

EIGHTEENTH MEETING OF THE WBIF PROJECT FINANCIERS' GROUP (PFG)

HOTEL THON, BRUSSELS, 19TH – 20TH MAY 2015

Minutes of Meeting

DAY 1 (19th May 2015)

Introduction

The **PFG co-chairs** (EBRD / Mr H Muent and DG NEAR / Mr M Jung) welcomed the participants to the 18th PFG meeting by emphasising the importance of the WBIF as a coordination, cooperation and blending platform, in providing support to the beneficiary countries. Current developments interacting with WBIF, such as the connectivity agenda (initiated by the so-called "Berlin Process" in 2014), the activities pertaining to the co-financing and the establishment of the Single Project Pipelines (SPP) and transposition of the NIC framework were highlighted, enabling the beneficiary countries to benefit from the IPA 2 co-financing funds. 2015 is a transition year, where the various WBIF actors are extensively working together in the establishment of sound foundations for the years to come. In 2016 the results of these efforts will be coming together and the first tranches of IPA 2 co-financing funds will be allocated and put into effect. With the co-financing of investments, the WBIF will, through an EU contribution to the public sector, support and enhance project financing. Special care will be taken in order to prevent "crowding out" loan financing for already viable projects.

Screening and Assessment

The screening and assessment of the last round of applications were based on the two eligibility criteria (1) strengthening or unblocking of an existing project in the WBIF pipeline and/or (2) project with distinct regional impact. These eligibility criteria have been applied for the last three calls for proposals and the Commission indicated that the same eligibility criteria will be applied for the next call as well.

The table below shows the result of the PFG decision-making exercise and the projects that are recommended for approval by the WBIF Steering Committee in Rome (16 and 17 June 2015). Following a discussion to this end, a pre-allocation of projects either to the EWBJF or IPF was agreed upon. This will enable resource (funds) allocation and early planning of efforts for all concerned.

Project Code	IFI/Project Title (short)	PFG decision	IPF (EUR M)	EWBJF (EUR M)	Remarks
WB13 ALB TRA01	EIB / FS Railway line	Positive	0.72		

Project Code	IFI/Project Title (short)	PFG decision	IPF (EUR M)	EWBJF (EUR M)	Remarks
	Durres -> MKD				
WB13 ALB TRA02	EIB / PFS Railway ALB -> KOS	Negative			Not part of the core network.
WB13 MKD ENE01	EBRD / 400kV Interconnector Bitola Elbasan – Investment Grant for smart grid metering	Positive	n/a	n/a	This round has been restricted to TA. Therefore, this request for an investment grant of EUR 3 million will be considered under the parallel process for co-financing of EU IPA 2015 funds.
WB13 MKD TRA01	EBRD / Railway border station	Positive	0.2		DG NEAR requested clarification on outstanding legal issues, the budget estimation for co-financing and the size of the building to support the estimated investment cost.
WB13 MNE TRA01	EIB / Railway tunnels inspection and DD	Positive	2.5		
WB13 REG ENE01	EBRD KfW / 400 kV interconnector SER MNE BiH	Positive		0.8	This project is a priority for the creation of a regional electricity market in South East Europe and for the stability and security of the electricity system across the Balkan region. The majority of the project is in Serbia although a small part, approx. 10%, concerns BiH. Whilst restrictions on the use of EU IPA funds were highlighted with regard to BiH, the PFG concluded that this priority project would be proposed for approval of the SC on the basis that the contributors to the EWBJF comprise contributions of the bilateral donors.
WB13 REG PSD SDP01	EIB / PPP in WBs	Positive		2	The scope of this project was reduced to € 2M. In addition regular reporting was requested on the progress of this project.
WB13 SER ENV01	EBRD / Belgrade Batajnica sewer and WWTP	Positive		0.85	
WB13 SER TRA01	EIB / FS highway E80 SEETO route 7	Positive	1.7		
		TOTAL	5.12	3.65	

In total, 9 projects were eligible for screening and assessment of which 7 were screened and assessed positively and will be recommended for approval to the WBIF SC meeting in Luxembourg. The total grant request amounts to € 8.770.000, with 4 projects to be allocated to IPF of a grand total of € 5.120.000 and 3 projects for the EWBJF and € 3.650.000 respectively. The project WB13 ALB TRA02 was screened negatively since it is not on the comprehensive network, and WB MKD ENE01 will be packaged into the co-financing application.

