



Brussels, 24.6.2020
C(2020) 4287 final

COMMISSION IMPLEMENTING DECISION

of 24.6.2020

adopting a Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II)

COMMISSION IMPLEMENTING DECISION

of 24.6.2020

adopting a Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012⁽¹⁾, and in particular Article 110 thereof,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action⁽²⁾, and in particular Article 2(1) thereof,

Whereas:

- (1) In order to ensure the implementation of the Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II), it is necessary to adopt a financing decision for 2020. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing decisions.
- (2) The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU⁽³⁾.
- (3) Regulation (EU) No 231/2014⁽⁴⁾ lays down the objectives and main principles for pre accession assistance to beneficiaries listed in Annex I to that Regulation.
- (4) Considering the need to support the small and medium sized enterprises in the Western Balkans in addressing their liquidity and financial challenges due to COVID-19 pandemic, it is necessary to adopt a Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II), in order to provide assistance for actions to support private sector development.

⁽¹⁾ OJ L 193, 30.7.2018, p.1.

⁽²⁾ OJ L 77, 15.3.2014, p. 95.

⁽³⁾ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

⁽⁴⁾ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

- (5) This new measure is justified by the fact that small and medium sized enterprises in the Western Balkans are facing unprecedented challenges in addressing their liquidity and financial needs due to the COVID-19 pandemic, which is having a great disruptive effect on the economies of the region.
- (6) Pursuant to Article 4(7) of Regulation (EU) 236/2014, indirect management is to be used for the implementation of the programme.
- (7) The Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management as provided for in Article 154(3) of Regulation (EU, Euratom) 2018/1046. To this end, such entities and persons are to be subject to an assessment of their systems and procedures in accordance with Article 154(4) of the Financial Regulation, and, if necessary, to appropriate supervisory measures in accordance with Article 154(5) of Regulation (EU, Euratom) 2018/1046 before a contribution agreement can be signed.
- (8) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046.
- (9) In order to allow for flexibility in the implementation of the measure, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046.
- (10) The Special Measure provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014,

HAS DECIDED AS FOLLOWS:

Article 1

The measure

The Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II), as set out in the Annex, is adopted.

Article 2

Union contribution

The maximum Union contribution for the implementation of the measure referred to in Article 1 is set at EUR 95 000 000⁽⁵⁾ and shall be financed from the appropriations entered in the budget line 22.02.04.01 of the general budget of the Union.

The appropriations provided for in the first sub-paragraph may also cover interest due for late payment.

Article 3

Methods of implementation and entrusted entities or persons

⁽⁵⁾ This amount must include the appropriations corresponding to assigned revenue, if they are available at the time the financing decision is adopted.

The implementation of the actions carried out by way of indirect management, as set out in the Annex, may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in the Annex.

Article 4

Flexibility clause

The following changes shall not be considered substantial, within the meaning of Article 110(5) of Regulation (EU, Euratom) 2018/1046, provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases⁽⁶⁾ or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 24.6.2020

For the Commission
Olivér VÁRHELYI
Member of the Commission

⁽⁶⁾ These changes can come from external assigned revenue made available after the adoption of the financing decision.

EN

ANNEX

to the

COMMISSION IMPLEMENTING DECISION

adopting a Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020 under the Instrument for Pre-accession Assistance (IPA II)

1. IDENTIFICATION

Beneficiary	Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, and Republic of Serbia)
Basic act: CRIS/ABAC Commitment references and budget line:	Instrument for Pre-accession Assistance (IPA-II) 2020/042-808 22.020401 - Multi-country programmes, regional integration and territorial cooperation
Total cost: EU Contribution:	EUR 95 000 000 EUR 95 000 000
Method of implementation	Indirect management with : <i>European Investment Fund (EIF)</i> for component 1a <i>European Bank for Reconstruction and Development (EBRD)</i> for Component 1b <i>Kreditanstalt für Wiederaufbau (KfW)</i> for component 2 and component 3
Final date for contracting, including the conclusion of delegation/contribution agreements	at the latest by 31 December 2021
Indicative operational implementation period	204 months from the adoption of the Financing Decision.

* 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.

