

31st PFG Virtual Meeting / 19-20 May 2021

Minutes of Meeting

Note: These minutes of meeting are complimentary to the presentations and the disseminated background papers. As such they are kept brief, names of speakers are shown in the agenda and no longer in the minutes; moreover, these minutes reflect decisions and recommendations, show trends or tendencies of discussions, rather than personal statements. The List of Participants and the Chat Transcript are in the Annex.

DAY 1 (closed) Project Oriented Session / PFG Public Sector

The PFG Co-chairs welcomed participants to this 31st virtual WBIF PFG meeting.

Available Funds in the Joint Fund and the IPF Instrument

EBRD presented the **Joint Fund balance** and confirmed that **€761,469 in Bilateral Donors' contributions** are available and another **€7.78 million** from the **contribution of the European Commission for TA¹**

DG NEAR confirmed the available balance under the **IPF instrument** of approximately **€4.5 million**. Additional funds will become available under IPF 11² that can be used for TA Round 25.

TA Round 25

DG NEAR presented the **TA Round 25**: 12 grant applications were received, for a total grant consideration of €20.7 million. Of these, 1 application was withdrawn, 5 were screened negative and 6 were screened and assessed positive, for a total grant consideration of €9.09 million.

Sector	No.	Grant (€)	Beneficiary	No.	Grant (€)
Digital infrastructure	0	0	Albania	1	500,000
Energy	2	1,660,000	Bosnia and Herzegovina	0	0
Environment	3	4,800,000	Kosovo*	2	4,300,000
Social	0	0	Montenegro	0	0
Transport	1	2,630,000	North Macedonia	1	960,000
Total	6	9,090,000	Serbia	2	3,330,000
			Total	6	9,090,000

DG NEAR and **Lead IFIs** introduced the positive screened and assessed applications below.

#	Grant code	Title	Lead IFI	Grant Submitted (€)	Grant revised (€)	Conclusion	Source of funds
1	WB25-MKD-ENE-01	North Macedonia, North Macedonia - Serbia Gas	EBRD	950,000	960,000	Positive	IPF

¹ WB09-HR-SOC-02: "New Campus and University Learning Resource Centre" and the respective WBIF Written Procedure WBIFWP: 042_23/06/20. This includes the European Commission's contribution of €1,248,000 for the Zadar University, Croatia (WB09-HR-SOC-02: "New Campus and University Learning Resource Centre"). Following WBIF Written Procedure 042_23/06/20 the Bilateral Donors "will have an amount of at least €1,248,000 [of the EC contribution] to their free disposal".

² IPF 11 is currently procured and is expected to be active by the end of this year, or early in 2022.

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

#	Grant code	Title	Lead IFI	Grant Submitted (€)	Grant revised (€)	Conclusion	Source of funds
		Interconnection: Feasibility Study, ESIA					
2	WB25-SRB-ENE-01	Serbia, North Continental South East Corridor: Feasibility Study, ESIA	KfW	700,000	700,000	Positive	IPF
3	WB25-ALB-ENV-01	Albania, Durrës Wastewater Management Project: Feasibility Study, Preliminary Design, ESIA	AFD	750,000	500,000	Positive	IPF
4	WB25-KOS-ENV-01	Kosovo*, Iber-Lepenc Hydro System Project Phase 1: Preliminary Design, ESIA	EBRD	2,500,000	1,800,000	Positive	IPF
5	WB25-KOS-ENV-02	Kosovo, Flood Risk Maps and Flood Hazard Maps for All River Basins in Kosovo	EIB	2,500,000	2,500,000	Positive	IPF
6	WB25-SRB-TRA-01	Orient/East-Med Corridor, Stalać – Kraljevo Route 11 Railway Section: Feasibility Study, ESIA, Preliminary Design, Tender Documents	EIB	2,730,000	2,630,000	Positive	IPF
Total				20,680,000	9,090,000		

DG NEAR clarified those applications that were screened negative can be improved and resubmitted in the next TA Round 26. Further, that IPA II funds are available to finance the TA Round 25 and therefore a WBIF written procedure can be launched to approve these applications.

