

Sixteenth Meeting of the WBIF Steering Committee
Hosted by the Swedish International Development Cooperation Agency
Stockholm, Sweden
14 - 15 June 2017

Minutes of Meeting (Draft)

[Please note, the sequence of these Minutes of the Meeting (MoM) deviates from the agenda, as certain agenda points were moved at the Steering Committee (SC) meeting.]

Day 1 Wednesday, 14 June 2017
Project Oriented Session

Welcome remarks and introduction

The **WBIF SC Co-Chair Sweden** (Ms. Elsa Håstad Assistant Director General, Swedish International Development Cooperation Agency) welcomed participants to the 16th WBIF SC meeting, by underlining that WBIF has evolved into a solid and functioning platform for the various actors. Moreover WBIF is a well working blending mechanism for infrastructure investments in all four sectors, and Sweden is particularly pleased to see a healthy spread of grant applications coming through in all four sectors. The participants were reassured of Sweden's and the other Bilateral Donors' confidence in the WBIF, which can be seen by their increased contributions to the WBIF. While progress on the Connectivity Agenda is important, WBIF will, starting this year, also co-finance mature ENV and SOC projects. The first investment grant for an environment project should lead to a solid pipeline.

The **WBIF SC Co-Chair DG NEAR**, (Mr. Colin Wolfe, Head of Unit, Western Balkans Regional Cooperation and Programmes, DG NEAR, European Commission) thanked, on behalf of the entire WBIF, Sweden for hosting this event, and recalled the evolution of WBIF over the past years. 2015 and 2016 were years of revision of the new regulatory framework, which resulted in the WBIF machinery now running and being fit for purpose, namely to finance preparation and implementation of projects. The first "spade into the ground" events demonstrate the progress of the INV co-financing efforts, examples are the start of construction of the Svilaj-bridge in Bosnia and Herzegovina and the Electricity Grid Section in Montenegro on the border with Serbia. Nevertheless, some fine tuning needs to be done, for example concerning the GAFs and the Vademecum.

1st Project oriented session - Monitoring Report

General overview and Monitoring Report

DG NEAR (Wolfgang Schläger) presented the highlights of the last Monitoring Report, with the cumulative figures including Round 16 as well as the first two INV Co-financing Rounds, exclusive of cancelled grants. The WBIF updated main facts and figures include:

- 2 INV and 16 TA Rounds;
- 221 grants;
- 140 projects;
- € 600 million in grants;
- € 5 billion in signed loans;
- € 10 billion in estimated loans and € 15 billion estimated investments.

IFICO (Steven van der Touw) presented the main data of the Monitoring Report and informed participants that the progressive development of the grants can now be seen in the MIS, where a Terms of Reference (ToR) tracker summarizes the workflow in the preparation and implementation of the grants. The (new) analytical section showed the actual signed loans against the potential for additional loans and the leverage per sector for projects under implementation. Leverage was further split into “leverage & project stage” for signed and potential loans, as well as “leverage per projects”.

Austria (Leander Treppel) recommended that a qualitative assessment should be added to the Monitoring Report, the actual impact of the investments and how TA grants are used (for investments or other areas) and called for a better understanding of the low leverage of the ENE sector. **Norway** (Olav Reinertsen) seconded Austria’s request for additional qualitative assessment and requested clarifications on the reliability of the MIS data. **EIB** (Maria Elena Petrakou) required the definition of “leverage”. **CEB** (Stephen Sellen) appreciated the high SOC sector leverage. **KfW** (Helke Wälde) questioned the difference of “estimated” and “potential” loans. **Sweden** (Johan Willert) asked for an explanation on the drop in the completion of the TA grants as of Round 12.

DG NEAR (Wolfgang Schläger) confirmed that the MIS data allows for further analysis, such as an indication of which grants relate directly into investment projects. The MIS data is good and reliable, improvements and updates continue. Implementation related data would need to be retrieved from the IFIs. Leverage is defined as “loans divided by grants”. IFICO (Steven van der Touw) explained that many ENE projects are still in preparation, once these move to “implementation” the leverage will improve. There is no difference between “estimated” and “potential” loans, the Monitoring Report will be aligned to “one” terminology. The lack of progress in the “completion of services” since TA Round 12 is due to the nature of the grants, many of those are almost completed; hence, the picture may look different for the coming reports.

The **16th WBIF SC unanimously adopted** the WBIF Monitoring Report, subject to the alignment of terminology (such as the “estimated” and “potential” loans).

Joint Fund Statement

EBRD (Caroline Clarkson) presented the state of play of the EWBIF, highlighting the contributions to the EWBIF throughout the years and confirmed the availability of € 12.8 million in Funds further announcing Slovenia’s intent to contribute € 500,000 to the Joint Fund.

Availability of funds for Round 17

DG NEAR (Wolfgang Schläger) confirmed that the funds from previous IPFs are now exhausted – and aggregated savings reallocated. The grants approved under Round 17 and to be implemented by IPFs, will therefore be financed from the latest EC commitment of € 35 million from December 2016. A remaining balance of € 16.38 million is currently available for the next rounds. As confirmed by EBRD, the EWBIF shows a balance of € 12.8 million.

EIB presentation: WBIF Summary Implementation Report

EIB (Massimo Cingolani) presented the first Summary Implementation Report (SIR). Following the signing into effect of the General Conditions at the 14th WBIF SC meeting, EIB was tasked to provide the “Summary Annual Implementation Report” showing (1) a complete overview of the EWBIF supported activities, (2) a comprehensive overview of the EWBIF financed grants and (3) to highlight the added value provided by those grants. The overall blending results of EWBIF projects shows a leveraging of 6 and the following:

- | | |
|----------------------------|-----------------|
| • Total number of projects | 76 |
| • WBIF Grant approved | € 418 million |
| • EWBIF Grant | € 323 million |
| • Investment Cost | € 6,534 million |
| • Loans identified | € 4,359 million |
| • Loans signed | € 1,935 million |

Around 77% of the EWBIF support is Investment Grants, 16 % for TA. Details were provided on the split of the funds over the sectors and per IFI; providing insight on the other “facilities” too: EDIF, REEP, REEP+, and the regional sector development studies. On the “Problems encountered”, coordination between IFIs and coordination with the final beneficiaries were mentioned. Possible improvements can be made at grant and project level.