2. DESCRIPTION OF THE SPECIAL MEASURE

2.1 SECTORS SELECTED UNDER THIS SPECIAL MEASURE

- Rationale for the selection of the specific sectors under this measure:

Despite the measures taken by Western Balkans partners, the COVID-19 pandemic, in addition to its immediate human impact, is having a great disruptive effect on the economies of the region and on people's lives. It represents an unprecedented burden on their health and social protection systems. Thousands of citizens are at risk of losing their jobs, and temporary government support measures (unemployment benefits, deferrals/waivers to tax and social security contributions, etc.) have an important fiscal impact.

Early on, containment and mitigation measures were necessary to limit the spread of the virus and save lives. However, they come at a great cost, as shutdowns imply reducing economic activity. These human and economic costs are likely to be larger for the Western Balkans, which generally have lower health care capacity, small overall economic resilience, larger informal sectors, less diversified financial markets, and a more limited fiscal space.

The borrowing performance of the private sector in the region is likely to further deteriorate, particularly for small and medium sized enterprises (SMEs). This is linked to several reasons: i) relatively high share of economic activity undertaken through informal payment channels; ii) increasing rate of non-performing loans, which prevent the banking sector from providing fresh liquidity to new economic activities, with negative impact on job creation; and iii) deteriorated risk profile and liquidity position of a large number of SMEs.

Economic policy should therefore focus on providing swift relief to affected businesses in the short term and on stimulating recovery in the medium term.

Post-COVID recovery needs to reflect the principles of sustainability, resilience and climate neutrality facilitating the transition to resource efficient and circular economies thus integrating the principles at the core of the European Green Deal. It is important to balance the need to keep economies afloat whilst, at the same time, not jeopardise efforts to move toward more sustainable, low-carbon economies where economic growth is decoupled from resource use.

While the EU itself is heavily affected by the pandemic, it has a particular responsibility and interest to lead the global response and provide assistance to partners in need, all the more in the Western Balkans, its immediate neighbourhood.

This Special Measure has been developed in the context of the COVID-19 pandemic. An important part of the EU's economic support presented in this Special Measure will help the private sector address the liquidity and financial challenges by mobilising EU-funded guarantee schemes, in cooperation with International Financial Institutions. The EU's response follows the 'Team Europe' approach¹: quick and targeted support combining resources from the EU institutions, Member States and financial institutions, in particular the European Investment Bank and the European Bank for Reconstruction and Development. This Special Measure contributes to the implementation the EUR 455 million economic reactivation package in close cooperation with the International Financial Institutions outlined in the "*Communication on Support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery - Commission contribution ahead of the EU-Western Balkans leaders meeting on 6 May 2020*"².

¹ Communication on the Global EU response to COVID-19 (JOIN(2020) 11) of 8.4.2020

² COM(2020) 315, 29.04.2020

- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

One of the key priorities in the region as it progresses towards the European perspective is to increase the competitiveness of local enterprises. Activities will build on the existing financial instruments and programmes, as well as good practices from other EU led platforms.

Component 1: EU contribution to the Western Balkans Enterprise Development and Innovation Facility Development Facility (WB EDIF)

Since 2012, EU has provided more than EUR 170 million to EDIF and additional EUR 30 million are programmed under IPA 2020 for equity financing. This financing, as well as the EU reputation, have helped leveraging more than EUR 958.3 million of investments at the disposal of the Western Balkans SMEs to date. So far, WB EDIF supported more than 5300 companies and more than 110 000 jobs, provided more than 2800 guaranteed loans, and supported 41 equity-type of investments in the entire region.

Reports, assessments and evidence are encouraging with regards to the model taken forward by the platform. In order to build an enabling business ecosystem and create opportunities for the Western Balkans to start, develop, make competitive and expand their business, there is a need to support a variety of financial instruments, blended with grants and technical assistance. Therefore, the WB EDIF instruments are working in a synergetic way and are enhanced with technical and advisory assistance, lending, guarantee, and equity products.

The extensive experience gained by the EU in partnership with Financial Institutions under EDIF, is serving as a basis to develop the guarantee facility and a blending programme proposed under this component, which are meant to support Western Balkan companies to cope with severe liquidity shortages stemming from the impact of the COVID-19 pandemic.