INV Round 6

DG NEAR presented the **INV Round 6**. So far, 21 grant applications were screened, for a total grant consideration of €1.1 billion. Of these, 1 application was withdrawn, 7 were screened negative and 13 were screened and assessed positive (conditionalities below), for a total grant consideration of €575.9 million.

Sector	No.	Grant (€)	Beneficiary	No.	Grant (€)
Energy	3	9,279,080	Albania	1	2,657,693
Environment	2	94,690,802	Bosnia and Herzegovina	4	209,891,382
Social	1	35,700,000	Kosovo	1	38,806,751
Transport	7	436,248,564	Montenegro	1	23,405,218
Total	13	575,918,446	North Macedonia	4	230,357,916
			Serbia	2	70,799,485
			Total	13	575,918,446

Two applications were left out of screening for potential co-financing under National IPA, these were: (1) WB-IG06-MKD-ENV-03 / EBRD: Regional Waste Management System for Polog Region and (2) WB-IG06-SRB-ENV-01 / KfW: Water Supply and Wastewater Treatment in Medium-Sized Municipalities in Serbia VI.

The priorities for screening (in line with the eligibility criteria) were: flagship relevant, maturity and quality of the application and assessment.

DG NEAR and **Lead IFIs** introduced the positively screened and assessed applications below; where shown, conditionalities apply and must be fulfilled.

#	Code	Short title	Lead IFI	Grant incl. impl. fees submitted (€)	Grant incl. impl. fees revised (€)	Conclusion / Conditionality
1	WB-IG06-ALB-ENE-01	Vau i Dejës Floating Solar PV	EBRD	2,825,979	2,657,693	Climate proofing to be confirmed.
2	WB-IG06-MKD-ENE-03	Supply and Installation of 10 MW Solar PV Plant Oslomej 1	EBRD	1,568,407	1,563,207	Subject to clarification of retroactive funding possibility under IPA III.
3	WB-IG06-MKD-ENE-02	Development and Construction of 10 MW Solar PV Plant Oslomej 2 and 20 MW Solar PV Plant in Bitola	EBRD	5,063,380	5,058,180	Positive
4	WB-IG06-MNE-ENV-01	Podgorica Wastewater Treatment Plant	KfW	23,405,218	23,405,218	Positive
5	WB-IG06-MKD-ENV-01	Skopje Wastewater Treatment Plant	EIB	71,285,584	71,285,584	Positive
6	WB-IG06-SRB-SOC-02	Construction of New University Children's Hospital Tirsova 2 in Belgrade	CEB	35,700,000	35,700,000	Positive
7	WB-IG06-BIH-TRA-04	Corridor Vc: Medakovo – Ozimice Motorway Subsection	EIB	70,346,947	70,346,947	Grant amount to be updated.
8	WB-IG06-BIH-TRA-05	Corridor Vc: Mostar South – Kvanj Tunnel Motorway Subsection	EBRD	31,325,534	31,008,334	Subject to EBRD confirmation on adequately addressing potential recommendations/findings of ab IPAM ⁴ review, once available.
9	WB-IG06-BIH-TRA-08	Corridor Vc: Overhaul and Modernisation of Šamac – Doboj – Rječica (Border RS/FBiH) Railway Section	EBRD	84,852,800	84,852,800	Positive
10	WB-IG06-BIH-TRA-10	Corridor Vc: Kvanj Tunnel – Buna Vc Motorway Subsection	EIB	23,683,301	23,683,301	Positive
11	WB-IG06-KOS-TRA-01	Orient/East-Med Corridor: Kosovo – Serbia R7 Road Interconnection, Pristina – Merdare Section (Peace Highway)	EBRD	77,613,502	38,806,751	Subject to justification of financing gap.
12	WB-IG06-MKD-TRA-01	Corridor VIII: Kriva Palanka – Border with Bulgaria Railway Section	EIB	182,921,095	152,450,945	Subject to confirmation of commitment on Bulgarian side.
13	WB-IG06-SRB-TRA-01	Orient/East Med Corridor: Modernisation of Xc Railway	EIB	35,099,485	35,099,485	Positive

⁴ EBRD Independent Project Accountability Mechanism.

