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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX**

to the Commission Implementing Decision on the financing of the multi-country multiannual action plan in support of the Western Balkans Investment Framework in favour of the Western Balkans for 2024–2027 and provisioning of the Common Provisioning Fund for 2024-2027

**Action Document for “EU Contribution to the Western Balkans Investment Framework (WBIF) 2024-2027”**

## MULTIANNUAL ACTION PLAN

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

### 1. SYNOPSIS

#### 1.1. Action Summary Table

|                                           |                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Title</b>                              | <b>EU contribution to the Western Balkans Investment Framework (WBIF) 2024-2027</b><br>Multi-country multi-annual action plan in support of the Western Balkans Investment Framework in favour of the Western Balkans for 2024–2027 and provisioning of the Common Provisioning Fund for 2024-2027 |
| <b>OPSYS</b>                              | ACT-62211                                                                                                                                                                                                                                                                                          |
| <b>ABAC</b>                               | ABAC Commitment level 1 number: Allocations 2024: JAD.1286566; allocations 2025: JAD.1286611; allocations 2026: JAD.1286594; allocations 2027: JAD.1286612                                                                                                                                         |
| <b>Basic Act</b>                          | Financed under the Instrument for Pre-accession Assistance (IPA III)                                                                                                                                                                                                                               |
| <b>Economic and Investment Plan (EIP)</b> | YES<br>Priorities: Transport, and Digital 10%; Green Agenda, and Energy 74%; Innovation Agenda and Economic development 16%.                                                                                                                                                                       |
| <b>EIP Flagship</b>                       | Flagships <sup>1</sup> : I Connect East-West, II Connect North-South, III Connect Coastal Regions, IV Renewable Energy, V Coal Transition, VI Renovation Wave, VII Waste and Wastewater, VIII Digital Infrastructure, IX Support Competitiveness                                                   |
| <b>Team Europe</b>                        | No                                                                                                                                                                                                                                                                                                 |

<sup>1</sup> Flagships I – III will only be supported by Technical Assistance aiming at project preparation.

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                              | Even though, the WBIF is fully aligned with the Team Europe approach, as it establishes a close collaboration of all participating partners by bringing together multilateral and national financial institutions, EU and non-EU donors and the Western Balkans beneficiaries, cooperating in an inclusive manner.                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Beneficiary(y)/(ies) of the action</b>    | The action shall be carried out in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, and Serbia)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Programming document</b>                  | IPA III Programming Framework                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>PRIORITY AREAS AND SECTOR INFORMATION</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Window and thematic priority</b>          | <p>Window 3- Green agenda and sustainable connectivity</p> <p>Thematic Priority 1: Environment and climate change (up to 74%)</p> <p>Thematic Priority 2: Transport, digital economy and society, and energy (at least 10%)</p> <p>Window 4- Competitiveness and inclusive growth</p> <p>Thematic Priority 2: Private sector development, trade, research and innovation (16%)</p>                                                                                                                                                                                                                                                                                                                                           |
| <b>Sustainable Development Goals (SDGs)</b>  | <p>Main SDG:</p> <p>SDG 9: Industry, Innovation, and Infrastructure</p> <p>Other significant SDGs (up to 9) and, where appropriate, targets:</p> <p>SDG 6: Clean Water and Sanitation</p> <p>SDG 7: Affordable and Clean Energy</p> <p>SDG 8: Decent Work and Economic Growth</p> <p>SDG 11: Sustainable Cities and Communities</p> <p>SDG 12: Responsible consumption and production</p> <p>SDG 13: Climate Action</p> <p>SDG 17 Partnership for goals</p>                                                                                                                                                                                                                                                                  |
| <b>DAC code(s)</b>                           | <p><b>140 – Water Supply &amp; Sanitation 39%</b></p> <p>14010 – Water sector policy and administrative management 10%</p> <p>14015 – Water resources conservation (including data collection) 2%</p> <p>14020 – Water supply and sanitation - large systems 2%</p> <p>14021 – Water supply - large systems 2%</p> <p>14022 – Sanitation - large systems 5%</p> <p>14030 – Basic drinking water supply and basic sanitation 5%</p> <p>14031 – Basic drinking water supply 2%</p> <p>14032 – Basic sanitation 2%</p> <p>14040 – River basins development 2%</p> <p>14050 – Waste management/disposal 7%</p> <p><b>210 – Transport &amp; Storage 5%</b></p> <p>21010 – Transport policy and administrative management 1,5%</p> |