The EWBJF has a balance of € 4.4 million and IPF have a balance of € 3.5 million. Thus, IPF5 will need to be operationalised in order to accommodate the financing needs of round 13. Following a written procedure approved on a no-objection basis on 24 April 2015 by the members of the WBIF Steering Committee, the launch of a new IPF -'IPF 5' – is underway and will be managed by the EIB for an amount of EUR 26 million mobilised from EU IPA 2014 funds.

Monitoring Report

The WBIF Monitoring Report has been updated until May 2015. In addition, a data transfer exercise (from the “old” to the “new” MIS) enabled restructuring, update and verification of certain funds and project related data and assumptions; key figures of the WBIF portfolio include:

- 12 rounds have been conducted;
- 174 grants have been approved and allocated;
- € 308 million in total grants have and are being disbursed;
- € 2.8 billion of signed loans;
- € 8 billion of total estimated loans;
- Total investment volume is about € 13 billion.

Currently, 54 projects have signed loans. The total number of signed loans is steadily increasing, with the environment sector having signed the highest amount of loans.

Projects with “Limited Progress” and Cancellations

Following the 5th WBIF SC meeting from December 2011 (Luxembourg), MoM point 6, the initial criteria for project with “limited progress” and in due course to be considered for cancellation is as follows:

[Second but last bullet point]: *“Approved grants with a lead IFI, for which the IFI support is not taking form or not confirmed within one year of SC approval, should be returned to the general WBIF resources”*. And: [Last bullet point:] *“Approved projects should get ToR defined and approved within one year of SC approval. Any delays should be notified to the PFG meeting and following review by the PFG related grants might return to the WBIF resources.”*

For the purposes of identifying slow moving projects, the criteria have been further developed by the WBIF Secretariat as follows (and are subject to further discussion):

- *No ToR within 1 year of SC approval;*
- *Implementation not started within 2 years of SC approval;*
- *Implementation not finalized within 4 years of SC approval and the planned finalisation date passed (End date < 01/04/15) or no end date in MIS.*

The table below shows the projects with “limited Progress” applying the above criteria:

Project Code	Project Title (short)	Lead IFI	Status	PFG decision / Comment
<i>The originally identified projects have been deleted, since all are progressing.</i>				

Projects proposed for cancellation:

Project Code	Project Title	Lead IFI	Grant	Status	Progress
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			amount		
WB6-BiH-ENE-07	Hydro-electric power plants - Krusevo & Zeleni Vir	EIB	1 M	Execution started but held Up	Project no longer considered viable

Discussion

EBRD and KfW reported that all projects on the list “limited progress” are active and there are developments. **EBRD** suggested adding a quantitative section to the Monitoring Report, to supplement the qualitative data, and to describe the operational challenges causing active projects to become slow moving. **KfW** stressed that the projects led by KfW are active and did not understand how and why these projects are included on the list for “limited progress”; further, KfW questioned the “three criteria” in particular the last (end date); an update in the MIS was delayed due to technical access problems with the MIS.

The **WBIF Secretariat** (O. Reinertsen) recommended that objective criteria should be applied in order to identify and define projects with limited progress. Generally, this would help to streamline the projects in the WBIF pipeline and moreover, free up funds for other projects. However, during the presentation of the monitoring report, it was acknowledged that the average implementation period for a grant is four years. The application of an “end date” (from the MIS) needs to be discussed and agreed by the IFIs. Hence, it was decided that the IFIs are invited to comment in writing to (a) the proposed methodology for “project with limited progress” and (b) specifically to the listed projects in writing, until the 29th May COB. Additional measures, such as dedicated missions by IFICO to the IFIs once a year might also be envisaged, in order to clarify the state of the pipeline.

The Monitoring Report is still a draft version, the final; version will be distributed at the WBIF SC meeting in Rome.

KfW questioned the “four years duration” and reiterated that there is no defined end-date in their contracts. **EIB** reported that approximately € 200k in unused funds from project WB4 SER SOC 05 (TA for School Modernisation in Serbia) will be returned to the EWBJF¹.

Preparation of 12th SC Meeting Rome

The WBIF Secretariat introduced the main agenda points for the WBIF SC meeting in Rome. The draft agenda will be circulated following the PFG meeting. The official invitation, final agenda and background papers will be circulated closer to the event. **ITA** pointed out that there will be a special event following the WBIF SC meeting on day 1 (16th June 2015).

Round 14 Eligibility Criteria

DG NEAR (W. Schlaeger) proposed to continue with the current eligibility criteria for another round (unblocking/strengthening exiting projects and / or projects with clear regional impact).