EIB requested comments to the draft SIR, in writing, by the 30th June 2017.

CEB (Stephen Sellen) suggested having a discussion on data sets needed for analysis so that IFIs can best accommodate for within their limited human resources. **Germany** (Sabrina Brabetz) requested clarification on the terminology used.

EIB (Massimo Cingolani) appreciated the additional burden for the IFIs, the template fiches can be improved and maybe the MIS could facilitate this. A common terminology should be defined.

2nd Project oriented session - WBIF Project Approval Session (Round 17)

DG NEAR (Wolfgang Schläger) summarized the highlights of Round 17:

- 24 projects received, total Grant amount € 22.66 million;
- ALB 6, BiH 5, KOS 4, MKD 1, MNE 6, SRB 1, REG 1;
- TRA 8, ENE 3, ENV 7, SOC 6;
- The 23rd PFG submitted 12 projects worth € 11.3 million to the 16th WBIF SC for approval.

The **PFG Co-Chairs CEB** (Miles Vitomir Raguz) and **DG NEAR** (Wolfgang Schläger) moderated and the beneficiaries supported by the IFIs, presented these grant request.

Submitted by 23 rd PFG and presented to 16 th WBIF SC for approval					
#	Grant Code	Title	IFI	Amount	Expected TA Agent
1	WB17-ALB-ENE-03	HPP Skavica	EBRD	1,500,000	IPF
2	WB17-REG-ENE-01	Over voltage WB6	KFW	1,005,000	IPF
3	WB17-SRB-ENE-02	Energy efficiency in public buildings	KFW	800,000	JF
4	WB17-ALB-ENV-02	Buna river - Skadar lake national park	EBRD	400,000	IPF
5	WB17-BIH-ENV-01	WATSAN Federation	EIB	1,300,000	IPF
6	WB17-KOS-SOC-02	Upgrading physical infrastructure healthcare	EIB	260,000	IPF
7	WB17-MKD-SOC-02	Prison reconstruction	CEB	1,100,000	IPF
8	WB17-ALB-TRA-01	Durres Port	EBRD	1,100,000	IPF
9	WB17-ALB-TRA-02	Lezha by-pass	EBRD	350,000	IPF
10	WB17-BIH-TRA-04	Project Monitoring Corridor V Svilaj	EIB	350,000	IPF
11	WB17-KOS-TRA-02	Rail Pristina airport	EBRD	1,100,000	IPF
12	WB17-MNE-TRA-01	Vrbnica - Bar signalling and landslide	EIB	2,000,000	IPF
		Total		11.275.000	

DG NEAR (Wolfgang Schläger) tabled the two Round 15 projects for Montenegro, conditionally approved at the 14th WBIF Steering Committee:

- MNE-TRA-002 Highway Bar – Boljare section “Matesevo – Andrijevisa”, LFI EBRD, over € 3.1 million;

- MNE-TRA-003 Highway Bar – Boljare – Bypass Podgorica; LFI EBRD, over € 2.39 million;

In 2016 the 14th meeting of the WBIF Steering Committee approved the projects MNE-TRA-002 and MNE-TRA-003 conditional to clarifications to be provided regarding Montenegro's borrowing capacities, investment cost estimates and prioritization of investments, as well as respect of EU standards on environment, procurement and state aid. These projects were put on hold until further clarifications and assurances were provided by the Montenegrin authorities. In its last letter for clarification to COM dated 3 May 2017 ME confirmed to comply with applicable EU standards and to consider fiscal space in future infrastructure investments. Backed by these commitments which shall be closely monitored in the future, the WBIF Steering Committee lifted the hold and finally approved the Round 15 grants for projects MNE-TRA-002 and MNE-TRA-003 (see new code in footnote).

***The 16th WBIF SC took note** of the recommendations of the 23rd PFG regarding the TA Round 17 grant requests and **unanimously** approved twelve Round 17 TA GAFs, for an overall grant allocation of € 11.27 million and **lifted the “hold”** placed on the two Montenegrin grant applications from TA Round 15 and approved these two grant applications for an a total grant allocation of € 5.49 million under TA Round 17¹. The respective Grand Award Notifications will be sent out in the coming weeks. In addition, the 16th WBIF SC **took note** of the current available balance of **€ 16.38 million under the IPF facility** for TA Rounds 18 and 19, and of the EWBIF of **€ 12.8 million**.*

3rd Project oriented session – next rounds

Eligibility criteria for 18th Round

DG NEAR (Wolfgang Schläger) stated that the opening of the ENV and SOC sectors to all projects was widely seen as a success, evidenced by the number of grant applications received in all sectors. Given the limitation of funding, the continuous restrictions of the TRA and ENE sectors are necessary, encouraging continued focus / emphasis on connectivity relevant projects. It is thus recommend to continue with similar eligibility criteria for the coming TA Round 18.

***The WBIF SC unanimously adopted** the eligibility criteria for TA Round 18: this Round is open for all eligible sectors (energy, environment, social and transport, where the national sector strategy is adopted); TRA and ENE projects must have a clear regional dimension, in addition TRA projects are on or clearly linked to the Core Network.*

Launch TA Round 18 & Dates

¹ The WBIF codes for these two Montenegrin grant applications will forthwith be as follows: WB17-MNE-TRA-02 for the Highway Bar – Boljare section “Matesevo – Andrijevisa”; and WB17-MNE-TRA-03 for the Highway Bar – Boljare – Bypass Podgorica.

DG NEAR (Wolfgang Schläger) presented the dates for the TA Round 18 and the dates for the upcoming meetings (the timelines are also shown in Annex 1).

- Launch: at 16th WBIF SC meeting;
- Pre-notification: 18 August;
- Submission deadline: 04 September;
- IFI endorsement: 08 September;
- Screening: until 05 October;
- 1st PG BRU: 10 October;
- Assessment: until 01 November;
- 2nd PG & 24th PFG: 08-09 November in Sarajevo;
- 17th WBIF SC: 12-13 December in Frankfurt.

