

## 15<sup>TH</sup> MEETING OF THE WBIF STEERING COMMITTEE

EBRD HQ, Exchange Square, London, United Kingdom

15 December 2016

### Minutes of Meeting

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*[Please note changes to the original agenda:* the following agenda points were cancelled: WBIF Monitoring Report, Visibility (information to be provided in written format) and the Green for Growth Fund (presentation done by KfW). Some agenda points were moved forward, these MoM reflect the sequence of the agenda points.]

#### Welcoming and Introduction

**EBRD** (Mr. Pierre Heilbronn, Vice President, Policy & Partnerships) welcomed participants to the 15<sup>th</sup> WBIF SC meeting, by highlighting the impressive scale of cooperation amongst the WBIF stakeholders, jointly promoting and implementing reforms and showing an ever increasing level of cooperation with each other. The WB6 process, co-initiated by the EBRD, is now showing the first concrete impacts and results following the establishment of the NICs where large scale infrastructure projects are discussed by the beneficiary governments and prioritised via the Single Project Pipelines (SPPs). The EBRD has contributed to the reform progress in the Western Balkans and is today the largest institutional investor in the WB6. Finally, on behalf of all WBIF stakeholders, Mr Heilbronn welcomed France, as a new contributing Bilateral Donor and member of the WBIF.

The **WBIF SC Co-Chair, DG NEAR** (Mr Morten Jung, Head of Western Balkans Regional Cooperation and Programmes Unit) also welcomed the participants to this event, by mentioning that the WBIF has matured over the years. It is now ready for expansion and new aspects can be taken into account, such as the new focus on Energy Efficiency and the deepening of regional cooperation in the Western Balkans, facilitated by their EU preparations and perspective. The new methodology documentation has been implemented and activated, and the WBIF is now a “fit for purpose” platform. The conditionalities for EC INV Co-financing remain unchanged and will be enforced. The coming year, 2017, should focus on implementation and visibility of results, for which additional joint efforts are needed.

**The WBIF SC Co-Chair, DG NEAR** (Mr Olav Reinertsen, Ministry of Foreign Affairs, Norway) welcomed the participants on behalf of the Norwegian co-chair, by reiterating the highlights of 2016, the signature of the WBIF General Conditions and the Rules of Procedure at the 14<sup>th</sup> WBIF SC meeting in Oslo, the improvements to WBIF’s management and visibility tools such as the new MIS, website, Annual Report, and perhaps most importantly, the now structured

involvement of the Bilateral Donor (BD) community at all WBIF levels. All this has led to an increased interest in the WBIF in the capital cities. The WBIF is seen as an excellent, transparent and accountable mechanism for the allocation of donor funds and targeted support. The WBIF SC Co-chair ensured the WBIF stakeholders of the increased and continued support of the BD community, in particular their interest in INV Co-financing of the non-connectivity sectors, environment and social.

## **Economic Outlook in the region**

**EBRD** (Peter Sanfey, Deputy Director, Country Economics and Policy) presented the Economic Outlook for the WB6 countries, with all countries showing economic recovery to pre-crisis levels. Growth is expected, increasing from 2.2% in 2015 to 2.7% in 2016 and 3% in 2017. The reasons for this growth are found in the stable macro-economic situation, low inflation (negative in some countries), and the decline of the non-performing loan ratio. The priorities in the coming period and common challenges for all countries include the tightening of fiscal discipline, the commercialization of the energy sectors, regional cooperation and financial sector stability.

## **Energy Efficiency & Renewables in WB6**

### **(i) Evolution of EU Strategy, Policy and Investment**

**DG NEAR** (Katarina Mathernova, Deputy Director General, DG NEAR) emphasised the need for higher level, proactive discussion at the SC and noted that the WBIF should act going forward as a strategic umbrella across three sectors: (a) traditional infrastructure development including the Connectivity Reform Measures (CRM); (b) energy efficiency & renewables; and (c) private sector development targeting SMEs.

