

THIRTEENTH MEETING OF THE WBIF STEERING COMMITTEE

OECD CONFERENCE CENTRE, PARIS, 16 DECEMBER 2015

Minutes of Meeting

Welcoming and Introduction

Mr Carlo Monticelli, Vice Governor, Council of Europe Development Bank, the **WBIF SC Co-chairs** (Mr Adolfo Di Carluccio, Director, Ministry for Economy and Finance, and Ms Katarina Mathernova, Deputy Director General, DG NEAR) welcomed the participants to the 13th WBIF SC meeting. The achievements of the WBIF were noted together with its increased role following the launch of co-financing activities. 2015 was a challenging year with intensive work on the revision of governance and basic documents, which required considerable resources and goodwill on all sides. It was emphasised that the WBIF remains the only EU blending facility which actively involves the beneficiaries at all stages of the process. Other EU facilities show an increasing interest to adapt to similar structures. Finally, the role of connectivity as a key engine of growth was underlined and the importance of the human factor in the success of the connectivity agenda as well as the complementarity between connectivity sectors and the social and environment sectors were acknowledged.

Regional Energy Efficiency Programme (REEP) - presentation

EBRD (Mr N. Jollands and Ms M. Kalemi) summarised the structure and results to-date of REEP after an introductory video, demonstrating by concrete examples the impact of the financing schemes to the local energy efficiency market and the potential savings and additionalities small and medium businesses are able to achieve; this includes an increase in competitiveness, additional employment, reduction of emissions, etc. ECS (Ms V. Kogalniceanu) detailed the contribution of ECS to REEP, which is primarily focused on Policy Dialogue and aims at fostering an energy services market in the region. The need for “REEP Plus” which will be complementary to the REEP was detailed and will focus on the Residential sector, currently untouched by REEP.

Discussion: DG NEAR (Ms K. Mathernova) confirmed continued support to REEP and REEP+ and announced that an additional €15 million will be foreseen under the IPA 2016 Multi-Country Programme. She highlighted the increased focus on energy efficiency and renewable energy in energy policy as confirmed by the EC’s target to allocate 20% of its budget to climate-related actions, and welcomed REEP’s contribution in this regard. **EIB** (Mr M. Cingolani) asked about the

coverage of the public sector and signalled EIB's possible interest in participating to REEP with a special focus on the public sector¹.

Update on the Gas to Power Study

ECS (Ms V. Kogalniceanu) reminded participants that the power sector, through a dynamic gas-fired generation industry, was a key building block of a functioning gas market and that WBIF had funded a World Bank-managed study to both evaluate the potential for gas-fired power generation in the region as well as the attractiveness of the sector to private investors, particularly in countries contemplating gasification once the TAP pipeline brings supply to the region. The interim report was now available and the **WB** (Mr K. Nyman) summarised the interim conclusions, namely that gas was currently not competitive with lignite for power generation in the region and that private sector interest in potential projects was minimal due to regulatory uncertainties, absence of credit-worthy power off-takers and generally low power prices. He noted that any project in the region would thus require heavy support from the public sector and EU funding. He mentioned that the situation could change with expected lower gas prices in the future, increased supply availability once TAP and the Croatian LNG project come on line, fast aging TPPs in the region and finally increased environmental awareness and commitments in the region. He further noted that countries such as Croatia, the former Yugoslav Republic of Macedonia and Serbia have better prospects given existing gas markets but that even these projects would need substantial grant funding to reach economic viability. He concluded that options available at this stage for the study were (i) to select a few high priority and more promising projects for further preparatory studies, knowing that implementation would demand grant support; or (ii) suspend efforts until gas gains sufficient competitiveness against lignite, otherwise cancel it altogether.

Discussion: EBRD (Mr H. Muent) and **Italy** (Mr A. Di Carluccio) asked whether policy dialogue could improve the picture and voiced surprise on the relatively gloomy outlook for gas in the region resulting from the study; Italy also enquired whether the development of the TAP is expected to improve gas prospects in the West Balkans, in particular for those Countries, Albania and the former Yugoslav Republic of Macedonia, more directly affected by the project. **EIB** (Mr M. Cingolani) asked whether the likely level of grant support had been quantified. **Norway** (Mr O. Reinertsen) wondered whether the lack of private sector interest was temporary or permanent. **WB** (Mr K. Nyman) voiced surprise and disappointment at the study's results. He noted that there is private sector interest in principle but that the private sector simply cannot see projects materialising in the current environment. He further confirmed that without a proper carbon price coming into existence, local lignite will always trump imported gas on both costs and supply security grounds. Lignite is purchased locally while gas is an import product. It was confirmed that the full text of the interim report was available on the ECS web site² and that it would also be uploaded onto the WBIF website. **DG NEAR** (Ms K. Mathernova) suggested to have a dedicated technical meeting with all interested stakeholders in Brussels at the beginning of next year, in order to discuss possible follow-up.

