

## 30<sup>th</sup> PFG Virtual Meeting

10 - 11 November 2020

### Minutes of Meeting

#### Day 1: (closed) Project Oriented Session

#### Welcoming

The **PFG Co-chair DG NEAR** (Michael Vögele) welcomed participants to the 30<sup>th</sup> PFG virtual meeting and made reference to the current pandemic and WBIF transition related challenges for all stakeholders. When the Multiannual Financial Framework and the related IPA III regulations will be adopted the WBIF will have to be transposed to fit to this new framework. The Economic Investment Plan (EIP) has been published by the European Commission and substantial support will be provided to the Western Balkan (WB) economies. The WBIF will be at the centre stage of this roll out and implementation. The **PFG Co-Chair CEB** (Miles Vitomir Raguz) also welcomed participants and stressed the significance of the imminent launch of INV Round 6 (including ENV and SOC sectors), where all WBIF sectors will become eligible for Commission INV grant co-financing; the WBIF community looks forward to discuss suitable criteria for the ENV and SOC sectors and asked for a timeline for this consultation.

#### Status update: Joint Fund Balance

**EBRD** (Jasmin Khalaf) presented the current status of the European Western Balkan Joint Fund and confirmed a current negative balance of the Joint Fund of €19.25 million, due to WBIF SC commitments and respective contribution agreements with the European Commission which have yet to be signed. The available, uncommitted balance of the Bilateral Donors is €2.64 million (the €1.2 million equivalent amount of the European Commission for TA in exchange for the Zadar University project<sup>1</sup> is not yet included).

#### Screening and assessment of TA Round 24

**The WBIF Secretariat** (Stine Andresen) reminded participants of the applicable eligibility criteria for TA Round 24, set at the 22<sup>nd</sup> WBIF SC meeting, being: *“Grant Applications are invited in all sectors, DII, ENE, ENV and SOC and are not restricted; applications in the TRA sector must be on the Core Network.”* All sectors: *Projects that are not in the SPP may exceptionally be submitted if there is no SPP for that sector. For sectors with SPPs in place, projects that are not in the SPP may exceptionally be submitted if they are included in the SPP compiled by NIC/equivalent national structures in line with the SPP methodology by the time of their potential approval by the WBIF SC.*

Under TA Round 24 overall 33 applications were received for a total grant amount of €55 million. Per beneficiary: ALB 12, BIH 2, KOS 4, MNE 5, MKD 2, SRB 6, REG 2; and sector: 5 DII, 9 ENE, 5 ENV, 4 SOC,

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<sup>1</sup> WB09-HR-SOC-02: “New Campus and University Learning Resource Centre”

10 TRA. 12 projects were screened positive, 8 “to be decided” and 13 were screened negative or were withdrawn (see details further below).

**DG NEAR** (Michael Vögele) set the scene for the TA Round 24 related discussion and mentioned an overall available balance including IPF 10 of approximately €15.75 million under the IPF instrument and another €11 million under the Joint Fund (of which €2.64 million are unallocated Bilateral Donor contributions). In lieu of the imminent implementation of the EIP via the WBIF and the limitation of available funds, DG NEAR has reviewed the results of the assessment of applications in line with the established eligibility criteria and further given priority to EIP relevant and well drafted applications.

Following presentation and respective discussions, the following applications were endorsed by the PFG and will be recommended for approval to the 23<sup>rd</sup> WBIF SC subject to further clarifications and amendments (the respective applications are to be updated until the end of November 2020):

#	Bene.	Grant code	Short title	Lead IFI	Grant submitted (€)	Grant revised (€)	PFG conclusion	Source of funds
1	ALB	WB24-ALB-DII-01	Broadband development in white areas (Vlora, Gjirokastra, Fier, Berat, Korçë)	EIB	1,000,000	800,000	Positive	IPF
2		WB24-ALB-DII-04	Digital infrastructure improvement in the pre-university system	AFD	800,000	500,000	Positive	JF
3	BIH	WB24-BIH-ENE-01	Podveležje photovoltaic power plant	KfW	865,000	350,000	Positive	JF
4	KOS	WB24-KOS-ENV-03	Gjakova water supply and water resources protection	EIB	800,000	900,000	Positive	IPF
5	MNE	WB24-MNE-ENV-01	Pljevlja sewerage network	EIB	350,000	350,000	Positive	IPF
6		WB24-MNE-ENV-02	Ulcinj wastewater treatment	KfW	999,781	974,781	Positive	JF
7	SRB	WB24-SRB-SOC-01	New Campus for the Electrical Engineering and Technical Faculties in Belgrade	CEB	2,630,000	450,000	Positive	IPF
8	ALB	WB24-ALB-TRA-01	Mediterranean Corridor: Murriqan – Lezhë highway section (Blue Highway)	EBRD	4,500,000	800,000	Positive	IPF
9	MNE	WB24-MNE-TRA-01	Orient/East-Med Corridor (Route 4): Bar – Vrbnica railway line	EIB	1,200,000	200,000	Positive	IPF
10	SRB	WB24-SRB-TRA-04	Orient/East-Med Corridor (Route 7): Nis – Merdare highway, Beloljin – Merdare section (Peace Highway)	EIB	7,000,000	6,000,000	Positive	IPF
11		WB24-SRB-TRA-01	Orient/East-Med Corridor (Route 11): Stalać – Kraljevo railway section	EIB	2,300,000	800,000	Positive	IPF
12		WB24-SRB-TRA-02	Orient/East-Med Corridor (Route 10): Kraljevo – Rudnica railway section	EIB	2,300,000	800,000	Positive	IPF
<b>Total</b>					<b>24,744,781</b>	<b>12,924,781</b>		

Applications screened and assessed negative and/or withdrawn were also presented and discussed, these are shown in **Annex 1**<sup>2</sup>.

The WBIF SC Co-Chair Austria was asked if the Bilateral Donors had any views on potentially financing TA Round 24 projects from their funds that were indicated to be Joint Fund financed.