During the WBIF's first years of operation the main focus was on building an infrastructure pipeline and providing technical assistance to mature these projects. Since 2014, the WBIF has moved towards co-financing investment projects, whereby COM remains committed to contributing up to € 1 billion in IPA II funding for the co-financing of key infrastructure projects until 2020. While the Commission supports technical assistance to projects in all eligible sectors, the investment co-financing from regional IPA II is only available for connectivity projects in the transport and energy sector where national sector strategies exist and where there is adequate progress in the implementation of the CRM.

Whilst the efficient implementation of infrastructure projects is the DNA of WBIF, the “business enabling environment” has grown in importance. The development of the private sector should feature more prominently in strategic discussions about our collective work in the region. In this regard, the WBIF's strategic orientation already extends to Energy Efficiency and Renewables (REEP, GGF) on the one side and private sector development (EDIF, EFSE) on the other. In particular, the COM was interested in hearing the WBIF Stakeholder's view on the new potential widening of the strategic scope of WBIF to cover and also cater for SME development.

The participants welcomed the initiative. **EBRD** (H Muent) welcomed the opportunity to use the WBIF SC to share ideas and evolve thinking at the higher level. **EIB** (M Cingolani) expressed a word of caution on the use of conditionality, which is useful if it increases the likelihood of a project being realised, as in this case it reduces uncertainty on its implementation; on the other hand, it could be detrimental if it increases uncertainty, for instance if it results in unforeseeable administrative interferences. Indeed, the benefits from the policy cooperation

undertaken under the WBIF, result from the identification of a pipeline of common priority projects defining a possible common future for the region, on which the expectations of the private sectors can be anchored. This reduces overall uncertainty and thus increases private sector investment, particularly for SMEs. The STAREBEI study illustrates different possible scenarios in this regard. **Montenegro** (A Andrija Pejović) mentioned that the MNE SPP covers the main four WBIF sectors, and that a better approach for INV Co-financing of ENV and SOC sectors would be preferred, proposed considering ICT and digital infrastructure in future; and requested clarification on the priorities for the upcoming WB6 summit. **The former Yugoslav Republic of Macedonia** (O Kaljosevska) welcomed the inclusion of SME, and a future focus on ICT sector as well, as this would connect the local business markets with the EU markets. **Norway** (O Reinertsen) welcomed the discussion and underlined the importance of a balanced WBIF approach for all four sectors, and confirmed that parts of the BD's contributions will be used for INV Co-financing of ENV and / or SOC projects. To this end, Norway announced that the COM is inviting the BD community for a workshop on the "safeguarding of BD contributions for ENV and SOC projects" in February 2017, in Brussels. **EIB** (M Rivellini) seconded Norway's balanced approach and announced EIB's launch of the "Economic Resilience Initiative" with which the EIB plans to increase its investment and blending into social sector projects in the WB. **Bosnia and Herzegovina** (N Saračević) mentioned that the delivery of projects under the Connectivity Agenda is challenging and called for increased involvement and the support of the Regional Organisations in the implementation of the regional SPP; the support of the BD's is welcomed and requested clarification on (a) the safeguarding mechanism and (b) confirmation that the beneficiaries can apply for INV Co-financing also in the ENV and SOC sectors (in the current Round 2). **CEB** (S Sellen) reiterated the importance of the SOC sector, by reminding the audience of the statement made at the 22<sup>nd</sup> PFG whereby the SOC sector is "well performing" and requested that the SOC sector be eligible for INV Co-financing.

**DG NEAR** (K Mathernova and W Schläger) confirmed that the COM takes note of the request for INV Co-financing of the ENV and SOC sector projects. ENV and SOC sector projects can be co-financed from the BD envelope and through national IPA contributions. She further made reference to the COM financed and the CEB implemented Regional Housing Program. The ENV sector would benefit from additional studies as maturing of ENV projects traditionally takes longer than in other sectors. DG NEAR also recommended to further discuss the issue of inclusion of new SOC sector key themes at the next December WBIF SC meeting, which coincides with the publication of the first results of the EIB Resilience Initiative and where the CEB managed Regional Housing Programme could also be present.

