

**to the Commission Implementing Decision on the financing of the multi-country multiannual action plan in support of the Western Balkans Investment Framework 2021–2027 and the provisioning of the ELM legacy portfolio for past EIB operations for IPA beneficiaries**

**Action Document for “EU Contribution to Sustainable Transport Connectivity in the Western Balkans 2021-2027”**

## 1. SYNOPSIS

### 1.1. Action Summary Table

<b>ACTION IDENTIFICATION</b>	
<b>Title</b>	<b>EU contribution to Sustainable Transport Connectivity in the Western Balkans 2021-2027</b> Multi-country multi-annual action plan in support of the Western Balkans Investment Framework 2021–2027 and the provisioning of the ELM legacy portfolio for past EIB operations for IPA beneficiaries
<b>CRIS / OPSYS number</b>	IPA III/2021/043-671/02
<b>Basic Act</b>	Financed under the Instrument for Pre-Accession Assistance (IPA III)
<b>Team Europe Initiative</b>	Yes, Western Balkans
<b>Zone benefiting from the action</b>	Western Balkans (Republic of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, and Republic of Serbia)
<b>Programming document</b>	IPA III Programming Framework
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>Window and thematic priority</b>	<b>3- Green agenda and sustainable connectivity</b> Thematic Priority 1: Environment and climate change Thematic Priority 2: Transport, digital economy and society, and energy
<b>Sustainable Development Goals (SDGs)</b>	Main SDG Goal 9: Industry, Innovation, and Infrastructure
<b>DAC code(s)</b>	<b>210 – Transport &amp; Storage</b> 21010 – Transport policy and administrative management 21020 – Road Transport 21030 – Rail Transport 21040 – Water Transport

\* 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

<b>Main Delivery Channel</b>	42000 – European Investment Bank 46015 – European Bank for Reconstruction and Development 44000 – World Bank Group 90000 – Other <sup>1</sup>			
<b>Markers <a href="#">11</a> (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Social inclusion and human development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>Amounts concerned 2021-2027</b>	Budget line: 15 02 02 01.02 Total estimated cost: EUR 5 000 000 000 <sup>2</sup> Total amount of the EU budget contribution: 2 000 000 000  The EU contribution is for an amount of EUR 350 000 000 from the general budget of the European Union for 2021, EUR 320 000 000 from the general budget of the European Union for 2022, EUR 320 000 000 from the general budget of the European Union for 2023, EUR 410 000 000 from the general budget of the European Union for 2024, EUR 300 000 000 from the general budget of the European Union for 2025, EUR 200 000 000 from the general budget of the European Union for 2026, EUR 100 000 000 from the general budget of the European Union for 2027,			

<sup>1</sup> The WBIF is a cooperation platform of several bilateral donors, development banks and financing institutions (among others and in addition to the above referred IFIs; for example Agence Française de Développement (AFD), Council of Europe Development Bank (CEB), European Investment Fund (EIF), and Kreditanstalt Für Wiederaufbau (KfW).

<sup>2</sup> Total cost is estimated based on previous experience and applicable co-financing rates for transport sector (leverage 2,5x)

	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
<b>MANAGEMENT AND IMPLEMENTATION</b>	
<b>Type of financing and method(s) of implementation</b>	Project Modality <b>Indirect management</b> EBRD and EIB  The contribution to the Western Balkans Investment Framework regional blending platform shall be implemented in indirect management.
<b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans</b>	Priorities: Sustainable Transport and Safety.  Flagships: I Connecting East to West, II Connecting North to South, III Connecting Coastal Regions
<b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b>	At the latest by 31 December 2022 for IPA 2021 At the latest by 31 December 2023 for IPA 2022 At the latest by 31 December 2024 for IPA 2023 At the latest by 31 December 2025 for IPA 2024 At the latest by 31 December 2026 for IPA 2025 At the latest by 31 December 2027 for IPA 2026 At the latest by 31 December 2028 for IPA 2027
<b>Indicative operational implementation period</b>	180 months following the adoption of the Financing Decision

## 1.2. Summary of the Action

In October 2020 the European Commission adopted a comprehensive **Economic and Investment Plan** (EIP) for the Western Balkans<sup>3</sup>, which aims to spur the long-term economic recovery of the region, support a green and digital transition, foster regional integration and convergence with the European Union.

The EIP is accompanied by the Guidelines for implementing the **Green Agenda for the Western Balkans** (GAWB)<sup>4</sup>, which further detail investments and actions that can foster the green transition in the region under the EIP and beyond. With the EIP, the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport<sup>5</sup> and the Green Agenda, the EU provides strong support for economic recovery and reform for a modern, greener and more prosperous Western Balkans delivering better to their citizens on the road to the EU.

<sup>3</sup> COM(2020) 641 final Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions An Economic and Investment Plan for the Western Balkans

<sup>4</sup> SWD(2020) 223 final COMMISSION STAFF WORKING DOCUMENT Guidelines for the Implementation of the Green Agenda for the Western Balkans

<sup>5</sup> Launched on 6 October 2021 at the EU - Western Balkan Summit in Brdo

The EIP also offers a path for a successful regional economic integration to help accelerate convergence with the EU and close the development gap between EU Member States and the Western Balkans region. The EIP will increase the competitiveness of the Western Balkans. Its implementation will have to be accompanied with the relevant reform measures.

The EIP Communication identifies ten flagships with the expectation that these would unlock significant investments in particular in the field of digital, sustainable transport, clean energy transition and environment. To support the implementation of mature transport flagship projects, identified in the EIP, this Action foresees the provision of technical assistance and investment grants for the construction or rehabilitation of sustainable infrastructures in the Western Balkans Investment Framework (WBIF) in the period 2021-2027. It also supports the Poznan Summit commitment on the Western Balkans road and rail safety and reduction of travelling time.

