



**Report on bi-lateral meetings with regional/national funding institutions**

**MACEF**

Name of the institution	Location	Date of meeting
World Bank	34 Leninoa Street, Skopje	13.02.2015

What kind of funding is given
The financing program of the World Bank is realized through Ministry of Finance of the Republic of Macedonia. The financing program is for development of the municipalities through implementation of all kinds of infrastructural projects.

Main issues discussed/inputs & information received regarding financing ESCOs
<p>Local project partner has presented the project goal and gave short resume of the initiative for implementation of the project. The background for this project is the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p> <p>Also, it was explained that the municipalities have opportunity to accomplish this responsibility through Energy Performance Contracting-EPC between public bodies-municipalities and private companies. In addition, a distinction was made between the EPC, Public-Private Partnership-PPP and Energy Service Companies-ESCo.</p> <p>The mutual conclusion on the meeting was:</p> <ul style="list-style-type: none"> <li>- Until now only the PPP model is realized, there are a lot of issues during realization of the PP projects, even though there is a signed contract between the municipalities and private companies.</li> </ul> <p>Mr. Ymeri pointed that World Bank is financing different type of projects, but the financing is realized through Municipal Services Improvement Project – Ministry of Finance of the Republic of Macedonia, and that the World Bank is included only in supervision during realization of the projects.</p>

Name of the institution	Location	Date of meeting
German Development Bank - KfW	Str: Antonie Grubisic 5, Skopje	18.02.2015

What kind of funding is given
Financing programs for municipalities. The meeting was to define the opportunities of the financing program KfW – ELENA, and is Macedonia eligible for this program.

Main issues discussed/inputs & information received regarding financing ESCOs
<p>At the beginning of the meeting, the local project partner presented the project goal and gave short resume of the initiative for implementation of the project. The base for realization of the project and the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p> <p>Also, was explained that the municipalities have opportunity to accomplish this responsibility through Energy Performance Contracting-EPC between public bodies-municipalities and private companies. In addition, a distinction was made between the EPC, Public-Private Partnership-PPP and Energy Service Companies-ESCO.</p> <p>Mrs. Radovanovic, pointed that KfW is financing infrastructural projects, and the biggest part are for construction and reconstruction of water networks at the whole territory of the Republic of Macedonia. Also, she was very interested for this project and for including KfW in this project. In addition, on the meeting was concluded that Macedonia is eligible country for receiving ELENA grant from the European Commission for project Development Services and to receive global loans to local participating financial intermediaries. But, for now there isn't any bank that is motivated to expand their lending to municipalities for the financing sustainable energy projects.</p>

Name of the institution	Location	Date of meeting
Ohridska Banka AD Skopje- member of Soci�t� G�n�rale Group	Str: Orce Nikolov 54, Skopje	25.02.2015

What kind of funding is given
Financing programs for private companies and financing program for municipalities through WebSEFF II.

Main issues discussed/inputs & information received regarding financing ESCOs
<p>The local project partner presented the project goal and gave short resume of the initiative for implementation of the project. The base for realization of the project and the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p> <p>Also, was explained that the municipalities have opportunity to accomplish this responsibility through Energy Performance Contracting-EPC between public bodies-municipalities and private companies. In addition, a distinction was made between the EPC, Public-Private Partnership-PPP and Energy Service Companies-ESCO. As for now, Ohridska Bank had successfully financed two street lighting projects with PPP financing model.</p> <p>Mrs. Tanusheva made short presentation of the financing programs of the Ohridska Banka AD Skopje, she pointed that Ohridska Bank is partner bank of the WebSEFF - the Western Balkans Sustainable Financing Facility is a financing facility under the European Bank for Reconstruction and Development (EBRD). She informed us about the financial program of the WebSEFF, but stressed that their bank will finance only the private companies because of poor credit status of municipalities.</p>

Name of the institution	Location	Date of meeting
Ministry of Finance – Municipal Services Improvement Project	Str: Luj Paster bb, Skopje	26.02.2015

What kind of funding is given
<p>The meeting was about defining the availability of prospect Project Programs for financing municipal street lighting projects.</p> <p>Municipal Services Improvement Project is funded by the Loan of the International Bank for Reconstruction and Development (World Bank). The main objective of the project is to improve transparency, financial sustainability and delivery of targeted municipal services in the participating municipalities by providing sub-loans to municipalities for investments in revenue-generating public services and other investment projects of high priority to municipalities and with cost savings potential.</p> <p><b>Component A: Municipal Investments (US\$ 64,25 million)</b></p> <p>This component would provide loans to municipalities that are eligible to borrow. Terms of on-lending of funds: Interest rate: six months LIBOR for Euro plus the variable spread, Grace period: maximum 3 years, Repayment Date: maximum 10 years.</p> <p><b>Component B: Capacity Building and Institutional Reform – (US\$ 2,95 million)</b></p> <p>This component includes consultancy services and technical assistance for the municipalities for sub-project preparation, local capacity building, and national level institutional strengthening.</p> <p><b>Component C: Performance-Based Investment Grants – (US\$ 5,6 million)</b></p> <p>This component provides grants to municipalities as an incentive and reward for implementation of reform initiatives aimed at performance improvements in service delivery. Performance grants will be awarded based on achieving at least 4 of the 7 listed criteria, after verification of criteria implementation. The amount of the awarded grant is related with the amount of the loan for the appropriate municipality and it may reach to 20% of the total amount of the sub loan. The grant funds may be used solely for the financing of investment projects.</p> <p>Director Ms. Malgorzata Markiewicz-Bogov telephone: +389 2 3255730, +389 75 402 105 e-mail: malgorzata.markiewicz-bogov@finance.gov.mk</p>