## **(ii) Regional Energy Efficiency Program (REEP/REEP Plus)**

EBRD (P Teremetsky) presented an overview of REEP, launched with the support of the EU, SIDA and the WBIF in 2009, as a comprehensive programme aimed at catalysing and supporting the energy efficiency market and investments in the Western Balkans. REEP is made up of 3 windows; window 1 addresses the policy dialogue and ESCOs, windows 2 and 3 address intermediate and direct financing for local FIs, public and private borrowers with grant components for TA and investment incentives. Under window 1, 5 ESCO projects have been tendered and are under implementation, 6 ESCO projects are under preparation for tender early in 2017, and another 23 projects are under preparation, with a potential CAPEX of € 53 M. Under window 2, 259 sub-loans have been signed for over € 67 M, resulting in an annual primary energy saving of 462 GWh, the equivalent to half of the residential and transport-related primary

energy consumption of Podgorica. Under window 3, 5 RE projects have been financed for a total of €22.1m, resulting in an additional 19.6 MW of renewable energy capacity installed, equivalent to the annual electricity needs for street lighting in Sarajevo, Tuzla and Mostar (all BiH) combined. Under REEP Plus a new residential facility will be launched under window 2; in addition, window 4 will be introduced for direct lending to municipalities and municipal entities to focus on energy efficiency in public buildings stock. In total, € 158 M of funding will be channeled through REEP Plus. The program is expected to contribute about 4% towards regional cumulative annual NEEAP targets.

**Green for Growth Fund<sup>1</sup>:** *KfW* (C Tiskens) informed the participants about the main features of the GGF. The GGF started in 2009 and is a Public Private Partnership (PPP), with EIB and KfW partnering on the financial side. The focus is Energy Efficiency and Renewable Energy by providing TA and financial support to commercial banks. GGF has 2 operational channels, one for lending and another for direct project implementation. The EC contributions to the GGF total around € 40 M, with a current leverage of 10. Private investments into the GGF total around € 70 M. GGF is an efficient vehicle for delivering EE/RE finance with a cumulative sub-loan disbursement rate: 94%, current utilization rate: 68% and average energy and CO2 savings of 50%.

**The Energy Community Secretariat (ECS)** (V Kogalniceanu) mentioned that Energy Efficiency (EE) measures require the highest level of political support, ideally PM level, as EE tends to be spread across ministries. **EIB** (M Cingolani) requested additional information on the incentives under REEP Plus. **IFC** (T Lubeck) informed the participants about the IFC organised conference on HPP in Vienna, the outcome of which reconfirmed HP as valuable source for energy generation and expressed interest in the WBIF Hydropower Master Plan. **EBRD** (P Teremetsky) replied that the incentives under REEP Plus are similar to REEP but provided to sub-borrowers only. Incentives are calibrated so as to help address prevailing barriers to investments and stimulate a comprehensive approach to energy efficiency (with a higher level of incentives provided for a package of investment measures compared to individual measures).

Following the discussion a letter of intent for a 30 M EUR EU contribution was signed by Katarina Mathernova DG Near, Pierre Heilbronn EBRD, Christoph Tiskens and Simone Wunsch KfW, Anders Risberg and Massimo Cingolani EIB.

## The Connectivity Agenda and Reform Measures

**DG NEAR** (M. Jung) reemphasised the importance of the implementation of the “Connectivity Reform Measures” (CRM), formerly called soft measures. The CRM are an integral part of the WB6 / Berlin Process with clear regional and national dimensions comprising of short and medium term actions. The implementation of the CRM is crucial for the functioning of integrated energy and transport networks. The governments of the Western Balkans need to further step up their efforts, to progress the implementation of the connectivity reform measures and improve the legal and regulatory framework, cost effectiveness and therefore attract additional private sector investments. The CRM produce high economic returns at relatively low costs; this has been substantiated by a World Bank study which concluded that implementing CRM in the region’s transport sector alone could save up to €900 million annually. The IPA co-financing of connectivity projects will therefore continue to be tied to the implementation progress of CRM.

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<sup>1</sup> [note: this presentation was cancelled due to the speaker’s traveling difficulties. The PPT is available online.]