#	Code	Short title	Lead IFI	Grant incl. impl. fees submitted (€)	Grant incl. impl. fees revised (€)	Conclusion / Conditionality
		Line Nis – Dimitrovgrad, Niš Bypass				
Grand Total				1,059,164,145	575,918,446	

DG NEAR also presented the negatively screened grant applications and invited to revise, improve and re-submit Grant Application Forms (GAF), in particular the following investments: WB-IG06-SRB-ENE-01 “Trans-Balkan Corridor Section IV: Serbia – Bosnia and Herzegovina – Montenegro 400 kV Interconnection (Bajina Basta – Visegrad – Pljevlja)”, WB-IG06-ALB-TRA-01 Mediterranean Corridor: Tirana Bypass (Blue Highway), and WB-IG06-BIH-TRA-09 Corridor Vc: Johovac Interchange – Vukosavlje Interchange Motorway Section.

Discussion

With reference to the two ENV projects that were suggested for consideration under the national IPA envelope, **EBRD** encouraged to **clarify** the “**regional impact**” requirement **for ENV projects**. EBRD further **confirmed** that the **outcome of the IPAM** for project WB-IG06-BIH-TRA-05 “Corridor Vc: Mostar South – Kvanj Tunnel Motorway Subsection” will be taken on board, but the IPAM process is likely to take longer than the anticipated approval of this project in December 2021. The **Energy Community Secretariat** (ECS) confirmed that for WB-IG06-SRB-ENE-01 “Trans-Balkan Corridor Section IV: Serbia – Bosnia and Herzegovina – Montenegro 400 kV Interconnection” efforts are underway to commit the relevant authorities and institutions in Serbia further into this project and the respective feasibility study should be made available for the ECS. Also, **KfW** is ready to engage with all stakeholders on this important investment and to help realising the project.

DG NEAR expressed openness to revisit the issue of regionality for ENV projects before future investment calls. Further, a written commitment by EBRD to the outcome of the IPAM for the Mostar South complaint will suffice (if the IPAM is still ongoing at the time). The Feasibility Study for Section IV of the Trans-Balkan Corridor will be made available to ECS.

Further, **DG NEAR** informed that today’s positive and conditionally positive GAFs might need updating until the time of submission to the 1st WBIF Operational Board in December 2021. This might be necessary following the recommendations of the informal Expert Groups, in particular the dedicated informal Expert Group on the Green Agenda.

Projects considered for cancellation

DG NEAR presented the following 3 projects:

- (1) WB17-ALB-ENE-03 “Skavica Hydropower Plant: Feasibility Study and ESIA”: The Government of Albania decided to pursue this investment project outside WBIF.
- (2) WB15-SRB-ENV-01 “Central Wastewater Treatment Facility in Novi Sad”: this investment may also be pursued outside WBIF, official confirmation is still pending.
- (3) WB21-MKD-DII-01 “North Macedonia Digital Economy Project: Feasibility Study, ESIA, Preliminary Design”: The World Bank Group informed DG NEAR of the cancellation of this project.

Not all aspects of these above listed projects are entirely clear and/or in place. Respective cancellations will therefore be postponed and addressed again at the 32nd PFG meeting. The Serbian NIPAC should sawfly issue clarification concerning the Novi Sad project so that the IPF 8 committed funds can be allocated to another TA project.

Technical Updates

DG NEAR informed participants about a scheduled dialogue meeting in June, where the draft IPA III Regulation is expected to be advanced. Still, no IPA III funds can be committed at this present moment and only IPA II funds (via the IPF instrument) can be allocated for TA Round 25. The current INV Round 6 will be extended and will be subjected to the opinion of the 1st WBIF Operational Board meeting⁵. Under INV Round 6, applications that were screened negative can be improved and resubmitted. Importantly, also entirely new project applications can be submitted if they are mature and ready for investment.