Launch of INV Round 03

DG NEAR (Wolfgang Schläger) recapped the highlights and lessons learned from the current INV Round 02. The quality of many of the Round 02 INV GAFs was, partly, questionable and this resulted in additional efforts for the screeners and assessors. He also appreciated that the submission and approval system as such can be improved. In order to facilitate this overall improvement, new measures will apply for INV Round 03, these are:

- Advance launch of INV Round 03 at the 16th WBIF SC meeting; (notification in writing will follow);
- The submission deadline will be advanced to 30 November, the IFI endorsement deadline remains at the end of January 2018;
- Training will be provided to the NIPACs (and to some IFIs) on the MIS-GAF drafting in July 2017 by IFICO;
- Upon request from the Lead IFI, the NIPACs will have access to the GAF during the assessment; this with a view to ensure continued ownership, any changes done by the IFI can therefore be seen and vetted by the NIPAC, moreover, the IFIs can ask the NIPACs to re-draft and improve sections of the GAF;
- In the medium term, a GAF Wizard, a pop-up box type of step by step GAF drafting guide, will be developed.
- The timeline for INV Round 03 is:
 - Launch: at the 16th WBIF SC meeting;
 - Pre-notification: 03 November;
 - Submission deadline: 30 November;
 - IFI endorsement: 31 January 2018;
 - Screening: until March 2018 (tbc);
 - Assessment: until May 2018 (tbc).

Call for pledges

DG NEAR (Colin Wolfe) noted the Bilateral Donor (BD) preference and statement made at the 23rd PFG in Brussels earlier this year, where the BDs reassured the WBIF on their commitment and consistent

interest besides underlining their desire to strengthen ties with the beneficiaries. In doing so, the WBIF SC would appreciate an indication of commitment of pledges for the current year. The WBIF SC would particularly welcome the additional pledges from the BDs, enabling INV grant financing of the first ENV and / or SOC sector projects.

The BD stated as follows:

Bilateral Donor	Amount in €	Comment
Slovenia	500.000	
Luxembourg	500.000	
Sweden	3.000.000	
Germany	1.000.000	Will be effected this year, and is a contribution to KfW's 10 million "entry ticket" as a WBIF partner organisation.
Austria	tbc.	Pledge will be announced at next WBIF SC meeting.
Norway	tbc.	Pledge will be announced at next WBIF SC meeting.

State of Play Investment Grants

DG NEAR (Wolfgang Schläger) informed participants on the progress of the INV Round 00 and 01 GAFs. All GAFs (apart from one) are updated and agreed between the IFIs, the beneficiaries and the European Commission. These GAFs are available in the MIS and the 16th WBIF SC is asked to take note of the amendments to these GAFs. Progress of these projects is by enlarge satisfactory and the disbursement of first tranches of financing is under way, the first (relating) "shovel into the ground" visibility events have taken place, for example the Svilaj bridge in Bosnia and the electricity connector on Montenegro. For both Rounds together, the EU Grant/Investments leveraged show € 307,2 million in grants and € 848,8 million in investment value.

INV Round 02 was launched by written procedure in September 2016, and the submission deadline was end of December 2016. A total of 11 applications were received, 1 SOC, 3 ENV, 1 ENE, 6 TRA projects totalling around € 230 million in grant requests. At the Trieste summit a substantial list of TRA and ENE projects will be presented. These projects are currently discussed and will be finalised for the summit. Like in previous rounds, progress on the Connectivity Reform Measures will be crucial. In addition, there are 3 ENV and 1 SOC projects in the pipeline, the financing of which is dependent on fund availability in the EWBIF.

Bosnia and Herzegovina (Nermina Saracevic) enquired about the status of the 4 Bosnian projects submitted in INV Round 01 and if applications that will not progress in one round have to be re-submitted in the next round, given that meanwhile changes may occur in their financing and maturity status. In addition, Bosnia and Herzegovina remarked that progress on the CRMs is dependent on cooperation by other parties involved (e.g. neighbouring countries) which should be taken into account when evaluating CRM progress per country. **EBRD** (Holger Muent) enquired when information about the progressing of INV Round 02 projects discussions for Trieste will become available. **Serbia** (Petar Spasic) seconded EBRD's request for clarification on the progress of INV Round 02 projects and suggested to see how the timeline and methodology could be improved.

DG NEAR (Wolfgang Schläger) confirmed that submitted applications do not need re-submitting and that the 4 projects in Bosnia are under consideration. He also underlined that the application methodology and timeline is the same as used in previous years.

DG NEAR (Colin Wolfe) further confirmed again that the European Commission heard and understood the requests for timely updates on the discussions related to the INV Round 02 projects and will attempt to revert to the concerned parties before the summit in Trieste.

Day 2 / Thursday, 15 June 2017
WBIF Policy and Strategy

Co-Chairs: **Mrs. Elsa Håstad, Director for Europe, Swedish International Development Cooperation Agency**
 &
 Mr. Colin Wolfe, Head of Unit, DG NEAR, European Commission

Adoption of Environment Project

DG NEAR (Wolfgang Schläger) introduced the INV Round 02 project “Podgorica Wastewater Treatment Plant”, which, following the screening and assessment exercise was deemed most suitable, advanced and mature for potential co-financing by the Bilateral Donors (BD) through the Joint Fund. The grant request has been adjusted to the availability of funds and is now € 9 million.

Montenegro (Bojan Vujovic) confirmed Montenegro’s firm intent to implement this project, as it will ensure adequate collection and treatment of the wastewater generated by the capital city, Podgorica. The original construction phases have been adjusted allowing for a meaningful contribution by the BD community. Montenegro thanked the BD community and all other stakeholders concerned for their efforts to advance this project for approval at this WBIF SC meeting.

KfW (Simone Wunsch) confirmed KfW’s continued support for the project and its commitment to have it implemented.

Sweden (Johan Willert) conveyed the BD’s delight that this project has advanced for approval at this WBIF SC meeting, mentioned the positive screening and assessment and expressed the BD’s wish to see ENV and SOC projects unrestricted in the future too. The implementation of this first WBIF ENV co-financing project is expected to encourage and strengthen a solid pipeline of ENV and SOC projects for co-financing and Sweden is firmly committed to this process as demonstrated by increased pledges.

Bosnia and Herzegovina (Nermina Saracevic) argued that sub-criteria for the ENV and SOC sectors could be defined, allowing the beneficiaries to focus their efforts into particular sub-sectors given the limitation of the funds available and urged bilateral donors to consider defining further specifications for their financing as to facilitate the process. **CEB** (Stephen Sellen) opposed the idea of additional criteria and enquired if the European Commission would consider INV co-financing of ENV and SOC projects. **Serbia** (Petar Spasic) requested clarification on the timing of the “decision taking” of the INV Round 02 projects, enabling timely information provision to the relevant national authorities ahead of the Trieste summit.