Discussion

¹ The exact amount is: € 201,061.07, of which € 200,000 constitutes the grant and the remainder interest earned. This amount was received by the EWBJF managers as of 02 June 2015.

EIB requested to follow the WBIF SC meeting decision and to open TA also for national projects and requested confirmation that TA will be available for all sectors. **KfW** requested clarification on the regional component of SOC and ENV projects and questioned the continuation of “regional” for the coming rounds. **EBRD** seconded KfW and requested clear views from DG NEAR as to the conditionality of “regional” for all sectors. **NOR** requested that WBIF support all four sectors, this was seconded by **GER and ITA**. CEB noted that IFIs would prefer to have a wider discussion on the issue on the second day, under the New Methodology agenda item. **GER** also stressed the potentially high impacts of SOC Sector projects at comparatively low costs.

DG NEAR replied that the existing criteria should be applied to 1) further strengthen the existing WBIF pipeline (as was one of the main recommendations from the Detailed Review of the WBIF Pipeline in 2013-14); and in addition, 2) the current activities and efforts under way for co-financing, 3) NIC establishment, 4) MIS transfer and 5) the budgetary limitations (IPF5 to come on stream in 2016) already exceed the available resources. Hence, the opening up of the WBIF TA portfolio for also NEW national projects (after all, the first eligibility criteria opens up for existing national projects) would be very difficult to accomplish at this moment. The IPA national funds are still available to complement the IPA regional funds. Further, DG NEAR assured that TA will be available for all four sectors, under the existing eligibility criteria and the earmarking “connectivity” concerns the IPA2 regional funds only.

MIS

DG NEAR and **IFICO** reported on the purpose and state of play of the new MIS. The new MIS is to be seen as a unitary and comprehensive platform, enabling stakeholders to interact efficiently and the users to get an up to date overview of WBIF. It will be an integrated platform where IFIs can use the MIS to fulfil their respective reporting obligations including the operational and financial data under the co-delegation agreements once established. Grant applications will continue to be submitted via the MIS. Moreover, the MIS allows for easy delegation of tasks and to retrieve richer aggregate statistics. The MIS will be made fully operational in the period following the WBIF SC meeting in Rome. Issues to be clarified until then include a joint understanding of the (disseminated) data dictionary enabling all stakeholders a common understanding of the terminology used and the allocation of roles and responsibilities for data up-loading and verification. Further consultation to this end will be organised.

Discussion

EBRD welcomed the new MIS and re-emphasised the importance of using the MIS as a reporting platform to fulfil obligations under the co-delegation scheme. **FYROM** requested clarity as to use of certain terms. **EIB** mentioned that a transition period will be needed for the new MIS to be fully operational and **KfW** expressed its hopes that the MIS will not lead to additional reporting burdens. **GER** requested clarity on the kind of information the beneficiaries are supposed to feed into the MIS. **Serbia** also requested that beneficiaries to be included adequately in the preparations and roll-out of MIS.

DG NEAR announced that a Beta (test) version is already available. More bilateral visits are planned and are taking place to clarify any ambiguities, and this includes engagement with the beneficiaries.

GER presented the outcome of a study, commissioned by the German government in 2013, which was submitted in Jan 2015 and carried out by reputable independent institutions. The basic assumption was that “improving competitiveness” is a key factor for all WB economies. The main findings more or less corroborate with the findings of similar studies carried out recently and show account deficits and low export share compared to GDP (about 20%), a trade deficit in goods, low levels of employment, rigid labour market conditions, outdated VET trainings, high level of non-performing loans, amongst others, as contributors to the lack of competitiveness of the WB economies.

The study recommends a number of possible measures and allocates costs, benefits and a time horizon to those. Recommendations with low cost but high impact are (for example): the improvement of EU funds absorption, the reduction of trade barriers, better management of capital inflows on the one side; on the other, the study identified high cost / low or uncertain impact measures, and those include the funding / support of innovative start-ups and investments into R&D. All in all, the WBIF addresses important issues relevant for the improvement of competitiveness, in particular those pertaining to the TRA and SOC sector.

Discussion

EIB mentioned that EDIF is charged with innovative start-ups, which would appear to run counter to the recommendation of the study. **GER** recommended inviting the researchers of this study to the WBIF SC meeting in Rome to further elaborate on the somewhat controversial recommendations (those related to start-ups and R&D).