**Austria** (Agnes Drimmel) clarified that due to the limited funds available and no firm indications concerning pledges in 2020, the Bilateral Donors are not in a position to confirm any commitments at this point in time, but will take a decision at the upcoming Steering Committee on the basis of the confirmed balance of contributions. Also, as mentioned in the 22<sup>nd</sup> Steering Committee Meeting, the group of bilateral donors would place more particular focus on INV05 ENV and SOC projects that do not yet apply for Commission funding, for the sake of complementarity to remaining IPA II funds.

**Germany** (Sabrina Brabetz) enquired whether the payment/no-payment of the beneficiaries' contribution to the Transport Community Treaty is taken into consideration in the screening process.

**DG NEAR** (Michael Vögele) took note of Germany's intervention (above) and further invited the Lead IFIs to confirm the source of funds for positive applications ahead of the 23<sup>rd</sup> WBIF SC to ensure a more balanced allocation between the Joint Fund and the IPF instrument.

#### Update on INV Round 05

**The WBIF Secretariat** (Stine Andresen) reminded participants of the applicable eligibility criteria for INV Round 5, set at the 20<sup>th</sup> WBIF SC meeting in Berlin: *"TRA projects must be part of the Core Network as defined under the Indicative Extension of the TEN-T Network to the Western Balkans. 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."*

Overall, 17 applications were received for a total grant consideration of €415.4 million; by country: ALB 3, BIH 8, KOS 2, MNE 1, MKD 2, SRB 1; and sector: TRA 9, ENE 2, ENV 5, SOC 1. One TRA project was rolled over from INV Round 04: €21.1 M for Kvanj Tunnel – Buna Vc motorway subsection in BIH, due to lack of funding in the last INV round. A total of 12 projects were screened and assessed positive, 6 were negative.

**DG NEAR** (Michael Vögele) further informed that overall 7 TRA and 1 ENE sector projects were screened and assessed positive but, due to the limitation of available funds, only 6 were selected and are included in this year's connectivity package and presented at the Western Balkan summit in Sofia. In addition, 1 SOC and 3 ENV projects were screened and assessed positive, but, due to the IPA II limitations, cannot be financed from the European Commission funds.

This years' Connectivity Agenda projects are:

Bene.	Grant code	Project	Lead IFI	Grant incl. imp. fee (€)
<b>Flagship 1 – Connecting East to West</b>				
BIH	WB-IG05-BIH-TRA-08	Rhine/Danube Corridor: Demining the Right Bank of the Sava River	WBG	8,160,000
KOS	WB-IG05-KOS-TRA-03	Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina – Merdare Section	EBRD	38,760,000
<b>Flagship 2 – Connecting North to South</b>				

<sup>2</sup> The screening conclusions show the status of the applications prior to the PFG conclusions.

Bene.	Grant code	Project	Lead IFI	Grant incl. imp. fee (€)
BIH	WB-IG04-BIH-TRA-05	Mediterranean Corridor: Kvanj Tunnel – Buna Vc Motorway Subsection	EIB	21,106,084
MNE	WB-IG05-MNE-TRA-01	Orient/East-Med Corridor: Montenegro – Serbia R4 Rail Interconnection, Bar – Vrbnica Section	EIB	20,133,200
<b>Flagship 3 – Connecting the Coastal Regions</b>				
ALB	WB-IG05-ALB-TRA-01	Mediterranean Corridor: Tirana Bypass	EBRD	32,611,306
<b>Flagship 4 – Renewable Energy</b>				
ALB	WB-IG05-ALB-ENE-01	Rehabilitation of Fierza Hydropower Plant	KfW	8,548,000
			<b>Total</b>	<b>129,318,590</b>

The ENV and SOC projects are:

Bene.	Grant code	Project	Lead IFI	Grant incl. imp. fee (€)
<b>Environment</b>				
BIH	WB-IG05-BIH-ENV-01	Visoko Water Supply Project: Mostre Subsystem and Water Network Reconstruction Phase 3	EBRD	1,072,000
KOS	WB-IG05-KOS-ENV-01	Mitrovica Wastewater Treatment Plant and Sewerage Network	EBRD	5,100,000
MKD	WB-IG05-MKD-ENV-01	Skopje Wastewater Treatment Plant	EIB	15,691,977
<b>Social</b>				
MKD	WB-IG05-MKD-SOC-01	Rehabilitation of Physical Education Facilities in Primary and Secondary Schools and Acquisition of Sports Equipment	CEB	3,069,000
			<b>Total</b>	<b>24,932,977</b>

The following projects were screened and assessed negative:

Bene.	Grant code	Project	Lead IFI	Grant incl. imp. fee (€)
ALB	WB-IG05-ALB-ENV-01	Osumi River Park in Berat	EIB	7,413,152
BIH	WB-IG05-BIH-ENE-01	Project of Mutual Interest: Bosnia and Herzegovina – Croatia South Gas Interconnector	EBRD	21,158,600
	WB-IG05-BIH-ENV-02	WATSAN Programme in Republika Srpska: Construction of Tertiary Water Network for Crno Vrelo Water Supply System in the Municipality of Prijedor	EIB	1,928,371
	WB-IG05-BIH-TRA-02	Mediterranean Corridor: Prenj Tunnel Vc Motorway Subsection	EBRD	53,719,520
	WB-IG05-BIH-TRA-05	Mediterranean Corridor: Medakovo – Poprikuse Vc Motorway Subsection	EIB	72,769,600
SRB	WB-IG05-SRB-TRA-01	Orient/East Med Corridor: Niš Bypass on Niš – Dimitrovgrad Railway Line	EIB	35,099,485
			<b>Total</b>	<b>192,088,728</b>

Any INV projects not approved at the forthcoming 23<sup>rd</sup> WBIF SC meeting must be resubmitted; this includes the two applications from Bosnia and Herzegovina (WB-IG05-BIH-TRA-01 and WB-IG05-BIH-TRA-07). This is due to the end of the IPA II and the start of the new IPA III period. The Bilateral Donors

were encouraged to review the INV Round 5 SOC and ENV portfolio for potential co-financing, which was confirmed from the side of the Bilateral Donors on the basis of the available funding.

