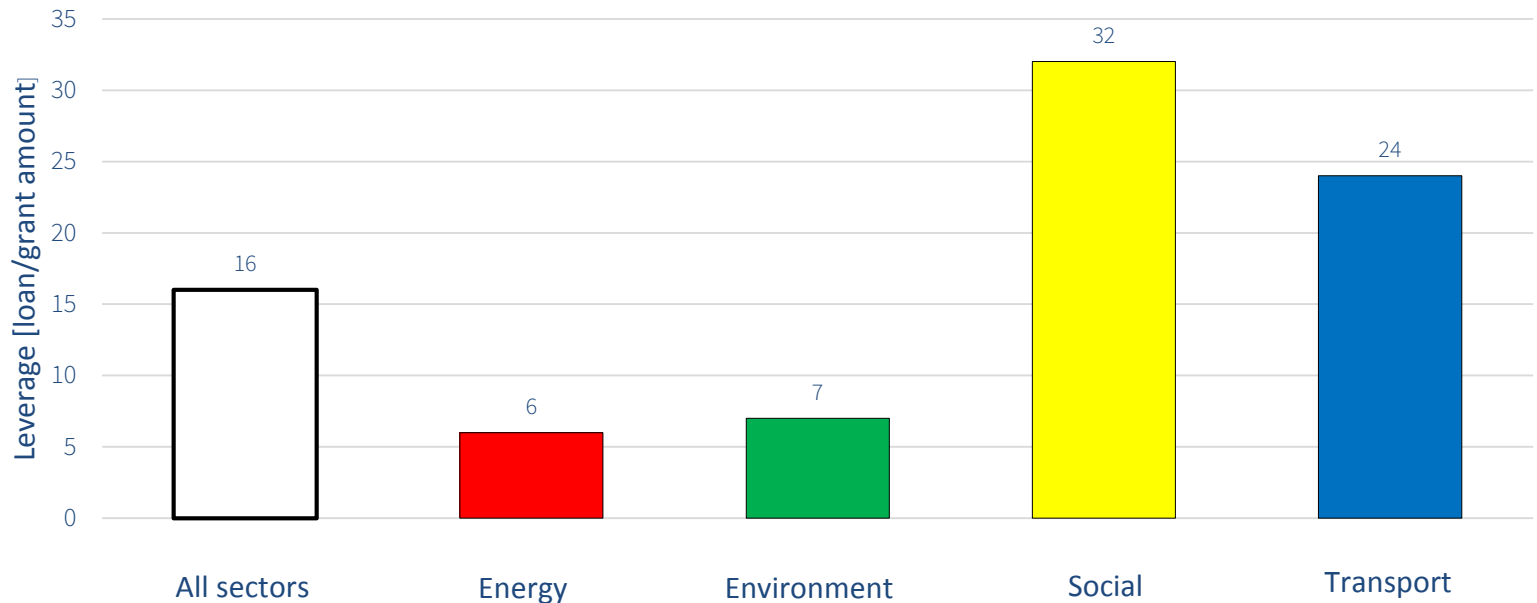
- First INV GAFs in current round
- Future key issues:
 - Projects from SPP preferred
 - Mature projects
 - Realistic amounts
 - GAF quality

SOC and ENV future

- Infrastructure gaps exist
- Demand limited by borrowing space
- Also meet connectivity test in terms of regional impact
 - Introduction of EU standards / acquis
 - Incentive grants for reforms; bellwether
 - Cross-border effects / benefits/ spill-over
- Absorption capacity
- Multiplier effect
- Visibility effect

SOC Multiplier Effect

Loan/grant leverage, WBIF Monitoring Report, May 2017



Signed + Potential loans

Gap what?

Inspiration from “Connectivity Networks Gap Analysis”

- Infrastructure gap
- Reform gap
- Financing gap: SPPs
 - 2 BEUR out of 17 BEUR
- Funding gap: WBIF pipeline
 - 4.4 BEUR total project cost with loans of 2.5 BEUR and TA grants of 110 MEUR (2.5%); thus, 1.8 BEUR “gap”
 - If blanket 10% INV target, additional 330 MEUR would provide a substantial “boost” for timely completion

Literature Review

- Financing Social and Affordable Housing in Europe: the CEB's Approach, May 2015
<https://www.coebank.org/en/news-and-publications/ceb-publications/social-housing-working-paper/>
- Financing Sustainable Health Infrastructure in CEB Target Countries, March 2016
<http://www.coebank.org/fr/news-and-publications/ceb-publications/financing-sustainable-health-infrastructure-ceb-target-countries/>
- The CEB's Experience in Prison Financing, September 2014 <http://www.coebank.org/en/news-and-publications/ceb-publications/cebs-experience-prison-financing/>
- STAREBEI (2016), Investment for Growth and Development in the Western Balkans, June 2016
http://shtetiweb.org/wp-content/uploads/2016/06/1_STAREBEI_clean_2016-06-13.pdf
- EEA Report N°1/2010, Environmental Trends and Perspectives in the Western Balkans; Future Production and Consumption Patterns, <https://www.eea.europa.eu/publications/western-balkans>

- ERPs
- OECD: Competitiveness in South East Europe *A Policy Outlook*
<http://dx.doi.org/10.1787/9789264250529-en>
- WBG systematic country diagnostics; regional paper in the making

CEB Concept note on Infrastructure needs in SOC and ENV



INFRASTRUCTURE NEEDS IN THE SOCIAL AND ENVIRONMENTAL SECTORS IN THE WESTERN BALKANS Concept Note prepared by the Council of Europe Development Bank (CEB)

INTRODUCTION AND BACKGROUND

The most recent and decisive initiative for promoting more cooperation and for improving the conditions for EU accession of the Western Balkan countries is the so-called 'Berlin Process', started in August 2014. A key component of this initiative is the 'Connectivity agenda' involving priority investments in core transport and energy infrastructure networks.

