

26th MEETING OF THE WBIF PROJECT FINANCIERS' GROUP, Brussels 7 November 2018

Minutes of Meeting

Welcome remarks and introduction

The PFG Co-chairs, Mr Wolfgang Schläger (DG NEAR) and Mr. Massimo Cingolani (EIB) welcomed participants to the 26th PFG, highlighted the current workload and introduced the latest developments under the EU Western Balkan Strategy pertinent to the evolution of WBIF. Mr Colin Wolfe (Head of Unit, Western Balkans Regional Cooperation and Programmes, DG NEAR) co-chaired the afternoon session.

Screening and assessment of TA Round 20 Projects

DG NEAR (Wolfgang Schläger) reminded participants about the eligibility criteria for TA Round 20, which were set at the 18th WBIF SC meeting in Paris: "TRA projects must have a clear regional dimension or unblock an existing project and must relate to the Core Network; only Core airports, Core inland and maritime ports are eligible, as defined by the Indicative Extension of the TEN-T networks to the Western Balkans. DII, ENE, ENV and SOC projects are not restricted and new project applications are invited; ENE projects must demonstrate a regional impact, with the exception of smart grids in transmission and distribution lines as well as smart meters."

Applications received in Rd 20:

The following grant requests were received:

- 22 applications received, total Grant amount € 48.5 million;
- Applications per country: ALB 7, BiH 5, KOS 2, MKD 1, MNE 3, SRB 4, REG 0;
- Applications per sector: TRA 11, ENE 6, ENV 2, SOC 3.

DG NEAR further mentioned that good quality GAFs are a pre-condition for positive screening. Supervision of works, under the TA envelop and as a general rule are not suitable to be assigned to IPFs.

The *PFG Co-chairs* presented the following GAFs worth € 16,273,500, which were screened and assessed positively, with some clarification still required on some of these; these will be recommended for approval at the 19th WBIF SC:

#	Grant code	Title	Sector	Country	Lead IFI	Grant amount submitted (€)	Grant amount revised (€)	Source of funds
1	WB20-ALB-ENE-01	Dumrea Underground Natural Gas Storage: Feasibility Study, ESIA	ENE	ALB	EBRD	800,000	850,000	IPF

#	Grant code	Title	Sector	Country	Lead IFI	Grant amount submitted (€)	Grant amount revised (€)	Source of funds
2	WB20-ALB-ENE-04	Fier – Vlora Gas Transmission Pipeline: ESIA, Detailed Design, Tender Dossier	ENE	ALB	EBRD	1,500,000	1,100,000	IPF
3	WB20-MKD-ENE-01	Cebren Hydropower Plant: Feasibility Study, ESIA	ENE	MKD	EBRD	1,000,000	1,000,000	IPF
4	WB20-ALB-ENV-02	Flood Protection Infrastructure on Erzen-Ishem, Shkumbin, Seman and Vjosa Rivers: Feasibility Study, ESIA, Preliminary Design	ENV	ALB	EIB	2,000,000	2,000,000	IPF
5	WB20-KOS-ENV-01	Mitrovica and Gjilan Wastewater Treatment Plants: Tender Dossier, PIU Support	ENV	KOS	EBRD	1,100,000	800,000	IPF
6	WB20-BIH-SOC-01	Banja Luka Medical Faculty, Centre for Education & Research, Faculty of Healthcare and Secondary Medical School: Feasibility Study, EIA, Preliminary Design, Detailed Design for Infrastructure and Utility Networks, Auxiliary Facilities	SOC	BIH	EIB	605,000	330,000	IPF
7	WB20-MNE-SOC-01	Mojkovac Prison: Feasibility Study Review, Preliminary Design, EIA, Detailed Design, Tender Dossier	SOC	MNE	CEB	1,200,000	1,200,000	IPF
8	WB20-BIH-TRA-02	Mediterranean Corridor, Bosnia and Herzegovina – Croatia Cvc Road Interconnection, Exit Prenj Tunnel – Mostar North Subsection: Detailed Design	TRA	BIH	EBRD	3,893,500	3,893,500	IPF
9	WB20-MNE-TRA-02	Mediterranean Corridor, Montenegro – Albania R2 Rail Interconnection, Podgorica – Border Between the Two States Section: Feasibility Study, Conceptual Design, ESIA, PIU Support	TRA	MNE	KfW	1,800,000	1,300,000	IPF