DG NEAR (Wolfgang Schläger) confirmed that there will be no additional criteria for the ENV and SOC sectors. For the foreseeable future the European Commission will not be in a position to finance INV projects in the ENV and SOC sector. The decision taking cycle of the INV rounds have not changed. The financing decision is taken at the IPA committee meeting in November and the final decision at the December WBIF SC meeting.

DG NEAR (Colin Wolfe) confirmed again that the European Commission had heard the concerns of the beneficiaries and their need for timely information on the progress of the submitted applications and will further reflect on this issue.

The 16th WBIF SC unanimously approved the INV Round 02 Project “Wastewater treatment plant and wastewater collection Phase I, Podgorica, Montenegro” for an overall grant contribution of € 9 million.

Economic Outlook in the region

EBRD (Holger Muent) presented the traditional economic outlook for the Western Balkan Countries. The key message was that convergence to EU standards can range from decades (assuming 4-5% growth) to centuries (optimistic and pessimistic scenarios), with the private sector development being at the heart of this equation. On the positive side, the region saw 2.8% growth in 2016, up from 2.2% in 2015 and 2.9% forecast for 2017. The recovery is driven by private consumption and investment. The fiscal deficit situation has improved. The public debt levels, however, are mostly in excess of the Maastricht criteria (60% public debt ceiling of the GDP), leading to relatively high interest payments. The current account deficits remain an issue for all WB6 countries, as do the non-performing loan levels. The unemployment rate is 3 times higher than the average EU unemployment rate, with youth unemployment being particularly problematic. Overall, while there are gradual improvements in the economic performance, the structural deficiencies remain to be addressed.

The World Bank Group (Lada Strelkova) shared views on the need for staying the course on reforms with the aim of rebalancing from a consumption and public investment-led growth model to a more sustainable export and private investment-led growth model. **DG NEAR** (Colin Wolfe) summarized and noted that the development of the private sector is crucial for the convergence of the WB6 with the EU, alongside structural reforms, stimulating inward investments and thus achieving growth levels required for the optimistic scenario.

State of Play: “Economic Resilience Initiative” (ERI)

EIB (Jesper Persson) presented the State of Play of the Economic Resilience Initiative. EIB was tasked by the European Council to intensify its support in the EU neighbourhood. The ERI aims to mobilise rapidly additional financing in support of growth, vital infrastructure and social cohesion in the WBs and the Southern Neighbourhood. The ERI is an integrated package of loans, concessional finance and innovative instruments designed to enable financing of €15 billion of investments needed to achieve these long-term goals. The most urgent challenges in the WBs are: fiscal imbalances, low levels of investment, political instability, economic migration and refugees. The ERI is designed to reduce the vulnerability of economies in crisis, implement strategic projects that stimulate growth and create jobs, enhance the economies’ capacity to absorb and overcome shocks, and finally to tackle long-term challenges such as climate change. The ERI will be coordinated closely with other instruments, and maximize complementarity. Donor resources are required to catalyze operations in both the public and private sectors. Grants will be used to provide investment prioritization, and in the private sector,

grants will deliver financing for high impact and growth businesses. Contributions also will be earmarked to ensure full targeting of donor priorities. All in all, € 730 million in donor resources, will lead to € 6 billion EIB lending, leading to a total additional investment volume of € 15 billion.

CEB (Stephen Sellen) enquired if and why a guarantee from the European Commission is required. **KfW** (Helke Wälde) enquired about the added value of this new instrument given the number of instruments already operational. **EBRD** (George Holroyd) enquired about the percentage of donor grants already raised. **Bosnia and Herzegovina** (Nermina Saracevic) welcomed the initiative that was presented to the NIPACs in February 2017 and enquired if the ERI is conditional on the raising of the entire donor contribution; in addition clarification was sought on the minimum loan threshold that could be particularly of relevance for social and environmental projects. **The World Bank Group** (Lada Strelkova) drew attention to the need for extra care when providing grants to the private sector to avoid any perceptions about possible market distortions.

EIB (Massimo Cingolani) confirmed that additional funding for the WBIF is possible, through the ERI, and that such respective decisions are to be taken at national NIC level. **EIB** (Jesper Persson) further informed the participants about the fund-raising campaign, successful with some EU member states (committed funds) ongoing with others (such as Germany and the UK). A guarantee from the European Commission enables high risk-taking levels and the Commission's support is seen as a pre-requisite by many bilateral donors. The added value of the ERI over existing initiatives is that the ERI addresses the private sector, and the speed of implementation. Implementation has already started and is not subject to raising the entire donor contribution.

Update on the Connectivity Agenda including the Reform Measures

DG NEAR (Colin Wolfe) updated the participants on the Connectivity Agenda including progress of the Connectivity Reform Measures (CRMs). Along the evolution of the WBIF over the years, the European Commission has supported the preparation of projects, mainly through TA (IPA 1); since IPA 2 and the adoption of the new WBIF regulatory framework, investment grants have become an important part of the WBIF and the WBIF, in turn, has become the framework facilitating the Connectivity Agenda projects (through INV co-financing). Along the implementation of these investment projects, the CRMs ensure maximum strategic impact and foster better performance of these investments as such (e.g. border crossing procedures). CRMs add the required sustainability to these investments and ensure that a maximum of benefits can be extracted and realised. The progress of the CRMs is subject to a robust and objective reporting system and will be reviewed at the WB6 summit in Trieste, where the Transport Community Treaty is expected to be signed.

ECS (Violeta Kogalniceanu) emphasized the importance of the CRMs and the discussion at the annual WB6 summits. **SEETO** (Nerejda Hoxha) mentioned that the draft final report on the CRMs will be issued soon. **The World Bank Group** (Lada Strelkova) provided an update on the preparation of a World Bank regional operation on trade and transport facilitation focusing on (i) facilitating cross-border movement of goods, (ii) enhancing transport efficiency and predictability, and (iii) enhancing market access for trade in services and investments.

