

14TH MEETING OF THE WBIF STEERING COMMITTEE

Hotel Scandic, Holmenkollen, Oslo, Norway

16-17 June 2016

Minutes of Meeting

Day 1 Policy and Strategy

Welcoming and Introduction

The **Norwegian Minister for EEA and EU Affairs** (Ms Elisabeth Aspaker), welcomed the participants to the 14th WBIF SC meeting, hosted and organised by the Norwegian Government, by stressing the Norwegian commitment to the WBIF, being, in terms of contributions, the largest Bilateral Donor and hosting the WBIF SC meeting for the second time. Norway fully supports the Commission's (COM) enlargement process and ambitions and in particular the Connectivity Agenda and its importance to furthering the economic development of the region. WBIF is a unique platform where the COM, Financial Institutions, bilateral donors and the beneficiaries discuss and realise concrete investment projects and WBIF therefore becomes an even more important driver for growth. Norway is the largest WBIF bilateral donor and will continue to blend their funds through the Joint Fund of the WBIF, together with other bilateral donors. One must continue investing in projects that stimulate economic growth, increase competitiveness and employment in the Western Balkans, she emphasised.

The **Director of Western Balkans, DG NEAR** (Ms Genoveva Ruiz Calavera) thanked Norway for their encouraging words and the organisation of this event and emphasised the landmark character of this particular WBIF SC meeting. The signing of the so-called *New Methodology* documents will finally conclude a long process of intense cooperation with all parties involved, in particular the IFIs and moreover, concretely allow for the first investment grants under the Western Balkan 6 (WB6) process and the Connectivity Agenda to be disbursed. The WBIF's impact and efficiency can be demonstrated by the impressive € 3.7 billion in signed loans, with the expectation for this number to rise along the Investment Grant (IG) co-financing support. Visibility is another important aspect of WBIF and the first results of the new WBIF visibility policy are already present (Annual Report, new website, and WBIF flyer). Finally, the COM will, in the future, pay close attention to the implementation of soft measures, as those are an important part of the long term sustainability of investment projects and transposition of relevant EU policies.

Economic Outlook

EBRD (Mr Holger Muent) presented the economic outlook for the WBs. Overall, the region showed a modest recovery in 2015, with a weighted average growth rate of 2.1% for all countries. The prospects for the coming years look improved, due to the low oil prices, a better outlook for the Eurozone and the ECB's quantitative easing program. Nevertheless, the catch-up processes and potentials for the WB6

countries to EU convergence is still daunting and a number of key areas for further growth have been identified; these are: (1) Improving competitiveness, (2) attracting FDI, (3) better trade integration, (4) improving transport infrastructure, (5) exploitation of the regions energy potential and (6) innovation.

EIB seconded EBRD's view of the growth potential at the WBs and mentioned that the EIB's STAREBEI report has been disseminated and comments are invited until the end of June. The **World Bank Group (WBG)** shared their own assessment of rebounding growth and early signs of rebalancing from consumption-led to more sustainable investment and export-led growth, and added that continued commitment to tackle macro-fiscal imbalances and implement structural reforms is vital for sustaining the positive trends. The WBG has published a report, which can be found here (www.worldbank.org/eca/seerer). **CEB** mentioned that the soft measures would need (faster) implementation and stressed the importance of the "rule of law".

Update on Connectivity and the Western Balkans 6 (WB6) process

DG NEAR (Mr Morten Jung) updated the participants on the most recent WB6 developments. The focus of the last six months has been on the implementation progress of the TRA and ENE sector soft measures. These were agreed upon at the WB6 summit in Vienna, where the Prime Ministers signed up on a concrete list of deliverables until this year's summit in Paris. SEETO and the Energy Community Secretariat (ECS) supported the COM in measuring the Beneficiaries' progress to this end, which will be discussed at the WB6 Paris summit on July 4. In parallel, the progress of the 2015 round of IG projects will be reviewed and a list of 2016 projects will be presented. The progress of implementation of all measures under the Connectivity Agenda as such can be seen as a "credibility barometer" for WB6 progress, and the WBIF is an essential driver of this process. To the extent the implementation of the soft measures is concerned, the level of implementation has been somewhat disappointing. The COM offers further support to the beneficiaries. The CONNECTA project will be operational by the end of the year, for which the Connectivity Gap Analysis will prepare the ground work.

The **WBG** informed the participants about a workshop in Vienna, where the countries have discussed, *inter alia*, a draft of Joint Action Plans on Trade and Transport Facilitation in the Western Balkans, building on measures agreed at last year's high level Western Balkan Summit, including the priority "soft measures" for transport as defined in the framework of the SEETO Multi Annual Development Plan and trade facilitation measures agreed in the framework of the Western Balkans Governments' membership in the Central European Free Trade Agreement.

Bosnia and Herzegovina (BiH) stressed the importance of the Connectivity Agenda and conveyed full commitment of the BiH government to this process. The Western Balkan needs significant additional investments in the next decade, boosting economic development and creating jobs. Well-designed public investment policies and good quality projects will further the economic outcomes; to ensure this, additional capacity building efforts are needed. This is a lesson learned from a mutual endeavour of the BiH NIPAC Office and the EIB about the improvement of the project pipeline in BiH. This joint endeavour could be replicated by other IFIs and NIPACs in future, possibly under a dedicated WBIF facility. **Greece** confirmed the importance of connectivity for economic development and requested a more inclusive approach. **SEETO** reported in the concrete progress of the implementation of soft measures in the TRA sector, confirmed a "slow start" but presently gaining momentum. Regional cooperation was identified as main issue to be addressed. The **Energy Community Secretariat (ECS)** clarified that some of the soft measures, by nature, are in fact "hard" measures, for example if market unbundling is concerned.