**Austria** (Agnes Drimmel) enquired about the maturity status of the Skopje Wastewater Treatment Plant. **EIB** (Liliana Jancuaskiene) reported on some delays in the procurement of supervision and works, the evaluation meetings were delayed due to the virus-related restrictions; pre-qualification is expected this year, and the procurement and contracting should be concluded in the 2<sup>nd</sup> quarter 2022.

#### Eligibility criteria for TA Round 25 and INV Round 06 and Timeline

**DG NEAR** (Michael Vögele and Enrica Chiozza) informed participants about the European Commission’s efforts in determining eligibility criteria for the WBIF under IPA III. To this end, line DGs, such as DG ENER, DG CONNECT, DG ENV and DG MOVE were consulted; this is an ongoing process, the criteria are a first attempt by DG NEAR to present the overall areas of intervention and priorities in all but the ENE sector (will follow).

As general eligibility criteria for INV Round 6 are proposed:

- Mature projects;
- Flagship relevant;
- Well drafted and assessed applications.

Due to limitation in funding, a restricted TA Round 25 is proposed. As general eligibility criteria for TA Round 25 are proposed:

- TA criteria should match INV criteria;
- No new projects (exceptions for projects relating to flagships);
- TA applications must support existing projects;
- In addition, TRA projects must be on the Core Network.

The timeline for the new rounds is shown in the table, with the deadlines for the already launched INV Round 6 for ENE and TRA being extended.

Event	TA Round 25	INV Rd 6	
		Part 1 (ENE TRA)	Part 2 (DII, ENV, SOC)
<b>Launch</b>	10-11 Dec 20	10 Jun 20	10-11 Dec 20
<b>Pre notification deadline</b>		12 Feb 21	
<b>Submission deadline</b>		26 Feb 21	
<b>Endorsement deadline</b>		05 Mar 21	
<b>Screening</b>		Until 26 Mar 21	
<b>1<sup>st</sup> Paris Group</b>		13 April 21	
<b>Assessment</b>		Until 07 May 21	
<b>2<sup>nd</sup> Paris Group</b>		12 May 21	
<b>31<sup>st</sup> PFG</b>		19-20 May 21	
<b>24<sup>th</sup> WBIF SC</b>		22-23 Jun 21	

The times and dates are indicative and subject to further deliberation at the WBIF SC meeting and consultation with the 2021 WBIF Co-chair.

The sector specific key areas of intervention and priority areas were presented for DII, ENV SOC and TRA sectors. These were drafted with the Green Agenda and the EIP in mind and will, once completed with the ENE sector, be shared with the WBIF stakeholders ahead of the 23<sup>rd</sup> WBIF SC meeting (comments will be invited).

**EBRD** (Jasmin Khalaf) welcomed the alignment of the timing and enquired if the co-financing thresholds will also be adjusted (e.g. for TRA from 20 to 40%, as per the EIP). **Austria** (Agnes Drimmel) welcomed the eligibility of all sectors for European Commission co-financing, called for further discussion on future areas of intervention in the WBIF and noted the proposed new timeline / approval of TA and INV twice per annum.

**DG NEAR** (Michael Vögele) clarified that a decision on the applicable co-financing rates will be taken in 2021.

### **Projects considered for cancellation**

**DG NEAR** (Michael Vögele) informed that no projects are considered for cancellation.

## **Day 2: Policy and Strategy Session & Common Session**

### **Welcoming**

The **PFG Co-Chair DG NEAR** (Colin Wolfe) and **CEB** (Miles Vitomir Raguz) welcomed participants to the 2<sup>nd</sup> day of the 30<sup>th</sup> PFG. Mr Wolfe presented the highlights of the (virtual) Western Balkans (WB) summit (10 November 2020), where the last so-called “Connectivity Package” was politically endorsed and will be presented to the 23<sup>rd</sup> WBIF SC for approval; with this approval, the European Commission will fulfil its pledge from 2015 and will have allocated over €1 billion in grants under the Connectivity Agenda to the WB economies. The European Commission has published the Economic and Investment Plan for the WBs. The 2020 Connectivity Package thus serves as dual role, since all 6 projects are flagship relevant, it is also the first instalment under the EIP for the benefit of the WB region; it also demonstrates a smooth transition from the IPA II to IPA III period. In addition, the WB leaders have recently issued a declaration on the establishment of a Common Regional Market, which is seen as a vital cornerstone for the framework of an open regional market, speeding up economic recovery of the WBs. The Green Agenda principles are fully reflected in the EIP, and with the imminent adoption of the Multiannual Financial Framework by the EU institutions, the legislative basis for the next IPA III period will soon be in place. WBIF will need to made fit and compatible with these new requirements.

### **Key issues from IFI and BD Co-Chairs and Beneficiaries**

The **PFG Co-chair CEB** (Vitomir Miles Raguz) presented three key issues of concern of the IFIs pertaining to WBIF’s evolution for and under the IPA III framework. (1) how to coalesce the priorities of the EIP and the beneficiaries’ Single Project Pipelines (SPP) and future outlook of the NIC framework (Beneficiaries could assist with identifying the main needs); (2) the EIP seems to prioritise the Connectivity sectors, while the Green Deal and the Social sector objectives are less prominently reflected; (3) and will WBIF support be limited to the EIP flagships. Further, the IFIs should revert to their intended role under WBIF and provide quick project finance; instead, the IFIs have increasingly been seen as “budget support mechanisms”. The opening up of all sectors for EU INV grant financing is welcomed, beneficiaries are encouraged to use their borrowing capacities for the SOC and ENV sectors. One major problem faced by all WB economies is the ongoing brain and skills drain and WBIF should contemplate measures to counter this trend, potentially under Flagship 10 “Youth Sector”. Finally, the idea of “performance-based grants” was introduced, where beneficiaries receive incentive grants for timely and good completion of projects.