¹ EIB further requested that the COM should inform the WBIF SC of any decision concerning additional funding of programs under the WBIF.

² https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3758164/192E17AC7BED4BDEE053C92FA8C0D198.PDF

Soft Measures accompanying Connectivity Investments

DG NEAR (Mr M. Jung) underlined that the soft measures in the Connectivity sectors were an integral part of the Berlin Process, confirmed last August in Vienna, with both regional and national dimensions and that implementation would be phased with short term goals (to be reached annually starting with the July 2016 Paris Summit) and medium term goals (to be reached by 2020). He noted that these measures produce high economic returns by lowering indirect costs. Without the implementation of the soft measures the high capital intensive construction projects cannot achieve their targets. Mr Jung quoted a World Bank study which concluded that implementing soft measures in the region's transport sector could save up to €900 million annually, an amount equivalent to the entire IPA II regional connectivity allocation for the 2014-2020 perspective. No such study exists for the energy sector but significant benefits should be expected from the creation of a regional energy market, including lower costs and increased energy security. Finally, he emphasized that future IPA co-financing of connectivity projects would be tied to achievements in the implementation of soft measures to be monitored closely by the countries. He concluded by announcing that SEETO and DG MOVE would form a Working Group to assist with the implementation of soft measures in the transport sector.

Discussion: KfW (Mr C. Tiskens) supported the commitment to soft measures and offered help to ECS and CONNECTA on the matter in the energy sector as well as concrete input in the drafting of terms of reference. He concluded by raising concerns against tying too closely funding decisions and soft measures progress. **WB** (Mr K. Nyman) noted that significant progress has been achieved in integrating electricity markets in New Member Countries which has started spilling over to the Western Balkans but criticized the lack of progress in the gas markets. **ECS** noted that soft measures were primarily political decisions and advocated a stick and carrot approach towards implementation. **ECS** confirmed the production of regular reports monitoring progress on energy soft measures implementation³. **Italy** wondered whether the migrant crisis had impacted soft measures focussed on transport border crossing. **Greece** confirmed their interest in and support to the connectivity agenda and the implementation of soft measures, it suggested that both matters should not just be a Berlin process matter but a general enlargement matter with involvement of other countries in the region, including member states. **Kosovo*** considered that soft measures should be a goal by themselves rather than a by-product of project financing and noted that the WBIF SC was ill-equipped to deal with and monitor sector reform progress, traditionally a EUD responsibility. **IPF4** noted that beneficiary countries were deploying substantial efforts on soft measures and suggested a gap analysis to take a snap shot of the situation.

DG NEAR (Ms K. Mathernova) clarified that there was no intention of disconnecting co-investment and soft measures and creating two parallel processes. It was further added (Ms C. Wendt, Acting Director) that both were intimately linked and that EUD would contribute to implementation monitoring but that superior sector expertise at ECS and SEETO should be called upon too. Finally, Mr M. Jung stated that no impact of the migration crisis could be ascertained so far; he further noted that the Commission was not driving the Berlin Process and that invitations were issued by the host country.

³ https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6/Monitoring and https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/CESEC

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Road Map Implementation / New Methodology

DG NEAR (Ms K. Mathernova) noted that the EC's new Financial Regulation had required a fundamental revision of the WBIF documentation and expressed her satisfaction that the process had managed to produce a much more simplified structure compared to the original expectations and she thanked all involved, in particular the EBRD, for their support and efforts. Ms B. Banki introduced the new architecture and the key documents before a detailed presentation of each document.

DG NEAR (Mr W. Schläger) reminded the participants how long and arduous the process had been so far and thanked all participants for their contribution in delivering nearly complete documents in time for this SC meeting. He noted the aim of the effort was to minimise change to the greatest possible extent, while enhancing the structure and operations. He then turned to the **Rules of Procedure**, noting that the change of name from the previous "Terms of Reference" was marking a new era and he briefly explained the objectives, general principles, project application to approval process and reporting requirements.

Discussion: Norway asked whether the meeting was expected to give anything more than an endorsement of the documents in their current state and if so what was the time line for finalisation and the proposed decision making process. Norway accepts the documents in their current form. **Greece** expressed its congratulations for the achievement so far and asked for clarifications on the role of the PFG in the screening and assessment process and when the first opportunity for periodic review would be. **Germany** suggested that the final package to be delivered for approval by SC members should be accompanied by a cover note summarising key changes.