Norwegian Perception of the Connectivity Agenda and the Berlin Process

The **WBIF SC Co-chair Norway** (Mr Haakon Blankenborg) reaffirmed Norway's commitment to WBIF and the Connectivity Agenda. Since 2009, WBIF has been a key driver for reform and economic growth in all the countries in the region and today there are tangible and remarkable achievements. The Connectivity

Agenda and the Berlin Process have revived the economies in the WB region and more progress should be made in the implementation of the soft measures, in all sectors. Important are also good neighbourly relations between the countries, which are fostered by the regular events of institutions like WBIF. Norway is looking forward to further cooperating with the WBIF and the beneficiaries in the coming years. With sometimes limited administrative and institutional capacities in the countries, it is of utmost importance that they are sufficiently supported on soft measures by targeted and efficient technical assistance. In this aspect, WBIF is an excellent mechanism providing such assistance and capacities.

European Western Balkans Joint Fund (EWBJF) General Conditions (GC) and WBIF Rules of Procedure (RoP)

DG NEAR (Ms Barbara Banki) recalled the highlights of the GC and RoP drafting process and presented the hierarchy of the new documents.

The GC govern all funds into and out of the EWBJF; as such they have been enhanced and improved, e.g. the role and tasks of the fund managers are more explicitly described. In addition, a new section has been introduced concerning the common obligations applicable to the Lead IFIs when implementing projects. This is an efficiency measure which means that individual implementation agreements per project will no longer be required to provide the legal basis for transfers from the EWBJF to the Lead IFI. These requirements have been folded into the General Conditions in section 5. The contractual relationship between the donor institution, the fund manager and the Lead IFI has been clarified in the new set up. Only three areas were identified, where bilateral agreements (COM-IFI) apply. These are reflected in the so-called Side letters to the GC which refer to the relevant bilateral implementation arrangements between the COM and the Lead IFIs with regard to the specific provisions on exclusion rules, the COM scrutiny and the management declaration.

The RoP replaces the previous Terms of Reference of the Joint Grant Facility and sets out the governance and functioning of the WBIF including eligibility criteria as well as the programming and selection of projects. The WBIF secretariat is currently working on a Vademecum that will further operationalise the RoP and serve as a guide for all stakeholders. The Vademecum will be prepared for and discussed during the SC in London in December 2016.

At the end of the meeting on 16 June, the new methodology was adopted, and a signing ceremony with the IFIs (CEB, EBRD, EIB, KfW, and WBG) was conducted where they signed the **Adherence Agreement** to the General Conditions and the **Side Letters with the Commission** (CEB, EBRD, EIB and KfW). The COM signed the first **Contribution Arrangement** for the transfer of € 138.1 million IPA allocations to the Joint Fund with the EWBJF Fund Co-Managers (EBRD and EIB) for the projects listed below. The signing for the project “Mediterranean Corridor (R2a): Bosnia and Herzegovina – Croatia Interconnection” is pending the development of the project documentation.

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

Project code	Country	Description	Investment [€m]	Grant [€m]
WBIF CF 1015 MNE ENE	MNE	Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro	127	25
WBIF CF 1003 SRB ENE	SRB	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 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

The relevant Contribution Agreements with the Bilateral Donors will be signed when they pledge new funds. Under the new arrangements, the Bilateral Donors will have better oversight over their funds as the monitoring and reporting aspects have been improved with the new system. Ultimately, with the new regime, faster deployment of funds to the beneficiaries is expected.

Both the GCs and the RoP have been disseminated, in their finite form, to the members of the WBIF SC, and adoption of these documents is sought by consensus, with effective date 16 June 2016.

Romania enquired about the formalities for becoming a WBIF member and pledging. **Norway** thanked DG NEAR, the IFIs and all others concerned for their relentless work in finalising these documents. **KfW** seconded. **Bosnia and Herzegovina** requested clarity regarding the timing, when specifically the first investment funds under WBIF 2015 will be operational, i.e. available to the beneficiaries. **DG NEAR** clarified that first tranches can be allocated as soon as all documents are signed and upon request of the fund managers and the respective GAFs will be drafted by the relevant IFIs and supported by the NIPACs as appropriate.

The 14th WBIF SC unanimously adopted the GCs and the RoP in their final format, with effective date 16 June 2016.

Update: Grant Application Form (GAF) and Guidelines

DG NEAR (Mr Wolfgang Schläger) recalled the events leading up to the first round of submission of GAFs. In this process, the COM and the IFIs supported the beneficiaries, 2 workshops were held, one to one assistance was provided, a pre-submission review took place, etc. Taking stock, a number of issues and areas have been identified for improvement. These concern a restructuring and improvement of the GAF, the introduction of a new Annex (key requirements check-list) and the development of criteria and procedures for GAF evaluation. Issues such as grant calculation and eligibility of certain types of costs will thus be clarified. The COM contemplates to organise a workshop, possibly back to back with the next Project Financiers Group (PFG) meeting in Pristina, and to discuss with IFICO if and to which extent concrete assistance is required. The GAF and the guidelines will be updated in the next period and disseminated for discussion and approval by written procedure, ahead of the official launch of the 2nd Round for IG CO-financing in September 2016.