The **WBIF SC Co-Chair Austria** (Elisabeth Gruber) presented the Bilateral Donor's statement [reproduced]: *"In light of COVID-19, priorities have certainly shifted this year: It is clear that concerted efforts and EU coordination with key partners are as important as ever to counter the far-reaching implications of this pandemic. We greatly welcome the wide range of COVID-19 response initiatives to provide targeted support, including the 3.3 billion Euro assistance package put forward by the European Commission and endorsed by the European Council at the EU-Western Balkans summit this year in May. We also support the call for a comprehensive, sustainable and green recovery, in order to facilitate lasting benefits to people, their ecological environment and their economy in this respect. We believe that the WBIF is well-placed to contribute to the joint endeavour of improving the quality of peoples' lives in the Western Balkans across sectors, also in times of crisis. As Bilateral Donors, we hence want to reconfirm our solidarity and support to the Western Balkan region and its people in these challenging times. The Bilateral Donors also welcome the renewed commitment to a credible EU perspective for the Western Balkans as a strong signal that was reaffirmed earlier this year, and take note of the intention to devote more EU funding to the region in the new Multiannual Financial Framework. In this respect, the Commission's Economic and Investment Plan for the Western Balkans is an important proposal. We welcome the commitment of the Commission to engage in all WBIF sectors regarding investment projects, especially in environment and social spheres. We would like also to underline the principle of non-earmarking of Bilateral Donor contributions to the Joint Fund, which is an important characteristic of the WBIF in this respect. As group of Bilateral Donors, we look forward to continue working together in the WBIF alongside the strategic orientation of the EU, with the ultimate goal that goes beyond the Economic and Investment Plan: that is to improve our shared European future. Against this background, current reform efforts should be used to make the WBIF fit for the future. After first steps towards launching so-called WBIF 3.0 reform discussions, we believe that we share the following understanding: The WBIF is and should remain the comprehensive and inclusive best-practice blending platform for investments in the Western Balkans region. Hence, also the principles of cooperation and partnership should remain the distinctive characteristic of the WBIF at its institutional core. We believe it is also clear that this important topic deserves comprehensive and inclusive discussion with all WBIF stakeholders before taking any decision on principles or substance. Despite notable delays of advancing this dialogue, the Bilateral Donors remain firmly committed to engage in substantive discussions in a timely and transparent manner. To conclude, we want to participate in a constructive dialogue on how to best use and shape the WBIF in the coming years. Let us continue our joint success story. In fact, we all have an important role to play. Yesterday's Berlin Process summit has once again stressed the importance of joint engagement aimed at creating a better perspective for the local populations in the Western Balkans, with particular emphasis on young generations. Let us therefore continue facilitating improved living conditions, development and growth in the Western Balkans, to build the European future together."*

#### Common Session, WBIF Classic & EDIF

#### Update on the Economic Investment Plan for the Western Balkans

**DG NEAR** (Colin Wolfe) updated participants on the advances regarding the EIP (published on 06 October 2020). The EIP aims to close economic gaps between WB economies and the EU and the European Commission proposes to mobilise up to €9 billion of grant funding from IPA III for the period 2021 and onwards for the WBs (and Turkey). The EIP will be rolled out and implemented in the Western Balkans with WBIF at its centre stage, including WB EDIF and the WB Guarantee Facility, which is expected to mobilise up to €20 billion. The "Team Europe" approach will be applied in the roll out and implementation of the EIP and the Green Agenda, in an effort to maximise leverage from the

WBIF Bilateral Donors (including EU Member States); preferential loan conditions from the IFIs and bilateral development agencies will be crucial. In parallel, the advanced Regional Economic Area (REA) process will be a sound basis for the Common Regional Market; to this end, the WB leaders have issued a “Declaration on the Common Regional Market” together with an Action Plan, based on four freedoms (goods, services, capital and people) and enriched with trade, digital, investment, innovation and industry areas. Enhanced market integration of the WB markets could bring an additional 6-7% of GDP growth to the region.

The EIP identifies 10 concrete investment flagships covering 6 sectors that the Commission suggests supporting in accordance with the IPA III regulations and procedures.

- (1) In the field of SUSTAINABLE TRANSPORT, the EU will improve Core Network Corridors in the region, to make them faster and comply with EU standards. Three Flagships will support this: FLAGSHIP 1 – Connecting East to West; FLAGSHIP 2 – Connecting North to South; FLAGSHIP 3 – Connecting the coastal regions.
- (2) EU support in the field of ENERGY will be reinforced, in line with its ambition to reach climate neutrality by 2050. Decarbonisation and transition to clean energy will be key. The Flagships in this field are: FLAGSHIP 4 – Renewable energy; FLAGSHIP 5 – Transition from coal; FLAGSHIP 6 – Renovation wave, mirroring the European Green Deal renovation wave in the EU and existing and well-performing platforms, like the Regional Energy Efficiency Programme (REEP), will be utilised.
- (3) In the Field of the ENVIRONMENT & CLIMATE the new, comprehensive Green Agenda for the region will be the guiding framework, covering green transition, decarbonisation, depollution of air, water and soil, circular economy and promote biodiversity, urban mobility and green transport solutions. There is one specific FLAGSHIP 7 – Waste and wastewater management.
- (4) For the DIGITAL FUTURE the key priorities are deployment of ultra-fast broadband, with a view to ensuring universal access, lowering the cost of roaming, developing digital skills and enhancing cybersecurity. The Digital Agenda for the WB will guide the implementation under the corresponding FLAGSHIP 8 – Digital infrastructure.
- (5) To support the PRIVATE SECTOR, the EU will increase financial support to strengthen the competitiveness of micro and SMEs in strategic sectors and foster green growth and circular economy. To this end, the new Western Balkans Guarantee Facility will be a crucial tool under FLAGSHIP 9 – Investing in the competitiveness of the private sector.
- (6) The EU will also support the development of HUMAN CAPITAL including strengthening of high-quality education systems and training systems, employment, health and social protection. The EU also aims to improve labour market participation, especially of young people and women, vulnerable groups and minorities. To try address these problems, the EIP includes FLAGSHIP 10 – Youth Guarantee, an initiative that aims to replicate the scheme that exists in the EU.