DG NEAR (Ms K. Mathernova) confirmed that it was an endorsement in principle that was sought from the SC. **DG NEAR** (Mr W. Schläger) further confirmed that nothing would change with regards to the PFG. Regarding the adoption of the revised founding documents, he detailed the proposed 3-step approval process. Step 1 would be the endorsement in principle by the SC of the documents as presented today with a few open points; step 2 would be a mandate by the SC to stakeholders to finalise the open points by January 31st; and step 3 would be a written ratification process by contributors according to the relevant internal approval procedures by March 31st. Those contributors who would not have formally responded by then will be deemed to be in favour of the proposal. It was further confirmed that a review by the COM would be carried out in 2 years at the time of the mid-term review of the new Financial Regulation.

EBRD (Ms A. Bozo) introduced the revised **General Conditions of the EWBJF** and explained that the key drivers of the revision process were (i) to incorporate all elements of the new EC Financial Regulation necessary for COM to contribute to the EWBJF; (ii) to simplify and improve the document in a way that also simplified all future downstream contracting; and (iii) to describe better the role and responsibilities of the EWBJF's co-managers.

DG NEAR (Ms B. Banki) highlighted the provisions added at COM's request; including increased and clearer responsibilities for the EWBJF Co-managers and Lead IFIs; an increased role of the Assembly of Contributors notably with regard to monitoring and supervision; and enhanced bilateral relations between Lead IFIs and COM. Ms Banki added that the Grant Application Form (GAF) and the Reporting Template were an integral part of the legal and contractual architecture

and noted that since the inter-services consultations had yet to take place, the current text was complete in principle but not yet finally confirmed. This Inter-service Consultation, could potentially raise additional points to be clarified between the partners.

DG NEAR (Ms E. Vossou) presented the new **Grant Application Form** for investment grants, which is based on the EUBEC application form and will only be used in the WBIF context for investment grants. She noted that the document is a “living” document where data has to be entered throughout the approval process and will serve a dual purpose; first as the application form and then after approval as the description of the action attached to the contract.

DG NEAR (Ms B. Banki) summarised the proposed new **reporting arrangements** at both the EWBJF level and at the individual project level and presented the project reporting template.

Discussion: Bosnia and Herzegovina enquired about expected developments in January as regard the General Conditions and the Rules of procedure and suggested that in the absence of a finalised GAF, the investment grant round to be called by the SC should use the current PGAF with some supplementary annexes. **Spain** raised concerns about the additional workload the new GCs could invoke and asked if additional incurred costs were taken into account. **Germany** wondered whether existing EWBJF contributors would be required to sign up using the new contribution arrangement template and also asked for clarification on the participation of bilateral contributors in the PFG. **Sweden** suggested that project reporting should link more closely with WBIF Objectives, EU Accession and Gender Equality and proposed to add specific sections in the reporting template.

EIB extended their appreciation to Ms Banki and Ms Bozo for their outstanding contribution in moving the drafting process so far forward and confirmed that the current drafts of the various documents were acceptable in principle to its management but noted some open issues including the management declaration, exclusion criteria and the proposed COM scrutiny. In addition **EIB** requested that the document package include a clear definition of the conditions required to acquire Lead IFI status; a commitment to share pipeline between IFIs; an explicit mention of EDIF; and greater emphasis of the NIC role and process. **KfW** required clarifications on the methodology (i.e. GAF) time frame and implementation period. **Norway** stated that its interpretation of section 4.5 of the Rules of Procedures ensured membership of the PFG to bilateral contributors.

EBRD (i) confirmed that the documentation overhaul had no impact on the EWBJF fee structure which remained unchanged; (ii) indicated that signing a contribution arrangement under the proposed new template was required once from existing contributors in order to formalise their acceptance of the new General Conditions (with any subsequent additional contributions formalised through letters as currently); and (iii) noted that the contracting deadline and implementation period would be set on an individual basis for each project in the GAF. **DG NEAR** confirmed this last point and noted that the matter still required fine tuning. **DG NEAR** also indicated that no substantial changes to the GAF were expected until end of January and that it should be used for the 2016 round of investment projects. IFICO would organise a training session in February and beneficiaries were encouraged to start work on their investment grant applications based on the current (almost final) GAF, prior to the training in order to maximise benefits. Finally **DG NEAR** (Mr W. Schläger) confirmed that bilateral donors were members of the PFG as per section 4.5 of the Rules of procedures and noted that the wording would be further adjusted. **Greece** supported the suggestion.

*The **WBIF Steering Committee endorsed** in principle the Rules of Procedure, General Conditions of the EWBJF, Grant Application Form and Reporting Template as well as the proposed timeline and method for finalisation and for approval by the WBIF SC members.*

Update on the NIC framework and the Single Project Pipeline

IFICO (Mr F. Sellner) reminded the participants about the 2015 requirements for all beneficiary countries to establish a NIC and to have the NIC endorse a Single Project Pipeline by 10 December 2015. He summarised the TA supplied by DG NEAR through IFICO to assist in the process and concluded that the results were successfully delivered with all NICs operating and SPPs submitted (Bosnia and Herzegovina's SPP only covers the transport sector and Kosovo's includes only a draft SSPP for the social sector). A preliminary review indicated that all basic principles and criteria to be used in the process had been adequately followed.