In addition to investing in the physical infrastructure, it is also essential to consider infrastructure from a wider perspective, with investment in human capital and more broadly in the social sector. In effect, it is generally acknowledged that investing in human capital, primarily through better access to healthcare,

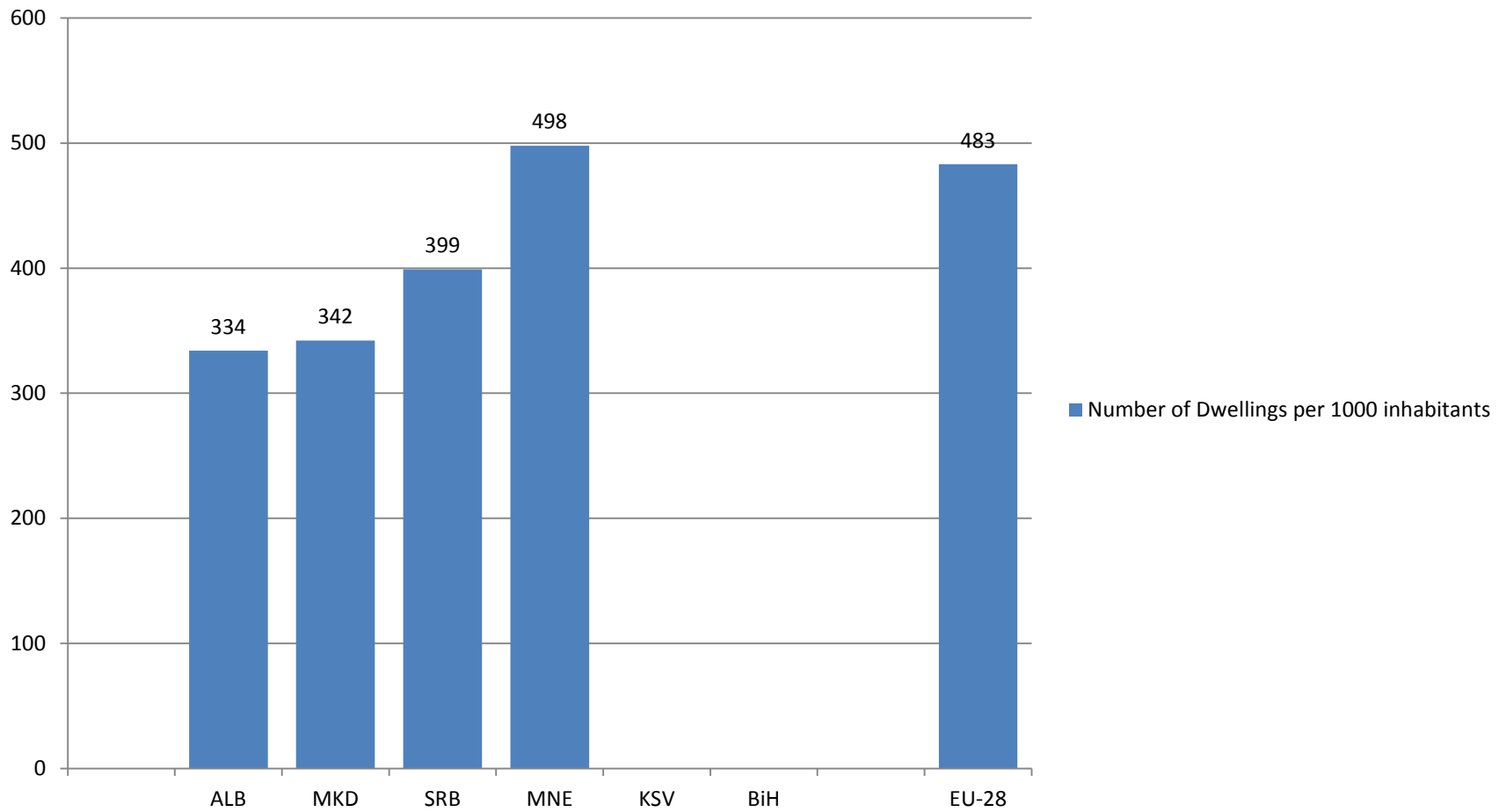
SOC

Key considerations

- Disproportionately sensitive to economic slowdowns
- Financial returns not attractive to private sector
- PPP potential limited due to deal size and institutional setup
- Grants/subsidies usually needed
- Significant « externalities »
- Success closely linked to policy environment, including international best practices
- Visibility premium

