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**COMMISSION IMPLEMENTING DECISION**

**of 19.11.2019**

**on a Multi-country Action Programme for Western Balkans Guarantee for the years  
2019-2020**

# COMMISSION IMPLEMENTING DECISION

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## on a Multi-country Action Programme for Western Balkans Guarantee for the years 2019-2020

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU, Euratom) No 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<sup>1</sup>, 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<sup>2</sup> and in particular Article 2(1) thereof,

Whereas:

- (1) In order to ensure the implementation of the Multi-country Action Programme for Western Balkans Guarantee for the years 2019-2020, it is necessary to adopt a multiannual financing decision, which constitutes the multiannual work programme, for 2019-2020. 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<sup>3</sup>.
- (3) Regulation (EU) No 231/2014<sup>4</sup> lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (4) In accordance with Article 7 of Regulation (EU) No 231/2014, the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (5) In accordance with Article 6(3)(a) of Regulation (EU) No 236/2014, the Commission may adopt multi-annual action programmes for a period of up to three years in the case

<sup>1</sup> OJ L 193, 30.7.2018, p.1.

<sup>2</sup> OJ L 77, 15.3.2014, p. 95.

<sup>3</sup> [www.sanctionsmap.eu](http://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.

<sup>4</sup> 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).

of recurrent actions. For years other than the initial commitment year, the commitments are indicative and depend on the future annual budgets of the Union.

- (6) The Commission adopted an indicative Multi-country Strategy Paper for 2014-2020 on 30 June 2014<sup>5</sup>, which provides indicative allocations for the priorities for multi-country pre-accession assistance.
- (7) Considering the proposals for action to be submitted by the beneficiaries concerned, this multi-annual programme aims at providing assistance for guarantees enabling the scaling-up of investments in areas that directly contribute to sustainable socio-economic development and regional integration, particularly boosting the region's competitiveness and job creation. Following the ex-ante assessment for the guarantee, taking into account the priority areas identified under the Western Balkans Strategy's six flagship initiatives to support to the transformation process in the Western Balkans, and based on their suitability to a guarantee-type intervention, the following target sectors were prioritised: early-stage Small and Medium Enterprises (SMEs)/start-ups and innovative investments in established SMEs including digitalisation; cross-border investments and trade (within the region and with the EU); agriculture, rural development and food processing; non-sovereign financing for municipal investment (including environmental, social or urban infrastructure); green investments that boost environmental and climate actions; and social entrepreneurship.
- (8) Pursuant to Article 4(7) of Regulation (EU) 236/2014, indirect management is to be used for the implementation of the Action Programme.
- (9) 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 Regulation (EU, Euratom) 2018/1046 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.

- (10) 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.
- (11) In order to allow for flexibility in the implementation of the Action Programme, 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.
- (12) The Action Programme provided for by this Decision is in accordance with the opinion of the IPA Committee set up by Article 13 of Regulation (EU) No 231/2014<sup>6</sup>,

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<sup>5</sup> C(2014) 4293, 30.06.2014.

<sup>6</sup> The Member States have declared, recalling the Council Conclusions of 18 February 2008, that the adoption of this programme does not prejudice the position of each individual Member State on the status of Kosovo\*, which will be decided in accordance with their national practice and international law.

\* 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

HAS DECIDED AS FOLLOWS:

*Article 1*

*The programme*

The Multi-country Action Programme for Western Balkans Guarantee for the years 2019-2020, as set out in the Annex, is adopted.

*Article 2*

*Union contribution*

The maximum Union contribution for the implementation of the programme for 2019-2020 is set at EUR 150 000 000 and shall be financed from the appropriations entered in the following line of the general budget of the Union:

EUR 50 000 000 from the budget line 22.02.04.01 for year 2019;

EUR 100 000 000 from the budget line 22.02.04.01 for year 2020.

The financial contributions referred to in the first paragraph may also cover interest due for late payment.

The implementation of this Decision is subject to the availability of the appropriations provided for in the general budget of the Union for 2020 following the adoption of that budget by the budget authority.

*Article 3*

*Methods of implementation and entrusted entities or persons*

The implementation of the actions to be 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<sup>7</sup> 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, considering each financial year separately;
- 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.

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<sup>7</sup> These changes can come from external assigned revenue made available after the adoption of the financing decision.