In an attempt to “frontload investments” for mature projects, as announced in the Economic and Investment Plan for the Western Balkans⁶, different funding options for this and future INV rounds are being considered. This includes providing EU co-financing in tranches, whereby the European Commission commits to the entire grant amount, but to a phased release / allocation of funds. An internal discourse in DG NEAR is ongoing, and stakeholders will be informed once this process is sufficiently advanced. In addition, at the time of approval of INV Round 6, funds from the 2022 IPA III envelope may already be allocated.

KfW informed that December 16 and 17 were reserved at its premises in Frankfurt for the 1st WBIF Strategic and Operational Board meeting (should physical meetings be possible by then).

Launch of TA Round 26 & Extension INV Round 6

DG NEAR announced that following this 31st PFG, a new TA Round 26 will be launched, with the same eligibility criteria as TA Round 25. To this end, a written procedure will be issued, which will also cover the extension of INV Round 6.

The proposed dates are:

- Pre-notification: 13 August
- Submission: 27 August
- Endorsement: 3 September
- Screening: until 1 October
- 1st Paris Group: 7 October
- Assessment: until 5 November
- 2nd Paris Group: 10 November
- 32nd PFG: 11-12 or 16 - 17 November
- Strategic and Operational Board: 16 – 17 December

In addition, there will be an informal WBIF meeting on 24 June, dedicated to the transition from IPA II to IPA III; details will be announced in due course.

⁵ Once the IPA III Regulation and the new WBIF Governance are enacted and in place.

⁶ COM(2020) 641 final

DAY 1 (closed) Project Oriented Session / PFG Private Sector

Separate document.

DAY 2 (open) Policy and Strategy Session

Introduction

The **PFG Co-chairs** (DG NEAR and KfW) welcomed the participants. **DG NEAR** emphasised the key role of WBIF for the achievement of goals under the European Commission's Economic and Investment Plan and its flagships. While the IPA III regulations are still not enacted, WBIF offers a set of tools, which, in the meantime, can be sharpened for efficient implementation with a view that WBIF supported investments ensure clear impact on the ground within the next three to four years. **KfW** acknowledged the importance of the new policy and objectives, the Green Agenda and the assistance instruments under WBIF. The Constitutional Court in Germany issued a landmark ruling, where policymakers must take the interest of the young and future generations into account. The International Energy Agency issued a statement that the gap between rhetoric and action must close fast if the climate goals are to be met. With that in mind, the future of WBIF should be shaped dark green.

IFI Co-chair and Bilateral Donor Statements

KfW further emphasised 3 reform topics pertinent for WBIF. (1) the funding predictability should improve, in particular with regards to the national IPA envelop, (2) the co-financing rates should be revisited, where currently high rates apply for "grey" infrastructure; in this context, the eligibility criteria are also seen as restrictive, especially for ENV and SOC projects (regional requirement). Finally (3), WBIF should continue to use the informal expert group approach and a modus operandi should be found for the implementation of their recommendations.

Austria, in its current function as chair of the Bilateral Donors, concurred with the KfW statement, in particular regarding the terms for the ENV and SOC sector, which are seen too narrow; further the importance of joint cooperation and integrated discourse were emphasised, which should be projected into the new WBIF governance.

DG NEAR thanked for IFI and bilateral donor remarks and food for thought and showed openness to revisit the co-financing rates and eligibility criteria, upon finalisation of informal expert groups that may come up with recommendations in this regard.

Status update IPA III

DG NEAR informed about the planned triologue between the Co-legislators and the European Commission in early June, as important step towards agreeing on the text of the draft IPA III Regulation. Subject to the adoption of the IPA III Regulation and in accordance with its programming framework and implementing rules, a Financing Decision for the portfolio presented to the 1st WBIF Operational Board meeting can be taken, if possible, still before the end of this year.

Review Connectivity Agenda Implementation / EIP Implementation

DG NEAR presented the achievements under the Connectivity Agenda and showed that construction started only for 1/3 of the approved projects and only 3 are planned to be completed this year. There

is crucial need for acceleration of implementation, given the political priority of rolling out investments and making tangible impact as soon as possible.