SOC gap: Housing

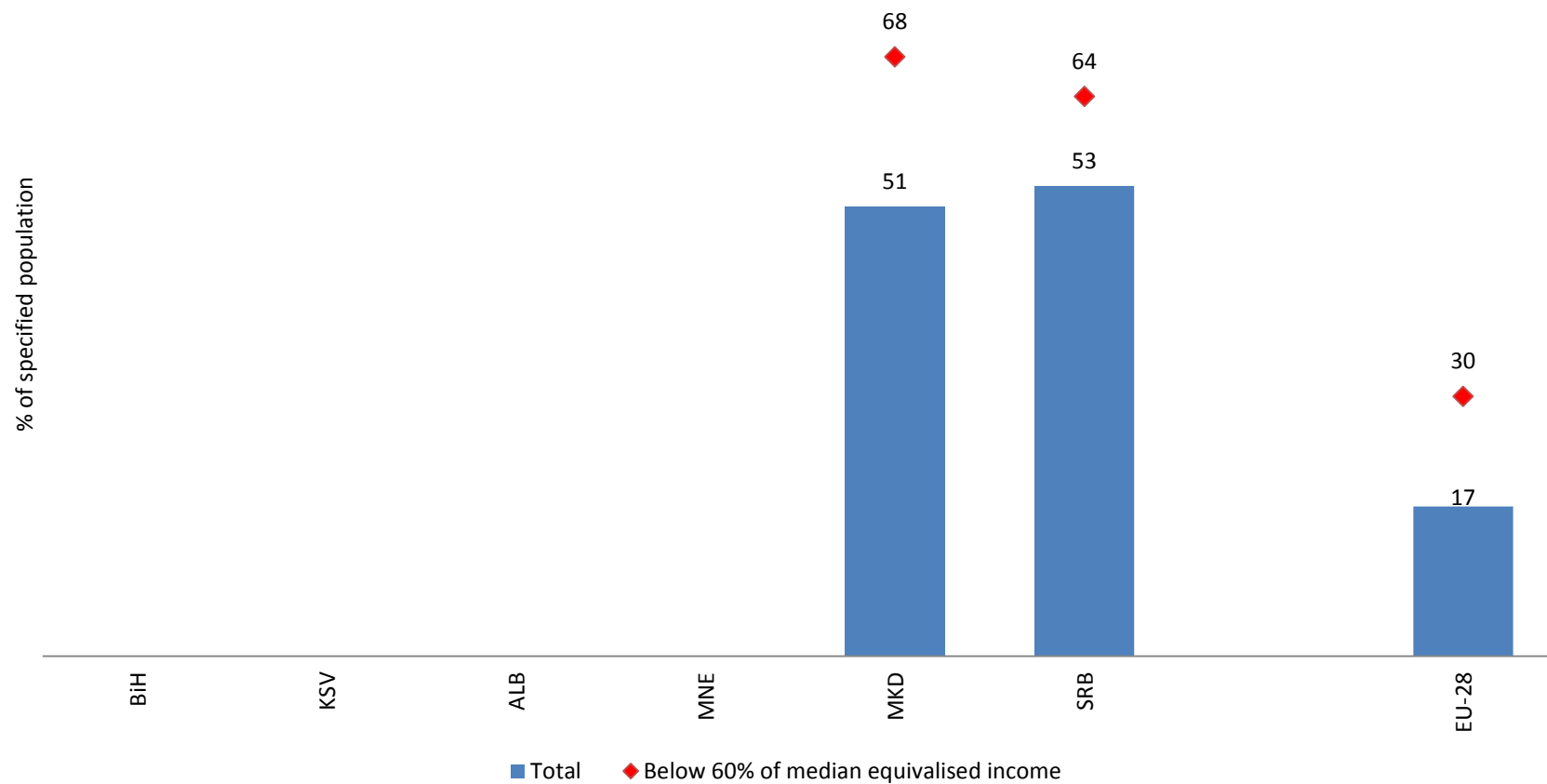
Number of dwellings



Source: Housing Europe (2015), The State of Housing in the Union-2015 Report; Habitat for Humanity (2013) and www.helgilibrary.com

SOC gap: Housing

Overcrowding rates by poverty status, 2015



Source: EUROSTAT data updated on 28 March 2017 extracted on 19 April 2017

Housing

Key considerations

Legacies of the past:

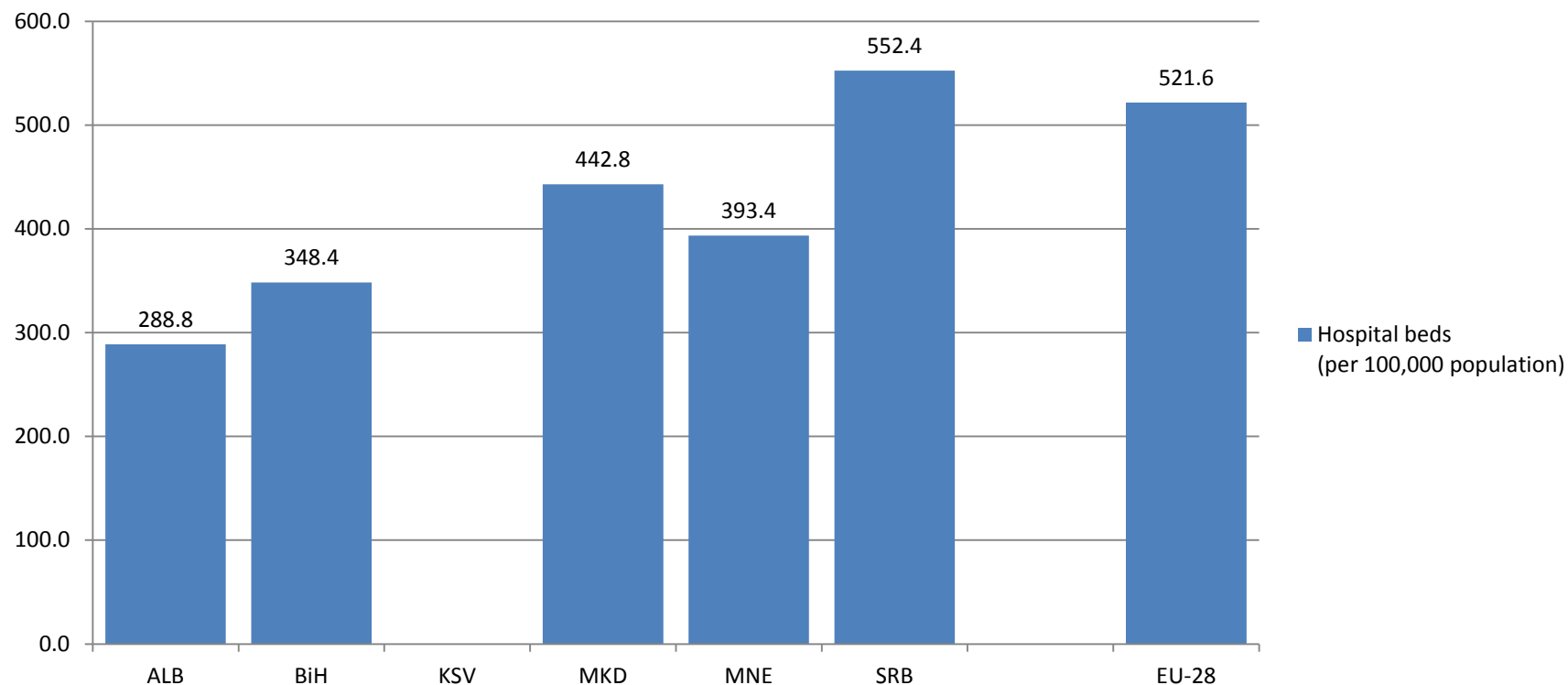
- construction quality/maintenance
- affordability; housing priced-in

Challenges:

- availability
- overcrowding
- vulnerable groups
- *greening*

SOC gap: Health

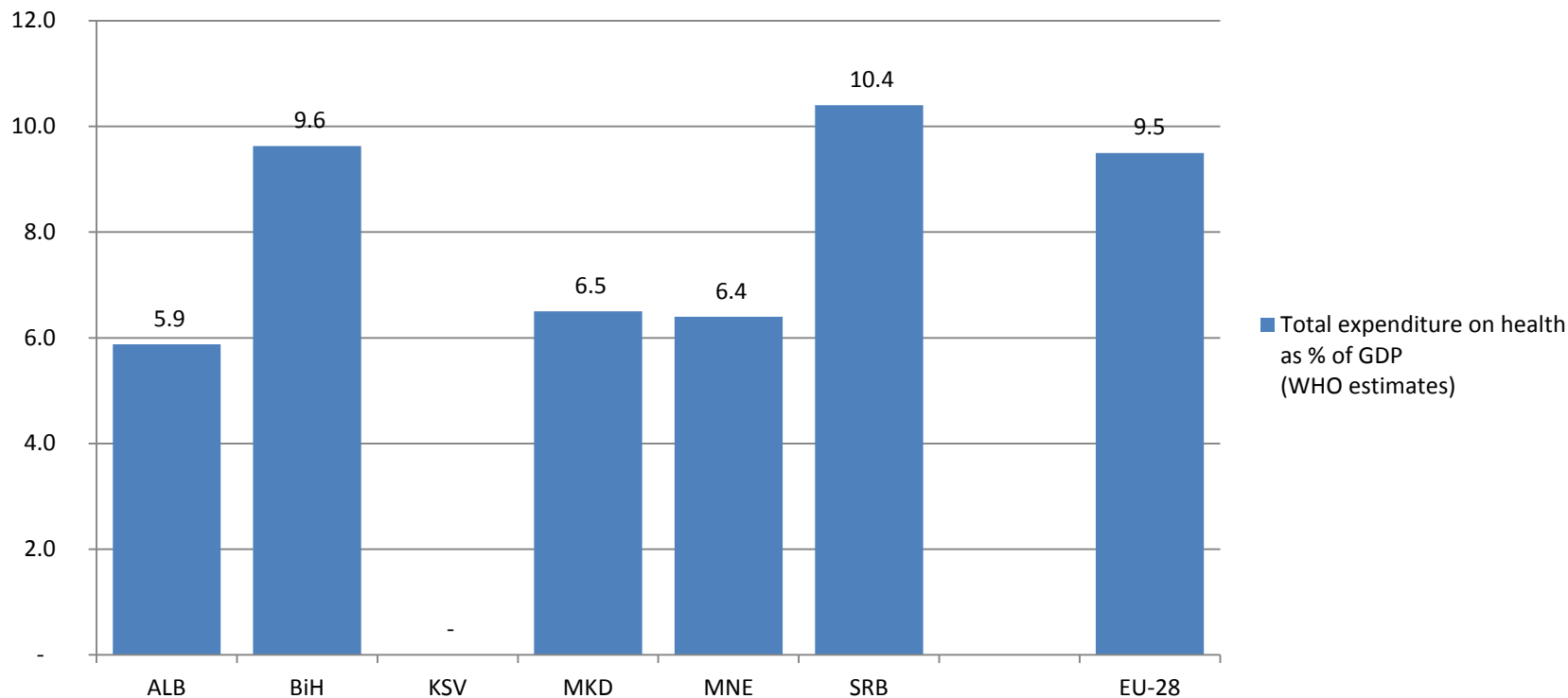
Hospital beds per 100,000 population



Source: European health for all database, WHO/Europe, July 2016, extracted on 19 April 2017

SOC gap: Health

Health Expenditure as % of GDP, 2014



Source: European health for all database, WHO/Europe, July 2016, extracted on 19 April 2017

Health

Key considerations

Legacies:

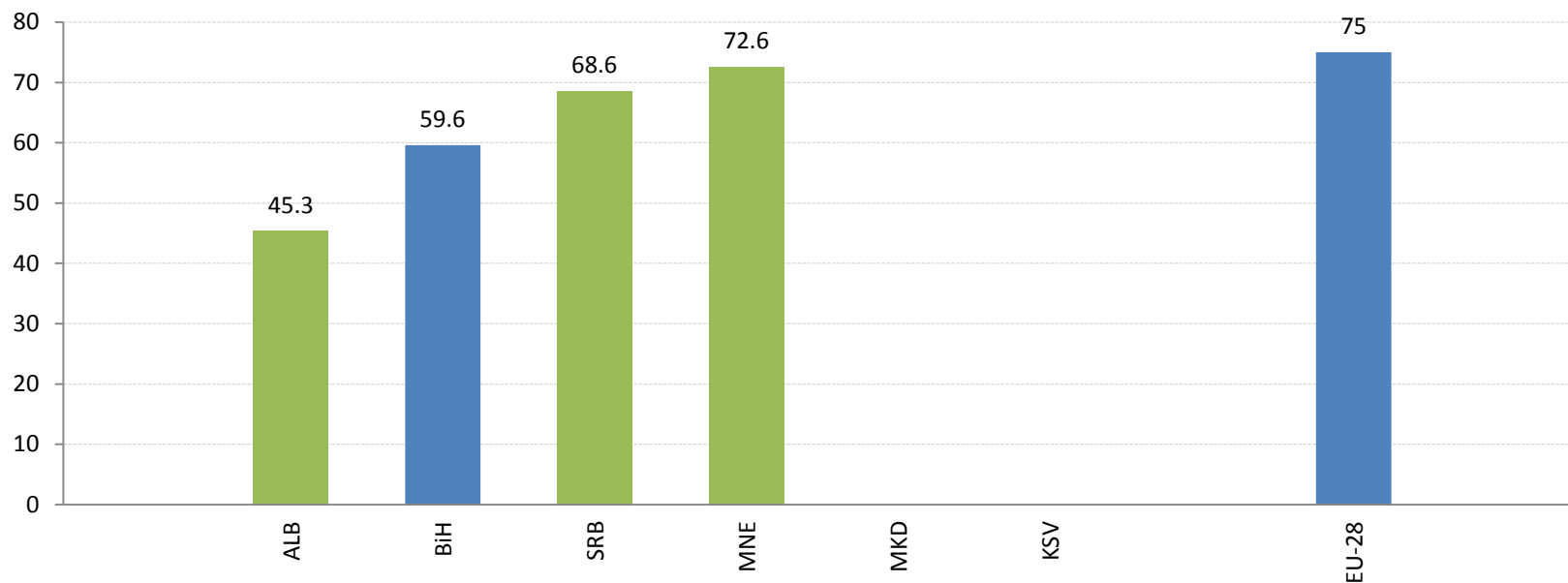
- primary vs. hospital care
- infrastructure vs. efficiency