## **(i) The Joint Action Plan for Western Balkan Trade and Transport Facilitation**

*The WBG* (R Bourdeaux) presented the WBG's efforts in developing and implementing the so-called Joint Action Plan for Western Balkan Trade and Transport Facilitation (JAP). The JAP's three dimensions to enhance connectivity, facilitate trade and promote investment are (i) improving risk management, (ii) simplification of documentation and formalities for trading, and (iii) enhanced transparency and predictability between governments and international operators. The JAP aims to enhance the efficiency of the SEETO comprehensive network, improve the reliability and to strengthen the environmental sustainability of the SEETO transport network. The WBG aims to remove transport sector related bottlenecks and coordinates the JAP with the Ministries of Transport, SEETO, CEFTA and the EC (DG NEAR and CONNECTA).

## **(ii) Energy Sector infrastructure priorities in the WBs (PECI: Projects of Energy Community Interest and PMI: Projects of Mutual Interest lists)**

*The ECS* (V Kogalniceanu) reassured the participants that the overall objectives of the WB countries, the EC and the Energy Community Secretariat (ECS) are aligned if not identical. These are aimed at the creation of a stable regulatory and market framework in order to (1) attract investments, (2) create an integrated energy market allowing for cross-border trade and integration with the EU market, (3) enhance the security of supply, (4) improve the environmental situation in relation with energy supply in the region and (5) enhance competition at regional level and exploit economies of scale. The difference in terminology was explained: PECI are "Projects of Energy Community Interest" those are the ones receiving WBIF support, PMIs are "Projects of Mutual Interest", where one EU member state is concerned and one or more WB beneficiaries, and "PCI" are "Projects of Common Interest" where two or more EU member states are concerned. The so-called PMIs are "in-betweens", where one (or more) EU member state and one or more WB beneficiaries are concerned. The selection process for the PMI projects is identical to the PECI list selection criteria, thus, PMI projects should be eligible for WBIF support, at least on the side of the WBIF beneficiary country. The new 2016 PECI list shows 1 additional electricity and 3 gas projects, and the PMI list shows 5 additional gas projects. [the WBIF memorandum Energy Community Investment Projects - 2016 PECI/PMI is issued and disseminated with these final 15<sup>th</sup> WBIF SC MoM]

### **Discussion** (all above topics)

*Bosnia and Herzegovina* (N Saracevic) requested that the CRM should be established by the COM so as to avoid "additional conditionality" and the beneficiaries should receive clear short- and mid-term actions needed to be implemented; and also inquired if PMI can be funded by WBIF connectivity funds. *Serbia* (P Spasic) enquired about how the potential benefits (percentage of co-financing) and the burdens of cross border projects are to be defined and proportionally allocated between the concerned parties. *SEETO* (N Begovic) confirmed that the implementation of CRM has been a success so far and that new milestones will be set for 2017. *KfW* (C Tiskens) enquired about the next steps (financial and timeline) of the HP Masterplan project. *EBRD* (H Muent) inquired if the JAP would address all COM CRMs. The *WBG* (R Bourdeaux) confirmed that not all COM CRM are covered by the JAP, but the JAP is complimentary to the COM / WBIF beneficiaries' efforts.

**DG NEAR** (M Jung) announced that the COM will review the potential eligibility of PMI projects for WBIF support and will revert to the WBIF stakeholders in writing. He also mentioned that the COM has tasked the IPF to prepare a regional hydropower master plan study that will provide guidance on renewable energy generation in the Western Balkans. **IPF 3** (G Lamond) mentioned that HP masterplan / study assignment was planned to be executed in two phases; the first, - *scoping* phase is now complete; preliminary conclusions and the methodology for the study phase were disseminated during a workshop that took place in November 2016 in Belgrade; the second, *study* phase is currently ongoing with the aim to introduce the results / conclusions during the next WB6 summit in July 2017.

### Financial Update of the European Western Balkans Joint Fund (EWBJF)

EBRD (C Otto and M de Melo) presented the status and balance of the EWBJF. Since its creation in 2009, total contributions to the EWBJF total € 236 million. Interest, fees, charges and transfers total € 16.9 million, approved projects total € 217.9 million, resulting in an available balance of € 1.6 million as of 7 December 2016.