The Western Balkans Investment Framework members include the European Commission, member states, bilateral donors, financial institutions who altogether in partnership share the objectives of the Economic and Investment Plan for Western Balkans and together contribute to achieve common goals to spur the socio-economic cohesion of the region. In this context, the Western Balkans Investment Framework contributes to support the Team Europe Initiative.

## 2. RATIONALE

### 2.1. Context Analysis

Sustainable transport connectivity is helping to ensure that borders are not barriers, bringing Europeans closer together, helping to solve common problems, facilitating the sharing of ideas and assets, and encouraging strategic work towards common goals. In 2015, the EU embarked on the ‘Connectivity Agenda’ to harness investments for improving transport and energy infrastructure in the Western Balkans. This is part of an ambitious plan to connect Europe from East to West, and North to South – extending the core energy and transport Trans-European Networks to the region and supporting the rollout of broadband infrastructure.

This action will specifically support the implementation of the sustainable transport component of the **Economic and Investment Plan for the Western Balkans** and the accompanying Green Agenda for the Western Balkans, which aim to spur the long-term recovery of the region and to promote a greener and more sustainable transport network. Sustainable transport, clean energy, digital connectivity and enhanced links through sustainable infrastructures are key to economic integration and accelerated development within the region and with the European Union. Better connections facilitate regional trade, the integration of Western Balkans into EU industrial supply chains, drive investments and greatly improve the daily lives of people in the region.

The EU adopted, in January 2014, a new transport infrastructure policy to put in place a powerful European transport network across Europe.

The Trans-European Transport core network (TEN-T Core network) forms the backbone for transportation in European Union single market. It removes bottlenecks, upgrades infrastructure and streamlines cross-border transport operations for passengers and businesses throughout the EU. The TEN-T policy addresses the implementation and development of a Europe-wide network of railway lines, roads, inland waterways, maritime shipping routes, ports, airports and railroad terminals. The ultimate objective is to close gaps, remove bottlenecks and technical barriers, as well as to strengthen social, economic and territorial cohesion in the EU.

In the European Union, the core network links all EU capitals, main economic centres and major EU ports. Extending it to the Western Balkans allows speeding up policy and regulatory reforms and concentrate efforts and investments on key core network corridors and urban nodes.

The nine core network corridors - part of the TEN-T multimodal core network - ensure that transport infrastructure is implemented efficiently with a genuine European dimension, from the Union's borders in the east to the maritime ports in the west, from the North and Baltic Seas to the Mediterranean, from the Atlantic Ocean to central Europe. The Corridors provide the basis for modal integration, interoperability and coordinated development and management of infrastructure and allow investments and infrastructure works to be synchronised as well as support efficient, innovative and multimodal transport services.

In the context of the Western Balkans an indicative extension of the Trans-European Transport network (TEN-T) including core network corridors and pre-identified priority projects for infrastructure investment has been defined.

Extending the TEN-T core network corridors to the Western Balkans ensures closer integration with the EU as well as the basis for leveraging investments in infrastructure, such as EU support through the Western Balkans Investment Framework (WBIF).

The indicative extension to the Western Balkans is envisaged for the three TEN-T Core network Corridors; the Rhine-Danube Corridor, the Mediterranean Corridor and the Orient /East-Med Corridor.

- ▷ The Rhine-Danube Corridor is the main east-west link across Continental Europe. Tracing its route along the Danube River, it connects Strasbourg and Southern Germany with the Central European cities of Vienna, Bratislava and Budapest, before passing through the Romanian capital Bucharest to culminate at the Black Sea port of Constanta.
- ▷ The Mediterranean Corridor runs between the south-western Mediterranean region of Spain and the Ukrainian border with Hungary, following the coastlines of Spain and France and crossing the Alps towards the east through Italy, Slovenia and Croatia and continuing through Hungary up to its eastern border with Ukraine.
- ▷ The orient/East-Med Corridor connects large parts of Central Europe with ports of the North, Baltic, Black and Mediterranean Seas. The corridor will improve multimodal connections between Northern Germany, the Czech Republic; the Pannonian region and Southeastern Europe. The corridor will also provide an improved link to Cyprus.

Besides that, each Western Balkans partner has established "**National Investment Committees**" and **single project pipelines** which are becoming credible planning mechanisms ensuring that the beneficiaries have the fiscal space to take up the necessary loan financing to get all the projects implemented on time.

The European Union and the six partners of the Western Balkans signed the **Transport Community Treaty** in 2017. The Western Balkans Ministers of Transport decided that the Permanent Secretariat of the Transport Community, operational since spring 2019, is located in Belgrade. The Treaty represents the beginning of new era of cooperation between the EU and the Western Balkans. The essence of the Transport Community is to bring the Western Balkans closer to the EU by creating a fully integrated transport network among the Western Balkans partners themselves as well as between the region and the EU, and to reach convergence with the transport operating standards and policies of the EU.

In order to support the integration of the Western Balkans in the EU markets, the EIP communication identifies then flagships with the expectation that these would unlock significant investments, in particular in the fields of digital, sustainable, safer and greener transport, clean energy transition and environment.

To support the implementation of **mature transport flagship projects**, identified in the EIP, this Action foresees the provision of technical assistance and investment grants for the construction or rehabilitation of sustainable infrastructures through the Western Balkans Investment Framework (WBIF) in the period 2021-2027. It also supports the Poznan Summit commitment on the Western Balkans road and rail safety and reduction of travelling time.

Through the Action the EU will also contribute to creation of the Common Regional Market (CRM) and the implementation of the CRM 2021-2024 Action Plan<sup>6</sup> priorities in the Western Balkans. The EIP makes clear that through the significant support provided to connectivity investments increasing regional economic cooperation and trade, the Western Balkans will be brought closer to the EU's Single Market. The establishment of the Common Regional Market is part of the EIP for the Western Balkans, aimed at paving the way to a deeper economic integration with the EU market.