#### Sustainable transport

- ▶ FLAGSHIP 1 – Connecting East to West
- ▶ FLAGSHIP 2 – Connecting North to South
- ▶ FLAGSHIP 3 – Connecting the coastal regions



#### Clean energy

- ▶ FLAGSHIP 4 – Renewable energy
- ▶ FLAGSHIP 5 – Transition from coal



#### Digital future

- ▶ FLAGSHIP 8 – Digital infrastructure



#### Environment & climate

- ▶ FLAGSHIP 6 – Renovation wave
- ▶ FLAGSHIP 7 – Waste and waste water management



#### Private sector

- ▶ FLAGSHIP 9 – Investing in the competitiveness of the private sector



#### Human capital

- ▶ FLAGSHIP 10 – Youth Guarantee

**Italy** (Raffaella Di Emidio) enquired on when approval of the IPA III regulations is expected and if there is a pre-allocation of funds to IPA III. **Germany** (Sabrina Brabetz) welcomed the opening-up of all WBIF sectors for Commission INV grant co-financing but raised concerns if the EIP would appear “connectivity infrastructure” heavy. **Bosnia and Herzegovina** (Sabina Dizdarevic) enquired if the comprehensive network was included in the EIP and on modalities for applications; further requested clarity if the 2020 Connectivity package was intended to be financed from IPA III funds. **KfW** (Susanne Schroth) enquired about the amount of funds intended for the Guarantee instrument. **North Macedonia** (Evgenija Kirkovski) enquired about the nature of mature TRA projects that were intended to be financed from the IPA II envelope. **EBRD** (Zsuzsanna Hargitai) confirmed that there are mature TRA connectivity projects in the pipeline and a common definition of “mature” should be developed and enquired further how structural reform progress is planned to be taken into account under WBIF’s decision making procedure. **KfW** (Constanze Kreiss) enquired if policy-based loans were an idea to ensure beneficiaries’ reform progress and if EIP projects would take fiscal space into account. **EIF** (Marco Giuliani) enquired about the timing for submission of EDIF proposals under IPA III.

**DG NEAR** (Colin Wolfe and Michael Vögele) informed that negotiations on the IPA III Regulation are still ongoing and hence, not final. The EIP should also not be seen as an isolated instrument, there are also national IPA programmes, where issues can be addressed and tackled. The Green Agenda is key to successful implementation of the EIP and is reflected directly in several flagships and indirectly in others as a horizontal policy guidance. There will be no earmarking of funds under IPA III, the balance of funds allocation will be subject to discussion in the governance structures (and mature project approvals). The discussion relating to the guarantee facility (modalities and funding) will take place early in 2021. The emphasis under the EIP is on the Core Network, and no predictions to the further allocation of funds can be made at this moment. Projects that were considered mature under IPA II will also be mature under IPA III; the smooth transition from IPA II to IPA III can be demonstrated by the 2020 connectivity package, which serves also as starting point for the implementation of the EIP (despite being financed by IPA II funds). For smaller projects with high impact (e.g. on the comprehensive network) discussions with the Permanent Secretariat of the Transport Community are encouraged. Reform progress will continue to be taken into account during and in the build up to the decision-making process, conditionalities can be applied to project approvals. Mature projects are vital for fast and efficient implementation of the EIP and to demonstrate tangible change on the ground, this concerns both TA and INV; the time horizon for these projects is 2021 – 2024. The investment windows for WB EDIF are planned to be approved by the Strategic Board in June 2021, thereafter proposals can be submitted.

#### **WBIF transition to IPA III - State of play**

**DG NEAR** (Michael Vögele) informed participants about the reasons for the imminent transition of WBIF into a new governance structure. Mainly and foremost, these are legal reasons, the draft EU Regulation “Neighbourhood, Development and International Cooperation Instrument”, short “NDICI” governs also EFSD+ and thus the new IPA III rules and regulations together with the new Multiannual Financial Framework for the period 2021 to 2027. WBIF therefore needs to become compliant with the new framework governing IPA III funds. Another reason for WBIF’s transition is that WBIF as such needs to become more efficient and faster in its decision-making procedures, in order to fulfil its anticipated centre stage role in the roll-out and implementation of funds under the EIP. The WBIF Working Group (WG) resumed its activities over the summer and identified main areas of concern (raised by WBIF stakeholders), which resulted in several workstreams. External constraints had a knock-on effect to the activities of the WG and caused delays.

Main areas for further discussion	Workstreams
<ul style="list-style-type: none"> <li>• Overall governance structure;</li> <li>• Membership to Boards;</li> <li>• Decision making on grant applications;</li> <li>• Workload and efficiency / capacity constraints;</li> <li>• Modalities of guarantee facility.</li> </ul>	<ul style="list-style-type: none"> <li>• Board Membership</li> <li>• Decision making for blending operations</li> <li>• Decision making for guarantee operations</li> <li>• Grant approval procedures – possible efficiency gains</li> <li>• Efficient monitoring and reporting</li> <li>• Addressing implementation delays</li> <li>• Capacity building / support beneficiary administrations</li> <li>• Eligibility criteria for TA &amp; INV co-financing</li> <li>• Communication and Visibility</li> <li>• Creation of unified support structures</li> <li>• WBIF Secretariat Guidelines for IPF</li> </ul>

The WG will resume its activities and convene following dissemination of a letter from DG NEAR's Deputy Director-General (Mrs Katarina Mathernova) outlining the Commission's suggested architecture under IPA III. The principles of the new architecture for WBIF under IPA III are proposed to be presented to the 23<sup>rd</sup> WBIF SC for endorsement.<sup>3</sup> Further work is planned for 2021 with the view of full compliance with IPA III (and related) rules and regulations, enabling WBIF to assume its vital role in the implementation of the EIP.