#	Grant code	Title	Sector	Country	Lead IFI	Grant amount submitted (€)	Grant amount revised (€)	Source of funds
10	WB20-SRB-TRA-02	Rhine-Danube Corridor, Belgrade Port: Pre-feasibility Study, Conceptual Design	TRA	SRB	EIB	1,350,000	800,000	IPF
11	WB20-SRB-TRA-03	Mediterranean Corridor, Serbia – Croatia CX Rail Interconnection, Belgrade – Šid – Border Between the Two States Section: Feasibility Study, Preliminary Design, ESIA	TRA	SRB	EIB	5,200,000	3,000,000	IPF
Total						20,448,500	16,273,500	IPF

The following GAFs will need further clarifications:

- WB20-ALB-ENE-01, WB20-ALB-ENE-04 and WB20-MKD-ENE-01: EBRD to provide information / confirmation on regional dimension; applications to be updated and to address all the comments before the SC meeting;
- WB20-ALB-ENV-02: approval conditional on the finalisation of flood maps for all four river basins; all the comments have to be addressed.
- WB20-MNE-SOC-01: new project location to be updated in related documentation, including strategies.
- WB20-KOS-ENV-01: application needs to be revised and limited to the preparation of tender dossier and support to PIU. All the comments have to be addressed. The budget items have to be clearly linked to the activities.

To the extent the Round 20 GAFs cannot be allocated to existing IPFs a suspensive clause will be required by the WBIF SC. The final grant amounts to be approved by the Steering Committee will include, in addition, the relevant implementation fees.

The following applications were screened / and or assessed negative.

#	Grant code	Title	Sector	Country	Lead IFI	Grant amount (€)
1	WB20-ALB-ENE-05	Reconstruction of Oil Pipeline Network: Master Plan, SEA	ENE	ALB	EBRD	1,200,000
2	WB20-KOS-ENE-01	District Heating Systems: Feasibility Study, ESIA	ENE	KOS	EIB	2,000,000
3	WB20-SRB-ENE-01	North Continental South East Electricity Corridor, Grid Sections Belgrade West – Cibuk and HPP Djerdap – Iron Gates: Pre-feasibility Study, Feasibility Study, Conceptual Design, ESIA	ENE	SRB	KfW	1,200,000
4	WB20-ALB-SOC-01	Institution for Mentally Ill Detainees: Detailed Design Review, Cost-Benefit Analysis, ESIA, Tender Dossier	SOC	ALB	CEB	260,000

#	Grant code	Title	Sector	Country	Lead IFI	Grant amount (€)
5	WB20-ALB-TRA-02	Comprehensive Network, Albania – the former Yugoslav Republic of Macedonia CVIII Rail Interconnection, Rrogozhinë – Pogradec – Lin – Border Between the Two States Railway Section: Cost-Benefit Analysis, Preliminary Design, ESIA	TRA	ALB	EIB	2,900,000
6	WB20-ALB-TRA-03	Comprehensive Network, Albania – the former Yugoslav Republic of Macedonia CVIII Rail Interconnection, Durrës - Rrogozhinë Segment: ESIA Update, Detailed Design, Tender Dossier	TRA	ALB	EIB	1,900,000
7	WB20-BIH-TRA-05	Extension of TEN-T Core Network, Bosnia and Herzegovina – Croatia R2a Road Interconnection Lasva Interchange and Road: Detailed Design Update	TRA	BIH	EBRD	1,200,000
8	WB20-BIH-TRA-06	Extension of TEN-T Core Network, Bosnia and Herzegovina – Croatia R2a Road Interconnection, Nevic Polje – Travnik Interchange Subsection: Detailed Design	TRA	BIH	EBRD	3,600,000
9	WB20-BIH-TRA-07	Extension of TEN-T Core Network, Bosnia and Herzegovina – Croatia R2a Road Interconnection, Travnik – Jajce Subsection: Detailed Design	TRA	BIH	EBRD	9,300,000
10	WB20-MNE-TRA-01	Mediterranean Corridor, Montenegro – Albania R1 Road Interconnection, Herceg Novi Bypass: Preliminary Design, ESIA	TRA	MNE	KfW	2,500,000
11	WB20-SRB-TRA-01	Orient/East-Med (CX) Corridor, Reconstruction and Modernisation of Belgrade – Nis Railway Line, Stalac – Djunis Section: Detailed Design, Tender Dossier	TRA	SRB	EBRD	2,000,000

Overall TA Round 20 shows the following result:

Screening and assessment results	N°	Grant amount [€]
All grant requests received	22	48,508,500
Negative	11	32,235,000
Positive (revised amount)	11	16,273,500
Total grants to be submitted to the 19th WBIF SC	11	16,273,500

Eligibility criteria for TA Round 21

DG NEAR (Wolfgang Schläger) proposed potential eligibility criteria for TA Round 21. In response to the low overall amount of ENE applications in the past round, the following eligibility criteria are proposed:

- Allow new projects / applications in DII, SOC, ENE and ENV sectors;
- Limitation of TRA to regional dimension or unblocking of existing projects (no new projects), and TRA must relate to the core network.