DG NEAR (Ms C. Wendt) recognised the amount and quality of the work performed by beneficiary countries under severe time pressure, appreciated that more work remains to be done and confirmed that further support would be made available.

WBIF Monitoring Report, November 2015

IFICO (Mr S. van der Touw) presented the report's key figures and noted that considerable efforts had been devoted to measure with greater precision the actual volume of signed loans. He thanked in particular Mr Cingolani for his contribution to the process and encouraged all participants to update regularly all MIS data for which they had ownership. Key facts and figures of the WBIF portfolio include:

- 13 rounds have been conducted;
- 180 grants have been approved and allocated;
- € 315.2 million in total grants have been or are being disbursed;
- € 3.7 billion of signed loans;
- € 8 billion of total estimated loans;
- Total investment potential is about € 13.1 billion.

The total number and volume of signed loans is steadily increasing, with the transport sector having signed the highest volume of loans.

Discussion: Norway noted that the reliability of the signed loan figure was a recurrent issue for WBIF and asked how accurate the latest figures presented in the report were. **IFICO** stated that changes had been made in the loan reporting process to improve data quality which it was confident is now delivering a fairly accurate and verifiable estimate of the volume of signed loans.

WBIF Project Approval Session (Round 14)

The Acting Head of the WBIF Secretariat (Mr W. Schläger) presented the availability of funds for Round 14.

Availability of funds for Round 14 is as follows:

Source	Amount [000€]
EWBJF	2,486
IPF 3 (remaining funds after assignment of 25 grants, connectivity gap analysis and country managers)	290
IPF 4 (remaining funds after assignment of 17 grants and floods gap analysis)	200
IPF 5 (likely contracted in H1 2016, remaining funds after assignment of EUR 2 million grants from previous rounds)	23,500
Total:	26,476

► **Presentation of proposals by representatives of the Beneficiaries and the IFIs**

The WBIF Co-chairs of the PFG (Mr W. Schläger DG NEAR and Mr M. Raguz CEB) presented the eligibility criteria for the 14th call for TA, which were to (a) unblock and/or enhance an existing project, or (b) demonstrate a regional Impact for a new project. To summarise, 13 projects⁴ were received for a total grant amount of €21.6 M of which 10 projects were positively screened and assessed for a total grant amount of €15.1 M.

During the 20th PFG meeting in November in Podgorica, Montenegro, 10 projects were endorsed for financing and were presented to the members of the WBIF Steering Committee for approval as per the table below. In addition, the PFG exceptionally endorsed a request from Montenegro for additional WBIF funding of €0.15 M to complete a Strategic Environmental Impact Assessment (SEA) excluded in the original scope of works.

Grants for Round 14:

Project Code	IFI/Project Title (short)	IPF [€M]	EWBJF [€M]
WB14 REG ENE 01	TA for SEE Regional Security Coordination Initiative		1.00
WB14 SRB ENE 01	Trans-Balkan Electricity Corridor, 400 kV Obrenovac Bajina Basta OHL		0.80
WB14 KOS ENV 01	Lepenc Canal Feasibility Study	1.50	
WB14 BIH SOC 01	Support to construction of maximum security state prison	0.77	
WB14 BIH SOC 02	Medical Faculty, Research Centre and School	0.88	
WB14 MNE TRA 01	Orient/East-Med Corridor (R4) Reliability and safety improvements – Phase 2 (Concrete bridges)	3.00	
WB14 REG TRA 01	Feasibility study for Adriatic Ionian highway/expressway (Routes 1&2)	3.50	
WB14 SRB TRA 01	Orient/East-Med Corridor (R10) Reconstruction and modernisation section Stalac-Krajlevo-Rudnica	1.40	
WB14 KOS TRA 01*	Rail Line Fushe Kosova/Kosovo Polje –Podujevo detailed technical project design and tender preparation	1.25	
WB14 KOS TRA 01	Orient/East-Med Corridor (R10) rail Line Fushe Kosova/Kosovo Polje – Mitrovica detailed technical project design and tender preparation		1.00
CWB10 ENE MNE 01	Montenegro Gas Master Plan – addendum (SEA preparation)	0.15	
	TOTAL	12.45	2.80
* Please note, this project has been re-allocated from EWBJF to IPF. Final confirmation is forthcoming via the <i>Grant Award Notification</i> .			

⁴ No project from the former Yugoslav Republic of Macedonia, 2 REG projects.