The findings and recommendations of the two informal Expert Groups charged with acceleration of implementation will be crucial to achieve this objective. Lessons learned from the Connectivity Agenda must be applied rigorously to EIP flagship implementation. These include the identification of bottlenecks (delays), making these transparent for monitoring purposes through a traffic light system and addressing these bottlenecks in structured review meetings.

Review of TA Round 25 and INV Round 6

DG NEAR presented the findings of DAY 1 and informed that TA Round 25 will be approved via written procedure, while INV Round 6 will be extended. A new informal expert group on private sector was launched with the objective to derive recommendations on how to continue addressing the region business sector financial gap and on how develop an adequate business climate.

WBIF Secretariat Updates

Monitoring Report

The **WBIF Secretariat** informed that due to increased workload and late MIS updates, the draft Monitoring Report could not be finalised, but will be disseminated in the near future.

Communication and Visibility, MIS update

DG NEAR presented the Communication and Visibility Plan and Guidelines and summarised the major communication activities carried out during the year, which entailed the creation of new communication material (video, stories, interviews), the creation of modular communication units (clustering existing material on specific areas and countries), the diversification of communication channels (a new website, synergies with the EU Delegations and communication departments of IFIs). Progress and novelties of WBIF MIS, which include a dedicated section to project monitoring, were also presented.

The **31st PFG** took note of the updated WBIF Communication and Visibility Plan and Guidelines.

Reports from Informal Expert Groups

DG NEAR introduced the concept of “informal expert groups” (IEG) that were established by the WBIF Working Group. These groups are each led by an IFI and participants are a blend of institutional, financial and technical experts from the IFIs, beneficiary administrations, regional organisations, DG NEAR, EUDs and technical assistance consultants.

Acceleration Potential INV

EBRD presented the advances and recommendations of this IEG, most of which reached overall consensus in the IEG; where this is not the case, further discourse is planned. The recommendations are split into three phases and contain concrete recommendations for each:

(1) Before GAF submission:

- a. Projects must be mature, indicators for this are: ESIA approved before submission, detailed design ((or preliminary design for design-build option) and tender documents must be complete at GAF approval.

- b. Ownership: Ministry of Finance submits confirmation letter in support of the GAF.
 - c. Financing in place; loan preparations have started.
- (2) At GAF submission:
- a. Approvals are in place, e.g. siting decision, national EIA, etc.
 - b. Notification system, IFIs are notified earlier, longer periods for endorsement.
 - c. Ownership, beneficiary demonstrates ownership, e.g. suitable and qualified PIU is in place.
- (3) After GAF submission:
- a. Capacities for implementation are there, for procurement and implementation, both for IFIs and beneficiaries (here a budget is needed for the IFIs, which could be financed through WBIF).
 - b. Monitoring and reporting on progress, via structured review meetings and traffic light system in the MIS.

During the **discussion** few points were raised including: whether potential costs for the financier's monitoring could be borne by WBIF⁷; clarifications on the level of engagement of financial institutions into the design, procurement and implementation phases of a project. IFIs do not have the technical capacity to "approve" detailed design for example and must be able to rely on the beneficiary's decision. The concept of "no objection" follows the national design review approvals. Likewise, during implementation, IFIs rely on PIUs.

The point concluded with **DG NEAR** encouraging the IEG on INV acceleration to continue with their discourse and finalise recommendations before the summer recess.

Acceleration Potential TA

EIB presented the advances of this IEG. A benchmarking exercise showed that WBIF's TA (IPF) compare rather well to similar initiatives. About 11.5% of WBIF's TA are delayed by more than 1 year and most delays are found in project preparation phases. Similar to the INV IEG, the recommendations are broken down into phases:

- (1) TA preparation phase:
 - a. Summary scope of works annexed to the GAF.
 - b. GAF approval should be linked to project's maturity and priority.
- (2) TA implementation phase:
 - a. Close implementation monitoring and reporting.
 - b. Specification of deliverables in TA contracts and approval schedule.
- (3) Horizontal improvements:
 - a. MIS improvement for TA progress reporting and delays section (traffic light system).
 - b. Strengthen beneficiary capacity and ownership.
 - c. Clarification of stakeholder's roles.