Challenges:

- primary care
- update facilities, equipment and skills
- heavy reliance on out-of-pocket payments

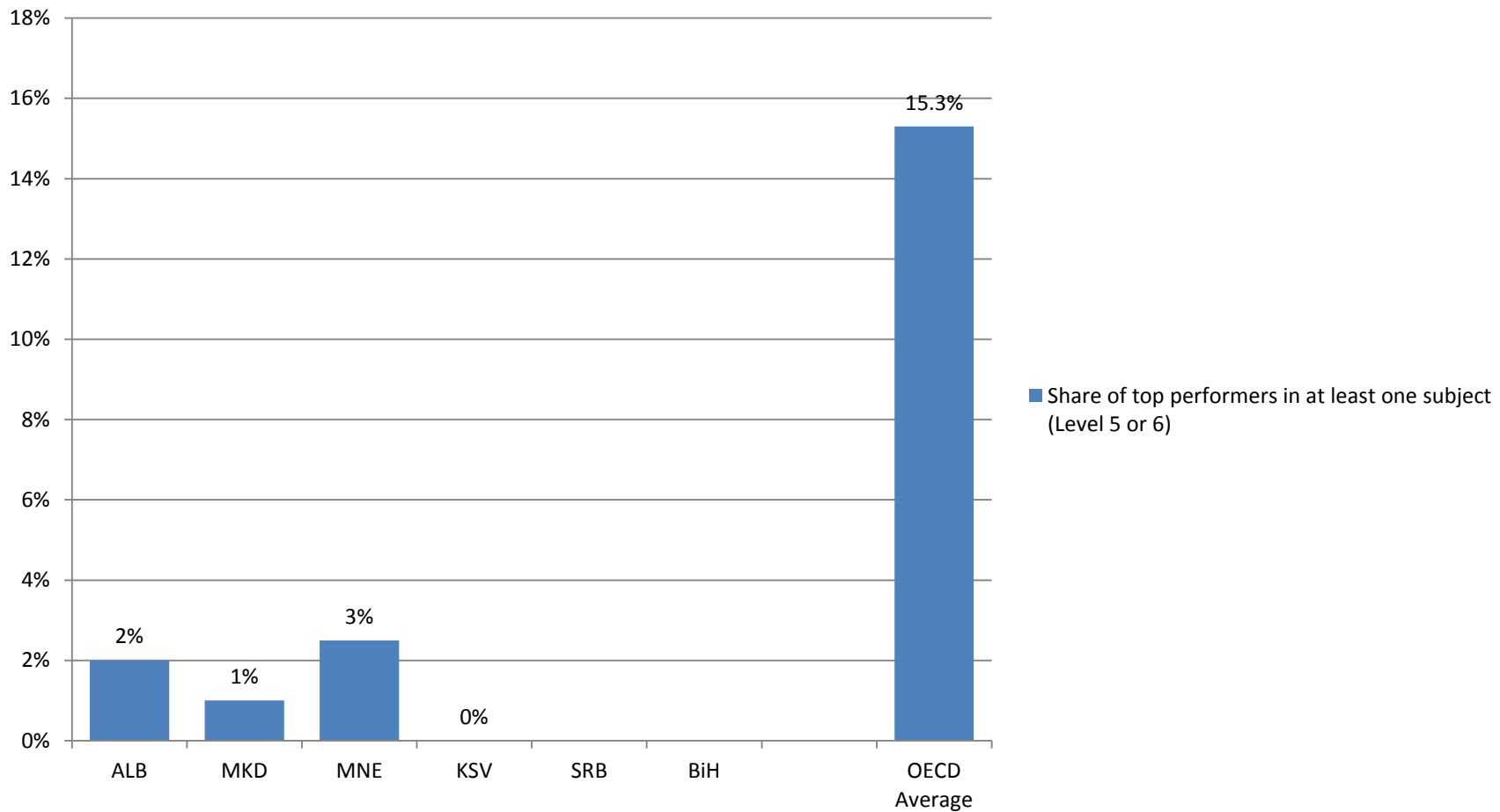
SOC gap: Education

Percentage of population , aged 25+, with completed secondary education



SOC gap: Education

Science, reading and mathematics



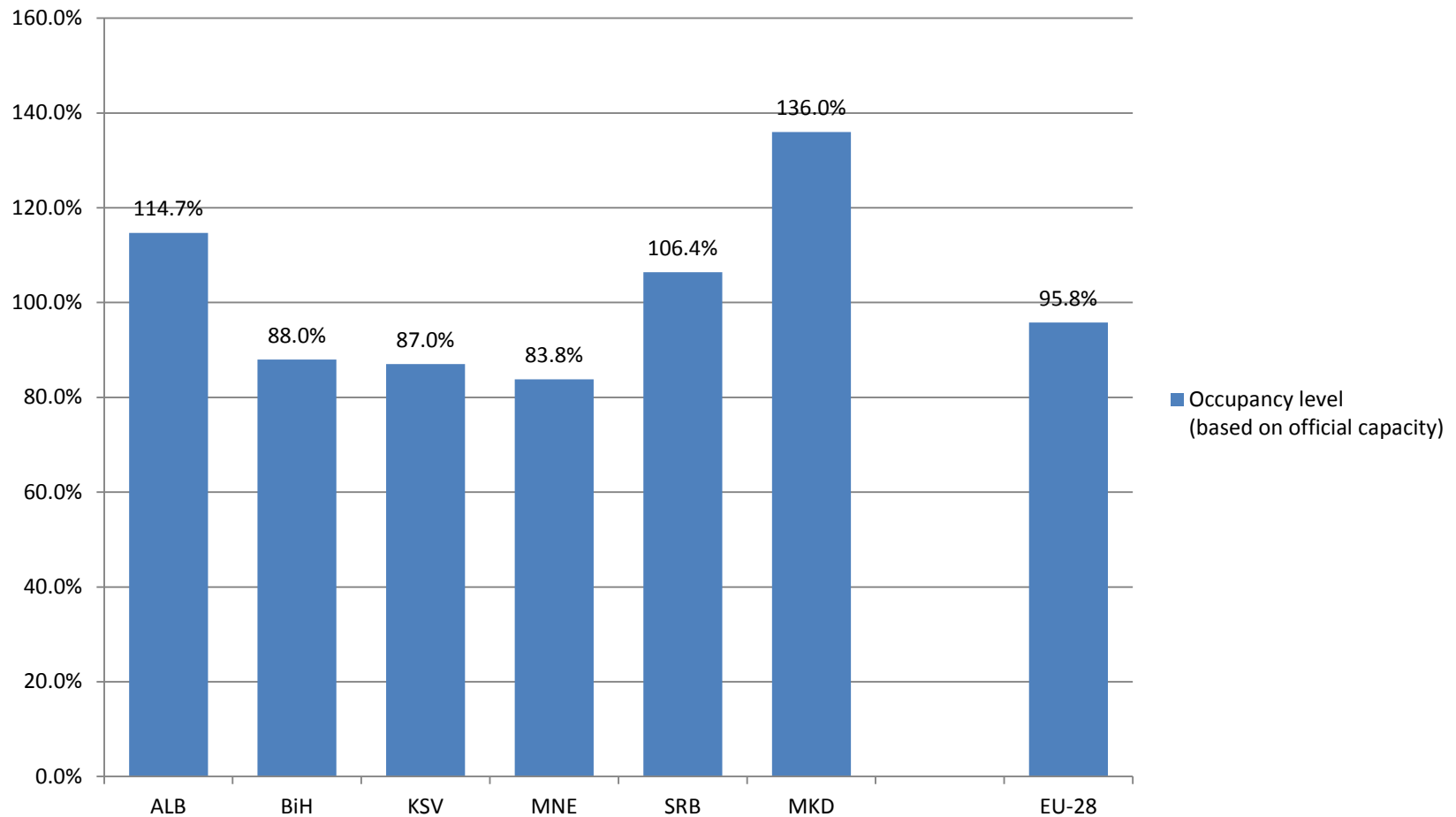
Education

Key considerations

- Early transition phase investment into soft components and infrastructure
- Some upticks for secondary and tertiary education, but PISA rankings still lagging behind
- **Education most-affected by post-2008 eco slowdown**