Amendments to TA & INV GAFs, Guidelines

DG NEAR (Wolfgang Schläger) announced that both the TA and INV GAF and Guidelines were updated and disseminated to the WBIF SC accompanied by an explanatory note. The entire package is now more coherent and efficient. The WBIF Secretariat will issue a Written Procedure for the adoption of this GAF package.

Vademecum & Annex 5

DG NEAR (Barbara Banki) recalled the main events leading up to the (almost) final version of the Vademecum; it was announced at the 14th WBIF SC in Oslo (June 2016) and the first version was presented at the 15th WBIF SC in London (Dec 2016), following which comments were received and the Vademecum was redrafted in its entirety. This new, overhauled, Vademecum was presented at the 23rd PFG in May 2017, following which comments were received and the European Commission is still working on addressing these comments. In addition, a new section “Quick Reference Guide” will be added together with a table of abbreviations table. The Vademecum is intended as a “non-legal”, guiding document for providing information and explanations on the WBIF’s workings and procedures. It is a living document and will be updated as needed. The Regulatory Framework is annexed to the Vademecum. The main text part is to be “notified” in written to the WBIF SC, and the final version will be presented (and discussed) at the 24th PFG, in Sarajevo. Only Annex 5 of the Vademecum is of “legal relevance” and needs adoption by the WBIF SC. This Annex (5) was presented and discussed during the meeting and will be attached, as agreed (in principle), to the MoM. Endorsement of this, agreed in principle, final version will be sought through written procedure.

Germany (Sabrina Barbetz) requested additional time to study Annex 5. **Serbia** (Petar Spasic) seconded the German request to study Annex 5 in the context of the amended GAFs and guidelines. **Italy** (Raffaella Di Emidio) seconded the German and Serbian request for more time.

DG NEAR (Colin Wolfe) confirmed that additional time will be made available and comments to the Vademecum Annex 5 will be invited.

KfW promotion to WBIF Partner Organisation

DG NEAR (Wolfgang Schläger) opened this session, by reiterating the entry conditions of an IFI to become a Partner Organisation. While there is no “written rule” on this matter, there are the three constitutive Partner IFIs (CEB, EBRD and EIB) who all have contributed €10 million to the WBIF, which established a customary law for defining an “entry ticket” to become a partner organisation. Germany has pledged over €10 million and stated that these pledges are to be seen as KfW contributions. In addition, KfW has been a Lead IFI over the years, therefore with this “formality” and with the full support of the other three partner IFIs and WBIF members, KfW will become the fourth “Partner Organisation IFI” of the WBIF.

KfW (Simone Wunsch) expressed KfW’s appreciation of becoming a full Partner Organisation of the WBIF. **Germany** (Sabrina Brabetz) stated it has been active in the Western Balkans for a long time; therefore Germany would be pleased if the KfW became a Partner Organisation during this session.

Italy (Raffaella Di Emidio) requested clarification on “how to become a Partner Organisation” to the WBIF and expressed concern about the WBIF governance structures becoming more complex with more Partner Organisations added. **Norway** (Olav Reinertsen) fully supported the notion of KfW becoming a Partner Organisation, but shared Italy’s concern regarding the lack of written rules regulating the status of and how to become a Partner Organisation.

DG NEAR (Wolfgang Schläger) confirmed a general openness of the WBIF for more Partner IFIs, provided that there is consensus and the entry ticket (requirement) is met. **EIB** (Massimo Cingolani) expresses EIB’s appreciation of KfW becoming a Partner Organisation, and also seconded Italy’s and Norway’s request for written rules regulating the status of Partner Organisation for further discussion.

DG NEAR (Colin Wolfe) concluded the session by announcing that KfW is forthwith Partner Organisation of the WBIF.

The 16th WBIF SC unanimously approved and welcomed KfW as fourth Partner Organisation IFI of the WBIF.

Day 2, Afternoon: Joint Session WBIF & EDIF
Thursday, 15 June 2017

Co-Chairs: **Mrs. Katarina Mathernova (via video link), DDG, DG NEAR, European Commission**
 &
 Ms. Ulrika Modéer, State Secretary to the Minister for Development Cooperation,
 Sweden

The **WBIF Co-chair DG NEAR** (Katarina Mathernova, Deputy Director-General, DG NEAR) welcomed (via video conference) the participants to a joint inaugural session, with WBIF and EDIF, both representing their own instruments. A strategic joint discussion was proposed at the 15th WBIF SC meeting in London, last year, where WBIF was proposed to act as an umbrella for infrastructure, energy efficiency and private sector activities. While each platform remains responsible for its own decisions, discussions should be held at regular intervals and help coordination between the various activities, infrastructure, SME support, business climate, ultimately resulting in the fostering of economic integration.

The **WBIF Co-chair Sweden** (Ulrika Modéer) also welcomed the participants and mentioned the strong ties Sweden has formed with the WB beneficiaries over the past years and reaffirmed Sweden’s commitment to the region and to the WBIF. The EU perspective of the region was reaffirmed and the need for continued reforms underlined. While the EU accession efforts brought peace and stability to the WBs, many challenges remain to be addressed. Sweden considers regional cooperation a corner stone for the WBs and supports the Berlin Process and the Connectivity Agenda. Sweden also highlighted the experience of the Nordic countries regarding regional integration; the Western Balkans share common characteristics as small countries with different situations vis-a-vis the EU but many shared values and welcomes the regional economic area initiative. Some negative

developments such as tensions between countries, halted reforms and external influences undermining the EU values and messages, corruption, rule of law and media independence were noted and increased cooperation was called for to counter these trends. WBIF was seen as key to increased cooperation not only for connectivity but also for inclusive and sustainable growth, particularly via the SME angle, hence the relevance of the afternoon session.

SME development in the overall framework and general priorities

DG NEAR (Colin Wolfe) introduced the first Panel. The discussion followed all four interventions.