Discussion points included the engagement of EUDs in the TA implementation process, regional projects should be supported by all concerned beneficiaries, Jaspers should be closer involved and better action descriptions will lead to more adequate budget proposals and grant requests.

DG NEAR encouraged the IEG on TA Acceleration to further their discussion and to identify a concrete set of actions that can be implemented in the nearest future. Joint recommendations should be presented with expert group on INV Acceleration.

⁷ This relates to dedicated consultancy, working independently and monitoring the project with the aim to flag any issue affecting the project's funding and financing.

Private Sector

DG NEAR informed participants on the establishment of a new IEG on Private Sector Support. EIF will lead this IEG, the ToR were presented. This IEG will also address questions raised in this meeting, pertaining to the extension and funding of successful initiatives. A first set of findings and recommendations can be expected early in July.

Socially Responsible Procurement

EBRD presented the findings and first recommendations of this IEG. In a first step, the brief of this IEG was reviewed and extended to Inclusive and Socially Responsible Procurement (ISRP). Ways how to shape inclusive and socially responsible procurement strategies were presented, together with case studies in the region and beyond. The benefits of ISRP are manifold and win-win situations can be established for all stakeholders. Concrete steps were proposed, to take “theory” into practice. A final report will be presented toward the end of June, where concrete actions will be proposed and a pilot project that will allow to test and improve the proposed measures.

Discussion points included whether ISRP can be rolled out to all WBIF sectors which was, in principal agreed; and further if ISRP is used by an EU member state (Finland). Further, it was confirmed that ISRP is compliant with EU procurement rules and regulations and that Roma were not treated separately, they are included under vulnerable groups.

DG NEAR concluded by emphasising the importance of ISRP and encouraged the IEP to identify pilot actions that WBIF can implement quickly.

Green Agenda

KfW reported on the advances, findings and first preliminary recommendations of this IEG. A gap analysis of the WBIF investment criteria was conducted vis-à-vis relevant climate and sustainability EU guidelines (EC Guidelines for the Implementation of the GA for the WBs, EC Technical Guidance on the Climate Proofing of Infrastructure, EC Sustainable and Smart Mobility Strategy, EC Guidelines for trans-European energy infrastructure). The findings of the IEG will pertain to aspects of greening the Connectivity Agenda and incentivising new investments that accelerate green transition. Recommendations pertain to adjustments to the GAF, to include green criteria, eligibility criteria could be sharpened, and investments could be aligned with the new (draft) TENT-E Regulation. The IEG will prepare a package of concrete short-term recommendations and actions before the summer recess. An implementation road map will accompany the medium-term recommendations.

Discussion points included the evolvement of the TRA sector under WBIF and how the Green Agenda (GA) priorities can be brought in line with the priorities of the Connectivity Agenda. Questions were also raised about the anticipated funding of GA projects.

DG NEAR concluded by stressing the importance of the Green Agenda, the commitment of the regional leaders to the same has been demonstrated (Sofia declaration). Existing (TRA) projects will become subject to GA principles just as all other sectors and new projects must demonstrate their contributions to the GA.

Capital Investment Management and Implementation

The **WBG** presented the approach and methodology to be applied by this IEG aimed to assist beneficiaries in identifying bottlenecks (early) and to build respective capacities for investment project management and implementation. The IEG will further agree on modalities, conduct a mapping exercise based on previous comparable work undertaken and existing practices (some beneficiaries are advanced). The focus will be on upfront strategic and financial planning and capacity related issues. The areas will be prioritised according to their relevance for the implementation of the EIP. These could be country specific or regional measures; a short- and medium-term action plan will be drafted and presented to the WBIF.

DG NEAR expressed high interest in these findings and looks forward to further fruitful discourse in this and all other IEGs.

End of minutes of meeting.