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

Done at Brussels, 19.11.2019

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*



## ANNEX

### Multi-country Action Programme for Western Balkans Guarantee for the years 2019-2020

#### 1 IDENTIFICATION

<b>Beneficiary</b>	Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia and Republic of Serbia
<b>Basic act:</b> <b>Total cost</b> <b>EU contribution:</b> <b>CRIS/ABAC commitment references, EU Contribution and budget line</b>	Instrument for Pre-accession assistance (IPA II) EUR 150 000 000 EUR 150 000 000, of which: <ul style="list-style-type: none"> <li>• IPA 2019/041-956.01/MC/WB GUARANTEE EUR 50 million 22.020401 – Multi-country programmes, regional integration and territorial cooperation;</li> <li>• IPA 2020/041-957.01/MC/WB GUARANTEE EUR 100 million 22.020401 – Multi-country programmes, regional integration and territorial cooperation.</li> </ul> <p>Estimations for years n+1 are subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget or as provided for in the system of provisional twelfths.</p>
<b>Method of implementation</b>	Indirect management with :  The entity(-ies) to be selected in accordance with the criteria set out in section 2.2(3)(a)(i).
<b>Final date for contracting including the conclusion of delegation/contribution agreements</b>	For the budgetary commitment of 2019 at the latest by 31 December 2020;  For the budgetary commitment of 2020 at the latest by 31 December 2021.
<b>Indicative operational implementation period</b>	241 months from the adoption of this 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 ACTION PROGRAMME

### 2.1 PRIORITIES SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific priorities under this Action Programme

In the context of considerable investment needs and constrained fiscal space, the purpose of the new EUR 150 million guarantee for 2019-2020 is to enable scaling-up of investments in areas that directly contribute to sustainable socio-economic development and regional integration, particularly boosting the region's competitiveness and job creation. The Guarantee will achieve this in particular by crowding-in private capital and by supporting private investment, e.g. by households, start-ups and Small and Medium Enterprises (SMEs), innovative corporate or public-private partnerships (PPPs). The instrument will enable investors, particularly from the private sector, to implement projects at a lower risk. Directorate General for Neighbourhood & Enlargement Negotiations (DG NEAR) Units D5 and A3 conducted a 'reality check' of the ex-ante evaluations results (summarised above) through direct dialogues with stakeholders of the Western Balkans Investment Framework (WBIF)<sup>1</sup>, local private sector representatives and EU Delegations. The results were contrasted with the priority areas identified under the Flagship Initiatives and based on their suitability for a guarantee-type intervention, the following target sectors – although only indicatively – were prioritised:

- Unlocking adequate diversified finance for early-stage SMEs/start-ups and for innovative investments in established SMEs, including for digitalisation;
  - Stimulating cross-border investments as well as trade within the region and with the EU, in particular through export-oriented investments that increase local employment, local value creation and that enable companies to reach EU standards and shape the regional economic area;
  - Enabling investment into agriculture, rural development and food processing (e.g. in conjunction with IPARD), including instruments such as leasing and insurance;
  - Kick-starting non-sovereign financing (mobilising private capital) for municipal investment in support of WBIF's pillars, including environmental, social or urban infrastructure as well as smaller-scale PPP projects where feasible;
  - Scaling up green investments that boost environmental and climate actions in innovative and economically viable ways (e.g. recycling, renewable energy or energy/resource efficiency) and supporting green entrepreneurship, including the circular dimension of economic development;
  - Promoting innovative ways to support social entrepreneurship, impact investment and SMEs focused on strengthening the social dimension of economic development (e.g. concepts to address informality, vulnerable and marginalised groups, youth employment, empowering women).
- Overview of past and ongoing EU's, other donors' and/or IPA II beneficiary's actions in the relevant sectors

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<sup>1</sup> Information about WBIF, available at: <https://wbif.eu/>



The EU closely assists the Western Balkans (WB) region through several dedicated financial programmes. EU financial assistance is channelled mainly through the Instrument for Pre-accession Assistance (IPA), which supports the Western Balkans Strategy, the 2030 Agenda, and the Sustainable Development Goals.

Amongst the instruments under IPA II, the WBIF supports socio-economic development and the European perspective across the region through the provision of technical assistance and investment grants to strategic projects in the energy, environment, social, transport, enterprise development and, since December 2017, digital infrastructure sectors.

Evaluations stress among the WBIF's strengths its capacity to encourage national ownership, the strategic prioritisation of investments, sharing of expertise, cooperation among all stakeholders, and transparency. The Management Information System (MIS) is also considered a best practice to follow.

While WBIF focuses on technical assistance and investment grants for sovereign lending, the Western Balkans Enterprise Development and Innovation Facility<sup>2</sup> (EDIF) aims at improving access to finance SMEs by addressing major gaps in this field. One of its instruments, the WB EDIF Guarantee Facility incentivises selected financial intermediaries to build up new SME loan portfolios and thereby improves SMEs' access to bank lending in their respective beneficiary economies. The guarantees ensure transferred benefits for SMEs including longer loan maturities, lower cost of borrowing and reduction of collateral requirements.