EBRD stated that early involvement of the IFIs in the GAF preparation is essential in ensuring that the scope and financing plans of the planned investments are elaborated in parallel with internal IFI procedures for approving loan financing.

GAF Update continued: Reporting

DG NEAR (Ms Barbara Banki) continued with the update on reporting. Overall a number of reports are produced, such as the Annual Report for the wider public, the Monitoring Report (semi-annual) for the WBIF SC and PFG, the Annual Implementation Report for the Assembly of Contributors (EWBJF) and bi-monthly reports (IPF) for the WBIF Secretariat. The new GC requires under Article 3.0.3.c a report prepared by the Fund Managers containing the annual audited financial statements as well as a financial summary detailing the contributions received, disbursements made and unutilised funds returned to the EWBJF. In addition, Article 3.0.3.d requires a summary implementation report to be submitted to the Assembly of Contributors each year by 31 May containing an executive summary on the progress of the EWBJF funded projects, as well as details of problems encountered and aggregate financial data. This new report is first due in 2017 for the year 2016. Each Lead IFI will firstly deliver implementation reports, with a narrative and financial section to the fund managers, and by the end of September each year, the progress needs to be updated via the MIS.

State of Play Investment Grant (IG) Co-financing

DG NEAR (Mr Wolfgang Schläger) reported on the progress of 2015 IG projects, the so-called **Round “0”**. At the Vienna summit in August 2015, the WB6 heads of state endorsed 10 connectivity projects and signed up to the implementation of “soft measures”. At the 13th WBIF SC meeting in Paris (December 2015) 4 transport (TRA) and 4 energy (ENE) projects were approved with an IG value of € 144.9 M. The progress of implementation of these projects will be presented at the next WB6 summit in Paris on July 4. The IFIs and beneficiaries are encouraged to speed up implementation. In addition, the **1st official Round** of IG co-financing 2016 was launched. Regarding the first official call with a deadline end of March 2016, a total of 10 GAFs were received with an estimated total IG volume of € 347 million. The screening and assessment has been done regarding the technical aspects (some discussions further ongoing). One project has been withdrawn (“Corridor Vc. Construction of Motorway Section Mostar South-Pociteli”) by BiH as the project promoter. The COM made its final financing decision before the Paris Summit by taking into account, *inter alia*, the implementation of soft measures, the existence of sector strategies and other aspects. As an outcome, 3 railway projects will be presented to the WB6 summit in Paris, with a total IG volume of € 96 million, together with an additional IPA allocation of approximately € 50 million for Energy Efficiency measures.

Projects to be presented at the WB6 Summit:

Grant Code	Project title	Lead IFI	Grant requested [€M]
WB-IG01-ALB-TRA-01	Rehabilitation of railway Durres-Tirana and construction of the new railway to Rinas Branch	EBRD	35.435
WB-IG01-KOS-TRA-01	General Rehabilitation of the Railway Route 10 (Border with Serbia - Leshak - Mitrovica - Fushe Kosove - Hani i Elezit - Border with The former Yugoslav Republic of Macedonia), Phase 2: Fushe Kosove - Mitrovica	EBRD	17.200

Grant Code	Project title	Lead IFI	Grant requested [€M]
WB-IG01-SRB-TRA-01	Modernization of the single-track railway line Nis - Dimitrovgrad - Bulgarian border, Section Sicevo - Stanicenje - Dimitrovgrad	EIB	43.640
Total			96.275

The timeline and new methodology for the 2016 IG were disseminated. The **2nd Round** for IG co-financing will be launched in September 2016, via the written procedure, with a submission deadline by the end of the year, followed by one month (end of January) period for the IFIs to endorse the applications. Screening and Assessment will then follow and stock will be taken along the WBIF summer semester events (PFG and SC), approval of these projects will be at the 17th WBIF SC meeting in December 2017 in Luxembourg.

With the drafting of the Vademecum, criteria for cancellation of IG co-financing will be proposed and submitted to the next WBIF SC meeting for endorsement.

Bosnia and Herzegovina (BiH), referred to absence of BiH transport projects proposed to the Paris Summit and informed about country's recent advancements with regards to TRA strategy. BiH expects the TRA strategy to be adopted after the Paris Summit and requested that the COM and the WBIF SC take note of the progress achieved (adoption of the TRA strategy and preparation of mature priority projects) over the last months and requested additional time and flexibility for BiH projects under Round 1.

Bosnia and Herzegovina also informed, in reply to the lack of implementation progress of the *Mediterranean Corridor (R2a): Bosnia and Herzegovina – Croatia (Gradiska bridge) project*, approved under WBIF IG Round "0" in 2015 over € 6.7 million, that BiH has delivered their part and are waiting for the Croatian side to send an updated EIA for review. In this respect, BiH requested the COM to assist in facilitating the pending issues in trilateral format as to ensure timely implementation of these funds. **KfW** reported on the progress on their transboundary projects and announced that a grant agreement will be signed with Montenegro for the *Trans-Balkan Electricity Corridor (I): Grid Section in Montenegro project*. **The former Yugoslav Republic of Macedonia** requested if they could receive information as to why their project *Railway Corridor VIII section Beljakovce – Kriva Palanka*, despite being mature and of high priority, was not selected.