Discussion: IFICO (Mr S. van der Touw) stated that the proposed budget for the Feasibility Study for the Adriatic Ionian Highway/Expressway project was in his view insufficient to cover the proposed scope of work and suggested that geodesic and geotechnical studies were not needed at this stage. **EBRD** noted the need to coordinate this project with KfW who is working on certain bypasses that will be incorporated in the eventual road alignment. **Bosnia and Herzegovina** noted that the negative screening of a municipal water project in this round was regrettable especially as a similar project had been approved on an exceptional basis in an earlier round, despite the lack of a national strategy. **DG NEAR** (Mr W. Schläger) advised that the exception at that time was based on the involvement on national IPA funds, which was not the case in the present project, and noted that the matter had already been extensively discussed and explained to the beneficiary at the PFG. He also pointed to the recent letter sent from DG NEAR to the NIPAC clarifying the criteria for accessing future IPA funds. **DG NEAR** (Ms C. Wendt) appreciated the specific political context and suggested to the Steering Committee to follow the recommendations of the PFG as detailed above.

*The **WBIF Steering Committee** approved the above mentioned ten Round 14 projects plus the Round 10 project addendum, for an overall grant allocation of € 15.25 M.*

WBIF Project Approval Session (2015 Investment Grants)

DG NEAR (Ms C. Wendt) commented that 2015 was an exceptional year, since WBIF structures for the co-financing activity had not yet been fully established and an ad-hoc procedure had to be followed for the IPA 2015 programming, resulting in the identification of 8 connectivity projects for a grant allocation of € 145 M, for which the Commission had last week adopted the relevant Financing Decision.

The Acting Head of WBIF Secretariat (Mr W. Schläger) summarised the projects presented for approval, noting that the 4 energy projects were all on the PECE list while the 4 transport projects were all part of the Core network and had been showcased at the Vienna Summit and endorsed by the Commission. He stressed that EU grants worth € 145 M together with IFI loans will support total investments of € 538 M.

Project code	Country	Description	Investment [€m]	Grant [€m]
WBIF 2015 Co-financing			538.3	144.9
WBIF CF 1001 ALB ENE	ALB	Albania – the former Yugoslav Republic of Macedonia Power Interconnection (I): Grid Section in Albania	70	14
WBIF CF 1002 MKD ENE	MKD	Albania – the former Yugoslav Republic of Macedonia Power Interconnection (II): Grid Section in the former Yugoslav Republic of Macedonia	49	12
WBIF CF 1015 MNE ENE	MNE	Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro	127	25
WBIF CF 1003 SER ENE	SER	Trans-Balkan Electricity Corridor (II): Grid Section in Serbia	28	6.6

WBIF CF 1006 BIH TRA	BIH	Mediterranean Corridor (CVC): Bosnia and Herzegovina – Croatia Road Interconnection	109	22
WBIF CF 1009 BIH TRA	BIH	Mediterranean Corridor (R2a): Bosnia and Herzegovina – Croatia Interconnection	34.4	6.8
WBIF CF 1010 KOS TRA	KOS	Orient/East-Med Corridor (R10): the former Yugoslav Republic of Macedonia – Kosovo – Serbia Rail Interconnection	80.9	38.5
WBIF CF 1008 MNE TRA	MNE	Orient/East-Med Corridor (R4): Montenegro – Serbia Rail Interconnection	40	20

Discussion: the former Yugoslav Republic of Macedonia expressed dissatisfaction that the Rail route 8 / Eastern section (the former Yugoslav Republic of Macedonia - Bulgaria connector) which presented favourable connectivity and maturity characteristics was not considered and called for more transparency in the process in the future. **EIB** congratulated Mr W. Schläger for managing the process under difficult circumstances.

The WBIF Steering Committee endorsed the above mentioned eight projects for co-financing via WBIF for an overall grant allocation of € 144.9 M.

Project Financiers' Group Report 2015; preparations for the Calls for Proposals under WBIF

The WBIF Co-chair of the PFG (Mr M. Raguz CEB) summarised the activities of the PFG in 2015, including two regular meetings held in May and November in Brussels and Podgorica respectively, and an extraordinary meeting in October in Brussels. In addition, the Restricted Task Force (RTF) continued its activities during the first half of the year in preparation for the 12th Steering Committee in Rome and PFG members took part in various ad-hoc sessions to discuss WBIF reform, advance the drafting of the WBIF governance documents and discuss co-financing in the environment and social sectors. In 2015, the PFG recommended that the SC approve a total of 17 TA grants amounting to €23.9 M.

► **Eligibility criteria for next TA round (15th call for proposals)**

The WBIF Co-chair of the PFG (Mr M. Raguz CEB) announced that the restrictive eligibility criteria that applied to the four previous rounds would be waived for the forthcoming 15th call for proposals for TA grants, thus opening the round for both NEW national and NEW regional projects in all four sectors. He further announced that the current PGAF would be used for TA proposals in Round 15.