WBIF Practical Issues

WBIF Guidelines - Changes to Budget and Scope

DG NEAR informed the PFG members of some potential adjustments to the WBIF guidelines and principles. The implementation of the grants approved by the WBIF SC often require adjustments, whether regarding the scope of activities or in terms of budget, and it sometimes requires the cancellation of projects.

1. Need for additional budget for IPF led assignments

The WBIF Guidelines allow a certain degree of flexibility when a project exceptionally requires additional funds for the successful completion of the TA. The WBIF Guidelines, Section 6.7, stipulate: "*A small variance in budget may be permissible where small, unforeseen items arise or when practical additions for the project's success are needed. For EU funded IPF projects such variances need prior approval from the IPF task manager and will be dealt with on a case by case basis following full consultation with relevant stakeholders.*" Concretely, three projects required such an extension in the past period: (i) WB6-BiH-TRA-15 Brcko bypass, where the IPF 2 contract expired before the supervision of the tender process was completed and the remaining tasks were transferred to IPF 3; (ii) TA3-SER-SOC-03 on the modernisation of prison facilities, where documents had to be translated into English for international tendering and (iii) WB6-MNE-ENE-05, the biomass district heating system Kolasin due to an insufficient budget.

"A small variance in budget" has been interpreted as an additional budget of a maximum of 10% of the grant. This should be reflected by the WBIF guidelines, and the question is if this principle should also be applied for EWBIF managed projects.

Discussion

EBRD advised that the General Conditions of the EWBIF only allow the transfer of the Fund's resources to Lead Financial Institutions based on approved amounts of the Steering Committee. Further, it is the role of the Lead Financial Institution to assess the scope and financial viability of the project during the project assessment phase and to include a recommendation in Annex III of the PGAF for discussion at the PFG.

DG NEAR proposed to keep interpreting the guidelines with the 10% threshold and suggested the relevant WBIF forums (PFG and ultimately the SC) be informed of such instances.

2. Change of scope of activities

In accordance with WBIF Guidelines, Section 6.7 "[...] grants can be spent only and exclusively for the scope of the project which has been screened and assessed positively. Grants cannot be used for a different scope. [and] significant variations in budget and/or scope of works require the submission of a new PGAF for SC approval." This wording allows some flexibility, though limited, to change the scope of the activities foreseen in the PGAF. DG NEAR suggests revising the guidelines to precise the conditions and process for such changes. These requests could be floored by beneficiaries or lead IFIs, or IPFs. Substantial changes should still require the submission of a new PGAF.

Discussion

BiH supported this notion to revise the guidelines as to specify conditions, since it would ease the workload for the beneficiaries, in not having to submit new PGAFs, unless substantial changes apply.

DG NEAR emphasised that only for non-substantial changes and that despite the precisions suggested to the guidelines, appreciation will remain on a case by case basis.

Update on PPPs

IFICO and EPEC summarised the PPP market situation in the WB region noting that legal and institutional frameworks were in place that some transactions had taken place mostly in the power and airport sectors but that experience was lacking everywhere and that casualty rates were high largely due to deficient project preparation. The Belgrade landfill, including Energy from Waste PPP Project was introduced as a potential co-financing opportunity for WBIF. This project would be a suitable candidate for a test run on blending WBIF funds and private sector resources and the project promoters are interested. EPEC reported on the (planned) role out of the PPP assessment tool and their respective additional efforts, in developing PPP template documentation and capacity building efforts. The tool would allow the informed user to gauge the PPP-ability of a potential project.

Discussion

SER enquired if WBIF regional / IPA 2 funds would be available to co-finance a PPP project. **ITA** welcomed the idea of PPP and requested to reports on the application of the PPP tool. Also **NOR** requested more information on the impacts of PPP. **AUT** stressed the importance of aligning WBIF

PPP efforts with other initiatives to this end, and highlighted the lack of real PPP opportunities in the WBs. **GER** questioned to which extent PPP was within the remits of WBIF altogether. **CEB** questioned how PPPs in the environment sector could be co-financed given the present narrow interpretation of the connectivity agenda and criteria. **KfW** explained that PPP is a financial instrument that can be useful, but needs to fit the project.