- Public spending lagging

SOC gap: Judiciary

Prison Occupancy levels, latest in 2012-2016



Source: World Prison Brief, Europe

Judiciary

Key considerations

Chapter 23 acquis

Bed capacity misleading

EPR components missing

- CPT prisoner cell space minimums
- common areas
- health care
- staff training focused on rehabilitation and education

ENV

Key considerations

Legacy:

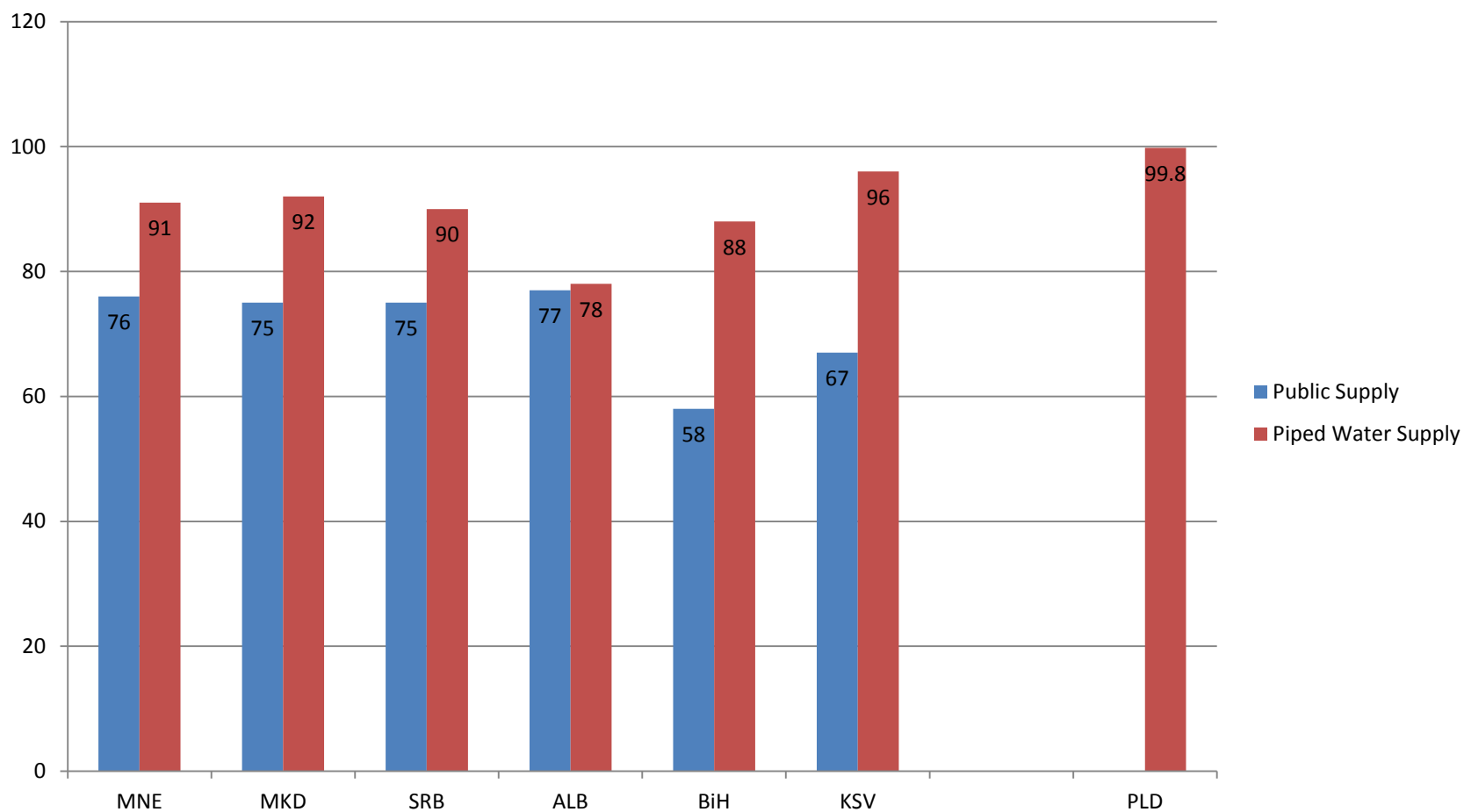
- heavy industrialization; waste
- coal and lignite reliance
- illegal waste dumping
- limited wastewater treatment
- energy inefficient building stock