Main issues discussed/inputs & information received regarding financing ESCOs
<p>At the beginning of the meeting, the local project partner presented the project goal and gave short resume of the initiative for implementation of the project. The base for realization of the project and the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p>

Also, was explained that the municipalities have opportunity to accomplish this responsibility through Energy Performance Contracting-EPC between public bodies-municipalities and private companies. In addition, a distinction was made between the EPC, Public-Private Partnership-PPP and Energy Service Companies-ESCO.

Ms. Bogov, the director of the project, pointed that the criteria that municipalities should fulfil are not so strict and that through the financing program were financed a lot of infrastructural projects. The project started in 2009 and it will end in 2018, during this time only 4 projects for streetlight refurbishment are financed and finished in following municipalities: Bogdanci, Veles, Novaci and Gostivar.

The second program is financing through IPA for rural infrastructure, 100% financing grant, also eligible only for municipalities. The amount of finances from this program is already defined for each municipality, for rural and urban parts. At the end of the meeting Mrs. Bogov, had pointed that the main problem for the municipalities is the lack of technical documentation in each sector.

<http://www.finance.gov.mk/en/node/1090>

<b>Name of the institution</b>	<b>Location</b>	<b>Date of meeting</b>
EBRD – Small Business Support (SBS) Macedonia	Soravia Centre VII floor, Filip Vtori Makedonski 3, Skopje	26.02.2015

<b>What kind of funding is given</b>
Financing programs for technical support (preparation of technical documentation for municipalities).

<b>Main issues discussed/inputs &amp; information received regarding financing ESCOs</b>
<p>The local project partner presented the project goal and gave short resume of the initiative for implementation of the project. The base for realization of the project and the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p> <p>Mrs. Anteska, National Programme Manager, has made a short overview of their financing program eligible only for private companies. She stressed that the SBS program will finance the preparation of technical documentation only in the case of a previously signed agreement between a private company and the municipality. Whereby, the financial assistance would be granted to the private company.</p>

Name of the institution	Location	Date of meeting
NLB Tutunska Bank AD Skopje	Str: Mother Teresa 1, Skopje	26.02.2015

What kind of funding is given
Financing programs for private companies and financing program for municipalities through WebSEFF.

Main issues discussed/inputs & information received regarding financing ESCOs
<p>The local project partner presented the project goal and gave short resume of the initiative for implementation of the project. The base for realization of the project and the obligation of the municipalities to change the public lights and whole body-lamp until 2017, according to the EC Regulation 245/2009.</p> <p>Mr. Nestorovski made short presentation of the financing programs of the NLB Tutunska Bank, and pointed that private sector is preferable for financing. NLB Tutunska Bank is a partner bank of the WebSEFF - the Western Balkans Sustainable Financing Facility is a financing facility under the European Bank for Reconstruction and Development (EBRD). The municipalities are eligible for this financing program that will start from this year.</p>

## **ELENA EBRD, European Bank for Reconstruction and Development**

Presented below is the outcome from e-mail communication with representatives from EBRD, with Mr. Francesco Corbo

There are two main criteria for ELENA support (which also apply to other technical assistance offered by EBRD): 1) there must be a 'bankable' investment project that technical assistance funds will support; and 2) there is expectation of EBRD providing financing to such projects.

The investment project has to be 'bankable' and the municipality has to be in position to repay the loan – just as in any other EBRD-financed operation. However, there are some other aspects that have to be taken into account when considering ELENA-funded technical assistance: 1) ELENA grants cover project preparation only; 2) the investment project has to be at least 20 times larger (in terms of investment value) than the ELENA-funded technical assistance; 3) the municipality has to cover at least 10% of the cost of technical assistance – this can be in-kind. All these criteria are explained in the factsheet:

<http://www.ebrd.com/downloads/about/donors/ebrd-elena.pdf>

If it's one investment project with one municipality, it is likely to be direct lending. But if it's a larger, country-wide investment programme that would support several municipalities, than will be done through partner banks.

After successful negotiation about the investment project and EBRD financing, there is a possibility to discuss technical assistance needs. ELENA is not the only source of TA that EBRD has at its disposal, other options are possible. As for selection of consultant, this can be led either by the municipality or the EBRD, but always in accordance with EBRD Procurement Policies & Rules.