**Austria** (Agnes Drimmel) welcomed the announcement of the forthcoming communication, emphasised the importance of comprehensive and inclusive discussions for the upcoming changes and ensured participants of the Bilateral Donors' firm commitment to the WBIF, and noted that the envisaged endorsement of principles would depend on progress in the upcoming dialogue within the Working Group. **Germany** (Sabrina Brabetz) enquired if, under the new regime, decisions will continue to be prepared by the PFG. **KfW** (Constanze Kreiss) enquired if and to which extent there is actually flexibility, if the NDICI Regulation applies.

**DG NEAR** (Colin Wolfe and Michael Vögele) informed that discussions are taking place in other forums and that the imminent communication might clarify some concerns. There are definitely elements of flexibility, for example the membership and the decision-making structures are still under discussion. The WG's workstreams can also be adjusted to address these pockets of flexibility where needed.

A new **WBIF video clip for the Corridor Vc in Bosnia and Herzegovina** was shown. This clip is on the WBIF website (<https://wbif.eu/gallery-videos/33#item>).

### Strategy and Action Plan for Tackling Implementation Delays

**DG NEAR** (Michael Vögele) introduced the draft Strategy and Action Plan to tackle implementation delays. The importance of this needs to be seen in the light of the increased funding volumes under IPA III and the need for investments to arrive at the ground and make a tangible impact for the WB citizens. Delays can be internal and external. The WBIF internal delays have been addressed by a number of past activities, e.g. the WBIF Self-assessment, the IAS audit, various dedicated Working Groups, etc. Now, WBIF needs to look at and address also external delays; these are delays in the implementation of projects. A first analysis of the reason for these delays was conducted and the main bottlenecks are:

- Changes in project strategy/requirements, e.g. routing options for TRA;
- Preparation of designs, design review and permitting;
- Contracting implementation consultants and preparation of tender documents;

<sup>3</sup> Due to consultations in the WBIF Working Group, "endorse" was later replaced by "acknowledge".

- Changes in procurement/contracting strategies (changes from FIDIC Red to Yellow Book) and procurement procedures;
- Land ownership questions;
- Not all beneficiaries (e.g. concerned municipalities) on board;
- Loan / grant agreement signatures / negotiations delayed;
- New governments / new priorities.

In lieu of this, DG NEAR addressed the beneficiaries' administrations and requested their view on their respective portfolio of delayed INV projects. The beneficiaries submitted to DG NEAR their strategies and actions to overcome bottlenecks and address delays. Based on these replies, DG NEAR drafted an Action Plan, which will be shared with the beneficiaries and IFIs. A comprehensive round of discussions will take place, where each delayed project will be discussed, actions agreed and contact persons identified, all against a timeline. The implementation of this Action Plan / project statuses will be monitored and a "traffic light" system introduced; reporting is planned to be automated through the MIS.

**EBRD** (Zsuzsanna Hargitai) welcomed this strategy on delays and confirmed the identified bottlenecks' relevance. In EBRD's view, the maturity of a project has a direct impact on implementation progress; equally important are the beneficiaries' capacities to implement projects. The idea of a traffic light system is welcome and will transparently demonstrate to the WBIF where bottlenecks are and why. EBRD further offers investment grants for timely beginning of works (encouraging good planning and efficient delivery). **EIB** (Massimo Cingolani) recommended that such delay reporting should be as simple as possible, i.e. automated through the MIS, since also the IFIs have limited resources. **Germany** (Sabrina Brabetz) welcomed this initiative and looks forward to more details on the Action Plan reporting. **CEB** (Miles Vitomir Raguz) proposed the use of "incentive grants", where, against good and timely delivery of a project, the grant amount is – as a reward - deducted from the loan principal amount and this way reduces the repayment burden; and enquired if such an "incentive grant" regime could be offered under WBIF, or alternatively performance based grants can be used.

**DG NEAR** (Michael Vögele) raised doubts if the IPA III regulations would allow funding toward principal reduction incentive grant scheme, but the possibility of performance grants should undergo further study.

#### WBIF Secretariat Updates

#### Update on TA Round 24

**DG NEAR** (Michael Vögele) presented the outcome of the discussions on TA Round 24 to participants. Overall, 33 applications were received for a total Grant amount of €55 million. DG NEAR & IFIs conducted careful screening and assessment. The available funds, at this moment, equate to approximately €15.75 million under the IPF instrument and another €11 million in the Joint Fund, of which €2.64 million are unallocated Bilateral Donor contributions. In this competitive environment, the European Commission gave preference to mature and well drafted applications and to EIP flagship relevant project proposals. Of these 33 applications, 12 were screened and assessed positive for an overall grant consideration of €12.9 million and 21 were negative or withdrawn. The positive applications will need to be revised until the end of November 2020, in line with the discussions of the PFG Day 1; beneficiaries and IFIs are encouraged to improve and adjust the applications (budget and scope) where required.

#### Proposed eligibility criteria for TA and INV

**DG NEAR** (Michael Vögele) presented the proposed eligibility criteria for TA and INV Rounds. INV Round 6 was partially launched at the 22<sup>nd</sup> WBIF SC meeting, but only for ENE and TRA sectors, the criteria for DII, ENV and SOC were, at this time, not clear. In the meantime, the EIP for the WBs has been published and the WBIF Secretariat and DG NEAR worked on eligibility criteria for all sectors. Line DGs were consulted (e.g. DG ENER, DG MOVE, DG CONNECT, DG ENV), the Green Agenda and the EIP were taken into account. WBIF usually publishes sector specific criteria in the “GAF Guidelines” (last update from 2017, available on the WBIF website). The general eligibility criteria are discussed and agreed at the WBIF SC meetings. TA and INV criteria will have to match as much as possible, since TA should lead to an INV project.

General criteria, applicable to the upcoming rounds are proposed to be:

- Projects must relate to a flagship;
- Projects must be mature;
- And be supported by a good application, screening and assessment.