## 2.2. Problem analysis by areas of support

The COVID-19 pandemic is having massive disrupting effects on the economies of the Western Balkans, which were already lagging behind in terms of economic convergence with the EU. The region faces continued challenges from weak competitiveness, high unemployment and significant brain drain. Convergence efforts need to be stepped up through implementing structural reforms, overcoming structural weaknesses, strengthening innovation potential, and embarking on swift green and digital transition.

The Action is in line with previous WBIF financing of infrastructure projects in the Western Balkans, namely technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction). Under IPA III, the WBIF is expected to continue to serve as a forum for exchanging analysis on investment needs as well as the framework for blending grants with loans, thus achieving significant leverage of the scarce public funds.

WBIF has proven to be an appropriate mechanism for bringing priority projects to maturity and making them "bankable". The platform increases the region's capacity to finance crucial infrastructure and priority investments, in line with its European perspective, and enhances overall coordination of assistance. It also maximises the impact of grant financing by using it to leverage lending by IFIs on priority strategic investments as identified by Western Balkan partners.

### **Area of support: Sustainable Transport**

In a context of sustained extensive investments needs, not only for the construction of new infrastructure, but as well the operation, maintenance, rehabilitation and greening of existing infrastructure, restricted domestic budgets and limited borrowing capacities, the identification, selection and prioritisation of key infrastructure projects is of utmost importance.

Central and local authorities alike (including their public utilities) need to strengthen their knowledge, expertise and capacity to properly plan and prepare major key infrastructure projects ready for implementation, taking also into account the necessity of climate-proofing of investments.

Fast, efficient, safe, sustainable and environmentally friendly transport links, both within the region and with the neighbouring EU Member States are crucial. In this context, to further spur regional cooperation and integration, connecting capitals in the region and with the EU is an important priority. In addition, the promotion of multimodal, greener transport solutions and the shift towards more sustainable, CO<sub>2</sub> neutral or even zero emission modes are key to reducing transport related pollution and its overall environmental footprint. Furthermore, ensuring the transport infrastructure is resilient to the impacts of climate change will be critical and that safety standards are implemented in the transport network. In a nutshell, investing in more sustainable, safer and greener transport systems will be crucial for the implementation of the GAWB.

## 2.3. Relevance and complementarity with strategies supported by key national stakeholders

EIP flagship investments have been identified in collaboration with the Western Balkans partners. Western Balkan economies are part of the WBIF governance structure and are closely involved in the preparation and appraisal of investments proposals. In addition, EU Delegations and relevant Commission Services take part

---

<sup>6</sup> Endorsed on 10 November 2020 in Sofia at the Berlin Process Summit

in the screening of applications for EU-cofinancing to ensure alignment with relevant strategies and programmes. Moreover, EU Delegations also play a crucial role in monitoring the implementation of EU supported investments.

Connectivity is not only about building new infrastructure, but importantly also about the implementation of technical standards and transport **connectivity reform measures** such as aligning and simplifying border crossing procedures, railway reform, information systems, road safety and maintenance schemes, railway unbundling and third party access. The implementation of the regional and domestic connectivity reform measures will contribute to further attract and increase foreign and domestic investments.

Since the endorsement of the Connectivity Agenda in 2014 in Berlin, specific emphasis has been put on the 1) preparation and financing of concrete regional infrastructure investment projects, and in parallel, on 2) connectivity reform measures aiming at gradual alignment with EU policy and standards. Transport accompanying reform measures were endorsed in Vienna in 2015 and in Paris in 2016 to set targets and align technical standards and formalising cross-border operations between networks. The Transport Community Secretariat<sup>7</sup> is actively supporting the administrations of Western Balkans on the reform path and the European Commission is working closely with the Secretariat to deploy sustainable, safer and greener transport connections in the region. Notably focussing on:

*1. Opening of the transport market*

1.1. Implementation of rail reform strategy

*2. Establishment of competitive, reliable and safe transport system*

2.1. Improvement of road safety

2.2. Trade and transport facilitation

2.3. Intelligent Transport System (ITS) deployment on the core network

2.4. Establishment of functioning maintenance system ensuring no section in poor/very poor condition by 2020

*3. Increasing the effectiveness of Border Crossing Procedures*

3.1. Effective Border Crossing Agreements

3.2. Implementation of Integrated Border Management (IBM) strategy

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

The action will be implemented in line with the priorities identified in the EIP, which in addition includes reference to:

- the Staff Working Document setting out a Green Agenda for the Western Balkans, based on the European Green Deal<sup>8</sup> and covering decarbonisation, depollution of air, water and soil, circular economy, sustainable food systems and rural areas, and protecting biodiversity;
- the Western Balkans Common Regional Market, as a stepping-stone to integrate the region within itself and closer to the EU Single Market under the Accession perspective.

The action will also build on the EU's digital strategy<sup>9</sup>, as the guiding principle for a human-centric digital transformation of their economies and societies.

---

<sup>7</sup> Action Plans endorsed by the Western Balkans partners on Transport: [Action Plans - Transport Community \(transport-community.org\)](https://transport-community.org)

<sup>8</sup> COM(2019) 640 final

<sup>9</sup> COMMUNICATION on Shaping Europe's digital future COM/2020/67 final

The action is also in line with and complementary to the EU macro-regional strategies, such as the EU Strategy for the Danube Region (EUSDR) and the EU Strategy for the Adriatic-Ionian Region (EUSAIR), which both identify better connections within the Western Balkans and between this region and neighbouring Member States as key priorities<sup>10</sup>.

When implementing the action, the Commission will ensure complementarity with existing and future instruments and EU funds by closely coordinating the activities with relevant stakeholders including regional actors (e.g. Transport Community, Energy Community, Chambers of Commerce, Regional Cooperation Council), the Western Balkans IPA III Beneficiary Economies, IFIs and other relevant WBIF partners.

## 2.5. Lessons learned and links with previous financial assistance

The action is in line with previous financing provided under the WBIF umbrella. This includes the WBIF financing of infrastructure projects in the Western Balkans, namely the Connectivity Agenda including technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction works).