Regarding the indicative core network extension, clarification will be sought from DG MOVE if in well justified cases TA applications for TRA projects located on the Comprehensive Network could be eligible, although they would not be entitled to receive a WBIF INV grant.

Germany (Sabrina Brabetz) enquired if national IPA funds could also be used for WBIF and if the funds “earmarked for DII” could, lacking any DII applications, also be used for other projects. **DG NEAR** (Wolfgang Schläger) clarified that national IPA funds can also be used to mature projects and confirmed that the funds for DII can also be allocated to other sectors (if no DII applications are forthcoming).

Status update INV Rounds

INV Rounds 00, 01, 02

DG NEAR (Wolfgang Schläger) presented the status of the grants allocated in INV Rounds 00 and 01. In the first INV Round “00”, politically endorsed at the WB6 summit in Vienna (August 2015) and approved at the 13th WBIF SC meeting Paris, a total € 150,640,200 of COM funds were committed for connectivity relevant projects; in the second INV Round “01”, politically endorsed at the WB6 summit in Paris (July 2016) and approved at the 15th WBIF SC meeting in London, the COM contribution for connectivity projects totalled at € 98,497,500. The grants of INV Round 01 for Bosnia and Herzegovina, endorsed at the WB6 summit in Trieste were finally approved under WBIF Written Procedure Nr.19 in July 2018 (save as to the application for the Rhine-Danube corridor Brcko port). One ENV project was approved at the 16th WBIF SC meeting in Stockholm, and another 3 INV projects were politically endorsed at the WB6 summit in Trieste and approved at the 17th WBIF SC in Frankfurt, including another ENV sector INV project. This brings the total of INV projects under WBIF to 19, of which 7 are already active and have started.

INV Round 03

INV Round 03 was launched at the 16th WBIF SC meeting in Stockholm, with the submission deadline end of November 2017 and the IFI endorsement deadline at the end of January 2018. The following GAFs were received, screened and assessed (with final clarifications still under way):

#	Grant code	Sector	Country	Title	IFI	Grant amount (€)	Investment Leveraged (€)	Conclusion
1	WB-IG03-BIH-ENV-01	ENV	BIH	Bosnia and Herzegovina, WATSAN Programme in the Federation of Bosnia and Herzegovina	EIB	11,632,080	N/A	Negative
2	WB-IG03-BIH-ENV-02	ENV	BIH	Bosnia and Herzegovina, Plava Voda Regional Water Supply System	EBRD; CEB	1,737,600	N/A	Negative
3	WB-IG03-BIH-ENV-03	ENV	BIH	Bosnia and Herzegovina, Gradačac Water Supply Project	EBRD	2,156,760	15,800,125	Positive
4	WB-IG03-MNE-ENV-01	ENV	MNE	Montenegro, Boka Bay Water Supply and Wastewater Collection	KfW	9,151,605	25,002,825	Positive
5	WB-IG03-MNE-ENV-02	ENV	MNE	Montenegro, Bijelo Polje Wastewater Treatment Plant	EIB	3,053,320	6,770,650	Positive
6	WB-IG03-SRB-ENE-01	ENE	SRB	Trans-Balkan Electricity Corridor: Grid Sections III and IV in Serbia	KfW	27,226,000	N/A	Withdrawn
7	WB-IG03-ALB-TRA-01	TRA	ALB	Extension of TEN-T Core Network: Reconstruction of Durrës Port, Quays 1 & 2	EBRD	27,627,000	62,450,000	Positive
8	WB-IG02-BIH-TRA-06	TRA	BIH	Mediterranean Corridor: Bosnia and Herzegovina – Croatia Cvc Road Interconnection, Tarčin – Ivan Subsection I	EIB	12,049,600	58,700,000	Positive
9	WB-IG02-BIH-TRA-07	TRA	BIH	Mediterranean Corridor: Bosnia and Herzegovina – Croatia Cvc Road Interconnection, Tarčin – Ivan Subsection II	EBRD	11,755,600	48,620,000	Positive
10	WB-IG03-BIH-TRA-06	TRA	BIH	Mediterranean Corridor: Bosnia and Herzegovina – Croatia Cvc Road Interconnection, Buna – Počitelj Subsection	EBRD	9,016,323	44,649,140	Positive
11	WB-IG03-MKD-TRA-02	TRA	MKD	Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Bulgaria CVIII Road Interconnection, Kriva Palanka – Deve Bair Section	EBRD	2,620,400	13,620,000	Positive