Component 2: EU contribution to the European Fund for Southeast Europe (EFSE)

EFSE was established in the Western Balkans in the late nineties as a result of a consolidation effort concerning EU financing when revolving loans were provided to support the reconstruction of destroyed houses and the creation of SMEs to encourage return and stabilisation. To date, the EU invested EUR 87 million in EFSE for the Western Balkans. These funds have been subscribed by EIF into the Fund as C Shares and thereafter EIF has been acting as trustee of the EU for shareholder representation purposes. The EU investments have supported EUR 1,248 billion loans from the EFSE Fund to intermediary banks. These loans to intermediary banks have ultimately allowed EFSE to support 449.767 sub borrowers through a cumulative volume of loans facilitated to final beneficiaries of EUR 2,77 billion. The EU's proposed investment in additional EFSE C-shares under component 2 will allow the Fund to consolidate and enhance its lending activities and thus, provide liquidity to SMEs in order to alleviate the consequences of the pandemic (i.e. SMEs face revenues sinking due to the COVID-19 pandemic while significant fixed costs continue to accrue, causing cash and capital buffers to decline quickly). Meanwhile, the EU has started the transition to KfW as a single trustee for all the structured funds the EU has invested in, including EFSE. In this context, the trusteeship related to the existing EU investments in EFSE will be transferred from EIF to KfW and the additional C shares foreseen under this Component will be subscribed by the KfW.

Component 3: EU contribution to the Green for Growth Fund (GGF)

Following the success of the EFSE Fund, GGF was established in 2009 to support energy efficiency and renewable energy investments by households and SMEs. To date, the EU

invested EUR 60 million in GGF for the Western Balkans. These funds have been subscribed by EIF into the Fund as C Shares and thereafter EIF has been acting as trustee of the EU for shareholder representation purposes. The EU investments helped creating an outstanding investment portfolio of EUR 565,6 million with 25 Partner Lending Institutions in the Western Balkans. Investing in additional GGF C-shares under this component will allow the Fund to expand activities despite the impact of the COVID-19 pandemic and pave the way for green investments in the recovery phase. Meanwhile, the EU has started the transition to KfW as a single trustee for all the structured funds the EU has invested in, including GGF. In this context, the trusteeship related to the existing EU investments in GGF will be transferred from EIF to KfW and the additional C shares foreseen under this Component will be subscribed by the KfW.

List of Actions foreseen under the measure:

Measure	Direct management	Indirect management	
		With entrusted entity/ies	With IPA II beneficiary
Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020			
<i>Component 1a:</i> Western Balkans Enterprise Development and Innovation Facility (WB EDIF): The EDIF Guarantee Facility		EUR 60 000 000 (EIF)	
<i>Component 1b:</i> Western Balkans Enterprise Development and Innovation Facility (WB EDIF): The EDIF Regional SME Competitiveness Support Programme		EUR 15 000 000 (EBRD)	
<i>Component 2:</i> European Fund for Southeast Europe (EFSE)		EUR 10 000 000 (KfW)	
<i>Component 3:</i> Green for Growth Fund (GGF)		EUR 10 000 000 (KfW)	
TOTAL:		EUR 95 000 000	

2.2 DESCRIPTION AND IMPLEMENTATION OF THE SPECIAL MEASURE

The envisaged assistance to Western Balkans is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU³.

³ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

	Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020	EUR 95 000 000
--	---	-----------------------

(1) Description of the special measure, objective, expected results and key performance indicators

Description of the Special Measure: the Action aims to respond to the demand for enhanced private sector financing, in order to alleviate the economic consequences of the COVID-19 pandemic, to further support the private sector development in the Western Balkans and incentivise the local banks to lend on better conditions, e.g. with less collateral requirements, with partial a grant component, with possibility for reinvestment, and with higher risk tolerance. The measure includes three components:

Component 1: EU contribution to the WB EDIF

a) The EDIF Guarantee Facility

The Guarantee Facility is a fully-funded EU instrument that provides first loss coverage capped guarantees to new SME loan portfolios with concessional rates, to respond to the risk perception of a variety of companies and sectors targeted. Exact guarantee rates and caps will be determined on a case by case basis. The provision of first loss portfolio guarantees reduce the risk perception of local financial intermediaries and therefore incentivises them extend loans to non-served or underserved SMEs at better conditions (e.g. lower collateral requirements, more affordable loans or longer maturities).