(i) SME support in the Western Balkans; EU strategic priorities

DG NEAR (Katarina Mathernova) opened the afternoon panel by reminding participants of the upcoming WB6 summit in Trieste (12 July 2017), where a deeper regional economic integration will be discussed. Looking at the WBs as a whole, a market of around 20 million people is much more attractive for investors than fragmented markets and the EU is prepared to lend its support. SMEs are important in this regard and will be a topic of the Trieste business forum. They provide for 99% of private employment in the WBs, around $\frac{3}{4}$ of total employment rates and 60% of the private sector's value added. A supportive environment is needed to help development and the EU has engaged in policy matters such as rule of law, infrastructure quality, access to finance, persistence of an informal sector, Research and Development (R&D), etc. Many of these issues are also priorities for the EU, thus there is a wealth of experiences to share. Further, an integrated regional market will support intra-regional trade and help integration in international supply and value chains. The Enlargement Agenda is focussed on the fundamentals, such as economic development and rule of law being supported by various well-funded instruments (WBIF, EDIF, etc.). Interaction between WBIF and EDIF must be optimised and new ideas developed for the WB6 to change their economic model and move from subsidies and remittances to investment and exports.

(ii) WB EDIF's role in SME support, achievements, challenges and future prospects

EIF (Hubert Cottogni) noted that EDIF had developed over time its own modus operandi and announced it would showcase its achievements at the upcoming Trieste summit. EDIF is a platform where specialists come together to help improve the business environment of the beneficiaries. EDIF is a flexible platform, able to adapt, adjust, and pioneer new initiatives. An example is "Youth Employment", raised at the Vienna summit, and which the platform could address quickly. EDIF is more than just finance, it leverages on the capabilities of the participants to devise new products and initiatives and mobilise the private sector in the endeavour. An example is the "Smart financing for SMEs", which is not just providing guarantees to commercial banks but is also helping them improve business and reaching new clients. In addition, EDIF also contributes to developing new ways of doing business, for instance with support for Private Equity funds. Finally, the EDIF platform has the potential to address new sectors and issues such as youth employment or the agricultural sector.

(iii) Swedish perspective: Inclusive and sustainable growth in the Western Balkans

SIDA (Elsa Håstad) informed the participants about SIDA's 7 year strategy in the WBs, aimed (amongst others) at enhanced economic integration with the EU, economic development, respect of human rights, rule of law, environmental protection and resilience to environmental and climate changes. A mid-term review just confirmed the relevance to the EU integration process and insisted on the need for inclusive growth. SIDA noted an ongoing economic improvement in the region with a stronger private sector driving growth, although challenges remain, including low living standards and high unemployment. SIDA is very active on Private Sector Development matters, institutional strengthening, ICT and innovation and female entrepreneurship. Sweden supports the "Women in Business" platform together with EBRD, where special financing packages and training are made available to women and TA to banks. Sweden further supports green growth and gender equality initiatives. The partnership with the WBIF is seen central to these efforts. Sweden welcomes the increased role of the bilateral donors in WBIF and Sweden's cooperation with the WBIF will increase.

(iv) Presentation of the 2017 Doing Business Report

WBG / IFC (Thomas Lubeck) presented the latest "Doing Business" study that the WBG publishes regularly. It reviews the main business constraints in 190 countries by measuring 11 main regulation areas. In the WB region, only the former Yugoslav Republic of Macedonia (10) and Serbia (47) are in the top 50 performers with the former Yugoslav Republic of Macedonia having achieved the most impressive reform progress. Access to finance came across as a leading issue everywhere. In addition the main issues to be addressed were highlighted per beneficiary and government support was called for in the shape of additional reform.

Debate

Colin Wolfe (DG NEAR) suggested if the Nordic Countries union could be seen as a best case for the WBs. **Katharina Mathernova** (DG NEAR) welcomed the idea of 6 smaller countries coming together to harmonise rules and markets but warned against a "race to the bottom" in the harmonisation process and suggested to focus on areas measured by the Doing Business study. **Hubert Cottogni** (EIF) stated that the Nordic Countries union is too advanced and that the Baltic Countries could serve as a more realistic template, lessons learned could be exported from there to the WBs. Well-designed combination of resources will help to mobilise additional private capital. The Baltic countries managed to establish a fully functioning VC ecosystem supporting the knowledge economy. Regarding Youth Employment, he noted that EIB tested a product in the WB with positive initial interest although results would need at least one year to solidify.

Marzena Kisielewska (OECD) noted that SME policy challenges persist in the region and that governments are not successful in solving them. She stressed the essential role of policy dialogue and design and called on EDIF to also invest in knowledge and policy along its direct SME investments. **Claudio Viezzoli** (EBRD) noted that EDIF was unique in three ways: its ability to capitalise on its respective strengths and avoid unnecessary competition; its ability to mobilise private sector capital (although more needs to be done and it must be measured more effectively); and its flexibility to address new gaps. He noted that many gaps remained such as intra-regional trade, trade with EU

Member States, e-commerce, deposit insurance schemes, etc. leaving ample room for EDIF to add new activities.

Colin Wolfe (DG NEAR) enquired the panel members how EDIF could pay more attention to policy issues and play a bigger role leveraging on the strengths of its members. **Elsa Håstad** (SIDA) noted its focus on policy issues and its role in attracting larger SWE companies in sharing ideas and experience.

Thomas Lubeck (IFC) promoted IFC as a purely private sector instrument. He noted that given bloated public sectors and inefficient SOEs, the private sector was needed to help deliver essential services to citizens and suggested that in particular PPP should be further developed in the WBs. He also suggested that the WB should review the Nordic experience with electronic delivery of public services to limit frustration of the WB private sector as on-line was deemed fairer. **Hubert Cottogni** (EIF) supported EBRD's request to better measure private capital mobilisation and held the Juncker Plan as an example. He also called for a better integration of the various EDIF instruments to multiply the effect. **Katharina Mathernova** (DG NEAR) noted that the EC valued EDIF's work and was keen on simplification and avoiding duplication of efforts. She indicated that the WBIF NIF experience showed the benefits of having a clear strategic view, priorities and allocation of responsibilities based on respective strengths. She noted that it was essential to increase assistance to the private sector but not just through grants and loans. She pointed out the need for de-risking private sector investments, with full benefit going to the private sector. Three private sector support pillars were highlighted: policy dialogue (at national and regional levels); creation of instruments and bankable projects to attract private sector investment (PPPs, risk sharing on direct investment, etc.); and development of sustainable local financial market infrastructure (also supporting local currency finance). As a conclusion to the panel discussion, **Magdalena Svensson** (Sweden) emphasized the importance of working together and in dialogue; **Hubert Cottogni** (EIF) congratulated EDIF's stakeholders for the achievements to date and urged them to aim for best in class; **Thomas Lubeck** (IFC) suggested 3 targets for the financial institutions, access to finance, capacity building for SMEs and support for the environment; **Katharina Mathernova** (DG NEAR) insisted on the need to guarantee fundamentals right, including rule of law, contract enforcement and dispute resolution. **Colin Wolfe** (DG NEAR) thanked the panel for their contribution and noted the rich menu on offer for the WB countries.