The **WBG** underlined their continued interest in participation in the IG Co-financing in the future. **Austria** requested clarity on the cancellation criteria. **Greece** enquired about the nature of the "Paris summit" project approval. The **ECS** appreciated the allocation of additional funding from IPA for Energy Efficiency measures, and requested that this additional funding be accompanied with strong policy measures. **EIB** questioned why only three projects were selected this year. **Serbia** confirmed the need for additional capacity building for the IG Co-financing. **Germany** enquired about the potential impact of the IPA mid-term review on allocations for WBIF.

Norway (Mr Olav Reinertsen) presented to the WBIF SC the position of the Bilateral Donor community (BD); the BDs acknowledge the importance of the connectivity agenda as part of the WB6/Berlin process. The BDs would like to pursue the opportunity to also co-finance ENV and SOC projects under the WBIF. As long as European Commission's IPA funds can only be used for connectivity projects, such co-financing can only be financed by the BD, via the EWBJF. In order to avoid earmarking of funds, the BD requested (and received) from the WBIF Secretariat / IFICO a list of the most mature and relevant ENV/SOC projects based on the SPPs at the beneficiaries. As announced at the 21st PFG in Brussels, the beneficiaries are encouraged to also submit ENV/SOC project proposals as part of the 2nd Round of IG Co-financing,

within the eligibility framework, only high priority and mature projects and within the financial limitations of the EWBJF bi-lateral donors' contributions.

DG NEAR replied that the issue with BiH and Croatia will be followed up and that cancellation criteria will be proposed with the Vademecum. Given the limited funds available in IG Co-financing Round 1 not all mature projects could be supported. The adoption of the relevant national sector strategies is and remains a pre-condition for IG Co-financing in Round 1 and in future. The Paris Summit "endorsement" is to be seen as political commitment, while the WBIF SC formally approves the projects eligible for IG co-financing. The amounts available for IG Co-financing are only for high priority and mature projects and the yearly allocation is "up to € 150 million" as an average in the context of the € 1 billion pledged by COM over 2015-2020. The potential impact of the IPA review cannot, at this stage, be predicted.

In addition, **DG NEAR** thanked the Norwegian WBIF SC Co-chair and their respective efforts within the BD community and looks forward to receiving sufficiently pledges enabling IG Co-financing also in the ENV and SOC sectors.

Grant Submission Modus Operandi and WBIF Key Dates

DG NEAR (Mr Wolfgang Schläger) introduced the proposed revision to the grant submission. At the 21st PFG in May in Brussels and the continued uneven quality of applications has been tabled for discussion. Amongst other measures a revised submission modus was proposed. Concretely, for the Technical Assistance projects, the following sequence is suggested: the NIPACs enter into a dialogue with the IFIs well ahead of the submission deadline; at least two weeks ahead of the submission deadline, the NIPAC applies to the WBIF Secretariat, for a preliminary project code (and the MIS or IFICO will issue this code). Then, the NIPAC submits the technical assistance applications (PGAFs) at the traditional submission deadline, followed by a second deadline, which is for the IFIs to endorse these applications.

The WBIF key dates are proposed as follows:

- | | |
|---|----------------------------------|
| • Dialogue NIPAC & WBIF stakeholders | 2 - 3 months prior to submission |
| • NIPAC pre-submission notification to WBIF Secretariat | 12 August |
| • IFICO issues preliminary project codes to NIPACs | 19 August |
| • NIPAC submission deadline | 02 September |
| • IFI endorsement deadline | 09 September |
| • Screening | 09 - 29 September |
| • Paris group in BRU | 30 September |
| • Assessment | 03 - 28 October |
| • PG and 22 nd PFG in Pristina (Co-chair EBRD) | 08 - 09 November |
| • 15 th WBIF SC meeting in London | 15 December |

Regarding the submission modus for the GAFs under Round 2 IG Co-financing, two main lessons learned from the previous round/s are (a) the timing was challenging and (b) the GAFs as such merit improvement (both formal ambiguities and submission quality). The programming for Round 2 IG Co-financing is proposed as follows:

- Launch of 2 Round of IG Co-financing by written procedure in September 2016;
- GAF submission deadline by the end of the year 2016;
- Screening and Assessment until the summer - 16th WBIF SC meeting;
- Approval by the 17th WBIF SC meeting in Luxembourg in December 2017.

Regarding the GAF improvement, the COM encourages the NIPACs to involve IFIs, EUDs (and other relevant stakeholders) as early as possible into the application process; specific assistance can be made available upon request to the COM / WBIF Secretariat and the updating of the GAF and guidelines will be

completed in September 2016. DG NEAR also considers a dedicated slot on this issue at the 22nd PFG in Pristina (early in November), and/or a dedicated seminar (half day) back to back with the PFG.

Norway enquired if the submission will be done via the MIS. **IPF 4** enquired if relevant IPFs are being involved in the screening of PGAFs. **DG NEAR** replied that the MIS will be fully functional by the end of the summer and thus, both the PGAFs and the GAFs (by the end of the year) are to be submitted via the MIS. Relevant IPFs might be involved in the screening. This will be subject to further deliberation.

The WBIF SC unanimously adopted the amended grant submission modus for Technical Assistance and the extended submission modus for Investment Grants, together with the key dates.

Economic Reform Programmes (ERPs)

DG NEAR (Mr Oliver Klabunde) reported on strong ties and overlaps between WBIF support to infrastructure projects in the Western Balkans and the annual exercise on the medium-term Economic Reform Programmes of the Enlargement countries. Since 2015 all Enlargement countries are subjected to the ERPs, reflecting similar developments in the EU (European semester).