### Co-Chairmanship of the WBIF SC 2016 and incoming for 2017

The **WBIF SC Co-Chair Norway** (O Reinertsen) confirmed that the main BDs' efforts in 2016 were to organise and represent the BD community along and vis-à-vis the WBIF structures and meetings on the one hand, and to align the BD community and shore up support for INV Co-financing of ENV and / or SOC projects on the other. The BDs wish to use part of their contributions for INV Co-financing of ENV and SOC projects, without earmarking of funds. To this end, a workshop will be organised by DG NEAR, in February 2017, where a sustainable mechanism for BD ENV / SOC project co-financing will be discussed.

The Norwegian WBIF SC Co-chair then asked the BDs to announce their pledges.

Country	Currency	Pledge
Austria	EUR	3 million
Germany	EUR	1 million
Norway	NOK	30 million
Sweden	SEK	30 million
France	EUR	1 million
Total (approx.)*		EUR 11.3 million

\* subject to exchange rates for NOK and SEK into EUR.

In addition, Italy confirmed their intention to contribute EUR 1.5 million in 2017 but noted that it was not possible to conclude the administrative arrangements in time for the WBIF SC.

The Norwegian WBIF SC Co-chair announced that Sweden had been nominated as the bilateral donors Co-chair for 2017. **Sweden** (Mira Peterson) accepted the WBIF Co-chairpersonship in 2017 and announced the intent to continue as active WBIF Co-chair, fostering dialogue with all WBIF stakeholders and to also focus on INV Co-financing of ENV and SOC projects. In addition, Sweden sees the implementation of the connectivity reform measures, gender equality and climate change relevant actions as priorities and looks forward to 2017 and implementing targeted actions under this effective, relevant and accountable WBIF.

**The WBIF SC welcomed the pledges of the BD community over € 11.3 million, welcomed Sweden as the WBIF SC co-chair 2017 and welcomed France as new member to the WBIF.**

### **WBIF Project Approval Session (TA Round 16)**

**EBRD** (H Muent) informed the participants about the 11 projects received, (ALB 3, BiH 1, KOS 1, MKD 2, MNE 1, SRB 1, REG 2 / TRA 7, ENE 2, ENV 0, SOC 2) over a grand total of € 16.4 million. Following screening and assessment, the 22nd PFG submitted 5 TRA projects over a grand total of € 10.6 million for approval.

**DG NEAR** (W Schlaeger) confirmed the availability of approximately € 11.8 million in the IPF facility. The respective beneficiary representatives and the relevant IFIs presented the grant applications to the WBIF SC.

<b>For approval</b>					
<b>#</b>	<b>Grant Code</b>	<b>Title</b>	<b>IFI</b>	<b>Amount €</b>	<b>TA Agent</b>
1	WB16-ALB-TRA-01	Detailed Design for rehabilitation of railway line Vora-Hani Hotit	EBRD	4.500.000	IPF
2	WB16-ALB-TRA-02	Detailed Design for the Tirana By-pass (Kashar-Vaqarr-Mullet)	EBRD	1.500.000	IPF
3	WB16-KOS-TRA-01	N9 Prishtinë - Pejë (SEETO Route 6 B) section from Kijevë - Klina to Zahaq (30 Km)	EIB	1.900.000	IPF
4	WB16-MNE-TRA-01	Rehabilitation of the Vrbnica-Bar railway line in Montenegro along the Main Belgrade-Bar Railway (SEETO Rail Route 4)	EIB	1.500.000	IPF
5	WB16-SRB-TRA-01	Preparation of the Design for the building permit for modernization of the railway line Niš – Dimitrovgrad and preparation of the tender documents.	EIB	1.200.000	IPF
<b>Total</b>				<b>10.600.000</b>	

***The WBIF Steering Committee unanimously approved five Round 16 TA projects, for an overall grant allocation of € 10.6 million, all to be implemented under the IPF facility. The respective Grand Award Notifications will be sent out in the coming weeks.***

**The Norwegian WBIF SC Co-Chair** (O Reinertsen) announced that Mr Morten Jung will retire from his current position in DG NEAR, but will remain with DG NEAR as special senior advisor to the Director of DG NEAR Mrs G Ruiz Calavera. The WBIF stakeholders thanked Mr M Jung for his tireless, direct and often humorous contributions and wished him the best in his new role.