Thematic discussion: innovative SMEs, youth employment and women in business

(i) Youth employment, young entrepreneurs

Hubert Cottogni (EIF) noted that EIF managed the EDIF guarantee product (the take up was initially slow). This product, which provides for incentives to companies to hire youth in the region, was initially requested at the Vienna WB6 summit and proved to be very successful. EIB/EIF conducted an extensive market review testing banks, companies, etc. concluding that an 80% loan guarantee would be attractive. EIF is launching a pilot project at the moment and they have strong expectations as the product is thought to be strong. **Massimo Cingolani** (EIB) added that EIB expected €100 million of loans to be extended under the guarantee and pointed out that this was only a small contribution as studies indicated that the region needed private sector investment in the order of €50 billion to reach convergence.

(ii) Women in business

Biljana Scekcic (EBRD) introduced the programme and underlined that it had been designed to ensure sustainability for women in business. She noted that the WB needed full use of resources to maximise economic growth and experience shows that women's businesses outperformed on many criteria. Research shows that issues restraining women in business could be traced to both the supply and demand sides and that the project had worked hard on developing an integrated approach to close the gaps on both sides. The resulting package includes loans, guarantees and advisory services targeting both PFIs and client women entrepreneurs. The programme targets 7 PFIs and 700 sub loans of an average value of €14,000.

(iii) Increasing employability as SME booster

Markus Aschendorf (KfW) summed up the SME situation in the region, including strengths, key constraints and challenges highlighting the general lack of a qualified workforce in a context of generally high unemployment and suggested to place emphasis on Vocational Education and Training (VET) as a way to supply a quality workforce. The current situation was rather poor showing low standards and low recognition compared to traditional studies. KfW's project set-up is for a specialist fund with two windows, one targeting innovative industry-led projects and one targeting committed public VET schools, completed by a TA component. Development of a pilot will start in 2017 in Kosovo targeting 1,000 to 1,500 students and if successful, a regional extension of the programme is considered.

(iv) JRC: smart grow and innovation

Elena Andonova (DG JRC), reviewed the technology transfer activity in the region and noted that there were many gaps and market failures preventing activity, which need to be carefully identified with adequate policies devised to address them in order to support innovation and growth. In particular, there is ample evidence in Western Europe that university research has strong local economic impact where an appropriate technology transfer framework is in place and effective research commercialisation has a strong socio economic development effect. Public funds are needed to support pure fundamental research, private capital must be tapped into once is sufficient evidence indicates viable business ideas.

Debate

A Q&A session followed and **Magdalena Svensson** (Sweden) asked how smart growth and gender equality issues could be woven into EDIF. **Hubert Cottogni** (EIF) noted that the platform's flexibility would make it easy to integrate such components. **Biljana Scekcic** (EBRD) confirmed that it would fit with EBRD's approach and **Markus Aschendorf** (KfW) emphasised the growing importance of soft factors for achieving development and suggested that the EDIF platform was suitable to accommodate such factors.

AOB & Concluding Remarks

(1) Written procedures:

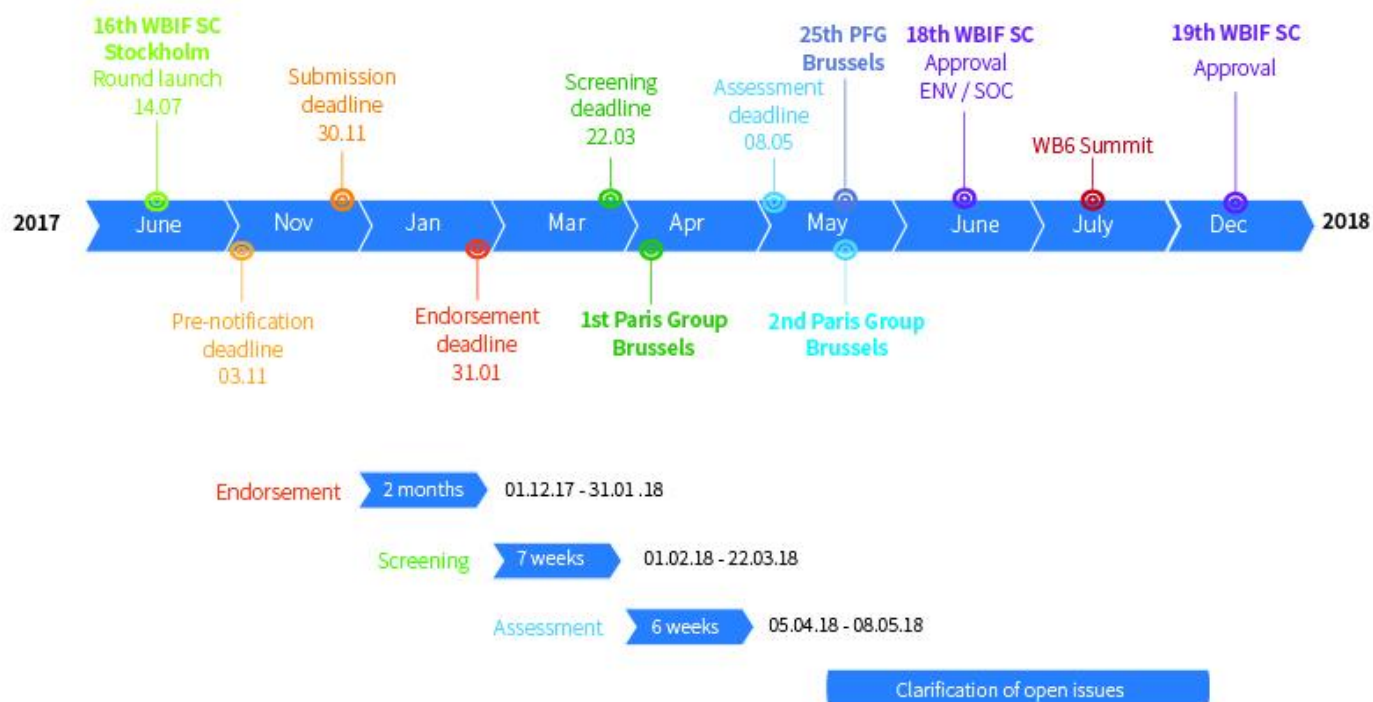
The 16th WBIF SC meeting took note of the following written procedures:

No.	Short Title	Topic
1	WBIFWP: 005_22/12/16	Increase of budget for WB12-SRB-SOC-01, WB11-KOS-TRA-02, WB13-MKD-TRA-01
2	WBIFWP: 006_22/12/16	Change of the Lead IFI WB13-REG-ENE-01 and minor changes to the PGAF WB14-REG-ENE-01
3	WBIFWP: 007_01/02/17	Confirmation of “no objection to WBIFWP_005_22/12/16 and WBIFWP_006/22/12/16 and minor amendment to WBIFWP_005_22/12/16.
4	WBIFWP: 008_10/04/17	Concerning the approval of using the PGAF forms for the approval of TA Round 15 following the adoption of the TA - GAF
5	WBIFWP: 009_06/06/17	REEP + GAFs, for EBRD and KfW component

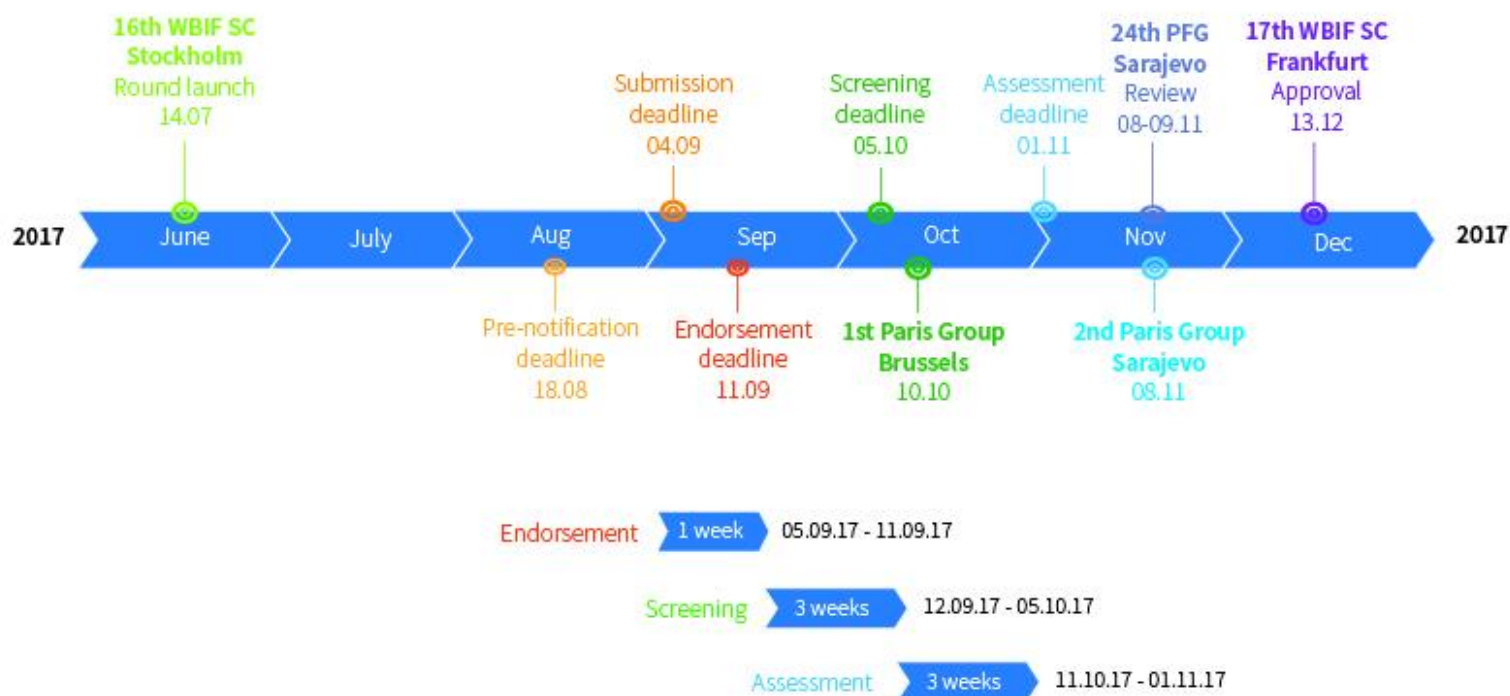
CLOSE OF MEETING

Annex 1: Timelines

INV Round 3



TA Round 18



Annex 2: Vademecum Annex 5

Annex 5 Amendments to the Grant Application Form

Issue	Nature of the change	Impact	Action
Change of IFI	Lead IFI	Substantial	SC for approval
	Co-financier	Minor	Annual Implementation Report
Changes at beneficiary level	Country authority	Minor	Annual Implementation Report
	Implementing entity (contracting authority)	Minor	
Changes to the Project having an impact on the WBIF grant	Main objectives and expected results	Substantial	SC for approval
	Budget	Minor provided that it does not affect the main purpose and amount of the grant	Annual Implementation Report
	Financing Plan²	Substantial	SC for approval
	Project calendar	Minor	Annual Implementation Report
	Procurement plan	Minor	Annual Implementation Report
Changes to the Grant	Increase/decrease ³ of grant amount	Substantial	SC approval
	Reallocation between TA and IG	Substantial	SC approval
	Reallocation between budget headings within IG or TA	Minor provided that it does not affect the main purpose of the grant and is limited to 25% of the initial amount entered in each budget heading	Annual Implementation Report
Updates, such as	Climate Mitigation & Adaptation, Coms & Visibility, payment schedule	Minor ⁴	Annual Implementation Report

² Only where the WBIF grant increases in relation to the funding of the project related to the grant. Changes to project components which do not benefit from a grant (eg parallel co-financing) are not considered to have an impact on the grant.

³ Except for decreases in grant amount due to procurement, market prices and other savings.

⁴ While changes introduced by the Lead IFI to the Communication and Visibility Plan are considered minor, a discussion should be initiated by the Lead IFI (eg at the PFG).