The total EU funds committed for the implementation of the Connectivity Agenda reached 1 billion in 2020. After completion of 45 selected connectivity projects, this EU contribution expected to leverage investments of a total project cost amounting to almost EUR 4 billion.

WBIF continues to serve as a forum for exchanging analysis on investment needs as well as a framework for blended operations, thus achieving significant leverage of the scarce public funds into infrastructure and private sector development. It is confirmed as the appropriate mechanism to link beneficiary strategies to regional and macro-regional strategies and to provide technical assistance and financing support to projects in order to bring them to maturity and to make them "bankable".

Moving ahead with the Connectivity Agenda, different mechanisms have been put in place during 2020 to mitigate the risk of delays and to address issues hindering smooth advancement of project implementation.

In order to identify potential root causes of delays in implementation of projects that have received financing under the Connectivity Agenda, both internal reviews and external assessments were conducted. Findings regarding the causes of delay include:

- Delays in procurement are mainly caused by longer than expected administrative procedures, tendering, contracting, and when the outcome of a procurement procedure is legally challenged;
- Lack of project maturity occurs when the scope of a technical assistance assignment or the project definition for an investment grant, are not sufficiently stable leading to subsequent changes of scope/design, or when a project still requires substantial preparation before starting construction;
- Changes of investment priorities and lack of political support for the project.

Large project infrastructures need strategic long-term planning and budgeting, thus mitigating risks of project immaturity and delays in implementation. This leads to higher certainty, which is crucial for the successful involvement of both WBIF international financial institutions and bilateral donors.

In this context, the proposed multiannuality of this Action has the advantage to:

- offer continuity and higher certainty, opening up the possibility to plan for longer-term investments (in particular allowing committing to larger sections of transport corridors rather than approval of small stretches);
- allow for more projects to start at an early stage with grant disbursement taking place in tranches over the duration of the decision, in line with spending requirements;
- allow to front load a higher number of mature flagship investments.

---

<sup>10</sup> REGULATION (EU) 2021/1059 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments



### 3. DESCRIPTION OF THE ACTION

#### 3.1. Planned results and intervention logic

The EU support for sustainable transport project will focus on fast, efficient, safe, sustainable and environmentally friendly transport links, both within the region and with the neighbouring EU Member States, and further greening existing transport infrastructures through additional investments in road, rail and inland waterways. The EIP clearly identifies the investment priorities in the different sectors under IPA III. This Action supports a comprehensive approach towards a sustainable and safer development of the main transport corridors in the Western Balkans region and the implementation of joint EU – Western Balkan investment priorities.

The main activity will consist in the construction of transport infrastructure projects, via grant-loan arrangements between the European Commission and the IFIs involved in the WBIF. This will be done through the signature of contribution arrangements with the European Western Balkans Joint Fund Managers, i.e. the EIB and the EBRD. The lead IFIs of the WBIF structure will take principle responsibility for the implementation of the projects. Investments in rail and road transport projects will contribute to:

- Reduced travel times;
- Increased transport safety;
- Foster intermodal transport;
- Reduced air and noise pollution, especially in larger and industrially developed cities;
- More efficient access to the regional markets (in terms of reduced travel time, vehicle operation costs and accidents levels);
- Reduced operation and maintenance costs of transport infrastructure;
- Increased trade flows within the Western Balkans and with the EU;
- Job creation (during construction and after for operation and maintenance).

The projects contribute to the implementation of the Economic and Investment Plan for Western Balkans flagship investments, as identified in cooperation with the beneficiary economies, contributing to spur the socio-economic convergence with the EU and underpin further advances of the common regional market.

#### 3.2. Indicative type of activities

The EU contribution provided under this component will co-finance through investment grants the implementation of mature strategic transport infrastructure projects outlined in the EIP. It will also support the Poznan Summit commitment on the Western Balkans road and rail safety and reduction of travelling time. Investments may also be supported to improve the navigability of inland waterways.

Advantage will be taken of new digital technologies, with improvements to information systems, prioritising green elements in infrastructure projects, multimodal and smart transport options, road safety (and eliminating high-risk road sections and level crossings with railways) as well as speed up the implementation of technical standards and connectivity reform measures, including aligning and simplifying border crossing procedures.

Project in rail and road sustainable and safer infrastructures, part of the investments flagships of the EIP will be implemented through the Action. Moreover, and besides infrastructures investments, the Action may establish a dedicated “Safe and Sustainable Transport Programme” focusing on: (i) improving road safety, by upgrading and modernising road sections known as “high risks road sections and junctions” with high rates of accidents with fatalities and serious injuries; (ii) reducing the Co2 emissions and protecting the environment by adding green elements as well as increasing the usage of smart equipment/digitalisation (ITS). This would include recycling of road construction materials etc. to be incorporated in construction

tender, as well for the designs to take into consideration the implementation of green infrastructure (as charging stations, energy self-sufficient rest areas, biodiversity protection, etc.); (iii) reducing traveling times/improving transport facilitation in the Western Balkans region as well as between the region and the EU.

EU grant support will be channelled through the European Western Balkans Investment Framework and will leverage further capital to enhance the investment capacity in public infrastructures in the region. Eligible projects will have to show their alignment to sector strategic plans that have been subject to Strategic Environmental Assessments. Applications for EU co-financing should be screened for their environment and climate risk and based on relevant environmental and social impact assessments, appropriate assessment under the Birds and Habitats Directives, as well as climate risk assessments, in accordance with the environment and social safeguards of the lead financial institution, while also respecting relevant EU requirements.

### 3.3. Risks and assumptions

Main risks related to the implementation of WBIF action include i) the identification and implementation of necessary institutional and regulatory reform measures; ii) maturity of the projects and iii) implementation time. To mitigate these risks reform policy dialogues and monitoring mechanisms already in place will be reinforced and continued.

Assumptions related to the implementation of the action include:

- the beneficiaries will remain politically committed;
- local ownership of the action outputs;
- financial sustainability through and efficient operation and maintenance of the infrastructures;
- governments' commitment towards the European perspective;
- sufficient administrative capacity of beneficiaries;
- sufficient fiscal space and absorption capacities.