### **WBIF Project Approval Session (INV Round 1)**

**DG NEAR** (W Schläger) reviewed the main events of the INV Round 01; officially launched at the 13<sup>th</sup> WBIF SC meeting in Paris 2015, the GAF submission deadline was the 31<sup>st</sup> of March 2016; 10 applications were received, 1 ENV, 1 ENE, 8 TRA projects around € 347 million; screening & assessment were conducted until the 14<sup>th</sup> WBIF SC meeting in Oslo; 3 projects and the energy efficiency package were presented and endorsed at the WB6 summit in Paris on 04 July 2016, the IPA Committee approved the funds allocation in November 2016.

Grant Code	Project title	Lead IFI	Total Grant [€]	WBIF
WB-IG01-ALB-TRA-01	Rehabilitation of railway Durres-Tirana and construction of the new railway to Rinas Branch	EBRD	36,243,700	
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	17,584,000	
WB-IG01-SRB-TRA-01	Modernization of the single-track railway line Nis - Dimitrovgrad - Bulgarian border, Section Sicevo - Stanicenje – Dimitrovgrad	EIB	44,659,00	
		<b>Total</b>	<b>98,486,700</b>	

***The WBIF Steering Committee unanimously approved the INV Round 01 projects for Investment Grant co-financing for an overall investment grant allocation of € 98,486,700 and further endorses the Commission contribution of € 50 million for Energy Efficiency measures.***

**DG NEAR** (W Schläger) informed the WBIF SC about the projects submitted by Bosnia and Herzegovina; at the time of submission and until early July 2017, Bosnia and Herzegovina failed to have the TRA strategy adopted. On July 14 2016, Bosnia and Herzegovina adopted the TRA strategy and the COM launched an extraordinary screening and assessment exercise in September 2016. These projects were not submitted to this WBIF SC for approval, but, following the screening and assessment the COM has technically a positive view on 4 of the submitted projects (originally, 4 were submitted, with one project WB-IG01-BiH-TRA-01 being split into two, 01a and 01b; one project screened negatively, so that 4 projects are remaining<sup>2</sup>). Bosnia and Herzegovina is expected to update the Commission and the WBIF Secretariat on the progress in the implementation of the Connectivity Reform Measures and the state of play of the National Transport Strategy. If conditions are met, the political endorsement for these projects could follow at the next WB6 summit in March 2017, in Skopje, followed either by a Written Procedure, or submission to the 16<sup>th</sup> WBIF SC meeting in Stockholm, in June 2017.

**Bosnia and Herzegovina** (N Saracevic) requested formal confirmation of the projects that were screened positively and requested DG NEAR to inform the beneficiaries about the priorities applicable in progressing the CRM implementation as relevant for the approval of these INV projects. **The former Yugoslav Republic of Macedonia** (O Kaljosevska) enquired about the reasons why the projects submitted by the former Yugoslav Republic of Macedonia were not approved.

**DG NEAR** (W Schläger) replied that the project “Mostar South” screened negatively, all others can be processed further, and the priorities will be issued to Bosnia and Herzegovina in writing.

<sup>2</sup> These are: WB-IG01-BIH-TRA-01a: “Corridor Vc - Construction of the motorway section Zenica sjever (north) - Zepce jug (south), subsection Ponirak – Donja Gracanica, Part I Ponirak – Vraca (exit of Tunnel Zenica)”; WB-IG01-BIH-TRA-01b: “Corridor Vc - Construction of the motorway section Zenica sjever (north) - Zepce jug (south), subsection Ponirak – Donja Gracanica, Part II Exit Tunnel Zenica – Donja Gracanica (entrance to Tunnel Pecuj)”; WB-IG01-BIH-TRA-03: “Corridor Vc - Construction of the motorway section between the Interchange Johovac and the Interchange Rudanka, connection to road Doboj - Banja Luka”; WB-IG01-BIH-TRA- 04: “Reconstruction and modernization of the River Port of Brcko – Phase 1”

All other projects submitted in this INV Round 01 were deemed not sufficiently mature, or were otherwise of less priority than the chosen projects.