Annexure:

- (i) List of Participants**
- (ii) Chat Transcript**

Separate documents



Western Balkans Enterprise Development & Innovation Facility (WB EDIF)

31st MEETING OF THE WBIF PROJECT FINANCCERS' GROUP

PFG Private sector

19 May 2021–virtual meeting

Summary of the discussions

The PFG Private sector (previously called the WB EDIF preparatory meeting) took place on Wednesday 19 May 2021 as a virtual meeting.

E. Chiozza (DG NEAR) opened the meeting at 14.30, introducing it as the 3rd virtual PFG meeting and welcomed all the participants. She pointed out that the invitation to this meeting has been extended to the EU representations in the Western Balkans, beneficiaries, donors, IFIs and DG NEAR colleagues. She introduced the agenda and gave floor to N. Mazgan Caddeo (EIF) to present communication and visibility activities under the EDIF platform.

1. Update on platform coordination

N. Mazgan Caddeo presented the main visibility activities in the last few months, focusing on the preparation of the new edition of the WB EDIF Annual Report, which will feature many interesting interviews and case studies. The EIF will share and publish the report, as well as any other visibility material on the EDIF website once finalized and disseminate it via various communication channels.

E. Chiozza acknowledged the good work being performed for visibility and communication under EDIF, and explained that as per 2021 they will be closely aligned within WBIF to cover both public and private sector.

2. Presentation Term of Reference Informal Expert Group on private sector

The second topic of the meeting touched upon the presentation of the Terms of Reference of the Informal Expert Group (IEG) on private sector by the European Commission. The IEG would discuss the importance of the private sector, building on the experience of WBIF EDIF and derive recommendations on how to expand private sector investment and create the



adequate business climate in the Western Balkans – a copy of the ToR of the IEG is annexed. The EIF will chair the EIG with the participation of representatives from financial institutions.

M. Giuliani (EIF) responded with initial ideas on how to articulate the work of the IEG. He pointed out that this group is very timely put in place considering the starting of the MFF, the review of the governance and whole architecture of WBIF as well as the renewed interest in private sector, although in a different framework. He underlined the need for co-operation, collecting ideas from all the IFIs and building on experience on the ground. He also confirmed the need to build on existing experience of the various EDIF instruments as well as on the expertise of the institutions in this region also outside EDIF.

The IEG shall finalize the work by early July but have an initial draft of recommendations ready by the summer of 2021.

M. Giuliani invited IFIs to appoint representatives for this IEG as well as beneficiary economies who may wish to bring their views on some aspects of the discussion.

E. Chiozza addressed questions from participants, answering that the EU Innovation Agenda for the Western Balkans could be adopted on 27 May 2021. She further answered the questions about EDIF going forward and the next steering committee. She explained that the steering committee meeting in June will have informal character, since the new regulations are not yet in place. The final date and agenda are still to be defined. On the governance she pointed out that private sector will become part of WBIF, where EDIF will need to be transformed. However, the private sector remains very important and relevant and the work of the expert group will also feed into the process of transformation. We need to build on this experience but also improve processes and structure in line with the Economic and Investment Plan. The next question addressed in this part of the agenda was on whether the standalone EDIF meetings will continue to exist in their current shape or further discussions on private sector development will take place under the WBIF framework. E. Chiozza referred to different transformations of WBIF where EDIF and the support of private sector and private sector investment will become integral part of the overall WBIF agenda and approach, next to the public sector investments. EDIF has addressed successfully the financial gap in the region but many areas are still to be covered, e.g. business climate support. There is no decision yet taken but it is acknowledged that EDIF has done a successful work so far and it needs to be further adapted in light of importance of private sector and its broader spectre. The last question raised was about linking procurement with social inclusion objectives. E. Chiozza answered that there are links to social responsible policies and that this will be also one of the discussions of the IFIs in the informal expert groups.

Projects focus: state of play (four de table per pillars)

E. Chiozza introduced the next point on the agenda and invited the IFIs to present the updates under the four EDIF pillars.