Challenges:

- urbanization, urban and coastal sprawls
- production and consumption patterns
- vulnerability to extreme climate events

ENV gap

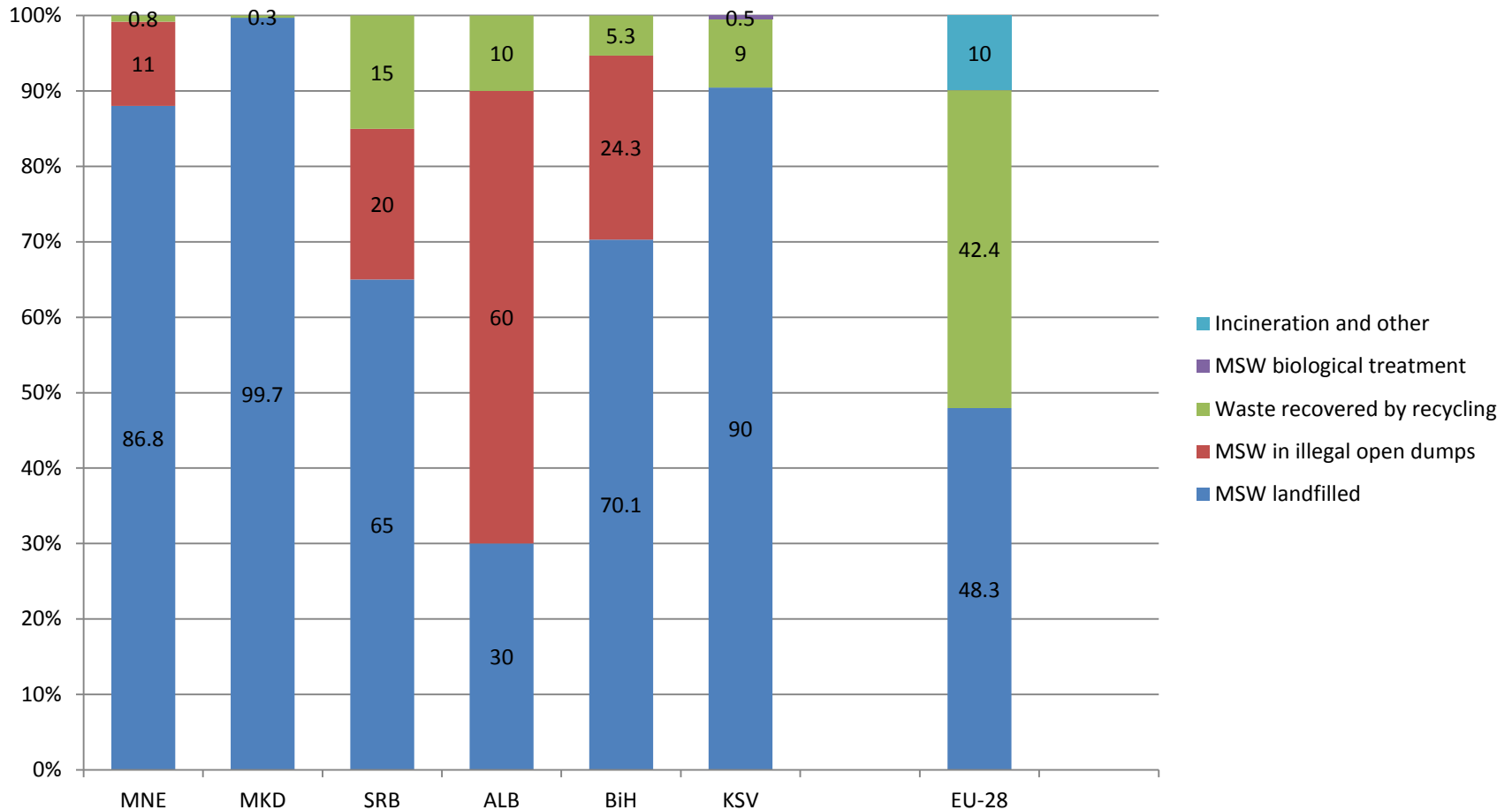
Piped water supply last available year (2010-2013)



Source: STAREBEI (2016), Investment for Growth and Development in the Western Balkans, June 2016