## **PFG Operational Issues**

### **(i) Vademecum**

**DG NEAR** (Barbara Banki) reviewed the progress made regarding the Vademecum. The nature of the Vademecum is of mainly explanatory nature. It accompanies the new guiding documents and aids the understanding of the new methodology. There is a binding part in the Vademecum, namely the section concerning amendments and changes to the GAFs, where a WBIF SC decision (either by the SC or via written procedure) would be required to approve substantial deviations from the original scope / financing envelope. However, amendments of a less substantial nature but still a change, could be reported to the WBIF Secretariat and recorded in the MIS.

Following requests and comments received by various WBIF stakeholders, the final deadline for comments has been extended to 28<sup>th</sup> February 2017. Following this deadline, a final consolidated version will be circulated and discussed at the 23<sup>rd</sup> PFG in May 2017 in Brussels. Final approval could then either be done by written procedure or by submission to the 16<sup>th</sup> WBIF SC meeting in Stockholm, in June 2017.

**Bosnia and Herzegovina** (N Saracevic) enquired if the VAT issue could be addressed in the Vademecum, since Bosnia and Herzegovina experiences issues with the application of VAT to IPF contractors and that for this reason the contractual relationship and overall flow of financing should be made visible in this document. **DG NEAR** (B Banki) replied that the Vademecum could identify the correct source, where the VAT rules are stated.

### **(ii) TA: new Grant Application Form and eligibility criteria for TA Round 17**

DG NEAR (W Schläger) presented the new TA GAF and the Guidelines to the participants by explaining the reason d'être behind this update from the traditional PGAF to the TA GAF; the recommendations of the EUBEC were to unify the applications for grants and a certain format was proposed. This EUBEC format was then used to update the PGAF and the respective guidelines, these were presented to the 22<sup>nd</sup> PFG and a dedicated workshop was held, explaining the TA GAF in detail. The EBRD (M De Melo) noted that some amendments previously requested to the breakdown of the WBIF grant had not been included and should be accommodated before the TA GAF was finalized.

The Eligibility criteria for TA Round 17 are:

- TRA and ENE: regional or unblocking of existing projects;
- TRA: transport projects must relate to the Core Network;
- ENV and SOC: open to new projects.

***The WBIF SC unanimously adopted the presented TA GAF & Guidelines subject to some final adjustments being made post SC. The Eligibility Criteria for Round 17, being TRA and ENE projects must have a clear regional dimension, or unblock an existing project, in addition, TRA projects must relate to the Core Network; ENV and SOC sectors are unrestricted and also open for new projects / grant requests.***

### **(iii) INV Co-financing: updated Grant Application Form, programming 2017 and preparation for INV Round 2**

DG NEAR (W Schläger) presented the final INV GAF & Guidelines to the participants and mentioned some technical updates to the INV GAF, including the 2% IFI fees for the INV component and up to 4% for the TA component.

The EBRD (M De Melo) noted that some amendments previously requested to the breakdown of the WBIF grant had not been included and should be accommodated before the INV GAF was finalized. Bosnia and Herzegovina (N Saracevic) commented that the INV GAF template has been changed on several occasions during the 2. INV Round, which was challenging to beneficiaries and requested that the INV GAF now be fixed, enabling the NIPACs to finalise their applications. In addition, clear instructions were requested on the subject of maturity requirements of the projects, given the duration from GAF approval to the actual dissemination of funds; less mature projects could be allowed to mature in this period. Further, clarification was required if retroactive financing is possible and if the IFI fees are part of the applicable grant threshold or not. Albania (E Qaja) enquired about the dates for the INV Round 03.

**DG NEAR** (W Schläger) confirmed that only mature projects will be screened positively, the next INV Round 03 will be launched at the WBIF SC meeting in Stockholm and announced that the issues concerning the IFI fees and the retroactive financing raised by Bosnia and Herzegovina will be clarified in writing.