The WB EDIF Guarantee has proved to be a valuable tool to leverage private capital, as for instance an EU contribution of EUR 60 000 000 can trigger potentially more than EUR 400 000 000<sup>3</sup> in loans, reaching underserved SME sectors.

As underlined by the ex-ante evaluation for the new guarantee, existing EU guarantees in the region are designed specifically as SME portfolio guarantees (i.e. guaranteeing a bank-lending portfolio for SMEs). The new WB Guarantee pilot is the only EU guarantee in the region that will also be open to non-SME investments across all sectors under the WBIF umbrella (e.g. non-sovereign/PPP financing for municipal infrastructure investment, or scaling-up household investments in renewables or energy efficiency). The cross-sector approach of the new guarantee is in line with the strategic development of the WBIF 2.0 to be an integrated blending platform. In addition, this guarantee can be used as a pilot phase for ambitious, innovative ways to use guarantees that, if proven successful, could be scaled up under the future European Fund for Sustainable Development + (EFSD+), expected to be further harmonised across regions in the next Multiannual Financial Framework. The design will be in line with the rationale developed under the current EFSD, and draw on the best practices developed for the existing EFSD and EFSI guarantees. In the spirit of the EFSD, to avoid over-subsidising and crowding-out while introducing market-based mechanisms, the Commission would ask IFIs to charge guarantee beneficiaries (e.g. private financial intermediaries) a market-compatible premium, to the extent appropriate. The design will also draw on best practices to reward an achievement of concrete EU objectives and to align the interests of all stakeholders.

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<sup>2</sup> Information about WB EDIF, available at <http://www.wbedif.eu/about-wbedif/>

<sup>3</sup> EDIF annual report 2018, p. 20 <http://www.wbedif.eu/library/wb-edif-annual-report-2018/>

With regard to the existing EU portfolio guarantees, the ex-ante evaluation for the new guarantee shows that, despite the existence of specific risk-sharing vehicles such as the WB EDIF, the GGF, the EFSE, the REEP, the COSME, the EaSI and the InnovFin, a general need remains to enhance access to finance for a broad range of SMEs across sectors. This is mainly due to the fact that: i) an overall volume of available guarantees is small in relation to needs; ii) instruments are fairly generic in nature and broadly target the SME sector which can result in mostly strong, well-established SMEs benefiting; iii) not all instruments are present in all beneficiary economies of the region.

Taking these results into account, the new WB Guarantee will use the same MIS as the WBIF and, to the extent of possible consult WBIF stakeholders and governance structures, to ensure national ownership and the strategic prioritisation of investments. With regard to non-SME investments, it will ensure complementarity with the WBIF across all sectors. With regard to SME portfolio guarantees, the WB Guarantee will draw on existing instruments to ensure an adequate target leverage, while ensuring complementarity at the final beneficiary level (e.g. by targeting specific groups of entrepreneurs from vulnerable or marginalised backgrounds; underserved sectors such as agriculture or start-ups).

In addition, the WB Guarantee foresees a feature that no other guarantee in the region presents, which is a grant component dedicated to technical assistance (TA) to increase the impact of the Guarantee where needed. TA could be used at different levels to i) assist guarantee beneficiaries (e.g. local financial intermediaries) in designing and/or adapting their products; ii) helping final beneficiaries (e.g. SMEs, entrepreneurs) strengthen viable projects through the provision of business development services; iii) fast-track reforms or support institutional capacity necessary to unlock private investment.

## 2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU<sup>4</sup>.

<b>PRIORITY 1</b>	<b><i>Western Balkans Guarantee</i></b>	<b><i>EUR 150 000 000</i></b>
<b>Action 1</b>	<b><i>Western Balkans Guarantee</i></b>	<b><i>EUR 150 000 000</i></b>

### (1) Description of the Action, objective, expected results and key performance indicators

- Description of the action and objectives

The Western Balkans Guarantee will contribute to accelerating progress towards meeting the European perspective in the Western Balkan region by enabling the scaling-

<sup>4</sup> [www.sanctionsmap.eu](http://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.

up of investments in areas that directly contribute to sustainable socio-economic development and regional integration, particularly boosting the region's competitiveness and job creation.

- Expected results and key performance indicators

Five specific objectives have been set in order to achieve the overall objective:

SPECIFIC OBJECTIVE 1 – Improve job creation, innovation and competitiveness, in particular at the level of early-stage SMEs, digital sector, greening business (including green performers and innovators), and social entrepreneurship (including SMEs led by high impact target groups) and rural sector SMEs (including agriculture and agribusinesses);

SPECIFIC OBJECTIVE 2 – Reduce of local pollution and greenhouse gases emissions, including through more recycling;

SPECIFIC OBJECTIVE 3 – Increase trade and cross-border investments within the region and with the European Union;

SPECIFIC OBJECTIVE 4 – Diversify the financial sector, including development of non-bank or non-loan financing for SMEs;

SPECIFIC OBJECTIVE 5 – Develop alternative sources of financing for municipal investments.