\* 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

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |                                     |                            |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------|
|                                | 21020 – Road Transport 1,5%<br>21030 – Rail Transport 1%<br>21040 – Water Transport 1%<br><b>220 – Communications 5%</b><br>22040 – Information and communication technology (ICT) 5%<br><b>230 – Energy 15%</b><br>23110 – Energy policy and administrative management 7,5%<br>23183 – Energy conservation and demand-side efficiency 7,5%<br><b>232 – Energy generation, renewable sources 15%</b><br>23210 – Energy generation, renewable sources - multiple technologies 15%<br><b>236 – Energy distribution 5%</b><br><b>240 – Banking &amp; Financial Services 4%</b><br>24030 – Formal sector financial intermediaries<br><b>250 – Business &amp; Other Services 4%</b><br>25010 – Business Policy and Administration 2%<br>25040 – Responsible Business Conduct 2%<br><b>321 – Industry 8%</b><br>32130 – Small and medium-sized enterprises (SME) development 6%<br>32120 – Industrial development 1%<br>32182 – Technological research and development 1% |                                     |                                     |                            |
| <b>Main Delivery Channel</b>   | European Investment Bank - 42000<br>European Bank for Reconstruction and Development - 46015<br>World Bank Group – 44000<br>Other <sup>2</sup> - 90000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |                                     |                            |
| <b>Targets</b>                 | <input checked="" type="checkbox"/> Climate<br><input type="checkbox"/> Gender<br><input type="checkbox"/> Biodiversity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                     |                                     |                            |
| <b>Markers (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 type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>   |
|                                | Gender equality and women's and girl's empowerment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>   |

<sup>2</sup> The WBIF is a financial vehicle where several bilateral donors, development banks and financing institutions, cooperate to implement the objective of the Economic and Investment Plan for Western Balkans. Member financial institutions include: Agence Française de Développement (AFD), Council of Europe Development Bank (CEB), European Investment Fund (EIF), and Kreditanstalt Für Wiederaufbau (KfW), International Finance Corporation (IFC), and those mentioned above. Other financial institutions may join the WBIF following the fulfilment of criteria indicated in section 4.