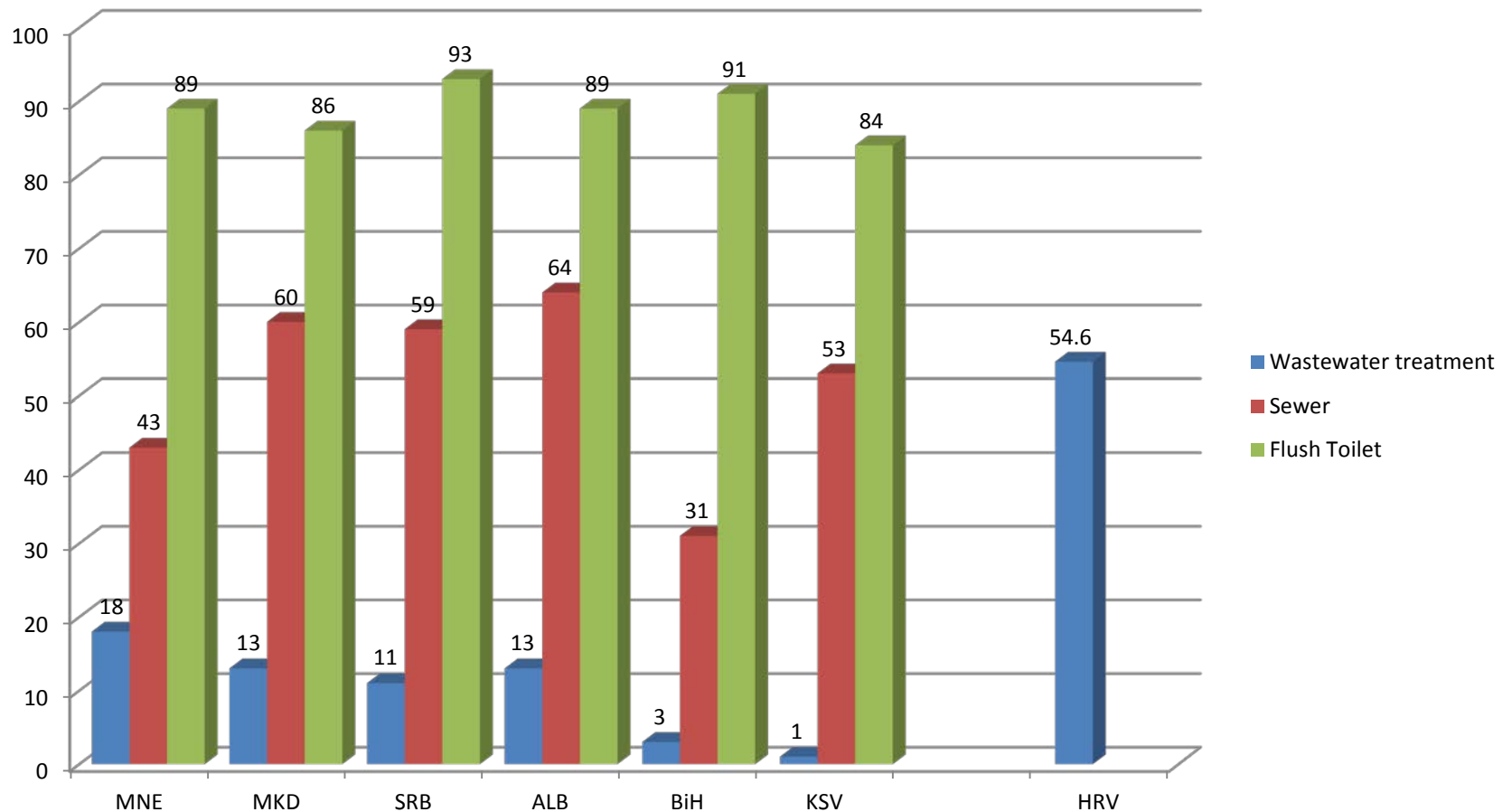
ENV gap

Municipal solid waste by type of treatment, 2014



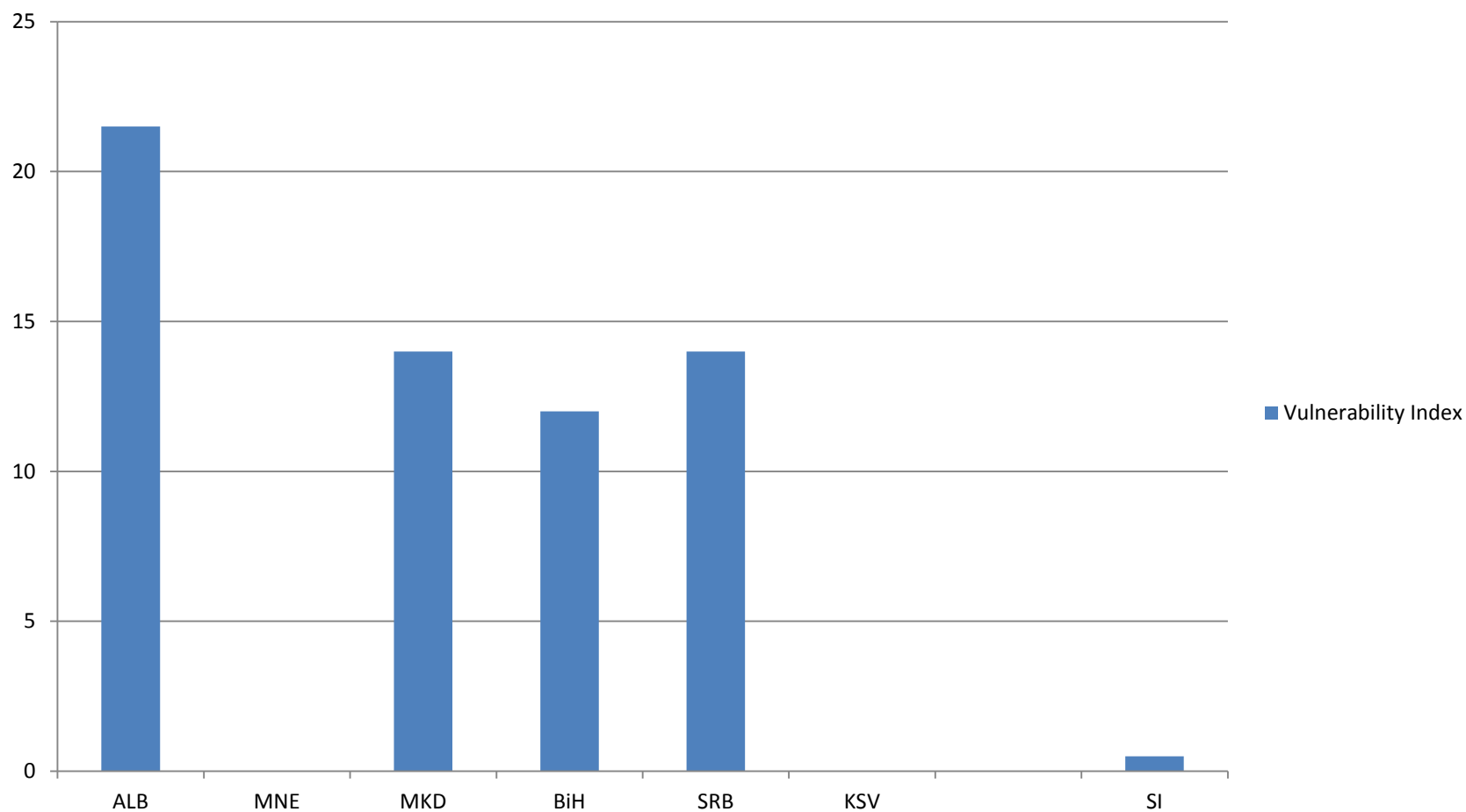
ENV gap

Sanitation and Sewage, last available year (2010-2013)



ENV gap

Climate Change vulnerability index



Source: UNEP/ENVSEC/Zoë environment network (2012), Climate change in the West Balkans

... Total investment needs of WB6 in the water and wastewater management sector amount to EUR 16 billion in the medium term in order to comply with the EU acquis ...