The current **EUR 60 million** proposal consist of a replenishment to the Guarantee Facility currently under implementation. The Guarantee Facility top-up will be adapted to respond to the COVID-19 economic consequences and thus, further incentivise local financial intermediaries to continue lending to companies despite COVID-19 pandemic. The adaptation will also take into account the COVID-related measures introduced under other EU Guarantees such as the Europe's programme for small and medium-sized enterprises (COSME), available for EU companies. Possible features of this COVID-19 fit for purpose Guarantee may include, among others: increased focused on working capital loans; more concessional terms (i.e. guarantee coverage and cap rate); and the adjustment of the maturity of the loans.

b) The EDIF Regional SME Competitiveness Support Programme

The WB EDIF Competitiveness Programme is an initiative under the EDIF lending pillar. Under the Programme, dedicated credit lines are extended to partner financial institutions for on-lending to SMEs in support of investments that lead to improvement of their overall competitiveness. These loans are complemented with investment incentives for SMEs to blend EBRD funding. Furthermore technical assistance is offered to partner financial institutions to support their capacities to provide loans under the Programme (assess eligibility, assess criteria for the grant element and follow achievements, compliance) and to promote these loans to the SME sector in the relevant IPA II beneficiary. Therefore a two-tiered approach is followed that works at the market level to increase the supply of credit to the SME sector whilst simultaneously stimulating demand for such loans. Specifically, the Programme provides the following:

- Dedicated credit lines to eligible participating financial institutions (PFIs) (“Loans”) to facilitate access to funding (“Sub-loans”) for eligible investments that will enhance SMEs’ competitiveness (Sub-projects”);
- Investment incentives for SMEs (“Sub-borrowers or End-borrowers”) to blend EBRD funding and incentivise investments by SMEs;
- Technical assistance for the consultancy team to implement the scheme (to develop the programme, to build a pipeline, help with loan applications, develop systems and tools to provide appropriate and dedicated services to SMEs, as well as to market the Programme).

Financing of sub-projects will be subject to the successful adoption and implementation by the Sub-borrowers of a set of measures aimed at enhancing their overall competitiveness. The general character of such measures will be jointly pre-defined by EBRD and the European Commission, taking into account the COVID-19 related challenges on the market, and further tailored if need be, with the PFIs that will on-lend the loans.

The Programme assists SMEs improving production capacities (all sectors), enhancing processes and product quality through the introduction of EU standards in the field of environmental protection, product safety and quality and occupational health and safety. These improvements will enhance the overall competitiveness of SMEs within the Western Balkans, regionally and in the EU internal market, and help the private sector in the region to better cope with the increasing competitive challenges stemming from EU approximation. It will further strengthen existing, or to-be-established, local programmes in specific Western Balkans which share the same objectives, thereby further intensifying their impact.

The current EU supported Programme will be further reinforced with **EUR 15 million** EU contribution to finance the investment incentives and the technical assistance, combined with up to EUR 70 million credit lines from EBRD to local commercial banks and credit institutions in the Western Balkans for on-lending to local SMEs. The Regional SME Competitiveness Support Programme remains relevant under COVID-19 conditions, as it supports economic recovery and growth. Without prejudice to the investment character of the programme that should remain the focus of the greater part of the EU contribution, adjustments to its design and intervention logic may be introduced at a later stage, if necessary to respond to a prolonged economic crisis. This may entail the introduction of new tools, such as the provision of further business advice, or the use of EU grants to leverage working capital loans for non-served or underserved SMEs.

Component 2: EU contribution to EFSE

The EFSE structure aims at leveraging donor funding by mobilizing funds from development banks and, ultimately, the private sector. The “First Loss Tranche” (C-shares) is provided in form of grants by donors and different governments. The “Mezzanine Tranche” (B-Shares) consists of investments by development banks. The “Senior Tranche” (A-Shares) is provided by development banks and/or private institutional investors. The First Loss Tranche is subordinated and thereby serves as a risk cushion for the Mezzanine and Senior Tranches. Dividends are distributed to the shareholders from the net income available for distribution following an income waterfall, whereby A-Shares assume the highest priority, followed by B-Shares and finally C-Shares.

The amount of **EUR 10 million** of the proposed grant shall be contributed in form of an equity participation (C-Shares) to the First Loss Tranche of the EFSE. The purchased C-Shares will be regionally earmarked to leverage investments in the Western Balkans.

The EFSE provides financing for investments to micro, small, medium-size enterprises (MSMEs) and households via local financial institutions on a revolving basis.

The reinforcement of the C-shares will enable the EFSE Fund to provide additional liquidity and financing to help companies survive the crisis and ensure smooth recovery.