Due to limited funds, TA Round 25 should be restricted:

- No new projects, unless flagship relevant;
- TRA: must be on the Core Network.

A comprehensive proposal of specific and general eligibility criteria will be disseminated in writing.

**Bosnia and Herzegovina** (Sabina Dizdarevic) requested the respective notification on the eligibility criteria to be disseminated as soon as possible, because the national administrations need to be prepared for these.

#### Update INV Round 05

**DG NEAR** (Michael Vögele) presented the outcome of the screening and assessment exercise of INV Round 5 to participants, consisting of the 6 TRA and ENE projects that will form the 2020 Connectivity Agenda package which received political endorsement of the Sofia Western Balkan summit, for a total grant consideration of €129.3 million; and the 4 ENV and SOC projects, which, due to the funding limitation of the European Commission under IPA II, can only be financed by Bilateral Donor contributions, for a total grant consideration of €24.9 million. Two more projects were assessed positive (WB-IG05-BIH-TRA-01 & WB-IG05-BIH-TRA-07) but will not be submitted for approval at the SC in December 2020 due to insufficient funds. Grant applications which are screened and assessed positive but cannot be financed at the 23<sup>rd</sup> WBIF SC meeting will have to be resubmitted, because of the end of IPA II, and a new application will be required for funds under IPA III.

#### Timeline

**DG NEAR** (Michael Vögele) announced the anticipated timeline for the first half of 2021, which is subject to further discussion with the WBIF stakeholders. The novelty is that both TA and INV Rounds will be held consecutively, in other words, there will be 2 TA and 2 INV rounds every year and programmed and processed in parallel<sup>4</sup>. This also means, that the deadlines for pre-notification, submission and IFI endorsement for the first part of INV Round 6 are extended. A respective Communication will be sent to the WBIF stakeholders and the 23<sup>rd</sup> WBIF SC will take note of this adjustment.

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<sup>4</sup> See above for proposed timeline.

**Serbia** (Aleksandra Radinovic) enquired if the pre-notification and submission deadlines can be extended further, due to their proximity to national holidays in the Western Balkans.

### Communication and Visibility

The **WBIF Secretariat** (Stine Andresen) presented WBIF's latest Communication and Visibility Products. The Communication and Visibility Plan normally covers the period May to April; is drafted following the traditional IFI visits in February and presented to the spring PFG. This year the implementation of physical events during and because of the pandemic was severely derailed, almost all meetings were cancelled; there was only a very small number of physical events with a limited number of participants; these were in the Western Balkans, for major INV grant related events. The WBIF Secretariat has used this time and reviewed the existing stock of materials. Besides the usual updates, the Country Factsheets were redesigned and are now available for each beneficiary. The Sector and Bilateral Donor Factsheets were updated and are now available in all local languages, the Connectivity Brochure 2020 and a number of video clips were produced. Communication and Visibility efforts extended also the Western Balkans, where IPF and INV grant related project meetings were held and respective newsflashes produced and disseminated; a dedicated factsheet for Corridor Vc in Bosnia and Herzegovina was produced and disseminated. In the upcoming period, the Annual Report 2020 will be drafted and disseminated at the 24<sup>th</sup> WBIF SC, the new Communication and Visibility Plan will be drafted and presented to the 31<sup>st</sup> PFG, the Country Factsheets will be translated into local languages, and first efforts will be employed to align the C&V strategies across WBIF (and align WB EDIF also to this extent).

The Corridor Vc video clip from Bosnia and Herzegovina can be seen [here](#) and the 2020 Connectivity Brochure can be downloaded [here](#).

### CEB Presentation of IFICO research "Youth Education"

**CEB** (Jasmina Glisovic) presented an update to the Youth Education Sector Study, which assessed the potential for INV grant co-financing within and related to the WBIF pipeline. Beneficiaries were requested to update their respective portfolios and to review the relative maturity of their projects. In addition, the originally identified administrative, financial and communication related gaps were reviewed and re-assessed. The outcome of this exercise still shows a mismatch of the education sector and the market demands, lack of capacity and fiscal space at all levels. Single Sector Project Pipelines covering the social sectors are still missing and substantial investments into human capital are required across all WB economies. As one of the solutions, a dedicated YES cooperation platform is proposed and the Youth Guarantee Flagship should be implemented by the governments with priority. Emphasis should be put on strengthening the YES planning and development capacities. TA grants under WBIF should be allocated to identify further YES INV project potential with high impact and visibility; substantial INV grant amounts should be offered in an effort to incentivise national authorities to invest in these area.

### "Brain and Skill Drain from WB6: Can WBIF Mitigate?"

**CEB** (Edo Omic and Alessia Thiebaud) presented statistical data on the migration of skilled people from the Western Balkans to mainly Western European countries. Since 2010, around 140,000 people migrate annually, but these are official figures, unrecorded numbers might well be higher. Almost half the workforce, when asked, would consider leaving the WBs for a better life elsewhere. The young and highly educated are even more willing and likely to leave. The reasons for this, to a large extent, can be found in the insufficient pace of economic convergence to European Union

levels. This brain and skills drain and underinvestment in the social sectors are intertwined. Insufficient investments in education sectors means the human capital is not reaching its potential, which harms long term productivity, slows GDP growth, causing further brain and skills drain. Underinvestment in health means that an estimated 275,000 productive life years are lost each year in the Western Balkans due to premature mortality rates. The rate of housing cost overburden also exceeds the EU average, and rising housing costs in cities puts additional pressure especially on younger generations.

Actions to counter brain and skills drain include a firm commitment by the EU and/or the WBIF for social infrastructure. There are numerous high impact projects across the Western Balkans that lack funding. With dedicated TA these could be brought to maturity comparatively quickly and the INV grants needed are much less than traditional (heavy) infrastructure projects. Moreover, investments into the social sector rank quite high in the people's perception on "where" funds should be invested.

**EBRD** (Zsuzsanna Hargitai) expressed appreciation of these two CEB presentations and offered to use private sector funds to shape curricula for "on the job" training. **Austria** (Agnes Drimmel) emphasised the importance of a balanced funds allocation and investment strategies and particularly welcomes the European Commission's decision to also fund social sector investment projects.