Discussion: IPF4 suggested a revision to the PGAF to include a better and more detailed description of the project in order to allow a quicker preparation of the ToR after approval. **DG NEAR** took note of the suggestion and indicated that a realistic time frame for such revision was the June 2016 Steering Committee. **Serbia** asked which application was to be used when applying for TA for the supervision of works on a project benefiting from an investment grant. **DG NEAR** clarified that for any TA requested in conjunction with an investment grant, both the TA and investment components should be applied through a single Grant Application Form using the new template under finalisation, while for any supervision TA applied for independently, the current PGAF was to be used.

The WBIF Steering Committee decided to launch the 15th call for project proposals (for Technical Assistance) without any restrictive eligibility criteria.

► **Preparation of the first call for proposals for investment grants**

The Acting Head of WBIF Secretariat (Mr W. Schläger) announced the first call for proposals for investment grants setting a deadline for submission by 31 March 2016. Other key milestones are the end of May to finalise the list of eligible projects, presentation of the tentative list at the Paris Summit in July, approval by the IPA Committee (probably in September), adoption of the financing decision by the Commission in October and approval by the Steering Committee in December 2016. Additionally it was confirmed that the call would be open to projects in all four sectors and that approval of projects in the environment and social sectors would be subject to availability of funds from bilateral donors since IPA funds (anticipated to reach €120-150 M for 2016) would be allocated to connectivity projects only.

Discussion: Bosnia and Herzegovina asked whether cross border projects could be packaged in a single GAF covering all project components or whether each national component should be covered by a separate GAF. **Serbia** asked whether the regional criteria only applied to Connectivity projects or whether it also applied to environment/social projects. **EBRD** welcomed the opening of the call to environment and social projects and wished to know how much money would be available for these sectors. Further, it suggested a relaxation of the maturity criteria to allow WBIF involvement earlier in the process when the financing plan is developed. This would have the benefit of increasing the additionality of IPA funds, potentially facilitate lower grant vs loan ratios and allow a more efficient use of the available budget to benefit more projects. The rationale for this suggestion was that smaller grant ratios would be less disruptive for projects, whose loan financing arrangement were already at an advanced stage with an IFI. **EIB** wished to hear DG NEAR's view on the strength of the connectivity pipeline and its ability to absorb the proposed IPA envelope. **Greece** asked whether the PFG assessment would be done prior to the June SC meeting and whether the 2015 process would be repeated with an endorsement of the list by the WB6 summit in Paris. **Norway** noted that earlier communications on the New Methodology envisaged a regional dimension for all co-financed projects. **The former Yugoslav Republic of Macedonia** welcomed the opening of the round to all 4 sectors and wondered how relevant the connectivity theme was to the environment and social sectors and enquired about the likely amounts available for those two sectors. **KfW** noted the long gap in the proposed timeline between screening/assessment and final approval and wondered what would prevent approval of the 2016 round at the June SC Meeting.

DG NEAR (Ms C. Wendt) stated that no change to the maturity policy would be considered for the time being, suggested to confirm in writing the eligibility rules after formally announcing the call and expected that bilateral pledges for the year would help clarify the issue of envelope size.

DG NEAR (Mr W. Schläger) confirmed (i) that the co-financing call would be open to all sectors, (ii) that the Commission funds will only support connectivity proposals, which need to relate to PECCI or Core Network projects to be eligible, (iii) that cross border projects should submit one GAF per involved country, but that these GAFs should be closely coordinated, (iv) that the amounts available for co-financing of environment and social projects would be determined by bilateral pledges and that national projects in these sectors would be eligible provided they were co-financed by an IFI, (v) that DG NEAR was confident about the connectivity pipeline size vs. the proposed IPA envelope, (vi) that DG NEAR would investigate the merits of a multi-annual

approach, and that (vii) any approval of investment grant co-financing at a SC also needs a Commission Financing Decision approval, both of which were unlikely to be available by the June SC. Following the experience with the first co-financing call during 2016, the issue will be revisited in the future, leading possibly to two calls per year.

*The **WBIF Steering Committee** adopted the launch of the first call for co-investment grant proposals (Round IG. 1) open to all four sectors with connectivity projects to be funded from IPA contributions and environment/social projects from available bilateral contributions.*

WBIF Resources 2015 - Pledging

The following pledges were announced:

Country	Amount € M
Germany	1
Norway	3,2
Sweden	1

Sweden pledged through SIDA and announced that it was looking forward to working with WBIF on environmental and climate change matters and that it was willing to support all sectors, especially Environment, Renewable Energy and Climate Change.

Norway announced that it wanted to participate in both TA and INV grant funding.