|                                  |                                                                              |                                                                                                                 |                                     |                                     |
|----------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
|                                  | Reproductive, maternal, new-born and child health                            | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                  | Disaster Risk Reduction                                                      | <input 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 type="checkbox"/>                                                                                        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|                                  | Climate change adaptation                                                    | <input type="checkbox"/>                                                                                        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Internal markers and Tags</b> | <b>Policy objectives</b>                                                     | <b>Not targeted</b>                                                                                             | <b>Significant objective</b>        | <b>Principal objective</b>          |
|                                  | EIP                                                                          | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | EIP Flagship                                                                 | <div>YES</div> <div><input checked="" type="checkbox"/></div> <div>NO</div> <div><input type="checkbox"/></div> |                                     |                                     |
|                                  | Tags:                                                                        | <div>YES</div> <div>NO</div>                                                                                    |                                     |                                     |
|                                  | Transport                                                                    | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            |                                     |
|                                  | Energy                                                                       | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            |                                     |
|                                  | Environment and climate resilience                                           | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            |                                     |
|                                  | Digital                                                                      | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            |                                     |
|                                  | Economic development (incl. private sector, trade and macroeconomic support) | <input checked="" type="checkbox"/>                                                                             | <input type="checkbox"/>            |                                     |
|                                  | Human Development (incl. human capital and youth)                            | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Health resilience                                                            | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Migration and mobility                                                       | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Agriculture, food security and rural development                             | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Rule of law, governance and Public Administration reform                     | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Other                                                                        | <input type="checkbox"/>                                                                                        | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                  | Digitalisation                                                               | <input type="checkbox"/>                                                                                        | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                             |                                                                                                                                                                                                 |                          |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
|                                                                         | <p>Tags</p> <p>digital connectivity <input checked="" type="checkbox"/></p> <p>digital governance <input type="checkbox"/></p> <p>digital entrepreneurship <input checked="" type="checkbox"/></p> <p>digital skills/literacy <input type="checkbox"/></p> <p>digital services <input checked="" type="checkbox"/></p>                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>YES</p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> | <p>NO</p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> |                          |
|                                                                         | Connectivity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <input type="checkbox"/>                                                                                                                                                                                    | <input checked="" type="checkbox"/>                                                                                                                                                             | <input type="checkbox"/> |
|                                                                         | <p>Tags</p> <p>digital connectivity <input checked="" type="checkbox"/></p> <p>energy <input checked="" type="checkbox"/></p> <p>transport <input checked="" type="checkbox"/></p> <p>health <input type="checkbox"/></p> <p>education and research <input type="checkbox"/></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>YES</p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> | <p>NO</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> |                          |
|                                                                         | Migration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <input checked="" type="checkbox"/>                                                                                                                                                                         | <input type="checkbox"/>                                                                                                                                                                        | <input type="checkbox"/> |
|                                                                         | Reduction of Inequalities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <input checked="" type="checkbox"/>                                                                                                                                                                         | <input type="checkbox"/>                                                                                                                                                                        | <input type="checkbox"/> |
|                                                                         | COVID-19                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <input type="checkbox"/>                                                                                                                                                                                    | <input checked="" type="checkbox"/>                                                                                                                                                             | <input type="checkbox"/> |
| <b>BUDGET INFORMATION</b>                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                             |                                                                                                                                                                                                 |                          |
| <b>Amounts concerned</b>                                                | <p>Budget line: 15 02 02 01</p> <p>Total estimated cost: EUR 4 676 000 000<sup>3</sup></p> <p>Total amount of EU budget contribution EUR 1 004 578 878</p> <p>The EU contribution is for an amount of:</p> <p>EUR 260 578 878 from the general budget of the European Union for 2024,</p> <p>EUR 290 000 000 from the general budget of the European Union for 2025,</p> <p>EUR 248 000 000 from the general budget of the European Union for 2026 and,</p> <p>EUR 206 000 000 from the general budget of the European Union for 2027,</p> <p>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>MANAGEMENT AND IMPLEMENTATION</b>                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                             |                                                                                                                                                                                                 |                          |
| <b>Implementation modalities (management mode and delivery methods)</b> | <p><b>Direct management</b> through:</p> <ul style="list-style-type: none"> <li>- Grant</li> <li>- Procurement</li> </ul> <p><b>Indirect management</b> with the entities to be selected in accordance with the criteria set out in section 4.</p> <p>Indirect management with EIB, EBRD, AFD, CDP, CEB, EIF, KfW, WB, IFC</p>                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                             |                                                                                                                                                                                                 |                          |

<sup>3</sup> Total cost is estimated based on previous experience and applicable co-financing rates (leverage: up to 4x)

|                                                                                                        |                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b> | At the latest by 31 December 2025 for allocation 2024<br>At the latest by 31 December 2026 for allocation 2025<br>At the latest by 31 December 2027 for allocation 2026<br>At the latest by 31 December 2028 for allocation 2027 |
| <b>Indicative operational implementation period</b>                                                    | 624 months <sup>4</sup> 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>5</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. With the EIP, and the accompanying Green Agenda, the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport, and the Global Gateway, 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.

The Guidelines for implementing the Green Agenda for the Western Balkans (GAWB)<sup>6</sup>, further detail investments and actions that can foster the green transition in the region under the EIP and beyond. The Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport<sup>7</sup> is a comprehensive, long-term cooperation strategy of the European Union and the Western Balkans that promotes scientific excellence as well as reform of the region's education systems, creates further opportunities for the youth, and helps prevent brain drain.

Finally, the EIP provides the EU contribution to the Western Balkans under the Global Gateway<sup>8</sup>, the European Union's connectivity strategy to enhance connectivity investments and services around the world.

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. Furthermore, the EU macro-regional strategies (in particular the EU Strategies for the Danube and the Adriatic and Ionian regions) and Interreg programs foster multi-level regional cooperation, reduce disparities, and enhance cohesion, aligning with the goals of the cohesion policy. Embedding these objectives in EIP flagship investments, where relevant, is crucial.