Component 3: EU contribution to GGF

The GGF structure aims at leveraging donor funding by mobilizing funds from development banks and, ultimately, the private sector. The “First Loss Tranche” (C-shares) is provided in form of grants by donors and different governments. The “Mezzanine Tranche” (B-Shares) consists of investments by development banks. The “Senior Tranche” (A-Shares) is provided by development banks and/or private institutional investors. The First Loss Tranche is subordinated and thereby serves as a risk cushion for the Mezzanine and Senior Tranches. Dividends are distributed to the shareholders from the net income available for distribution following an income waterfall, whereby A-Shares assume the highest priority, followed by B-Shares and finally C-Shares.

The amount of **EUR 10 million** of the proposed grant shall be contributed in form of an equity participation (C-Shares) to the First Loss Tranche of the GGF. The purchased C-Shares will be regionally earmarked to leverage investments in the Western Balkans.

The GGF provides financing for investments in energy efficiency and renewable energy to SMEs, households and municipal entities via local financial institutions on a revolving basis.

The reinforcement of the C shares will enable the GGF Fund to provide additional liquidity and financing to help companies survive the crisis and ensure green recovery.

Objectives: (1) to increase investments for SMEs and innovative enterprises through financial intermediaries; (2) to increase the competitiveness of SMEs in the Western Balkans; and (3) to support a smooth and green recovery following the economic crisis caused by the COVID-19 pandemic.

Expected results:

1. Improved access to finance for SMEs and innovative enterprises in the Western Balkans;
2. Improved lending conditions to SMEs in the Western Balkans;
3. Increased competitiveness of SMEs in the Western Balkans;
4. Increased investments for micro, small, medium-size and innovative enterprises through the financial intermediaries.

Key performance indicators:

- Volume of local banks’ lending to SMEs enhanced by the guarantees;
- Number of SMEs benefiting from the credit enhanced by the guarantees;
- Volume of EBRD lending to participating financial institutions for on-lending to SMEs;
- Number of sub-loans supporting the certification or upgrade of the SME to specific EU standards;
- Volume of EFSE lending to participating financial institutions for on-lending to MSMEs;

- Number of MSMEs benefiting from sub-loans facilitated by EFSE;
- Volume of GGF lending to participating financial institutions for on-lending to MSMEs in the form of green loans;
- Number of MSMEs benefiting from sub-loans facilitated by GGF.

(2) Assumptions and conditions

The main condition that has to be in place for an effective and timely implementation of the action is related to the risk aversion of the local financial institutions towards lending to businesses under the COVID-19 related circumstances. Also, consensus among main stakeholders (e.g., governments' officials, donors, local banks, entrepreneurs) has to be built to ensure that the proposed programmes provide a proper response to COVID-19 economic challenges in the region.

Therefore, in order to maximise the impact of their interventions and leverage on synergies, EIF, EBRD, KfW will work closely with other relevant stakeholders in the SME sphere, such as business organisations, donors or other International Financial Institutions.

The main assumptions underlying the implementation of action are related to the political stability in the region, openness and dedication of the local banks as well as awareness of the enterprises about their needs.

Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

(3) Implementation modalities

(3)(a) Indirect management by entrusted entities

Component 1a: This measure will be implemented in indirect management with the EIF. The implementation entails, among others, management of the EU funded guarantee instrument and also the monitoring of a set of output indicators that will be agreed with the EIF. It will contribute to the objectives of increasing investments for SMEs and innovative enterprises through financial intermediaries, increasing the competitiveness of SMEs in the Western Balkans and supporting a smooth and green recovery following the economic crisis caused by the COVID-19 pandemic.

The envisaged entity has been selected due to its longstanding partnership with the EU in the inception and implementation of the WB EDIF. In particular, EIF has proven track record and expertise in the development and management of guarantee instruments in the Western Balkans (including the original Guarantee Facility to be topped-up) and has demonstrated to be a reliable partner, managing EU funds according to sound financial management principles.

Component 1b: This measure will be implemented in indirect management with the EBRD. The implementation entails, among others, management of the EU funded incentive grants and also the monitoring of a set of output indicators that will be agreed with the EBRD. It will contribute to the objectives of increasing investments for SMEs and innovative enterprises through financial intermediaries, increasing the competitiveness of SMEs in the Western Balkans and supporting a smooth and green recovery following the economic crisis caused by the COVID-19 pandemic.

The envisaged entity has been selected using the following criteria: the institutions has been long standing partner in the inception and implementation of the WB EDIF. In particular, EBRD has track record and expertise in development and management of the access to finance

programmes in the Western Balkans and has proven to be reliable partner, managing EU funds according to sound financial management principles.