Legal Basis for Beneficiary Contributions

IPF 3 presented the case of formal WBIF SC notifications to the beneficiary administrations, informing the beneficiaries of the awarded projects. This is for three reasons: (1) there is a lack of formal notification of grant award and TA implementing agent to the beneficiary; (2) there is no process for Beneficiary Financial Contributions and (3) a lack of clarification of grant conditionality. There were some recent examples, where beneficiaries were not aware of a project commencing, and / or where beneficiaries have agreed to cross-finance projects, but were unable to transfer funds for the lack of formal notification; other examples show that projects had to be cancelled because the local permitting was not available. A draft notification is shown below, addressing these issues.

NOTIFICATION OF GRANT AWARD

Project Reference: WB8-HR-ENE-11

Project Title: Feasibility Study, Environmental and Social Impact Assessment and Cost Benefit Analysis – regulation of the Sava River in Zagreb

Approved by: WBIF Steering Committee

Approval Date: 6 December 2012

Beneficiary	Grant Award Type	Beneficiary Co-financing requirement	Assigned Implementing TA Agent
<p>Ministry of Economy, Ulica grada Vukovara 78, 10000 Zagreb: Mr. Radimir Čačić, Minister, e-mail: radimir.cacic@mingo.hr /</p> <p>HEP d.d. / HEP RVNP d.o.o., Ulica grada Vukovara 37, 10000 Zagreb: Mr. Leo Penović, General manager, e-mail: leo.penovic@hep.hr</p>	<p>EUR 1,500,000</p> <p>Technical Assistance - provided by the assigned Implementing TA Agent</p>	<p>EUR 500,000</p>	<p>Mott MacDonald IPF Consortium</p> <p>(under Service Contract no. 2012/293-208 between the EU represented by the European Commission and Mott MacDonald Ltd)</p>
Conditions of Grant Award			
<p>The ultimate Beneficiary HEP shall secure co-financing of EUR 500,000 and provide written commitment to the WBIF Steering Committee for the provision of such co-financing when required to meet project implementation needs, and to secure the mechanism through which this financing can be made available to the Implementing TA agent or other parties as prior agreed with the WBIF Steering Committee for the implementation of parts of the agreed scope of services.</p>			
Scope of Grant			
<p>The scope of services shall be as presented in the assessed Project Grant Application Form as further elaborated in the Terms of Reference agreed with the lead IFI and DG Enlargement.</p>			

Discussion

IPF 4 seconded the request of IPF 3, regarding the notification award. **DG NEAR** informed that a Grand Award notification template will be drafted and cover the grant, scope, conditionality and, if applicable, the beneficiary contributions. In addition, a possibility for funds transfer from beneficiaries to the WBIF should be identified.

Ceiling for Sector Development Projects/Studies (SDP)

According to the WBIF guidelines (Annex 2 Guidelines for Sector Development Projects), a limit for sector development studies of € 2M is imposed: “The WBIF SC decided at its 4th meeting in June 2011 that projects comprising research and analytical studies would be eligible for funding under the WBIF up to an indicative limit of € 2M per annum. [...]”. The question arose if and to which extent this SDS limit should be abolished, lifted or be maintained.

Discussion

The **WBIF Secretariat** stressed the importance of SDPs in the preparation of the WBIF project pipeline and recommended to either lift or simply abolish this limit. The limit seems to be somewhat outdated and not in line with the current challenges of the WBIF. Without any doubt, the SDPs carried out so far – altogether 8 projects – have been very useful to the WBIF, not least lately with the preparations and the foundation for co-financing of investments. In any case, the limit is “indicative” as per the WBIF guidelines. The **WB** supported the idea of lifting and / or abolishment of the SDS ceiling. **EIB** recommended to discuss changes to the SDP limit in the coming months and indicated the readiness to reconsider finally at the WBIF SC meeting Paris (December 2015).

DG NEAR informed to follow up on this issue and to discuss this further in the relevant WBIF fora.

DAY 2 (20th May 2015)

Future Disbursement of IPA Funds

DG NEAR (B Banki) presented an update on the developments of the co-delegation agreement and the respective annexes. DG NEAR, after consultation of DG BUDG, has finalised the co-delegation concept as such and it can be seen as *stabilised*; details are now being discussed. For the discussion and resolution of these (list of) details, a Road Map is proposed to be disseminated prior to the WBIF SC in Rome, where it should be adopted and then implemented until the WBIF SC meeting in Paris. Following the WBIF SC meeting in Rome, the Road Map (and deadlines) would become binding and this would encourage the various actors in the process to meet the different deadlines; the ultimate goal is the signature of the co-delegation agreement together with the annexes as soon as feasible following the WBIF SC meeting in Paris. The co-delegation agreement as such consists of 2 parts. The more general co-delegation agreement, where the general conditions and main obligations are covered, payment conditions, general reporting obligations, etc. with IPA 2 funds to be channelled through the EWBIF. This first part would be signed only once, until the end of the IPA 2 programming period. The second part contains project specific details and would be signed following each WBIF SC meeting. To this end, issues still for deliberation and resolution are:

1. Legal design;
2. Roles and responsibilities of the managers (submission of payment requests, disbursement of funds, reporting);
3. COM internal issues (decision making structure);
4. Description of action: project fiche development / improvement (development of a template along the EUBEC recommendations/ template);
5. Review of the WBIF ToR (are amendments needed?);
6. Payment procedures;
7. Reporting procedure;
8. Architecture of the MIS along the reporting requirements;
9. Remuneration (IFI management fee is to be reconsidered);
10. Application of the Co-delegation structure for only co-financing, or co-financing and TA.

Discussion

AUT enquired about the reporting frequency under the co-delegation agreement. **EIB** enquired if this WBIF blending concept could also be used for other blending facilities and asked the Road Map to be disseminated well ahead of the WBIF SC meeting in Rome. **MNE** requested to be kept abreast of these discussions and developments, since the beneficiaries will be affected, for example by the reporting rules. **NOR** enquired if bilateral donor countries play a role in this co-delegation concept. **EBRD** suggested that the General Conditions of the EWBIF would need to be amended. **SER** enquired if the so-called n+1 rule still applied. **FYROM** enquired if the IPA committee approval is still required under this newly presented scheme and requested clarity on the amount of such financing decisions per annum.

DG NEAR replied that this co-financing concept is tailored to WBIF and would need to be adapted to other blending mechanisms; the Road Map will be disseminated together with a concept paper ahead of the WBIF SC in Rome (exact timing is not possible to predict at this moment) and suggested

to work in parallel with the IFIs; bilateral donors will be kept informed,. As to the n+1 rule, it applies to each Contribution Arrangement to be signed after each SC meeting. It requires that funds allocated through a given Financing Decision be consumed by the signature of Contribution Arrangements by the end of the following year. In addition to that, the Contribution Arrangement identifies an operational implementation period for completion of the projects in line with the operational implementation period specified in the Financing Decisions. The IPA committee is consulted for the adoption of Financing Decisions but not for the approval of projects during the SC meetings.

Co-financing 2015

DG NEAR highlighted the IPA 2 funds for co-financing available for WBIF (around € 100 – 150 M per annum) and introduced the various levels of interventions to the participants, starting from the Connectivity Agenda and the respective past and future activities, the DG NEAR internal procedures (for adoption by end of year), WBIF and the SPP/NIC related activities to be conducted in parallel and in sync until the WBIF SC meeting in December 2015. In addition, the ad-hoc methodology and history for the draft list of potential projects for co-financing was disclosed to the participants, which started with desk research and review of the WBIF project pipeline, followed by bilateral consultations with the IFIs and then a series of visits to the beneficiary countries, where these projects were discussed. The process of identification of these potential projects was a top down approach, admittedly not ideal, but the best that could be accomplished given the circumstances (without a previous precedent) and the very challenging time pressure (EU funds to be committed by end of year).

The available funds for co-financing are not to be understood as normal programming / funding of projects, but only available if and when suitably according to certain criteria (see below). The IPA Member States management committee convenes in November and by this time, the list of potential projects for co-financing needs to be firm and complete, otherwise funds will be lost.

The criteria and conditions applied for the list of potential projects for co-financing are:

- (1) Projects must be mature (technically, financially);
- (2) Projects must be subject of the Connectivity Agenda (TRA: core network, ENE: PECl list);
- (3) Country strategy papers agreed, and a national policy in line with EU standards;
- (4) Projects must be submitted to WBIF via a first draft prioritised Single Project Pipeline and confirmed by a NIC type body, before summer.

With regard to the SPP/NIC framework, progress must already be shown at the next WBIF SC meeting in Rome, since the list of potential projects cannot wait until the WBIF SC meeting in Paris, but will need to be in a firm state after summer to meet the various programming requirements of DG NEAR.