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<sup>4</sup> Even though the number of months should not exceed 72 months, the Financing Decision covers for contribution for guarantees therefore 624 months (52 years) are needed.

<sup>5</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>6</sup> SWD(2020) 223 final COMMISSION STAFF WORKING DOCUMENT Guidelines for the Implementation of the Green Agenda for the Western Balkans

<sup>7</sup> Launched on 6 October 2021 at the EU - Western Balkan Summit in Brdo

<sup>8</sup> joint\_communication\_global\_gateway.pdf (europa.eu)

The action is implemented by the Western Balkans Investment Framework (WBIF), a coordination platform created in 2009, whose members include the European Commission, bilateral donors, and financial institutions who altogether in partnership share the objectives of the EIP and its investment flagships and in line with the Team Europe approach contribute to achieve common goals to spur the socio-economic cohesion of the region.

This action continues to offer significant EU funding for the preparation and implementation of investment flagships under the EIP in the areas of sustainable transport, clean energy, environment and climate, digital, innovation, competitiveness and private sector.

The action includes 3 components focused on blending and technical assistance:

1. Sustainable Connectivity (Transport, Energy and Digital)
2. Green Transition
3. Competitiveness, Innovation, Digital transition and Inclusive growth

### **1.3 Beneficiaries of the Action**

The action shall be carried out in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia).

## **2. RATIONALE**

### **2.1. Context**

This action is a continuation of the Action Document 2021-2023 ‘EU contribution to the Western Balkans Investment Framework (WBIF) 2021-2023’, which secures the necessary resources for the implementation of the EIP in line with its priorities identified in this action document.

The action is implemented by the WBIF, a coordination platform created in 2009 that blends different forms of non-reimbursable and reimbursable financing and expertise and channels them toward actions in the public and private sectors of the Western Balkans partner economies aiming to support their socio-economic development collaboratively and flexibly, in line with the ‘Team Europe’ approach. The WBIF was designated as the main vehicle for the delivery and implementation of the EU’s EIP and was recognised as a best practice for European financial support for development in the report from the Commission to the Council on the ‘Recommendations of the High-level group of Wise persons on the European Financial Architecture for Development’. Since its inception, the WBIF has primarily aimed at addressing the Western Balkans extensive infrastructure investment needs and at supporting the EU accession process of the Western Balkans Beneficiaries. Subsequently, in 2012 WBIF stakeholders also became active in developing the private sector in the Beneficiary economies, therefore the private sector arm of WBIF was established as the Western Balkans Enterprise Development and Innovation Facility (the ‘WB EDIF’), a mix of financial instruments (notably debt, guarantee and equity) and technical assistance to help increase the availability of affordable and diversified financing for Micro Small and Medium-sized Enterprises (MSMEs) to build up the competitiveness of the private sector in the Western Balkans. Today, WB EDIF has been merged into WBIF Private Sector.

This action will continue to support the implementation of the EIP for the Western Balkans and the accompanying Green Agenda for the Western Balkans (GAWB), the Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport which aim to spur the long-term recovery of the region, as well as the Global Gateway, the new European connectivity strategy. Sustainable transport, environmental protection and climate action, 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. The action contributes to advancing on the implementation of the Economic Reform Programmes (ERPs) and related recommendations in a number of areas. Investment grant support through the

WBIF blending platform started in 2015 with the launch of the Connectivity Agenda<sup>9</sup> for the Western Balkans. Between 2015 and 2020 EUR 1 billion EU co-financing has been approved under IPA II for transport and energy investment projects.