Component 2: This measure will be implemented in indirect management with KfW as EU trustee. This implementation entails, among others, representation of the EU interests in the European Fund for Southeast Europe and also the monitoring of a set of output indicators that will be agreed with the KfW. It will contribute to the objectives of increasing investments for SMEs and innovative enterprises through financial intermediaries, increasing the competitiveness of SMEs in the Western Balkans and supporting a smooth and green recovery following the economic crisis caused by the COVID-19 pandemic.

The envisaged entity has been selected due to its longstanding partnership with the EU in the inception and implementation of the EFSE Fund. Moreover, KfW has proven track record and expertise in acting as an EU trustee in the EFSE Fund.

Component 3: This measure will be implemented in indirect management with KfW as EU trustee. This implementation entails, among others, representation of the EU interests in the Green for Growth Fund and also the monitoring of a set of output indicators that will be agreed with the KfW. It will contribute to the objectives of increasing investments for SMEs and innovative enterprises through financial intermediaries, increasing the competitiveness of SMEs in the Western Balkans and supporting a smooth and green recovery following the economic crisis caused by the COVID-19 pandemic.

The envisaged entity has been selected due to its longstanding partnership with the EU in the inception and implementation of the GGF. Moreover, KfW has proven track record and expertise in acting as an EU trustee in the GGF.

If negotiations with the above-mentioned entrusted entity (KfW) fail, component 2 and component 3 may be implemented in indirect management with the EIF. The envisaged entity has been selected using the following criteria: EIF is currently acting as an EU trustee for the shareholders representation purposes and has the necessary experience and means to carry out these tasks.

In case the envisaged entities would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

(4) Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the beneficiaries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE – SPECIAL MEASURE ON EU REGIONAL SUPPORT TO COVID-19 SME RECOVERY IN THE WESTERN BALKANS IN 2020

	Method of implementation		Entrusted entity (if known)	Total EU contribution (EUR)	Other third party contribution (EUR)	TOTALS (EUR)
	Direct management	Indirect management with entrusted entity				
	EU contribution (EUR)	EU contribution (EUR)				
30. Special Measure on EU regional support to COVID-19 SME recovery in the Western Balkans in 2020		95 000 000		95 000 000	-	95 000 000
<i>Component 1a: WB EDIF: The EDIF Guarantee Facility</i>		60 000 000	<i>EIF</i>	60 000 000	-	60 000 000
<i>Component 1b: WB EDIF: The EDIF Regional SME Competitiveness Support Programme</i>		15 000 000	<i>EBRD</i>	15 000 000	-	15 000 000
<i>Component 2: EFSE</i>		10 000 000	<i>KfW</i>	10 000 000	-	10 000 000
<i>Component 3: GGF</i>		10 000 000	<i>KfW</i>	10 000 000	-	10 000 000
TOTALS	-	95 000 000	-	95 000 000	-	95 000 000

4 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the European Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

For the Component 1 the implementation is to be monitored through the WB EDIF existing governance arrangements: the Platform Advisory Group (PAG) semi-annual meetings and the meetings of the EDIF Working Group. The annual PAG reports provide information on overall progress of all EDIF components.

For the Component 2 (EFSE) and 3 (GGF), the specific arrangements are as it follows: EFSE and GGF Funds, on top of standardised reporting package, will use the bilateral Semi-Annual Meetings to present all achieved milestones and performance figures of the two Funds, as well as upcoming opportunities or weaknesses if there any.

Progress and final reports transmitted by the implementing partner (lead financial institution) to the European Commission will have to include information on the expected and actual results (i.e. at the time of reporting), as defined in the relevant contracts.

In addition, the Special Measure or its components might be subject to external monitoring in line with the European Commission rules and procedures.

The Result Oriented Monitoring (ROM) mechanism may be used to support the monitoring of the action, as necessary.

5 EVALUATION

The European Commission may carry out a mid-term or an ex-post evaluation for this action or its components for duly justified reasons either on its own decision or on the initiative of the partner.

The evaluations should be carried out following Directorate-General for Neighbourhood and Enlargement Negotiations guidelines on linking planning/programming, monitoring and evaluation. It is recommended that a Reference Group comprising the key stakeholders of this action be set up to steer the evaluation process and ensure the required quality level of the evaluation outputs as well as the proper follow-up of the recommendations of the evaluation.