Systemic risks would include:

Risks	Risk level (H/M/L)	Mitigating measures
<p><b>Fiscal space; absorption capacities</b> Impact of the projects on public debt levels, limited availability of budgetary funds and borrowing capacity for the projects</p>	L	The projects should be linked to budgetary programmes to demonstrate their sustainability, public debt and recent trajectory and expected medium term trajectory should be described in project proposals. Impact on the sovereign or sub-sovereign loan/guarantee attached to the project on debt sustainability
<p><b>Environment and climate risks:</b> assessment of the adequacy of the environmental and social safeguards of the implementing partners not sufficient. This can lead to inadequate attention to environmental, climate and social risks</p>	L	The applicable environmental and social safeguards for investment projects will be assessed, and stricter requirements in line with EU requirements will be introduced in case needed. Active involvement in the monitoring on environment and climate change aspects of the investment portfolio.
<p><b>Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes</b></p>		

### 3.4. Mainstreaming

**How does this Action contribute to Gender Equality and Women's and Girls' Empowerment (in line with the EU gender equality strategy 2020-2025)?**

**How does this Action address Environment and Climate change?**

Implementing partner financial institutions will ensure that all projects financed with EU resources respect European Union principles and commitments in terms of environmental and social impact (e.g. gender issues, equal opportunities, minorities and vulnerable groups, etc.), climate action (zero-emissions or low carbon development, climate proofing), as well as public procurement, state aid, trade policy, equal opportunities, and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as gender equality, good governance and human rights.

#### *Climate change and environment*

Synergies between the Action and EU funded ((Multi-) Annual Action programmes and Multi-country) climate change capacity building programmes and, where applicable, policy reform instruments including sector budget support should be strengthened. Technical assistance as well as capacity building programmes should facilitate the identification and formulation of climate relevant projects at beneficiary and/or regional level, and support local and regional climate policies. This will strengthen the already ongoing processes of pipeline development and securing local ownership.

Environment, climate change and disaster resilience are assessed as part of the Environmental Impact Assessments (EIA). These requirements are applied to the implementing partner financial institutions in charge for the implementation of the projects. Partner financial institutions shall take into consideration the applicable environmental and social standards and monitoring mechanisms, as well as the environmental and climate risk categories for each project. Infrastructure projects shall be aligned with sector strategic planning, including, when relevant the Paris climate agreement.

Investment proposals should be aligned with the GAWB and EU environmental acquis to benefit from the EU instrument.

#### *Gender equality*

This action will look into possibilities of exploring how interventions can be responsive to the needs of both women and men. This is particularly important in Western Balkans, where women still face additional barriers compared to men while trying to enter the labour market.

Implementing partners have to take into account the EU's Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III), which aims to accelerate progress on empowering women and girls, and safeguard gains made on gender equality during the 25 years since the adoption of the Beijing Declaration and its Platform for Action. In addition, several of the financial institutions submitting projects and programmes have gender inclusion action plan and indicators in place to measure and report the impact of the investments under the gender perspective

Consultation with civil society organisations, including beneficiary agencies and NGOs, community-based organisations, and women's groups would be carried out when possible to ensure a balanced impact on both women and men on the investments.

**How does this Action address the Rights Based Approach? How does this Action promote the systematic engagement with Civil Society? Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)**

The action will ensure that equal opportunities are given to women, men, people with disabilities, minority groups etc. Participants and experts should have an appropriate gender balance given the specific competences and expertise needed in the action. With regards to micro, small and medium enterprises portfolios, increasing access to finance to women-led initiatives and other economically vulnerable groups will be targeted. For infrastructure projects in areas such as transport, energy and agricultural sector, which

are male-dominated sectors, women and other economic vulnerable groups, including Roma, participation will be encouraged.

Consultation with civil society organisations, including beneficiary agencies and NGOs, community-based organisations, and women's groups would be carried out when possible to ensure a balanced impact on both women and men on the investments.

### 3.5. Conditions for implementation

The main condition that has to be in place for an effective and timely implementation of the action that the proposed investments and programmes are priority in the region. There is therefore a need of building consensus among main stakeholders to be achieved through close collaboration among International Financial Institutions, representatives from the beneficiary economies, bilateral donors, regional organisations, service providers, and other relevant stakeholders in the public and private sphere such as business organisations.

For an effective and timely implementation of the action, both the regional stability and the quality of projects is essential. A key condition to attract and leverage investment is a stable or improving macroeconomic and market environment in the Western Balkan economies. Stable political and security climate, as well as legal certainties on the regional level in general and on the beneficiary level are also fundamental to secure investments.

It is also crucial that project proposals submitted by implementing partner financial institutions 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 the owners of 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.

It should also be added that in parallel with the action the WBIF partners interact locally with policy-makers and larger business community, participate in different consultative process as to share legal and economic expertise on laws, regulations, and strategies. This "beneficiary-based" engagement complements and strengthens the financing and advisory activities under this action. There are significant opportunities to combine activities across beneficiaries to deliver mutually reinforcing, integrated programmes that maximises value for money.

### 3.6. Logical Framework for PROJECT MODALITY

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data common to all indicators	Assumptions
<b>Impact</b>	To contribute to the long-term recovery of the Western Balkans - backed by a green and digital transition - leading to sustained and sustainable economic growth.	GDP growth rate Value of trade in goods and services (EUR million) Human development index			European Commission Reports, Statistics Institutes, Central Banks, Government budget reports Public Finance statistics Eurostat. SDG reports	<i>Not applicable</i>
<b>Objective 1 Sustainable Transport Connectivity</b>						
<b>Outcome 1</b>	Promoted smart, sustainable, inclusive, safe and environmentally friendly transport and removed bottlenecks in key transport infrastructures and support the implementation of the relevant elements of the GAWB.	Total length of the indicative extension of the TEN-T rail and road core network to the Western Balkans supported by the EU through a) new construction and b) rehabilitation.			Transport Community Permanent Secretariat reports/monitoring. EU Delegation bilateral contacts.	
<b>Outputs</b>	The WBIF, as main vehicle for the implementation of the EIP for Western Balkans, aims at investing in the following flagship investments: <ul style="list-style-type: none"> <li>- Flagship 1: Connecting East to West</li> <li>- Flagship 2: Connecting North to South</li> <li>- Flagship 3: Connecting the coastal region</li> </ul>	<ul style="list-style-type: none"> <li>- EIP Flagship transport projects started and completed</li> </ul>				

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude financing agreements with the targeted IPA III beneficiaries.