During 2020-2022, 40 flagship investments<sup>10</sup> of a total of EUR 5.7 billion have started implementation, out of which EUR 1.8 billion EU contribution largely funded from the preceding Action Document for WBIF for 2021-2023 and the Safe and Sustainable Transport Programme 2021-2027. These investments include the EUR 1 billion Energy Support Package, which the European Commission launched in 2022 to mitigate the impact of the energy crisis triggered by Russia's invasion of Ukraine. With the package, the Commission provided EUR 500 million via the WBIF 2021-2023 to advance the energy transition and energy security of the region<sup>11</sup>. The WBIF contributed to the implementation of the EIP and to the objectives of the Global Gateway. Up to the date with two projects: the section Trans-Balkan Corridor Interconnector Serbia – Montenegro – Bosnia and Herzegovina and railway Corridor VIII Kriva Palanka – Border with Bulgaria Railway Section. These projects have a wider regional spill over. The Trans-Balkan corridor connects Romania via Serbia and Montenegro with Italy. Corridor VIII extends the railway connection on TEN-T core network from Bulgaria to North Macedonia that is planned to continue to Albania's seaport of Durres. It is expected that WBIF further contributes to the Global Gateway within the remit of this programming period.

Public sector investments will be steered to mirror objectives set in the GAWB and in the transport sector in the EU Strategy for Sustainable and Smart Mobility<sup>12</sup> towards a Western Balkans green transport sector transformation.

To further support the implementation of EIP flagship investments, this action foresees the provision of technical assistance, investment grants and financial instruments through the WBIF during the period 2024-2027, in the following components:

### **Component 1: Sustainable Connectivity (Transport, Energy and Digital)**

The European Green Deal is underpinned by policies designed to develop resource efficient and competitive economies where growth is decoupled from greenhouse gas emissions, resource use, ecosystem degradation and waste generation, where climate resilience is pursued. The Green Deal can only be fully effective if the EU's immediate neighbourhood also acts at an early stage. This is even more valid for the Western Balkans given their European perspective. Therefore, the Green Agenda for the Western Balkans is embedded in the EIP. This Agenda is informed by the five broad areas covered by the Green Deal: decarbonisation, depollution of air, water and soil, circular economy, farming and food production, and protecting biodiversity.

Accelerating the region's digital transformation is a priority under the EIP to enable the twin green and digital transition. Since 2017, the WBIF supports investments in both infrastructure and services. The roll-out of ultra-fast and secure broadband focuses on remote areas and lower-income populations to ensure universal access. Investments in secure and energy-efficient data centres, edge and cloud infrastructures, links to EU initiatives on high-performance computing, and exploring synergies with other connectivity areas are also supported. Digitalisation is an opportunity for the economies and societies in the region, with digital solutions contributing to sustainability, climate-neutrality resource-efficiency, and biodiversity, and better governance and public services. The Digital Agenda for the Western Balkans, launched in 2018, introduced amongst others the support for future digital infrastructure investments under the WBIF. The Western Balkans are also a priority region in the Digital Education Action Plan 2021-2027. Moreover, digitalisation is a key enabler for the dual green and digital transition of the Western Balkans. The digital transformation of the region is

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<sup>9</sup> <https://wbif.eu/sectors/connectivity-agenda>

<sup>10</sup> 15 transport, 13 clean energy, 5 environment and climate, 3 private sector, 2 digital and human capital each

<sup>11</sup> <https://www.wbif.eu/storage/app/media/Library/12.%20Economic%20and%20Investment%20Plan/WBIF%20Energy%20Support%20Package%20for%20the%20Western%20Balkans%202022.pdf>

<sup>12</sup> SUSTAINABLE AND SMART MOBILITY STRATEGY, incl. an Action Plan of 82 initiatives guides the EU green and digital transport system transformation and its future resilient to crises., Brussels, 9.12.2020

reconfirmed with the endorsement of the policy document the “Digital Compass: The European way for the Digital Decade”<sup>13</sup>. The region should take stock of implementation to date, identify where work needs to be accelerated and broaden the scope of digital transformation. Furthermore, the EIP indicates that support provided for digital skills, e-government, e-procurement, and e-health services would make public authorities more transparent and accountable, reduce costs and improve service delivery for citizens and businesses.

Under this action, the WBIF will continue to support projects included in single project pipelines (confirmed by the National Investment Committees), Beneficiaries’ strategies and in the EIP priorities.

WBIF will continue to focus on the following aspects of the Green Agenda:

- i. climate action (clean energy and decarbonisation of transport sector)
- ii. circular economy, addressing waste management, recycling, sustainable production, and efficient use of resources for the green and climate-neutral economy,
- iii. fighting water pollution.