***The WBIF SC unanimously adopted the presented INV GAF & Guidelines subject to some final adjustments post SC.***

### **AOB & Conclusions**

DG NEAR (M Jung) announced that due to time constraints, the presentations on Visibility, the Monitoring Report, and the proposed Work Program 2017 were cancelled; the presentation (Visibility, Monitoring Report, and GGF) will however be published on the website. The dates and work-program for 2017 will be disseminated in writing.

The next Monitoring Report will have a new section with more in-depth analysis, including reason for delays, rates of leverage, etc. The WBIF Secretariat will engage with the IFIs and circulate a proposal ahead of the 23<sup>rd</sup> PFG.

A follow up workshop on TA (including CONNECTA and JASPERS) will be held back to back with the 23<sup>rd</sup> PFG.

The WBIF Evaluation Report from 2015 is available on the WBIF website. The WBIF key dates and the work program are issued by separate documentation.

#### **This 15<sup>th</sup> WBIF SC took further note of:**

1. Signature of the Contribution Agreement for the Mediterranean Corridor (R2a): Bosnia and Herzegovina – Croatia Interconnection / Gradiska Bridge over € 6.8 M, effective and in force as of 05 December 2016.
2. Written Procedures:

- a. WBIF\_WP001\_200716\_SEE\_RSCI (Change of Lead IFI);
- b. WBIF\_WP002\_240816\_IG\_GAF\_GDLs (Dissemination of INV GAF and Guidelines);
- c. WBIF\_WP003\_090916\_IG\_RD2 (Launch of INV Round 2);
- d. WBIF\_WP004\_161116\_KOS\_RD (re-allocation of unused funds).

**CLOSE OF MEETING**

## Abbreviations

ALB	Albania
AUT	Austria
BD(s)	Bilateral Donor(s)
BiH	Bosnia and Herzegovina
CEB	Council of Europe Development Bank
CEFTA	Central European Free Trade Agreement
COM	European Commission
CONNECTA	Connectivity Technical Assistance Facility
CRM	Connectivity Reform Measures
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 Council
ECS	Energy Community Secretariat
EDIF	Western Balkans Enterprise Development and Innovation Facility
EE	Energy Efficiency
EEA	European Economic Area
EFC	Economic and Financial Committee
EFSE	European Fund for Southeast Europe
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)
ESCO	Energy Services Company
EU	European Union
EUBEC	EU Platform for Blending in External Cooperation
EUD(s)	European Union Delegation(s)
EWBJF	European Western Balkans Joint Fund
FDI	Foreign Direct Investment
FI	Financial Institutions
GAF	Grant Application Form
GC	WBIF General Conditions
GER	Germany

GGF	Green for Growth Fund
HP	Hydro Power
HPP	Hydro Power Plant
HR	Croatia
ICT	Information and Communication Technologies
IFC	International Finance Corporation
IFI(s)	International Financial Institution(s)
IFICO	IFI Coordination Office
INV	Investment grant, co-financing support
IPA	EU Instrument for Pre-Accession Assistance
ITA	Italy
IPF	Infrastructure Project Facility
JAP	Joint Action Plan for Western Balkan Trade and Transport Facilitation
JASPERS	Joint Assistance to Support Projects in European Regions
KfW	KfW Development Bank
KOS	Kosovo
MIS	Management Information System
MKD	The former Yugoslav Republic of Macedonia
MNE	Montenegro
MULTI	Regional, several countries
NEEAP	National Energy Efficiency Action Plan
NGO	Non-Governmental Organisation
NIC	National Investment Committee
NIPAC	National IPA Coordinator
NOR	Norway
PECI(s)	Project(s) of Energy Community Interest
PGAF(s)	Project Grant Application Form(s)
PFG	Project Financiers' Group
PMI(s)	Project(s) of Mutual Interest
PPP	Public-Private Partnership
RE	Renewable Energy
REEP	Regional Energy Efficiency Programme for the Western Balkans
REG	Regional Project(s) / Grant(s)
RoP	WBIF Rules of Procedure
SC	Steering Committee
SEETO	South East Europe Transport Observatory
SIDA	Swedish International Development Cooperation Agency
SME(s)	Small and Medium-Sized Enterprise(s)
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 Six
WBG	World Bank Group
WBIF	Western Balkans Investment Framework
WWTP	Waste Water Treatment Plant