#	Grant code	Sector	Country	Title	IFI	Grant amount (€)	Investment Leveraged (€)	Conclusion
12	WB-IG03-MKD-TRA-03	TRA	MKD	Orient/East-Med Corridor: The former Yugoslav Republic of Macedonia – Albania CVIII Road Interconnection, Bukojčani – Kičevo Subsection	EBRD	20,348,000	105,150,000	Positive
13	WB-IG03-MNE-TRA-01	TRA	MNE	Mediterranean Corridor: Montenegro – Croatia – Albania R1 Road Interconnection, Budva Bypass	KfW	42,095,000	187,390,000	Positive
14	WB-IG03-MNE-TRA-02	TRA	MNE	Orient/East-Med Corridor: Montenegro - Serbia R4 Rail Interconnection, Bar – Vrbnica Section	KfW	13,672,000	40,000,000	Positive
15	WB-IG03-SRB-TRA-01	TRA	SRB	Orient/East-Med Corridor: Serbia – Kosovo* R7 Road Interconnection, Niš (Merošina) – Pločnik (Beloljin) Section	EIB; EBRD	41,412,000	212,595,000	Positive
16	WB-IG03-SRB-TRA-02	TRA	SRB	Rhine-Danube Corridor: Extension of Capacities of Smederevo Port	EIB	21,906,500	N/A	Negative
Total TRA Positive						180,640,923	773,174,140	
Total ENV Positive						14,361,685	47,573,600	
GRAND TOTAL						195,002,608		

DG NEAR (Wolfgang Schläger) enquired if and to which extent the Bilateral Donors consider co-financing the 3 INV Round 03 ENV projects: (1) Bosnia and Herzegovina, Gradacac Water Supply Project, supported by EBRD with a grant request of around € 2.2 M; (2) Montenegro, Boka Bay Water Supply & Wastewater Collection, supported by KfW, with an initial grant request of € 9.2 M, reduced to 4.7 M and (3) Montenegro, Bijelo Polje Wastewater Treatment Plant, supported by EIB with a grant request of around € 3.1 M. To the extent Bosnia and Herzegovina is concerned, the progress regarding the development of the Single Sector Project Pipeline (SSPP) for the ENV sector have been noted. The exception for Bosnia and Herzegovina expires by the end of 2018, from this point forward, an SSPP/SP will be a requirement for Bosnia and Herzegovina.

KfW (Constance Kreiss) confirmed the phasing of the Boka Bay water supply and wastewater collection project and that, in the first phase, a grant contribution of € 4.7 M will be required. **Germany** (Sabrina Brabetz) confirmed that no finite decision has been made by the Bilateral Donors. The Bilateral Donors welcome that KfW has phased the Boka Bay project and reduced the grant request to € 4.7 million, the BDs would not consider co-financing the Gradacac project from Bosnia and Herzegovina; the reasons are the absence of an SSPP for ENV and consequently, the ENV sector is not on the Single

Project Pipeline (SPP), in addition the current political situation in Bosnia and Herzegovina is seen difficult. Because it was a decision by DG NEAR to grant a transition period to Bosnia and Herzegovina (lift precondition of SPP) DG NEAR is free to co-finance this project. **Norway** (Olav Reinertsen) seconded Germany and mentioned that the BD community will require projects for co-financing only if they are included in the SPP. **Sweden** (Johan Willert) announced that the BDs would like to see diversity in the portfolio that is co-financed by the BD community and by the Joint Fund. There should be a mix of appropriately sized INV and TA projects and not just one big INV project. **France** (Sylvain Geranton) announced that, at the time of the 19th WBIF SC meeting in Luxembourg, the funds available for the BDs to co-finance ENV or SOC projects should be sufficient to cover the two Montenegrin projects.

Bosnia and Herzegovina (Sabina Dizdarevic)¹ enquired if the BD community would consider a conditional approval of the Gradacac project, subject to the introduction and operationalisation of the ENV SSPP, and therefore inclusion of the ENV sector in the Single Project Pipeline.

DG NEAR (Nicola Bertolini) mentioned that the INV process is too slow, in particular given the opportunities and additional funds as planned under IPA 3; a review of time spent by the various actors involved in the approval process is recommended; in addition, IPA 3 will only support mature projects.

DG NEAR (Wolfgang Schläger) concluded by confirming that 2 INV rounds per year will be considered further by DG NEAR and the WBIF Steering Committee; maturity is a requirement for INV co-financing and often political and technical issues are the reasons for delays in the approval process. WBIF stakeholders are invited to submit comments to the INV grant approval process to the WBIF Secretariat. In addition to the 9 TRA projects (for which the COM financing decision is being prepared), the 26th PFG will propose the two ENV INV projects from Montenegro, for an overall amount of € 7.8 million to the 19th WBIF SC for approval; the Gradacac project from Bosnia and Herzegovina to be confirmed; in addition, the PFG took note of the concerns raised by the BDs regarding the diversity of their portfolio (for TA and INV).