Due to the wide variety of sectors and areas of potential project proposals, final indicators will be agreed with the implementing partners based on their project proposals and, to the extent of possible, in line with the EU Platform for Blending in External Cooperation (EUBEC) and Regional Cooperation Council (RCC) indicators to ensure the reliability of the sources of verification. As an indication, these could be some of the general key performance indicators to be used:

- Number of beneficiaries, disaggregated by sex, age and regions where relevant (EUBEC 7.1);
- Number of jobs created, supported or sustained in employment by the investment(s), disaggregated by sex (EUBEC 6.6);
- Amount of greenhouse gas emissions induced, avoided, reduced or sequestered per year (CO<sub>2</sub> tons/year) (EUBEC 7.3);
- Intraregional trade and trade with the EU (export and imports) RCC indicators for South East Europe;
- Amount of private sector investment mobilised through the Guarantee to support non-bank and/or non-loan financing for SMEs;
- Amount of private sector investment mobilised through the Guarantee to support non-sovereign municipal investments, including PPPs.

## **(2) Assumptions and conditions**

For an effective and timely implementation of the action, both the regional stability and the quality of projects are essential.

In order to attract and leverage private sector, investments a stable or improving macroeconomic and market environment is needed in the Western Balkan economies. Stable political and security climate, as well as legal certainties on the regional and on beneficiary level are also fundamental to secure investments.

It is also crucial that project proposals are of sufficient quality and volume, provide sufficient added value and are mature enough to be implemented. In addition, local counterparts and beneficiaries need to be aware of and supportive of the projects prepared by the eligible implementing partners. The TA elements, if delivered effectively and according to the needs of the instrument and the implementing partners, will cater for ensuring a strong pipeline of projects while creating awareness of the action.

## **(3) Implementation modalities:**

*Indirect management with Member States' organisations and/or international organisations*

(i) This action may be implemented in indirect management with an entity(-ies), which will be selected by the Commission services through a competitive procedure using the following selection criteria: policy relevance, breadth, quality and sustainability of the impact, and clarity and efficiency of the instrument design including alignment of interests. The call will be open to partner financial institutions pillar-assessed for the implementation of Financial Instruments and, linked to the Western Balkans Investment Framework, i.e. Agence française de Développement (AFD); the Council of Europe Development Bank (CEB); the European Bank for Reconstruction and Development (EBRD); the European Investment Bank Group (EIB); Kreditanstalt für Wiederaufbau (KfW); and World Bank Group.

The implementation by this entity(-ies) entails the selection, including the capacity and risk assessment, and allocation, including contracting and monitoring, of the Western Balkans Guarantee to intermediary financial institutions (banks and non-bank financial institutions), including the management of the TA component, in order to crowd-in private capital that will enable to scale-up investments in pre-identified areas that directly contribute to sustainable socio-economic development and regional integration, particularly boosting the region's competitiveness and job creation.

## **(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 countries concerned, or in other duly substantiated cases where the

eligibility rules would make the realisation of this action impossible or exceedingly difficult.

**3. INDICATIVE BUDGET TABLE - MULTI-COUNTRY PROGRAMME**

2019				2020			
	EU Contribution	IPA II beneficiary or other third party co-financing <sup>5</sup>	Total expenditure		EU Contribution	IPA II beneficiary or other third party co-financing	Total expenditure
<b>Priority 1 Western Balkans Guarantee</b>	50 000 000	0	50 000 000	<b>Priority 1 Western Balkans Guarantee</b>	100 000 000	0	100 000 000
<b>Action 1 - Western Balkans Guarantee</b>	50 000 000	0	50 000 000	<b>Action 1 - Western Balkans Guarantee</b>	100 000 000	0	100 000 000
<b>TOTALS 2019</b>	<b>50 000 000</b>	<b>0</b>	<b>50 000 000</b>	<b>TOTALS 2020</b>	<b>100 000 000</b>	<b>0</b>	<b>100 000 000</b>
							<b>Total Financing Decision</b>
							150 000 000

<sup>5</sup> At this stage, the total cost including other contributions is unknown. Potential additional financing from partner financial institutions as well as leverage effect will depend on the nature of the approved project proposal.

#### **4 PERFORMANCE MONITORING ARRANGEMENTS**

As part of its performance measurement framework, the 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.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this Programme, as well as the Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Coordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result-Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by the European Commission (DG NEAR) and the IPA II beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