**DG NEAR** (Michael Vögele) clarified that significant assistance for the Social Sector is provided by the local EU Delegations and not just WBIF. The opening for WBIF is the human capital and the health sectors, ideally for projects with pilot character for the region.

### EIB Summary Implementation Report

**EIB** (Giorgio Watschinger) presented the EWBIF 2019 Summary Implementation Report (SIR), which EIB produces annually following the submission of annual implementation reports via the MIS. While the submission deadlines have been adjusted, any delays in the submission of data also means a delay in the production of the Annual and Summary Implementation Reports. Stakeholders are kindly encouraged to submit their data in a concise and timely manner. The SIR takes stock of the EWBIF grants (Joint Fund – JF grants). In 2019, 9 JF grants were completed, and another 25 JF grants approved and added to the JF grant portfolio. The total value of INV grants disbursed to beneficiaries is 5.4% of the total approved; this number increases to 17% if INV grants approved before 2017 are added. 31 TA projects were active under the JF by the end of 2019, for a total value of €42.6 million. Of these, 9 TAs were approved before 2014 and are still active. The total value of TA disbursed to consultants stands at 16.3% of the total approved. 18 grants are delayed for more than 3 years, 16 grants show delays between 2 and 3 years. The main reasons for these delays are lack of agreement on scope of work and finalisation of ToR for TA, and for INV projects, delays are mainly linked to maturity and procurement issues.

**DG NEAR** (Michael Vögele) thanked EIB for their efforts and presentation, which, under the current circumstances is very relevant, since WBIF as a whole, for example external and internal stakeholders alike, must address efficiencies and delays and work together in an attempt to speed-up approval processes and project implementation.

### Annexes

Annex 1: TA Round 24 Negative Conclusions

Annex 2: List of Participants (separate document)

Annex 3: Chat transcript (separate document)

## Annex 1: Applications with negative conclusions

#	Bene.	Grant code	Short title	Lead IFI	Grant submitted (€)	PFG conclusion	Summary reasoning for negative conclusion
1	ALB	WB24-ALB-DII-02	Free Wi-Fi across Albanian touristic cities and villages	EBRD	250,000	Negative	Negative screening (details in MIS).
2		WB24-ALB-DII-05	GovNET network extension	EIB	950,000	Negative	Screening comments unsatisfactorily addressed.
3		WB24-ALB-ENE-01	Albania - Greece 400 kV transmission line	KfW	2,500,000	Withdrawn	
4		WB24-ALB-ENE-02	Wind energy potential assessment	AFD	1,000,000	Withdrawn	
5		WB24-ALB-ENE-03	Korca RES and NGCCP district heating	EIB	300,000	Withdrawn	
6		WB24-ALB-SOC-01	National network of services for protection and rehabilitation of children suffering from sexual and/or physical abuse	CEB	200,000	Negative	Negative screening (details in MIS).
7		WB24-ALB-SOC-02	Reconstruction of Ali Demi prison for women	CEB	350,000	Negative	Negative screening (details in MIS).
8		WB24-ALB-SOC-03	National digital cultural archive/cultural cloud	EIB	1,000,000	Negative	Negative screening (details in MIS).
9		WB24-ALB-TRA-02	Corridor VIII: Elbasan – Qafë Thanë highway section	EBRD	4,000,000	Negative	Screening comments unsatisfactorily addressed.
10	BIH	WB24-BIH-ENE-02	BiH - Croatia western gas interconnection pipeline	EBRD	1,250,000	Negative	(i) This project aims at bringing natural gas to three cantons which are not connected to the existing and planned grid in BiH. Thus, its economic viability is questionable, and it does not increase the energy security of the rest of the economy. (ii) The project was not approved on the draft 2020 PMI list. (iii) Other solutions should be explored, in particular the Southern Interconnector.
11	KOS	WB24-KOS-DII-01	Development of digital excellence centres	EIB	1,500,000	Negative	Negative screening (details in MIS).

#	Bene.	Grant code	Short title	Lead IFI	Grant submitted (€)	PFG conclusion	Summary reasoning for negative conclusion
12		WB24-KOS-ENV-01	Flood risk & hazard maps, flood risk management plan for all river basins in Kosovo	EIB	1,900,000	Negative	The main issue of the application was not addressed: seriously underestimated TA budget.
13		WB24-KOS-ENV-02	National water investment planning study	WBG	1,000,000	Withdrawn	
14	MNE	WB24-MNE-ENE-01	Rozaje heating and cogeneration project	EBRD	650,000	Negative	Negative screening (details in MIS).
15		WB24-MNE-TRA-02	Orient/East-Med Corridor (Route 4): Andrijevica – Boljare motorway section	EBRD	4,930,000	Negative	Negative screening (details in MIS).
16	MKD	WB24-MKD-TRA-01	Orient/East-Med Corridor (Corridor VIII): Kumanovo – Beljakovce railway section	EBRD	2,000,000	Withdrawn	
17		WB24-MKD-TRA-03	Orient/East-Med Corridor (Route 6a): Toll station for Skopje – Blace motorway section	EBRD	300,000	Negative	Submission of written procedure to amend ongoing TA.
18	SRB	WB24-SRB-ENE-02	North CSE Corridor	KfW	700,000	Negative	Completion of the pre-feasibility study before further assistance is considered in the next round.
19		WB24-SRB-TRA-03	Comprehensive Network (Route 7): Doljevac – Merdare railway section	EIB	2,300,000	Negative	Negative screening (details in MIS).
20	REG	WB24-REG-ENE-01	REEP Plus	KfW	1,000,000	Withdrawn	
21		WB24-REG-ENE-02	South East European Regional Security Coordination Initiative Phase 2	EBRD	2,150,000	Negative	This project can easily be funded by benefiting TSOs and, therefore, there is no need to take recourse to EU funding.

----- end of Minutes of Meeting -----