WBIF Technical Updates

Presentation draft Monitoring Report

The WBIF Secretariat (Stine Andresen) presented the highlights of the draft Monitoring Report (MR). Under WBIF, 162 projects were supported to date, with signed loans for a total of approximately € 5.4 billion and an estimated investment volume of € 16.6 billion. In 19 Rounds of TA and 3 Rounds of INV, 271 grants were allocated, for a total of approximately € 842 million. The overall progress of the INV projects was presented as were the traditional overviews, together with the updated leveraging factors, showing the highest leveraging for the SOC sector.

Projects proposed for Cancellation

¹ This comment was made in the afternoon session, but fits better in this context.

Two grants were flagged for cancellation at the 25th PFG in Skopje and 18th SC in Paris:

- WB9-HR-SOC-01 New Campus and University Learning Centre and Resource Centre; and
- WB15-SRB-SOC-02 High Education Infrastructure.

Their cancellation was postponed provided that good progress would be achieved on implementation by the time of the 26th PFG in Brussels.

Considerable progress has been achieved with WB9-HR-SOC-01, Component 1 is being implemented and the Terms of Reference for Component 2 are scheduled for completion in December 2018, while no developments has been reported on WB15-SRB-SOC-02.

In view of the above, two grants were identified for review for cancellation:

Grant code	Title	Lead IFI	Grant amount (€)	Reason
WB15-SRB-SOC-02	High Education Infrastructure	EIB	880,000	No progress reported.
WB17-ALB-TRA-02	Adriatic - Ionian Corridor, Construction of Lezha Bypass: Feasibility Study and ESIA	EBRD	351,750	Award notice issued for implementation of the project through a PPP.

EIB (Giorgio Watschinger) confirmed the progress achieved in the implementation of the grant WB9-HR-SOC-01 and informed the PFG that a draft list of investments for WB15-SRB-SOC-02 was received from the beneficiary, but more time is needed for the latter grant.

EBRD (Zsuzsanna Hargitai) confirmed that a PPP (unsolicited proposal) was accepted by the Albanian authorities for WB17-ALB-TRA-02. Therefore, the grant will be cancelled and the funds will be returned (approximately € 351,750).

Status update: Joint Fund Balance

EBRD (Caroline Clarkson) presented the update of the balance of the Joint Fund, showing a technical negative balance of € 10.2 million; this is due to the approvals from the 18th WBIF SC meeting in June 2018, which will be covered by the EU financing decision No.4; approximately € 6.2 million are unallocated contributions from Bilateral Donors.

WBIF Strategic Updates and future developments

Update on DG NEAR policy for WBs

DG NEAR (Wolfgang Schläger) updated participants on the latest developments under the so-called “WB strategy” for the WBs, which re-affirms the European future of Western Balkan and sets preliminary accession dates for Montenegro and Serbia (2025). Main action points of the WB strategy include the enlargement process in the hands of beneficiaries, it is a merit based process and progress is strongly conditioned to strong political will and the implementation of real and sustained reforms. Specific focus areas are (i) reforms in rules of law, fundamental rights and good governance, (ii)

strengthened economy and (iii) reconciliation and good neighbourly relations. The WB strategy introduced the six flagship initiatives, of which 3 are directly relevant for WBIF (1) enhanced support for socio-economic development, (2) Increased connectivity and (3) the digital agenda for the WBs. The EU, in the meantime, prepares itself for the accession in addressing institutional issues, in particular the use of qualified majority voting in the EU Council, further strengthening of rule of law enforcement and furthering reform of policy areas that could affect accession process (cohesion policy, budget, etc.); in addition, financial issues are addressed, the increase of funding until 2020 and then for the next MFF (2021-2027). Upcoming Milestones include a planned EU leaders' meeting in Sibiu / Hermannstadt (Romania) on 09 May 2019, the next WB6 summit in Poland in July 2019 and another one in Croatia, in spring 2020.

Concretely, for WBIF, this means that the COM will also co-finance the other sectors (in the next MFF) and there will be a shift to impact and results. Additional funds and instruments will be available, with the Guarantee Instrument spear-heading this already as early as next year. Other initiatives will be closer integrated and coordinated under the WBIF umbrella, in particular EDIF, GGF, REEP+ and EFSE. The co-financing thresholds could also be reviewed, an increase to 50% for all or most of the sub-sectors could be discussed. Finally, more FIs have declared their intent to join WBIF, with the *Agence Française de Développement* joining WBIF at the next WBIF SC meeting and discussions with the WBG are also advancing to this end. A series of reviews of WBIF are currently under way, the IAS audit has issued recommendations, most of those pertain to efficiency gains in the WBIF governance structures; the self-assessment has been carried out, the report will be available for the next WBIF SC and an evaluation of the IPFs is currently ongoing. All these should lead to more efficient structures under WBIF and to prepare WBIF for the upcoming challenges.