Discussion

BiH requested clarity on the conditionality attached to the co-financing of projects for 2015 and questioned the establishment of a fully developed Single Project Pipeline by November 2015, stating that some beneficiary countries might provide by then only reduced SPP. **FYROM** informed the

participants that the FYROM NIC will convene in the coming weeks and submit these projects to the WBIF SC for co-financing. **SER** questioned the approach that was taken, since this runs counter to the ownership principle. The local administration should have submitted these projects. In addition, **SER** enquired if loan agreements are a condition for submission of projects for co-financing. **EBRD** requested clarity on the conditions and criteria attached to the selection of projects for co-financing and for clear deadlines to be communicated by the time of the SC in Rome. **KfW** emphasized the risk of crowding-out of loans by grants whereas for the latter the guiding principle should be the aspect of additionality and thus enabling investments that otherwise could not be realized.

DG NEAR replied that the submission of the projects by a NIC type body should be until the end of August. As to the ownership issue raised by SER, clearly in the future, the NICs will be in charge of submitting potential projects, 2015 was an exceptional year; in addition, signed loan agreements are not a requirement at the time of submission of projects.

List of potential projects for co-financing in 2015

The initial long list of projects was, in consultation with the IFIs and beneficiaries, reduced to a “short list” of potential projects. The projects are currently on “green”, “yellow” and “red” lists, indicating projects with good prospectus (green), projects with open issues (yellow) and projects with serious issues (red) for co-financing in the year 2015. Red or yellow listed projects may well be considered in 2016 and beyond.

The projects on the green list are:

#	Project code	Country	IFI	Description	Indicative Investment [€m]	Indicative Grant [€m]	Indicative Grant [%]
Projects most likely to be confirmed					Total:	153	
1	WBIF CF 1001 ALB ENE	ALB	KfW	ALB-MKD Interconnector (Elbasan - Bitola, ALB section) with grid extension	80	TBD	TBD
2	WBIF CF 1002 MKD ENE	MKD	EBRD	ALB-MKD Interconnector (Elbasan Bitola, MKD section)	49	TBD	TBD
3	WBIF CF 1003 SER ENE	SER	KfW	Transbalkan corridor Kragujevac Krajevo 400 kV OHL	24.3	TBD	TBD

The projects on the yellow list are:

#	Project code	Country	IFI	Description	Indicative Investment [€m]	Indicative Grant [€m]	Indicative Grant [%]
Projects with outstanding issues to be resolve					Total:	1591	
4	WBIF CF 1004 REG ENE	REG	EBRD	MNE-SER-BIH Power Interconnector*	53	TBD	TBD
5	WBIF CF 1005 SER ENE	SER	TBD	Transbalkan corridor Obrenovac-Bajina Basta 400 kV OHL	75	TBD	TBD
6	WBIF CF 1006 BIH TRA	BIH	EIB	Corridor Vc (Odžak – Svilaj) Border Crossing and Cross Border Bridge	120	TBD	TBD
7	WBIF CF 1014 BIH TRA	BIH	EBRD	Corridor Vc 2 Motorway (Donja Gracanica - Zenica and Pocitelj-Buna sections)	86.8	TBD	TBD
8	WBIF CF 1007 MKD TRA	MKD	EBRD	Corridor VIII, phase 2	145	TBD	TBD
9	WBIF CF 1008 MNE TRA	MNE	EIB	Rail Route 4 (Bar-Vrbnica) - Signaling Podgorica - Bridges	40	TBD	TBD
10	WBIF CF 1009 BIH TRA	BIH	EIB	Cross border Bridge in Gradiska	20	TBD	TBD
11	WBIF CF 1010 KOS TRA	KOS	EBRD	Railway Route 10 Rehabilitation Project–Phase 1	82.2	TBD	TBD
12	WBIF CF 1011 SER TRA	SER	EIB	Corridor X (E-75) Motorway Srpska Kuca – Levosoje	969	TBD	TBD

The projects on the red list are:

#	Project code	Country	IFI	Description	Indicative Investment [€m]	Indicative Grant [€m]	Indicative Grant [%]
Projects with low potential for 2015					Total:	353	
13	WBIF CF 1012 SER ENE	SER	TBD	Serbia Bulgaria Gas Interconnector (Serbia section)	66	TBD	TBD
14	WBIF CF 1013 MKD TRA	MKD	EIB	Corridor X Motorway Demir-Kapija - Smokvica	287	TBD	TBD

Discussion

MNE enquired why project No 4 is not on the green list. **BiH** informed that a country-wide transport policy is only weeks away from being agreed upon and to be enacted. Thus, the BiH TRA projects should be eligible for co-financing. In the ENE sector, a country-wide policy is being discussed but will most probably not be enacted before summer. **SER** questioned the prioritisation behind these projects, since there are more projects than available funds, only projects with high priority should be pursued and stated that, having learned during this PFG more about the timeline and conditions for the co-financing, project No 4 could be supported for 2015 (to be confirmed).