The ERP follows a clear structure, with section 4 on structural reform needs under the responsibility of DG NEAR (and DG EMPL) and the rest under the responsibility of DG ECFIN. Section 4 identifies key obstacles to more competitiveness, higher growth rates and inclusive development by using a 9 key areas covering diagnosis. These 9 key areas cover more or less the whole economy. Following this identification process the respective country is requested to develop and prioritise 15-20 reform measures, to analyse their respective budgetary implications and to discuss this programme with all national stakeholders.

The process starts with the publication of the COM's annual guidance note on the recommended structure and the necessary content of the ERP in June. The final COM assessment(s) serve as the base for discussions in the respective Council formations (EFC, EPC, EMCO) – in order to prepare and agree on proposals for Joint Conclusions. All this leads to the ministerial dialogue between EU and enlargement countries in the course of the ECOFIN meeting May, with the adoption of Joint Conclusions.

The main findings of the 2016 ERPs show that economic growth prospects are improving, but growth expectations are subject to downside risks. The Fiscal consolidation is ongoing, but debt stabilisation is still to be achieved. Transparent budgeting, stronger medium-term fiscal frameworks and the introduction of fiscal rules are still needed. Market economy reform plans vary in terms of quality. An imbalance between large-scale infrastructure projects and reforms to overcome structural weaknesses is noted. Labour market performance is poor.

Objectives for the future include finding the individual right balance between structural reforms and infrastructure investments as well as exploring and making use of synergy effects between different approaches. The interface between Investments and Structural reforms, the interface between ERPs and WBIF, is to reach a high level of infrastructure projects that contribute to market reforms, in order to safeguard long-term sustainable growth.

EIB confirmed the need for structural reform and recommended regional coordination to this end. **EBRD** questioned if there were concrete implementation plans. The **WBG** stated their willingness to collaborate on structural reforms with WBIF. **Austria** enquired if and where the assessment will be published. **DG NEAR** replied that the countries are drawing up their action plans and are required to implement their actions against a timeframe, the COM will monitor the implementation of recommendations for priority measures as agreed in the Ministerial dialogue. The assessment will be published towards the end of June 16 (http://ec.europa.eu/economy_finance/publications/index_en.htm)

Visibility and Communication

DG NEAR (Mr Morten Jung) reminded the participants of the so-called “Enhanced Cooperation Agreement”, outlining, amongst other issues, how the IFIs and the COM (in coordination with beneficiaries) will join efforts, cooperate and coordinate their efforts regarding “Communication and Visibility” and the need for advance planning of any future visibility events, so that WBIF and the COM are represented appropriately.

The **WBIF Secretariat** (Mrs Stine Andresen) informed the participants on the latest actions and developments regarding visibility. WBIF has a new, enhanced website, which is up and running and will be further populated with news and pictures over the coming weeks; there will be new sections, such as downloadable country and sector pages. Once fully up and running, the website will also interact with the MIS and show the latest data. The MIS technical assistance modules are fully operational, the GAF related modules will follow the finalisation of the GAFs and will be operational well in time for the submission deadline by the end of the year. A new Annual Report has been produced and disseminated, and it is also available on the website. A give away flyer has been printed and will be used at visibility events.

Signing Ceremony

The WBIF SC representatives of DG NEAR and the IFIs signed the Adherence Agreements, the Side-letters, and the Contribution Arrangement with the European Commission with effect 16 June 2016.

Day 2 Project Oriented Session

1st Project oriented session – Monitoring Report

DG NEAR (Mr Wolfgang Schläger) stated that the WBIF SC took note of the 21st PFG request to present, in addition to the “traditional review” also the general “progress” of the WBIF project pipeline. In order to measure progress, start and end dates are needed, even if only as estimates (and those can be updated via the MIS). The result will be a list of projects that are delayed and can therefore be discussed for cancellation. Following the 13th WBIF SC meeting in Paris, the WBIF Secretariat and IFICO have met with all IFIs (except the WBG) and reviewed their portfolio. This exercise was seen as very useful and should be repeated. Article 4.6.2 RoP require the PFG to receive the semi-annual Monitoring Report and Article 6.2.1 puts the burden of extracting the Monitoring Report from the MIS to the WBIF Secretariat. A new chapter, showing the progress of the projects (also delays) should be added to the Monitoring Report, details will be further discussed.

IFICO (Mr Steven van der Touw) presented the key data from the Monitoring Report as well as an overview of general progress of the WBIF project pipeline.

Based on the Monitoring report as well as “IFI Portfolio review meetings”, held by the WBIF Secretariat with the individual IFIs during spring, the progress of the projects was reviewed. The overall progress can be considered positive with several older Grants moving to finalisation in 2016. Two (2) grants which were proposed for cancellation (see below). The Grant WB14-SRB-ENE-01 (TA for 400 kV OHL Obrenovac – Bajina Basta) was put on hold pending the development of the financing structure, while the funds remain reserved for this Grant.