Germany (Sabrina Brabetz) recommended a cautious approach in the extension of the WBIF umbrella. The WBIF should not become too big and the processes too slow. Expert expertise would be necessary when it comes e.g. to the guarantee instrument. **Kosovo*** (Lum Mita) recommended a more comprehensive approval process and efficiencies should be sought in the post approval process (drafting of ToR).

DG NEAR (Colin Wolfe) clarified that the governance structures of WBIF on the one side and EDIF on the other are currently analysed; the BD's concerns are noted, WBIF should remain manageable, the extension of the scope of WBIF must not lead to more bureaucracy. WBIF does use comprehensive approvals, concerning the time needed for drafting ToR, the IAD audit and self-assessment identify some areas for improvement, those will be discussed further, however, many times delays are also found at the beneficiaries' side.

WBIF Self-assessment: update, discussion and next steps

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

The WBIF Secretariat (Stine Andresen) presented first trends of the WBIF self-assessment, which was conducted in response to Deputy DG K Mathernova's announcement to carry out a mid-term review following the adoption and introduction of the so-called "new methodology" at the 13th WBIF SC meeting in Paris. The self-assessment was launched at the 18th WBIF SC, a draft methodology and questionnaire disseminated over the summer, and the last questionnaires were received by the end of October. The evaluation and reporting is ongoing. The self-assessment evaluates the WBIF's current functioning, identifies areas for improvement and looks into the perception of the stakeholders for WBIF's future orientation. Overall, 66 filled in questionnaires were received and first trends show that the introduction of the new methodology has been a success, the extension of WBIF's scope and the introduction of new sectors is seen overwhelmingly positive. Best working areas are the policy and strategy discussions and Grant related technical discussions. Areas for improvement include: Communication and visibility, speed of grant approval process in its entirety, prioritisation of funds allocation, MIS additional functions, GAF quality, timely reporting and dissemination of background papers ahead of meetings. The full report will be disseminated ahead of the next WBIF SC meeting and a set of recommendations will be developed for the upcoming WBIF SC meetings.

Italy (Raffaella Di Emidio) enquired when these recommendations (from the self-assessment) will be discussed. **EBRD** (Caroline Clarkson) recommended that a separate, dedicated meeting on the self-assessment be organised and requested more time for the consideration of (the forthcoming) recommendations. **The former Yugoslav Republic of Macedonia** (Orhideja Kaljosevska) informed participants that an adapted version of the self-assessment questionnaire was used to also self-assess the administration in The former Yugoslav Republic of Macedonia. **Kosovo** (Florim Canolli) recommended better synergies between IPA national and regional and raised concerns about the too short period between the publication of eligibility criteria and the deadline for submission of applications.

DG NEAR (Colin Wolfe) clarified that the next WBIF SC meeting will only be the beginning of the evolution of WBIF and recommendations can be discussed and tabled at subsequent WBIF SC meetings as well. The alleged lack of synergies between national and regional IPA in Kosovo, which are a co-responsibility of the NIPAC, should be addressed in Kosovo with the EUD.

Conceptual rationalisation of WBIF

EIB (Massimo Cingolani) demonstrated, by analysing static WBIF potential benefits at project level and using a portfolio approach that a "4 eyes principle" leads to dynamic benefits. The model shows that sizeable potential gains for successful project implementation can be realised, if the coordination is done through WBIF. The potential reduction in the range of ex ante uncertainty is a very important potential gain. Other dynamic gains include those relating to the generation of more and better prepared projects. The "4 eyes principle" applied to a given distribution of potential projects, can lead to further incremental gains, if distribution is improved. In conclusion, just looking at a static cost-benefit comparison, under conservative and prudent assumptions, it is highly likely that the benefits of the WBIF far exceed its costs, because of a better selection over an existing

distribution of projects; other dynamic aspects relating to ownership and coordination of expectations also carry potential to substantially multiply these high positive returns. Relevant for WBIF and where most benefits can be found, is the improvement of selection of existing projects and improvement of the generation of new projects and finally to continue to build a common view on the future.