Technical assistance will be provided in this regard by the Infrastructure Project Facilities (IPFs) under the WBIF and CONNECTA.

As well as the support will continue to focus also on aspects of the Digital Agenda for the Western Balkans, namely digital infrastructures including interoperability, and digitalisation of public services and businesses.

## **Component 2: Green Transition**

With the Green Agenda for the Western Balkans strong emphasis is placed on energy market integration, decarbonisation, and clean energy, just transition, increased digitalisation of the system and smart grids, energy efficiency, including modernisation of district heating, and energy security.

Under this action, the WBIF will continue to invest directly or through contributions to new or existing multi-donor platforms such as the Regional Energy Efficiency Programme (REEP<sup>14</sup>), and the Green for Growth Fund (GGF<sup>15</sup>), supporting the increased use of renewable energy sources, in line with the region’s potential and climate change adaptation plans.

## **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

The role of small and medium-sized enterprises (SMEs) continues to be particularly important considering that they represent 99% of all enterprises and are accounting for between 50% and 80% of total employment in the Western Balkans. The Western Balkans private sector plays significant role in mobilising investments, creating jobs, contributing to the regional integration, the digital and green transition. The Green Agenda includes a private sector dimension, aimed at boosting private companies active in the green and circular economy and moving all sectors of the economy towards sustainability. Since 2012 the WBIF private sector mobilised ca. EUR 9.8 billion to support the Western Balkans businesses. Since the start of implementation of the EIP in 2020, through blending investments, the EU contributed with EUR 54 million grants to support access to finance to SMEs, which is expected to leverage EUR 395 million. In cooperation with IFIs and bilateral donors, WBIF will further enhance its financial leverage and policy relevance to boost the local capacity for competitiveness and innovation and create and adequate business climate, including through reforms.

WBIF will continue developing a robust private sector that is essential for the socioeconomic development of the region, providing with a combination of grants and loans (blended finance) under several identified areas. Smart Specialisation Strategies will also be considered as reference for key sector investments.

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<sup>13</sup> COM(2021) 118 final, Brussels, 9.3.2021

<sup>14</sup> [REEP \(wbif.eu\)](http://wbif.eu)

<sup>15</sup> [Green for Growth Fund \(ggf.lu\)](http://ggf.lu)

Through these three components the EU is also contributing to consolidation of the Common Regional Market (CRM) 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 CRM 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**

Different crises, e.g. COVID-19 pandemic and the energy crisis, are having 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. Given the fact that public funds are scarce, there is a clear need to concentrate investments, as well as policy and regulatory efforts. By injecting substantial additional funds, this action shall boost progress on the flagships identified in the EIP.

The action is in line with previous WBIF support to the public and private sectors in the Western Balkans. Under IPA III, the WBIF is expected to continue to serve as a forum for exchange on investment needs as well as the framework for blending and guarantee operations, thus achieving significant leverage of the scarce public funds and crowding in private financing.

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 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 financial institutions on priority strategic investments as identified by Western Balkan partners and part of the Economic and Investment Plan for Western Balkans.

### **Component 1: Sustainable Connectivity (Transport, Energy and Digital)**

In a context of sustained extensive investments needs, restricted domestic budgets and limited borrowing capacities, the identification, selection, and prioritisation of strategic infrastructure projects is key to ensure that those projects most relevant for sustainable economic development, growth and central and regional stability are the first ones prepared to the highest standards and subsequently timely implemented.

The central and local authorities (including their public utilities) still often lack the knowledge, expertise and experience to properly prepare major key infrastructure projects ready for implementation and considering more recent requirements in terms of climate-proofing of investments, for instance.