CEB noted that no social nor environmental projects were included on the initial long list, despite wider policy benefits, and questioned the eligibility criteria, since their application would mean an exclusion of the SOC and ENV sector from co-financing, and requested on behalf of the IFIs this issue to be tabled at the WBIF SC meeting in Rome, including the resumption of roundtable workshops

concerning the two sectors.. **ITA** seconded CEB's view on the sector eligibility and proposed a meeting of governmental representatives ahead of the WBIF SC meeting in Rome. **EIB** seconded CEB's view on the sector eligibility, but raised concerns about meetings by bilaterals where the IFIs and other WBIF partners are excluded. **NOR, BiH, GER, FYROM** and **SER** also seconded CEB's view on the sector eligibility.

DG NEAR confirmed that the issue of eligibility of SOC and ENV projects for co-financing will be discussed at the WBIF SC meeting in Rome. Further, DG NEAR and IFIs will meet and discuss the strategic orientation of WBIF. At this moment and whilst this may change, IPA regional funds are to be allocated to the relevant sectors supporting the connectivity agenda.

New approach for selection and submission of WBIF projects for co-financing

DG NEAR (E Vossou) presented the an outline of a new approach concerning various steps and requirements a potential project will have to meet if successfully submitted to WBIF for co-financing under IPA 2 regional funds. This procedure follows the EUBEC recommendations and is based on an existing template (DEVCO) which will be developed further and tailored for WBIF's specific needs and requirements. A draft template Grant Application Form (GAF) will be presented at the WBIF SC meeting in Rome and can possibly be shared before (the respective EUBEC template can be shared now); in any case, COM requirements have to be met for EU funds to be released and respective internal consultations are ongoing and are expected to continue into the next semester.

Discussion

EBRD stressed that co-financing should not lead to crowding out of IFI funds and that grant funds should be additional i.e. awarded to projects which would otherwise not materialise. **KfW** requested clarification as to the maturity definition and questioned whether - looking at the challenges of the region - the connectivity requirement should be the guiding principle for the entire IPA 2 programming period.

DG NEAR replied that trilateral discussions will take place for the identification of suitable projects in the coming weeks, in order to identify a final list for the IPA 2015 grant co-financing and reassured IFIs that the IPA 2 funds will not be used for crowding out purposes. The duration of the "connectivity eligibility" criteria will be discussed further.

NIC/SPP methodology and implementation status in the WBs

IFICO (A Olsen) reported on the main methodological principles applied and support provided at the WB beneficiary countries. Currently, there are 3 levels of intervention: (1) at political level / the NIC / (decision making) level, (2) at the Technical Apparatus / NIPAC level and (3) at the Line Ministry level, where the technical prioritisation usually takes place. All WB countries are in various stages of progress. It is expected, at this moment, that all beneficiary countries will have NIC type structures in place and will be submitting prioritised SPPs to the WBIF SC in Paris, including BiH at least as far as the TRA sector is concerned.

Discussion

FYROM enquired about the “decision making” body “or similar”, since the “decision making”, in their view, is not a requirement for the NIC; in addition, in FYROM, the Line Ministries are not in charge of prioritisation of projects. **SER** seconded the “decision making” argument of FYROM.

DG NEAR replied that countries are (relatively) free to prioritise at various levels, as long as the final result is a prioritised SPP.

AOB

The **WBIF Secretariat** summarized the PFG and announced the following, immediate, milestones:

1. All power point presentations will be circulated immediately after the meeting;
2. The(se) MoM will be circulated soonest; the deadline for comments will be short;
3. Comments to the Monitoring Report and the projects with limited progress until the 29th of May (cob);
4. Comments to the Annual Report until 22 May COB;
5. The Road Map and a concept paper will be circulated ahead of the WBIF SC meeting in Rome, at the earliest convenience.
6. The GAF templates will be disseminated ahead of the WBIF SC in Rome;
7. A template for Grant Award Notification from the WBIF SC to the beneficiary administration will be presented at the WBIF SC meeting in Rome.

The **PFG co-chairs** closed the PFG, by re-emphasising that only by working together can this exceptional transition year 2015 be successfully concluded; it is expected that in 2016, the main structures and processes are largely in place.

Olav Reinertsen

Head of WBIF Secretariat



**This project is funded by
The European Union**

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