Grants for cancellation:

Grant Code	Grant description	IFI	Grant amount approved [€]	Remaining balance [€]	EWBJF / IPF
WB7-HR-SOC-04	Student Accommodation Infrastructure at universities of Rijeka and Osijek	EIB	2,800,000	2,600,000	EWBJF
WB8-BIH-ENV-29	Optimisation of sewage collectors and wastewater treatment plants in Modrac Lake basin	EBRD	1,000,000	600,000	EWBJF
Total			3,800,000	3,200,000	

EBRD (Ms Caroline Clarkson) briefly reported on the availability of funds of the EWBJF. Two projects were cancelled releasing €3.2 million to the EWBJF for allocation to new projects. For Croatia (WB7-HR-SOC-04) a certain part of the work was carried out and EIB is requested to provide details, currently leaving an unused balance of € 2.6 M. For BiH (WB8-BIH-ENV-29), a Feasibility Study was carried out before the investment project was cancelled utilising EUR 0.4 M and leaving an unused balance of € 0.6 M. EWBJF funds available for allocation in this round total € 6.6 M. The audited financial statement for the year ended 2015 were circulated ahead of the WBIF SC as part of the background documents.

DG NEAR (Mr Wolfgang Schläger) summarized the overall availability of funds.

Source	In € M including IPF6
EWBJF (including cancellations)	6.60
IPF 3	0.13
IPF 4	0.23
IPF 5	6.60
IPF 6 (Jan 17)	21.5
Sub-Total EWBJF	6.60
Sub-Total IPF	28.46
Total	35.06

The WBIF SC endorsed the cancellation of WB7-HR-SOC-04 and WB8-BIH-ENV-29 and confirms the EWBJF available balance of € 6.6 Million and noted the overall availability of € 35.06 Million (before approvals in the 2nd Project oriented session).

2nd Project oriented session – WBIF Projects Approval (Round 15)

The WBIF Co-chairs of the PFG (Mr Wolfgang Schläger DG NEAR and Mr Massimo Cingolani, EIB) presented positively screened and assessed projects received in reply to the 15th Call launched at the 13th WBIF SC meeting in Paris. During the 21st PFG meeting in May in Brussels, 18 projects with an overall value of € 22,750,834 were endorsed and are presented to the members of the WBIF Steering Committee for approval as per the table below.

Grants for Round 15:

Project ID	Abbreviated project name	Sector	Country	IFI	Budget (EUR)	IPF/ JF
ALB-ENE-001	Albania Kosovo Gas Pipeline	ENE	ALB	EBRD	300,000	IPF
MULTI-ENE-001	Ionian Adriatic Gas Pipeline, MNE and ALB	ENE	MULTI	EBRD	2,500,000	IPF
MULTI-ENE-002	REEP PLUS	ENE	MULTI	EBRD	1,800,000	JF
MNE-ENV-005	WWTP Podgorica	ENV	MNE	KfW	1,145,834	JF
SRB-ENV-002	WWTP Novi Sad	ENV	SRB	EIB	1,000,000	IPF
MKD-SOC-002	Hospital Skopje and Shtip	SOC	MKD	CEB	1,400,000	JF
SRB-SOC-001	Post-earthquake housing Kraljevo	SOC	SRB	CEB	300,000	JF
ALB-TRA-001	Railway Vora - Hani Hotit (MNE)	TRA	ALB	EBRD	800,000	IPF
KOS-TRA-001	Railway Route 10 Mitrovica - Lesak – Serbia	TRA	KOS	EBRD	1,300,000	JF
MKD-TRA-001	Motorway section A2 Gostivar - Kichevo	TRA	MKD	EBRD	2,000,000	IPF
MKD-TRA-003	Railway Tabanovce - Gevgelija, Signalling and ETCS	TRA	MKD	EBRD	500,000	IPF
MKD-TRA-004	Railway Skopje - Kicevo	TRA	MKD	EBRD	300,000	IPF
MKD-TRA-005	Railway line Tabanovce-Gevgelija GSM-R system	TRA	MKD	EBRD	300,000	IPF
MNE-TRA-002	Highway Bar - Boljare, section Matesevo - Andrijevica	TRA	MNE	EBRD	3,100,000	IPF
MNE-TRA-003	Highway Bar - Boljare, bypass Podgorica	TRA	MNE	EBRD	2,390,000	IPF
SRB-TRA-002	Highway E-80 Kosovo - Plocnik	TRA	SRB	EIB	2,195,000	IPF
MNE-ENV-002	Wastewater & water supply 12 municipalities	ENV	MNE	EIB	540,000	IPF
SRB-SOC-004	High Education Infrastructure	SOC	SRB	EIB	880,000	IPF

For the projects MNE-TRA-002 and MNE-TRA-003 there are still pending clarifications regarding Montenegro's borrowing capacities, investment cost estimates and prioritization of investments which need to be provided before the final approval of these grant applications.

The WBIF Steering Committee took note of the 21st PFG recommendations regarding the projects. For the two projects in Montenegro (MNE TRA 002 and MNE TRA 003) outstanding issues will be clarified and submitted if possible via written procedure or at the next WBIF SC. The WBIF Steering Committee approved the above mentioned 16 (+2 on hold) Round 15 projects, for an overall grant allocation of € 22,750,834. The respective Grand Award Notifications will be sent out in the coming weeks.

3rd Project oriented session – Next rounds

DG NEAR (Mr Wolfgang Schläger) proposed to launch a restricted Round 16, due to the limitation in available funds. Projects can therefore be submitted under the new submission modus, if they are of high priority, the PGAF of high quality, endorsed by an IFI and unblocking existing projects. Transport project, in addition will need to relate to the Core and not Comprehensive Network. The 16th Round would further be capped by the availability of funds.