Western Balkans Guarantee Facility: ex-ante market assessment

DG NEAR (Thomas Adams) and **IPF 7** (Hubert Warsmann) presented the outcome of the ex-ante assessment for the guarantee instrument and the findings of the private sector discussion. Following the adoption of the EU WB strategy on 06 Feb 2018, among a variety of other measures, and to accelerate progress toward accession, the new guarantee instrument was set into motion, with a volume of € 150 M until 2020. In accordance with the Financial Regulations and moreover in order to place this guarantee where it has the most impact, DG NEAR is conducting an ex-ante assessment; the main part of which (Market Assessment) has been finalized.

The consultant identified potential for the new guarantee across 8 identified sectors:

- Access to finance for private sector – in particular start-ups, young innovative companies and SMEs;
- Agricultural and rural development – mitigate banks risk perception, risk management;
- Digital transformation – risk mitigation for private sector / broadband extension, sharing of infrastructure;
- Energy Sector – credit enhancement for sub-sovereign lending, renewables and energy efficiency;
- Environment Sector – credit enhancement for well-prepared PPP projects (low carbon, smart / green technologies, etc.);
- Social Sector – credit enhancement and sub-sovereign lending to well-structured PPPs;
- Tourism – risk mitigation for commercial banks, financing sustainable tourism projects;
- Transport – credit enhancement for selected ad well prepared PPP projects;

There is a substantial need for TA at policy level, financial intermediaries and final beneficiaries.

Building on these results, DG NEAR initiated a *Private Sector Dialogue* with private sector experts nominated by the Western Balkans Chamber Investment Forum. Separate business sector and financial sector questionnaires were disseminated and followed by conference calls with experts and EU Delegations. In line with the findings of the market assessment, key challenges identified as relevant for the guarantee were:

- Backward looking finance (collateral-based), not suitable for start-ups or for fast-growing/innovative SMEs;
- Export oriented investments are crucial for local value creation;
- Agriculture and food processing industry require specific attention in conjunction with IPARD;
- Green and social investments can combine multiple positive impacts;
- Importance of demand side support and provision of TA.

On the basis of these presentations and of the Executive Summary of the Market Assessment written comments were invited to be sent to DG NEAR by 23rd of November. Further consultation with WBIF

stakeholders are planned to refine priorities and to define formal criteria and the project selection process.

Sweden (Johan Willert) enquired if the guarantee instrument will only be used to lower financing costs, or whether it should not address market failures and if the guarantee as such was free of charge or against a fee. **EBRD** (Zsuzsanna Hargitai) recommended caution against entering into too many policy areas.

DG NEAR (Thomas Adams) and **IPF 7** (Hubert Warsmann) confirmed that the market assessment aimed at identifying market failures. Addressing them will be the focus of the guarantee. Design details such as the question “fee or free” will be addressed in the next stage where the instrument is designed to address the identified priorities. Taking stakeholder comments into account, DG NEAR hopes to refine guarantee priorities by the next WBIF Steering Committee. Further consultation with WBIF stakeholders is planned to define formal selection criteria and guarantee characteristics to maximize the impact of the instrument.

Other initiatives relevant for WBIF

Update of JASPERS activities in the Western Balkans

JASPERS (Markus Pfeffer) introduced “JASPERS” as a joint initiative under a Framework Partnership Agreement between the EC and the EIB, managed by the EIB and coordinated with the EC and beneficiary countries through periodic tri-partite and annual stakeholders’ meetings. JASPERS activities in the Western Balkans (WBs) are financed through IPA. JASPERS advises in program and project preparation and provides capacity building in the following sectors: energy and solid waste; rail, air and maritime transport; smart development; water and wastewater; as well as roads. JASPERS provides strategic support to beneficiaries, reviews projects and issues recommendations, assumes horizontal tasks, provides capacity building and implementation support. JASPERS advice to beneficiaries is complementary to support offered through WBIF and CONNECTA, as it is geared to help beneficiaries make better use of consultancy services. Under IPA II, JASPERS is mandated to work in all 6 WB beneficiary countries, with active assignments in Serbia, the Former Yugoslav Republic of Macedonia, Kosovo and Montenegro. JASPERS support can be requested by the beneficiary countries through the NIPACs. JASPERS is available to cooperate with all WBIF financiers. Early involvement of JASPERS in WBIF projects is encouraged. More information can be found under: <http://jaspers.eib.org>.

Update on CONNECTA

CONNECTA (Chris Germanacos) introduced CONNECTA as a special technical assistance facility for transport and energy project preparation as well as support for the implementation of Transport Connectivity Reform Measures, located outside of the WBIF umbrella. CONNECTA serves as a “rapid reaction force” to quickly mature projects for INV grant applications. Concrete project related progress was reported and overall 57 requests for Connecta assistance have been registered by the end of October 2018. Of these requests, 6 have led to sub-projects. Another 22 of these requests have sub-

project potential, but further work and information is required from the beneficiaries before formal applications can be submitted by CONNECTA to DG NEAR for approval.