DG NEAR (Ms C. Wendt) thanked the bilateral contributors for their continued interest.

WBIF TA State of Play

The WBIF acting Head of Secretariat (Mr W. Schläger) announced that since this matter was for information only, it would not be presented today in order to make up part of the time lag vs. the meeting agenda that had built up over the course of the day and that the material would be circulated in writing. The material for circulation is attached to the minutes as Appendix 1.

Sector Development Projects – Indicative Ceiling

DG NEAR (Mr W. Schläger) commented that sector development projects had made a valuable contribution to the work of the WBIF by assisting policy development and indirectly project development. However the current annual ceiling of €2 million for such projects was increasingly proving inadequate and forcing larger studies to be phased over several years or postponing them until headroom was available. It was thus suggested to increase the annual ceiling to € 5 million.

Discussion: Serbia expressed its concerns that an enlarged ceiling would take resources away from project preparation and called on WBIF to make sure that the output from such studies was

directly beneficial to project operations. **Bosnia and Herzegovina** supported Serbia's position and requested information on how beneficiaries could also use CONNECTA alongside WBIF to advance project preparation. **Norway** was in favour of an increase in the ceiling, noting that it was only a maximum amount and not an annual obligation and that flexibility in the matter was needed and welcome.

DG NEAR pointed out the ceiling was only a cap and not an obligation to allocate the full amount each year and summarised the substantial TA resources currently available for project preparation, including IPF5 to be followed by IPF6, the € 10 M CONNECTA facility and a € 3 M allocation to JASPERS to support the preparation of WBIF projects.

*The **WBIF Steering Committee** adopted the annual ceiling on Sector Development Projects to be set at € 5 million*

Co-Chairmanship of the WBIF SC 2015 and incoming for 2016

The **WBIF SC Co-chair** (Mr Adolfo Di Carluccio) thanked the participants for their work and support during his mandate and bid farewell as his term expires. The departing Co-chair announced that Norway would take over the co-chairmanship of the SC in 2016.

The incoming WBIF SC Co-chair (Mr O. Reinertsen) thanked the departing Co-chair for the leadership displayed during the 2015 mandate, endeavoured to match these achievements in 2016 and looked forward to welcoming all participants in Oslo, 16-17 June 2016, for the next SC meeting.

AOB

► **Update on STAREBEI Research**

EIB (Mr M. Cingolani) introduced a research report jointly prepared by the EIB Institute and the University of Nice which attempts at quantifying the Western Balkans' investment needs under various convergence scenarios. Mr Cingolani stressed the innovative character of the study in as much as it attempted to consider and quantify both public and private investment as well as to quantify the impact on national debt of such investment levels.

University of Nice (Ms Anastasia Ri) indicated that the study first reviewed various investment need estimates for key infrastructure sectors provided by individual countries and regional organisations such as SEETO or the Energy Community, which total approximately 75 billion, i.e. annual needs for infrastructure of 7.5 billion if one is to assume a 10-year implementation period.

Alternatively, the study central growth scenario, which assumes average GDP growth of 4.8% across the region, shows annual investment needs of 28 billion, to be compared with current annual investment of 15 billion (NB: investment in this case is total investment in the economy, both public and private, and is not comparable to the 7.5 billion figure above which covers infrastructure only). The study indicates that national public and private indebtedness would increase by approximately 25 billion under this scenario with the bulk of the new debt occurring in the private sector. The study also shows that this investment effort produces best results

when it is coordinated across national borders due to the interlinkages between regional economies, with annual public investment of 7.7 billion producing 1% of additional growth in the region.

► **Tentative calendar for TA Round 15 and Co-financing Round 1**

The (acting) Head of the WBIF Secretariat (Mr W. Schläger) announced:

Preliminary Dates for the 15th Round for TA:

- Deadline for application submission: 19 February 2016;
- Screening: until 01 April 2016;
- Paris Group in Brussels: 07 April 2016;
- Assessment: 08 April – 10 May 2016;
- 21th PFG + PG, Brussels (1.5 days): 11 – 12 May 2016;
- 14th WBIF SC meeting in Oslo: 16-17 June 2016;
- 22th PFG in November 2016, in Western Balkans;
- 15th WBIF in December 2015, in London.

Preliminary Dates for the 1st Round for Grant Co-financing:

- Dialogue with NIPACs/NICs and deadline for application (GAF) submission: 31 March 2016;
- Ongoing dialogue with NIPACs/NICs until 21st PFG: tentatively 17-18 May 2016;
- Deadline screening and assessment: 31 May 2016;
- WB6 Paris Summit: June/July 2016;
- IPA 2 Committee: October 2016;
- Approval 15th WBIF SC meeting in London: December 2016.