Bosnia and Herzegovina requested, given the recent advances in the adoption of sector strategies, a clarifying letter with eligibility instructions by WBIF Secretariat for the next Round of TA, within 2 weeks following the 14th SC meeting. In addition, BiH reiterated the very positive outcome of a most recent capacity building joint (pilot) project of the EIB, where the BiH NIPAC seconded a representative to the EIB. Similar capacity building schemes under the WBIF would be welcomed by all NIPACs and a joint project application might be submitted. **EIB** and **CEB** stated that Bosnia and Herzegovina should be able to submit projects in the next round. **DG NEAR** replied that the adoption of national sector strategies will be required for the projects to be assessed and screened, and a clarifying letter will be issued to Bosnia and Herzegovina.

The WBIF Steering Committee endorsed the launch of Round 16 under the new submission modus, with restricted eligibility: (a) unblocking of existing projects, (b) high priority and high quality of the PGAFs and (c) transport projects must relate to the Core Network.

The **Norwegian WBIF SC Co-chair** (Mr Olav Reinertsen) reiterated the importance of co-financing of ENV and SOC projects, and called for a *tour de table* to gauge the willingness of the Bilateral Donors to pledge at the 15th WBIF SC meeting in December. The following Bilateral Donors indicated their willingness to pledge (in alphabetical order): AUT, GER, ITA, NOR, SWE and the invited French and Romanian representatives also indicated their wish to join WBIF and their interest for a pledge. All Bilateral Donors emphasised the importance of progress on reporting and visibility materials.

Bosnia and Herzegovina expressed appreciation for bilateral donor pledges and support, and requested clarity on eligibility criteria for the ENV and SOC sector IG co-financing projects.

Update on COM Technical Assistance

DG NEAR (Mr Wolfgang Schläger) reported on the progress of IPF 3 and 4; both projects are almost fully committed, with only some spare funds available. The EIB informed that IPF 5 was recently awarded, and the anticipated start-up date is in July 2016. The procurement for IPF 6 is under way, with an expected start-up date in January 2017. COM announced that the procurement notice for CONNECTA has been launched. Tender will be in fall 2016, with an expected project launch towards the end of the year.

IPF 3 (Mr Gordon Lamond) reported on the progress of the Regional Connectivity Gap Analysis which addresses the most important transport and energy interconnections within the Western Balkans and with the EU. The project is split into two phases, a stock-taking scoping phase, where 93 project fiches have been produced.

DG NEAR (Mr Wolfgang Schläger) reported on the regional hydropower master-plan, which was proposed by the European Commission on the occasion of the WB6 meeting of Energy and Transport Ministers in Brussels on 1 March (in response to a request from Montenegro and others). The study will identify the scope for additional plants in the region, as well as upgrades/rehabilitation of existing capacity as a first line of investments. It will take into account technical, economic and environmental aspects. It will also consider the framework in which investments take place in the Balkans, including how to stimulate such investments. The scoping phase has just been initiated and should also be completed ahead of the Paris Summit. It will be followed by the development of a full master-plan, combined with a series of regional and national workshops. Additional funding is required, which is estimated at € 1 M, and which were put forward to WBIF SC approval for ad-hoc TA measures under the IPF3.

KfW welcomed that the EU has swiftly supported the proposals of the EnC Renewable Energy Coordination Group to develop a Hydropower Master Plan for the WB6. Against the background of an outdated and isolated hydropower planning in the WB6 countries, KfW sees an urgent need for a more integrated view on hydropower development in order to mitigate the impact on the water ecosystems. KfW is willing to support the study comprehensively. KfW however suggest involving civil society (e.g. environmental NGOs) at an early stage in order to get support of a large number of stakeholders especially regarding the sustainable application of environmental and social standards and principles.

*The **WBIF SC approved** the hydropower-master plan preparations and related additional €1 million funding from IPF3.*

In addition, **DG NEAR** informed that the COM intends to launch a Rio Markers review exercise for the WBIF TA and co-financing grants. This exercise will review the Rio markers indicated in the applications and verify that they have been applied with consistency by all IFIs. These data will then be aggregated by sector, IFI, etc. The EC has the commitment to use 20% of its global budget for climate related action and this applies to the 2014-2020 budget; therefore, the scope of the exercise concerns the projects financed under IPA II, in other words part of IPF 4 portfolio and all projects to be implemented by IPF 5 and IPF 6.

The **WBG** (Mr Alexander Rowland) reported on the findings of the Gas to Power study, with the option of an integrated regional gas market and the utilisation of PPP schemes. The interim findings were presented to the 13th WBIF SC, which showed that gas market at the WBs lacks competitiveness. The study is currently analysing local aspects, such as the options for energy rich Albania. An updated version of the study can be made available.

The **WBIF SC Co-Chairs** thanked the participants of the 14th WBIF SC meeting for the successful outcome. The **WBIF SC** thanked the Norwegian Co-chair for organising and hosting of this event.

Annex 1: Executive Acts of 14th WBIF SC Meeting¹

The following section summarizes the executive acts of the WBIF SC meeting, and includes, adoptions, approvals and endorsements (as applicable):

Summary Table: EXECUTIVE ACTS, APPROVALS & ADOPTIONS - 14th WBIF SC, 16 – 17 June 2016	
Documentation	
WBIF General Conditions	As attached.
WBIF Rules of Procedure	As attached.
GAF & Guidelines	As attached.
Grant submission modus and dates for TA and IG	As per these minutes.
Cancellations and EWBJ JF balance	As below and these minutes.
Hydropower-master plan preparations IPF 3	As per these minutes.
Launch of restricted Round 16	As per these minutes.