EBRD (Caroline Clarkson) enquired if CONNECTA can be scaled up and cover for additional projects, to which extent CONNECTA overlaps with IPFs and whether CONNECTA is planned to come under the WBIF. **Germany** (Sabrina Brabetz) requested a break down per country.

CONNECTA (Chris Germanacos) clarified that CONNECTA is active in all WB beneficiary countries and assignments include currently Bosnia and Herzegovina, Montenegro and the former Yugoslav Republic of Macedonia. **DG NEAR** (Wolfgang Schläger) re-emphasised the importance of CONNECTA as “rapid reaction force” and it should therefore not go through the WBIF application process. The integration of CONNECTA under the WBIF is therefore unjustified. However, certainly both JASPERS and CONNECTA are part of the WBIF’s “tool box” and contribute to improve the quality and the maturity of the WBIF supported projects.

Bilateral Donors Update

The **WBIF SC Co-chair France** (Sylvain Geranton) confirmed the BDs commitment to WBIF and the BDs desire to co-finance suitable projects at the next WBIF SC meeting.

WBIF Secretariat Updates

Presentation of funding needs (GAP) analysis

The WBIF Secretariat (Stine Andresen) presented the outcome of the WBIF portfolio funding needs analysis to participants. The brief was to review the active WBIF portfolio and identify (a) additional INV needs (loans, grants, budget, private sector); and (b) additional TA needs to mature active projects. Following IFI and IPF consultations, the active INV project portfolio consists of 33 projects “in need of additional funding” (grant, loan, national budget, private sector) and, up to INV Round 02 a funding need of € 2.5 billion was identified. 55 active INV projects require additional TA grants. These were split into those relating to projects “presumption mature” and “de facto not mature” and additional TA for projects status *presumption mature* is € 140 million, additional TA for *de-facto not mature* projects totals at € 167 million, Supervision of Works: another € 192 million.

The funding needs analysis is currently updated by introducing a timeline over the identified gaps and further a split over beneficiaries and sectors. The updated version will be submitted to the 19th WBIF SC meeting as background paper.

Sweden (Johan Willert) appreciated the focus on projects and enquired which part of the € 2.5 billion could be co-financed. **Germany** (Sabrina Brabetz) requested this topic to be tabled at the next WBIF SC meeting and that sufficient time is allocated to this issue. **Bosnia and Herzegovina** (Sabina Dizdarevic) enquired if all relevant Bosnian INV projects were reflected in the overview.

DG NEAR (Wolfgang Schläger) stated that not sufficient time can be allocated at the next WBIF SC either and proposed a dedicated session on this at the next PFG in Tirana. All other questions will be addressed in the update of the analysis.

NIC report and Youth Education Sector Study (postponed)

The WBIF Secretariat (Stine Andresen) presented the main results of the last NIC report, showing also how the beneficiaries perceive the effectiveness and usefulness of the NIC framework. It also provides an overview of the current status of the NIC transposition. The report can be downloaded from the WBIF website.

The Youth Education Study has been finalised and is currently under review in DG NEAR. It will be disseminated as background paper for the next WBIF SC meeting.

Communication & Visibility

The WBIF self-assessment identifies Communication & Visibility as one of the main areas for improvement. Along the evolution of WBIF and given the increase in TA and INV projects, visibility efforts need to be scaled up. The tracker (runner chart) for the connectivity projects will now also be introduced for other INV and for the IPF and Joint Fund projects. This will allow for proper planning and execution of visibility events. Various actors are involved in this, crucial will be that IFIs keep the MIS up to date and progress should be updated quarterly.

In addition, WBIF's 10 year anniversary is next year, below are logo ideas, participants are invited to state their preference and are especially invited to submit any slogan ideas to the WBIF Secretariat.



AOB

DG NEAR (Wolfgang Schläger) informed participants of the advanced talks with the WBG on joining WBIF as full partner organisation. IFIs are encouraged to keep the MIS updated, in particular to the extent the INV projects are concerned.

Serbia (Aleksandra Radinovic) informed about the efforts in Serbia in establishing a Single Sector Project Pipeline for the SOC sector and enquired if, in the absence of this SOC sector SSPP, Serbia could submit a SOC sector project for INV co-financing. **Bosnia and Herzegovina** (Sabina Dizdarevic) enquired if the beneficiaries could have access to the screening conclusions in the MIS in the event of positive, but also negative screened / assessed applications.

DG NEAR (Wolfgang Schläger) confirmed that DG NEAR is aware that Serbia has no SOC sector SSPP; given, however, the advanced stage of the Serbian NIC framework, a submission of a SOC project should be possible.

End of MoM.