### 4.2. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>11</sup>.

#### 4.2.1. Indirect management with entrusted entities ( international organisation)

European Western Balkans Joint Fund, including Safe and Sustainable Transport Programme.

This action may be implemented in indirect management with the European Western Balkans Joint Fund (EWBJF) Managers (the EIB and the EBRD) through a Contribution Arrangement (signed between the Commission, the EBRD and the EIB, as Joint Fund Managers). The entrusted entities, EBRD and the EIB, will be the Managers of the Joint Fund. They will be responsible for the same tasks as already identified in the General Conditions of the Joint Fund, in particular:

- Managing IPA Funds through the Joint Fund;
- Disbursing funds from the Joint Fund to the lead IFIs;
- Channelling funds recovered from lead IFIs;
- Compiling reports on the Joint Fund;
- Collecting reports from lead IFIs and submitting these reports to Commission and WBIF stakeholders

In particular, the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA III activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

This implementation entails supporting the implementation of the projects financed through the EWBJF and this implementation modality will contribute to achieving Objective 1 Sustainable Transport Connectivity.

Contributions to support the “Safe and Sustainable Transport Programme” will be channelled through the EWBJF, too.

The envisaged entities have been selected using the following criteria: demonstrated experience in implementing infrastructure projects and length of cooperation under the WBIF.

EIB and EBRD have been long-standing partners in the inception, realisation and implementation of the WBIF. Over the 10 years of operation of the WBIF, the EIB, and the EBRD, have in partnership with the Commission successfully prepared and / or implemented infrastructure projects and demonstrated the capacity to be entrusted with the implementation of the action.

---

<sup>11</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.

The entrusted entities will implement the action in close coordination with the lead IFIs of the projects. Currently, WBIF works with the following entrusted (pillar assessed) international organisations and financial institutions:

- Agence Française de Développement (AFD),
- Council of Europe Development Bank (CEB)
- European Investment Bank Group (EIB), including the European Investment Fund (EIF),
- European Bank for Reconstruction and Development (EBRD),
- Kreditanstalt für Wiederaufbau (KfW) and,
- World Bank Group (WBG), including the International Finance Corporation (IFC).

Contributions from IPA III funds will also finance the implementation fees paid to IFIs and administration fees to the Managers of the European Western Balkans Joint Fund.

The Commission authorises that the costs incurred may be recognised as eligible as of 1<sup>st</sup> April 2021, which is prior to the date of adoption of this Decision, because an early engagement by the European Union would be of major importance in terms of the acceleration of project implementation and implementation of the flagship projects of the Economic and Investment Plan for the Western Balkans. In line with Article 27(6) NDICI activities supported under the Instrument and the underlying costs incurred in 2021 may be considered eligible even if those activities were implemented and those costs were incurred before the grant application was submitted.

#### 4.3. 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 services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult

## 5. Indicative budget

<b>2021-2027</b>	<b>EU contribution 2021-2027 (EUR)</b>	EU contribution 2021 (EUR)	EU contribution 2022 (EUR)	EU contribution 2023 (EUR)	EU contribution 2024 (EUR)	EU contribution 2025 (EUR)	EU contribution 2026 (EUR)	EU contribution 2027 (EUR)	<b>Indicative third party contribution, in currency identified</b>
<b>IPA III window 3- Green agenda and sustainable connectivity</b>									
<b>EU contribution to Sustainable Transport Connectivity in the Western Balkans 2021-2027</b>	<b>2 000 million</b>	350 million	320 million	320 million	410 million	300 million	200 million	100 million	3 000 million
Investment Grant Co-financing	<b>1 840 million</b>	350 million	240 million	320 million	330 million	300 million	200 million	100 million	
Safe and Sustainable Transport Programme	<b>160 million</b>		80 million		80 million				



## 5.1. Organisational set-up and responsibilities

### **WBIF governance**

The WBIF governance is regulated by the IPA III Regulation<sup>12</sup>, whereas its main elements encompass:

1. **WBIF Strategic Board**, which includes the EU 27 Member States, in addition to the members of its predecessor, the WBIF Steering Committee<sup>13</sup>.
2. **WBIF Operational Board**, which includes the EU 27 Member States, in addition to its predecessor, the members of the WBIF Steering Committee. This Board will formulate **advisory opinions** on blending and guarantee operations.

The **Project Financiers' Group** is the technical arm of the WBIF blending operations for public and private sectors and is composed of representatives of the European Commission, partner financial institutions, development agencies and other bilateral donors. It provides a 'single entry point' for projects and programme requests and is responsible for the process of screening (led by the Commission) and financial appraisal (with contributions by the financial institutions). The Project Financiers' Group recommends positively assessed blending requests to the WBIF Operational Board, which shall formulate opinions on respective applications.

The European Commission proposes to the WBIF Boards the investment windows and investment priorities, based on a 'policy first' approach and in line with the policy priorities and investment flagships established by the Economic and Investment Plan for Western Balkans. The European Commission will be responsible for the formal evaluation of proposals.

The WBIF rules of procedure and the general conditions of the European Western Balkans Joint Fund complete the set of rules which regulate the governance of WBIF.