TA PROJECTS APPROVED for IMPLEMENTATION - 14th WBIF SC, 16 – 17 June 2016			
Project ID (as per PGAF & MIS)	Abbreviated project name	Lead IFI	Grant approved [€]
ALB-ENE-001	Albania Kosovo Gas Pipeline	EBRD	300,000
MULTI-ENE-001	Ionian Adriatic Gas Pipeline, MNE and ALB	EBRD	2,500,000
MULTI-ENE-002	REEP PLUS	EBRD	1,800,000
MNE-ENV-005	WWTP Podgorica	KfW	1,145,834
SRB-ENV-002	WWTP Novi Sad	EIB	1,000,000
MKD-SOC-002	Hospital Skopje and Shtip	CEB	1,400,000
SRB-SOC-001	Post-earthquake housing Kraljevo	CEB	300,000
ALB-TRA-001	Railway Vora - Hani Hotit (MNE)	EBRD	800,000
KOS-TRA-001	Railway Route 10 Mitrovica - Lesak – Serbia	EBRD	1,300,000
MKD-TRA-001	Motorway section A2 Gostivar - Kichevo	EBRD	2,000,000
MKD-TRA-003	Railway Tabanovce - Gevgelija, Signalling and ETCS	EBRD	500,000

¹ A comprehensive list of executive acts, project approvals and cancellations is currently underway and will be circulated as soon as possible.

MKD-TRA-004	Railway Skopje - Kicevo	EBRD	300,000
MKD-TRA-005	Railway line Tabanovce-Gevgelija GSM-R system	EBRD	300,000
SRB-TRA-002	Highway E-80 Kosovo - Plocnik	EIB	2,195,000
MNE-ENV-002	Wastewater & water supply 12 municipalities	EIB	540,000
SRB-SOC-004	High Education Infrastructure	EIB	880,000
	Hydropower Master Plan for the WB6	IPF3	1,000,000
TOTAL:			18,260,834

TA PROJECTS APPROVED and "ON HOLD" pending CLARIFICATION - 14th WBIF SC, 16 - 17 June 2016			
MNE-TRA-002	Highway Bar - Boljare, section Matesevo - Andrijevica	EBRD	3,100,000
MNE-TRA-003	Highway Bar - Boljare, bypass Podgorica	EBRD	2,390,000
TOTAL:			5,490,000

List of IG CO-FINANCING PROJECTS - 14th WBIF SC, 16 - 17 June 2016			
Project ID (as per GAF & MIS)	Project Title	Lead IFI	Grant requested [€M]
	n/a		
TOTAL:			

Cancellations and Modifications:

The following budgetary decision regarding existing projects has been taken:

- **Cancellation** of WB7-HR-SOC-04, EIB, Student Accommodation Infrastructure at universities of Rijeka and Osijek, the unused balance of € 2,600,000 will be returned to the EWBJF;
- **Cancellation** of WB8-BIH-ENV-29, EBRD, Optimisation of sewage collectors and wastewater treatment plants in Modrac Lake basin, the unused balance of 600,000 will be returned to the EWBJF.
- **Clarification** by EIB about Croatia WB7-HR-SOC-04 on progress and the usage of funds to date.

Annex 2: Glossary

ALB	Albania
AUT	Austria
BD(s)	Bilateral Donor(s)
BiH	Bosnia and Herzegovina
CEB	Council of Europe Development Bank
COM	European Commission
CONNECTA	Connectivity Technical Assistance Facility
DG ECFIN	Directorate General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs
ECS	Energy Community Secretariat
EEA	European Economic Area
EFC	Economic and Financial Committee
EIB	European Investment Bank
EMCO	Employment, Social Affairs and Inclusion Committee
ENE	Energy Sector
ENV	Environment Sector
EPC	Economic Policy Committee
ERP(s)	Economic Reform Programme(s)
EU	European Union
EUD(s)	European Union Delegation(s)
EWBJF	European Western Balkans Joint Fund
FDI	Foreign Direct Investment
GAF	Grant Application Form
GC	WBIF General Conditions
GER	Germany
HR	Croatia
IFI(s)	International Financing Institution(s)
IFICO	IFI Coordination Office
IG	Investment grant, co-financing support
IPA	EU Instrument for Pre-Accession Assistance
ITA	Italy
IPF	Infrastructure Project Facility
KfW	KfW Entwicklungsbank (KfW Development Bank)
KOS	Kosovo
MIS	Management Information System
MKD	The former Yugoslav Republic of Macedonia
MNE	Montenegro
MULTI	Regional, more than one beneficiary
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NOR	Norway
PGAF(s)	Project Grant Application Form(s)

PFG	Project Financier's Group
PPP	Public-Private Partnership
REEP	Regional Energy Efficiency Programme
RoP	WBIF Rules of Procedure
SC	Steering Committee
SEETO	South East Europe Transport Observatory
SOC	Social Sector
SPP	Single Project Pipeline
SRB	Serbia
STAREBEI	Research Project - Investment for Growth and Development in the Western Balkans
SWE	Sweden
TA	Technical Assistance
TRA	Transport Sector
WB6	Western Balkans 6
WBG	World Bank Group
WBIF	Western Balkans Investment Framework
WWTP	Waste Water Treatment Plant