Conclusions

The (acting) Head of the WBIF Secretariat (Mr W. Schläger) summarised the outcome of the meeting as follows:

The WBIF Steering Committee held its 13th session on the 16th of December in Paris and the WBIF SC:

- Underlined the continued importance of all 4 WBIF sectors;
- Welcomed the advancements of the REEP project and the announcement of the COM to allocate another € 15 M from the IPA 2 envelop to the REEP Plus;
- Welcomed the results and recommendations of the Gas to Power study and took note that the COM invites a follow up meeting in Brussels at the beginning of 2016;
- Underlined the importance of the implementation of the so-called soft measures embedded into the Connectivity Agenda, enhancing the potential of the planned

infrastructure investments and acknowledged the COM request that the implementation of the soft measures be an additional criterion for co-financing decisions and took note that the respective implementation plans are being developed and support to the beneficiaries will be made available;

- Heard from the COM and the EBRD legal teams about the joint efforts regarding the advancement of the Rules of Procedure, the General Conditions, the Grant Application Form and the Reporting Template and the WBIF SC endorsed these documents in principle;
- Mandated the WBIF SC members to settle any open issues until 31 January 2016 and to adopt the final versions through written procedure until 31 March 2016;
- Reassured the beneficiaries that the presented Grant Application Form is substantially final and can therefore be used (already) by the beneficiaries;
- Welcomed the establishment of the NICs and the submission of the NIC endorsed Single Project Pipelines by the beneficiaries, emphasising the additional work and efforts ahead of all concerned;
- Adopted 10 projects for Technical Assistance in Round 14 plus one addendum for a Round 10 project, for an overall grant allocation of € 15.25 M;
- Endorsed 8 projects for grant co-financing under the COM IPA II investment grant co-financing scheme in the programming year 2015;
- Received an update from the WBIF Secretariat on the WBIF project pipeline and from the PFG Co-Chair about the PFG's activities and achievements in 2015;
- Agreed to lift the eligibility restrictions and launched the 15th call for TA proposals, with the use of the existing PGAFs;
- Adopted the eligibility criteria for the first formal call for investment grant proposals across all four WBIF sectors, with the application deadline of 31 March 2016 and agreed to hold a seminar on the GAF in Brussels in February 2016. Any open questions as to the content and timelines will be addressed and sent to the WBIF SC partners in writing;
- Welcomed pledges of € 5.2 M from the Bilateral Donors to the EWBJF, taking note of the specificities regarding the use of these funds:
 - Norway € 3,2 M
 - Sweden (SIDA) € 1 M
 - Germany € 1 M
- Thanked Italy for their role and contribution as WBIF SC Co-chair in 2015 and welcomed Norway as incoming WBIF SC Co-chair for 2016;
- Heard from the University of Nice about the EIB STAREBEI project.

Note: The presentations delivered in the WBIF SC meeting may be found on the WBIF website at: wbif.eu ► About WBIF ► WBIF Steering Committee, or <https://www.wbif.eu/About%20WBIF/WBIF%20Steering%20Committee>.

Appendix 1 – Information on the status of the various TA supporting WBIF

IPF 3

Launched in June 2012, IPF 3 budget has almost been fully allocated with the assignment of 25 projects, out of which seven have been completed, 17 are on-going and one is under mobilisation. The end date of activities is mid-2018 for a total budget of 22.5 million.

About EUR 290,000 are still available and IPF 3 will implement, as of January 2016, the component n° 1 of the project Support to the construction of a maximum security state prison in Bosnia and Herzegovina (EUR 270,000).

IPF 4

Launched in June 2014, IPF 4 budget has almost fully been allocated with the assignment of 17 technical assistance grants, out of which one has been completed, eight are on-going and another eight are under mobilisation. The end date of activities is 2020 and the total budget will amount to EUR 23 million.

About EUR 200,000 are still available and discussions shall take place early 2016 to determine whether IPF 4 may implement the component n° 2 of the project Support to the construction of a maximum security state prison in Bosnia and Herzegovina even though it amounts to EUR 300,000.

IPF 5

The procurement for IPF 5 is being launched for an initial budget of EUR 17.5 million, with the objective to sign the contract in June 2016. The total value of the contract will be EUR 25.5 million. However, this total amount will be reduced by project allocation from previous rounds. In round 13 grants over EUR 2 million have already been assigned to IPF 5 and under Round 14, grants totalling another EUR 12.5 million. This means that EUR 14.5 million of the total IPF 5 budget are already committed.

IPF 6

Funds for IPF 6 have been committed under the Multi-country Programme for 2015. The contract is planned to be signed in the first semester 2017 for an anticipated value of EUR 26.1 million.

IFICO: IFICO is now in its second and final year of its original assignment. Efforts are currently underway to extend the existing IFICO project for another 2 years, so that IFICO would continue until 1st quarter 2018.