## 5. PERFORMANCE/RESULTS MONITORING AND REPORTING

### 5.1. Internal monitoring

The Commission is responsible to ensure the overall monitoring of the investments and activities implemented within the WBIF. To this end, the Commission collects, contractually agreed, reporting from the implementing partners (including an annual implementation report for activities undertaken under the Joint Fund) that allows it to gather relevant performance data (process, output and outcome indicators) which are analysed and serve to track the progress versus the targets and milestones established for each of the projects.

To complement this, the Commission organises regularly review meetings with relevant stakeholders, which include:

- Bi-annual WBIF Board meetings, with an agenda item dedicated to discussing the status of the EIP implementation, focusing on critical strategic projects implementation, including issues with IFIs and/or beneficiary partners;
- Regular meetings between beneficiaries, IFIs and EU Delegations in each Western Balkan economy;
- Ad-hoc bilateral meetings with IFIs and beneficiaries to discuss specific issues with the most appropriate composition (per project, per IFI, or per economy);

---

<sup>12</sup> [EUR-Lex - 52018PC0465 - EN - EUR-Lex \(europa.eu\)](#)

<sup>13</sup> WBIF Steering Committee functions were valid till the end of IPA II, December 2020. Members were: **European Commission; International and National Financial Institutions**, AFD Group, Council of Europe Development Bank, EBRD, EIB Group, KFW Group, World Bank Group; **Bilateral Donors**

- Review meetings, held regularly, together with EUDEL and geographic desks to timely identify issues and envisage actions.

The overall progress (including the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance), will be monitored through the following means: implementing IFIs' own monitoring, Result Orientated Monitoring (ROM) system; beneficiaries' own monitoring; joint monitoring by the European Commission (DG NEAR) and the EU Delegations.

Monitoring and evaluation reports on specific areas of investments of WBIF may be launched by the European Commission as part of the regular monitoring and evaluation plans on external assistance.

## 5.2. Roles & responsibilities for data collection, analysis & reporting

### ***Operational monitoring***

The European Commission monitors operationally the implementation of the action through regular interchanges with the projects lead financial organisations and reporting provided by external consultants present on the territory. Operational follow up is also reported to the Project Financiers' Group, which meets bi-annually. Regular meetings and exchanges with the EU Delegations are an essential element of the operational monitoring on the projects implemented through WBIF.

### ***Financial monitoring***

The European Commission also regularly monitors financially the implementation of the IPA funds contributing to WBIF.

EBRD and EIB, as current fund managers of the European Western Balkans Joint Fund report on the management of the fund twice per year to the Commission, the Project Financier Group and the WBIF Operational Board and prepare and prepare an annual report on the activities of the fund.

KfW and EIF are entrusted by the European Commission to be represented in REEP, GGF, EFSE, ENEF, ENIF, etc. Steering Committee on the monitoring of operations are regularly held and reports on the accounts regularly prepared by the trustees.

Reports on individual projects are presented by the IFIs as contractually agreed and registered in the Management Information System of WBIF, which allows to follow-up on the implementation of the IPA III investments through WBIF.

### ***Reporting***

The WBIF Rules and Procedures set out reporting requirements, which include:

- the annual report of the European Western Balkans Joint Fund, and
- the annual report of WBIF activities

Other reporting requirements are established in individual agreements signed with the entrusted entities.

## 5.3. Evaluation

Having regard to the importance of the action, a ex-post evaluation(s) could be carried out for this action or its components contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this Action should contribute to the main objectives of the EIP; to spur the long-term economic recovery of the region, to support a green and digital transition, and to foster regional integration and convergence with the European Union.

The Commission shall inform the implementing partner at least 6 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the

evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities].

The evaluation reports shall be shared with the partner beneficiary and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner beneficiary, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

## 6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a Financing Decision.

## 7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force. In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the public administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.) Visibility measures taken by implementing partners, entrusted entities, etc. must be applied consistently to all activities and outputs. Implementing partners, entrusted entities, etc. must ensure that visibility measures reach activities' final beneficiaries.

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages. It is the responsibility of the implementing partner(s) to keep the EU Delegations / Office and the European Commission fully informed of the planning and implementation of the specific visibility and communication activities.

In the specific case of the WBIF:

- communication and visibility plans are an integral part of the agreements signed by the European Commission with entrusted entities and contractors, and are reviewed periodically.
- the WBIF has a dedicated website kept updated by the European Commission. The website is the

main communication channel of public information on WBIF. In addition, Annual Communication and Visibility Plans are prepared and agreed within the WBIF. These Visibility Plans are available on the WBIF website: [www.wbif.eu](http://www.wbif.eu).

- Communication and visibility plans will take into consideration the Team Europe approach, to which WBIF is contributing through its members, which include the European Commission, member states, bilateral donors, financial institutions.

## 8. SUSTAINABILITY

The key aspect in ensuring the sustainability of the action's results will be a strict focus on the projects imbedded in the beneficiary's sector strategies and sector work programmes. The political commitment from the beneficiaries to keep developing and maintaining the completed infrastructures, as well as a strong involvement of the existing structures, (e.g. the Energy and Transport Community), will be decisive to attain and sustain the action's objective.

The action will demonstrate the effects of rational energy in the context of rising energy costs. Financial institutions have the capacity to provide education to their clients and enable broad uptake of new energy efficiency products and technologies. The availability of financing for sustainable energy technologies can be also effective in developing necessary systemic infrastructure, including energy auditors, project developers and sustainable energy technology providers. Partner Financial Institutions (PFIs) will become more and more familiar with financing sustainable energy investments and will promote similar lending products making lending sustainable. Furthermore, the action will increase the market penetration rate of best performing technologies through raising awareness to the wider population as well as other relevant stakeholders, such as suppliers, installers and vendors of sustainable energy products.

The guarantee will encourage desirable investments by "insuring" against specific risks, consuming EU funds only in case projects fail commercially. This instrument thus specifically targets investments that have a reasonable chance of being commercially viable, but whose loss is perceived as too high for the investment to be financed without the guarantee. For example, such a guarantee can address a lack of collateral in start-ups and SMEs, which have a good new product but few assets to sell in case of default.