M. Giuliani presented the updates under ENIF (please see presentation attached). He pointed out that ENIF investment period has finished in the autumn of 2020, with limited resources still available for follow-up investments in the existing companies. ENIF is now fundraising a second round and the successor fund proposal has been approved by the PAG and EC committee. ENIF II will cover broader geographical area, ring-fencing IPA funding for the WB6.

F. Serri (EBRD) presented the updates on ENEF. He informed that the investment period has finished, ENEF has invested in 16 companies, covering most of the beneficiary economies. About 70% of the fund resources are committed and the fund can make further investments only in the existing companies. The portfolio is solid and well performing. Around 7.5m EUR have been already distributed back to investors. EBRD is currently fund raising 50-55m EUR for ENEF II, which would work similar to ENEF I, but focussing on impact. The fund is also supported by complementary advisory services, preparing companies for investment.

M. Giuliani further answered questions about the estimate of how much actual investment the companies are leveraging by accessing loans besides equity. Companies funded by the equity funds typically receive an equity contribution via subscription of shares and are then free to take also a loan. A typical ENIF company is a start-up that is in most of the cases not bankable and would therefore first receive an equity contribution. After companies grow they may become bankable after some time, however, there is a possibility that such companies also receive a loan under specific schemes, such as guarantees for example. No data are being collected on such leverage so far.

F. Serri added that in the case of ENEF the shareholders sometimes invest along or make parallel investment. The calculated leverage is about 3-4 times as an estimate but more precise data can be provided.

M. Giuliani presented updates on the various Guarantee Facilities (please see presentation attached). He pointed out that the first two Guarantee Facilities are now fully deployed and presented their leverages. Almost 400m portfolio and 4,000 SMEs have been reached on the regional level so far. He further shared details about the progress of the Youth and the Serbia facilities. On the question about how the instrument will measure the impact on youth employment, M. Giuliani answered that by measuring the number of small and medium sized companies we can already measure the minimum number of the jobs supported and training provided. On top the banks will report the actual numbers. Highlighting the policy and political importance of this pilot, DG NEAR invited EIF to share actual data on the inclusion of young employees/trainees under the Youth Guarantee Scheme, including data by beneficiary.

Concerns were raised (Serbia) regarding the shift in the geographic focus of ENIF II by expanding it towards EU Member States like Slovenia and Croatia. M. Giuliani explained that the fund managers need to focus on broader region and whilst in the first round the presence of Croatia made the region conceivable for a fund manager, for most of the private investors this region was anyhow still too small. Most of the managers would focus



on the entire South Eastern Europe and before ENIF there was no fund focusing just on the WB6. Therefore in order to have a conceivable region for private investors Croatia needs to be included, and the manager decided to include also Slovenia, considering it being part of the region. The minimum investment into WB6 will be 50% of the fund (ca EUR 35m), which will be anyway more than so far invested in the region (excluding Croatia) by ENIF I.

M. Mendez (EBRD) presented the 3rd pillar – The SME Competitiveness support programme (please see presentation attached). He pointed out that 18 partner financial institutions have joined so far the programme and further presented the programme indicators and some case studies. He highlighted that the programme will expand also to Montenegro.

M. Mendez answered the question on estimated leverage of investment. He elaborated that the programme can finance the whole project where the projects are smaller or otherwise a portion of a larger project in which case there is some leverage. A. Vukosavljić added that in terms of leverage there are EUR 52m of grants that achieved 250m of loans to SMEs.

Upon a question M. Mendez further clarified that Kosovo will benefit from both, national as well as regional Competitiveness schemes.

A. Kostova (EC) presented the support services brought under the 4th pillar of EDIF (please see presentation attached). She noted that the latest programme is the Proof of Concept scheme, launched in 2020. A. Kostova also presented the progress and challenges of the various support services under EDIF.

M. Cingolani has briefly presented the update on the Prospective analysis of the SME sector in the Western Balkans and next steps planned towards finalisation of the study.

E. Chiozza concluded the meeting inviting the financial institutions to appoint representatives of the IEG on private sector and looking forward to hearing and participating to the works of the informal working group.

The meeting ended at 17:35.