As most of the infrastructure and SME investments financed through the Guarantee will be commercially viable, the benefits of the action (e.g. jobs created, services offered, efficiency improvements, etc.) are likely to be maintained and scaled beyond the implementation period.

Due to its nature (i.e. "insuring" against specific risks) the guarantee will allow local financial intermediaries to build up their knowledge of new/niche markets (e.g. agri-businesses, start-ups, commercial lending to municipalities). These local financial intermediaries might also benefit from the technical assistance component of the guarantee to design and/or adapt their products to cater for the final recipient's needs. Henceforth, "new markets" considered too risky will become better known, and thus market-attractive for the local financial intermediaries.

The European Commission will also ensure that the projects financed are strictly linked to regional, central, and municipal strategies and sector work programmes, considering this a key aspect in ensuring the sustainability of the action's results.

## APPENDIX 1

### The Western Balkans Investment Framework (WBIF)

The Western Balkans Investment Framework **was established in 2009** as a joint initiative of the European Commission (EC), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). The KfW Development Bank (KfW) and the World Bank Group (WBG) subsequently joined the platform. In December 2018, the Agence Française de Développement (AFD) became a participating organisation in the WBIF. Within the WBIF, the WB Enterprise Development and Innovation Facility (WB EDIF), established in 2012, focuses on supporting the competitiveness of the private sector. In addition, in 2021 the Western Balkans Guarantee Facility (EFSD+ Guarantee) is established, in order to leverage additional funds in support to public and private investments in the region.

The WBIF operates **a joint facility**, which pools resources from various sources, namely from IPA and bilateral donors, financial institutions, and the Western Balkans partners. Blending resources are pooled together into a joint fund and used to support operations for which loans are provided by the partner financial institutions. Similar to blending operations, guarantees are implemented by pillar-assessed entrusted financial institutions which shall use the guarantee to leverage additional funds in support to public and private investments in the region.

The WBIF **scope** is to increase the region capacity to finance projects and programmes in support to the public and private sectors through blending and guarantee instruments in Western Balkans. Investments through WBIF should be in line with the European perspective and investment flagships identified in the Economic and Investment Plan for Western Balkans.

WBIF has the **objectives** to enhance overall coordination of assistance and to maximise the impact of grant and guarantee financing by using it to leverage lending by financial institutions.

#### ***WBIF governance***

The WBIF governance is regulated by the IPA III Regulation, whereas its main elements encompass:

1. **WBIF Strategic Board**, which includes the EU 27 Member States, in addition to the members of its predecessor, the WBIF Steering Committee<sup>14</sup>.
2. **WBIF Operational Board**, which includes the EU 27 Member States, in addition to its predecessor, the members of the WBIF Steering Committee. This Board will formulate **advisory opinions** on blending and guarantee operations.

The **Project Financiers' Group** is the technical arm of the WBIF blending operations for public and private sectors and is composed of representatives of the European Commission, partner financial institutions, development agencies and other bilateral donors. It provides a 'single entry point' for projects and programme requests and is responsible for the process of screening (led by the Commission) and financial appraisal (with contributions by the financial institutions). The Project Financiers' Group recommends positively assessed blending requests to the WBIF Operational Board, which shall formulate opinions on respective applications.

---

<sup>14</sup> WBIF Steering Committee functions were valid till the end of IPA II, December 2020. Members were: **European Commission; International and National Financial Institutions**, AFD Group, Council of Europe Development Bank, EBRD, EIB Group, KfW Group, World Bank Group; **Bilateral Donors**

The European Commission proposes to the WBIF Boards the investment windows and investment priorities, based on a 'policy first' approach and in line with the policy priorities and investment flagships established by the Economic and Investment Plan for Western Balkans. The European Commission will be responsible for the formal evaluation of proposals.

The WBIF rules of procedure and the general conditions of the European Western Balkans Joint Fund complete the set of rules which regulate the governance of WBIF.

### ***WBIF members***

WBIF members include EU 27 Member States as per 1 January 2021, and following the dispositions of the IPA III Regulation. Entrusted financial institutions shall also be members of WBIF, together with bilateral donors and beneficiary partners.

### ***WBIF Operations***

The WBIF blends grants and loans and provides technical assistance in support strategic investments.

WBIF blending operations are mostly financed through the European Western Balkans Joint Fund (EWBJF). The European Commission entrusts IPA funds contributions to the European Western Balkans Joint Fund Managers (currently EBRD and the EIB) and projects are in general selected through competitive procedures (call for investments proposals, projects or programmes within the framework of WBIF). The European Commission will be responsible for the formal evaluation of proposals.

WBIF blending operations and technical assistance can also be directly entrusted by the European Commission to current pillar assessed organisations for participation in multi-donor structures. Example include: EIF in the Enterprises Innovation Fund and Enterprises Expansion Fund; KfW in EFSE and GGF; EBRD and KfW in REEP; OECD for advisory services.

Similarly to blending operations, guarantees are implemented by Partner Financial Institutions, pillar-assessed for the implementation of financial instruments. which will implement the guarantee on behalf of Commission, passing-on the guarantee to financial intermediaries that will, in turn, transfer the benefit of the guarantee to final beneficiaries (e.g. entrepreneurs, social enterprises, farmers, local municipalities, etc.). Partner Financial Institutions will be asked to mobilise as much as possible third-party private financing instead of own or public resources.

WBIF guarantee operations are generally selected based on calls for proposals for investment portfolios (PIPs) on line with NDICI and IPA III Regulations. The European Commission will be responsible for the formal evaluation of proposals.

EU Delegations and Geographical Units will be consulted through focal points and will participate in the project preparation by screening relevant concept notes and project proposals as well as during the project implementation. In addition, partner Financial Institutions will coordinate with EU Delegations locally and EU Delegations will contribute to the visibility of projects at beneficiary level.