### **Green Agenda implementation**

The Western Balkans faces a common set of environmental challenges. People move to cities and coastal regions resulting in habitat loss and urban sprawl. Air and water pollution, and poor management of wastewater and solid waste are taking a toll on human health and the environment. At the same time, the region has unique biodiversity which need to be restored and conserved. The EIP and the Green Agenda set out significant investments under environment and climate, to upgrade infrastructure, introduce climate-smart technologies, modernise water and waste management, and strengthen resilience to extreme events brought on by climate change. Promotion of a circular economy, conservation of scarce resources, better recycling and re-use of waste products and building on ecosystems sustainability are preconditions for success. **Accelerating a just and socially inclusive clean energy transition and moving away from coal** is a critical pillar of the Green Agenda for Western Balkans. The urgency of a clean energy transition has become more apparent with the onset of the Russian aggression in Ukraine. The shift to renewable sources of energy production coupled with energy efficiency is fundamental to achieve commitments under the Paris Agreement and the commitments of the region's leaders to climate neutrality by 2050, as outlined in the Sofia Declaration on the Green Agenda for the Western Balkans. This path can offer the region a widely available, secure, and affordable source of energy that will keep it competitive on an international scale, while significantly

improving air quality and lowering emissions. Investments through the WBIF will be in line with the priorities in the Beneficiaries' National Energy and Climate Plans. Up to date, over EUR 1 billion of IPA funds have been invested in supporting the green transition of the region. Some of the projects also broadly contribute to just transition, such as clean energy investments, creation of green jobs and the upskilling and reskilling of the labour force, education, and training for young people and unemployed to be ready for new work opportunities in the green and circular economy industries. This amount includes EUR 500 million budget support to the regional economies to cope with immediate impact of the energy crisis. More investments are in the pipeline for 2023 in the WBIF where endorsement of several infrastructure projects in the field of clean energy and environmental protection is expected.

Another main goal of the Green Agenda is to **reduce water pollution** and to address water conservation and flood protection across the region. There is a high share of population in rural areas (30 to 50%) with only basic sanitary facilities and wastewater collection, while urban areas with collection of wastewaters via sewer networks discharge mostly untreated wastewater. To revert this trend, the European Commission is supporting the implementation of wastewater treatment plants through the WBIF. To date, about 15 wastewater treatment plants will be rehabilitated and/or built through WBIF with around EUR 200 million EU contribution. Even though, there have been improvements in waste management through the adoption of circular economy principles, there is still much progress to be made in the Western Balkans. **Moving to a circular economy, addressing waste management, recycling, sustainable production, and efficient use of resources**, will play a significant role in lowering the carbon footprint. However, to date, WBIF has not supported significant circular economy or waste management investments, aside from a recent waste management project in North Macedonia.

In addition to investing in sustainable transport and clean energy, as outlined in the specific priorities, the WBIF will also support investments in the environment sector.

### **Digital connectivity and business digital transition**

Digitalisation represents an opportunity for the economies and societies in the region, with digital solutions contributing to a sustainable, climate-neutral, and resource-efficient economy, and better governance and public services to the citizens. The significant gap of broadband coverage between rural and urban areas, as well as between income levels, is particularly challenging in the Western Balkans region. Few households have access to Internet connection speeds above 10 Mbit/s, and investments are needed across the region to catch-up and reach the EU's 2025 targets, and to increase regional competitiveness. Related investments must ensure that the developments of broadband infrastructure are future-proof and focused on the most pressing needs and challenges. They should target the overall internet penetration rate, rural-urban divide, low broadband speeds, and the digital connectivity of education, healthcare, municipal and government institutions. Worth noticing the importance of digital transition of the private sector. Projects would also support equally the digitalisation of production systems, company organisations, products commercialisation, contribution of micro, small and medium enterprises to the global value chain.

Projects and investments in this area have to take into consideration investments at national level through IPA, private investors, and the outcome of the EU4Digital initiative.

### **Component 2: Green Transition**

WBIF supports already several initiatives linked to the Green Agenda. This includes the (REEP and the GGF. EU Contributions of EUR 162.6 million and EUR 68 million respectively have been used to leverage additional public and private resources to support energy efficiency and renewable energy projects in public buildings, private dwellings, and SMEs.

Still more need to be done in the region to achieve a sustainable and effective green transition of the economy by focusing on: i) decarbonisation of heating and cooling; ii) energy poverty in worst-performing buildings (including residential buildings); and iii) renovation of public buildings such as schools, hospitals, and administrative buildings. Therefore, REEP and GGF will be topped up to continue supporting the regional Green Transition.

### **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

The Western Balkans still need to undertake important efforts to meet the key economic requirements for EU membership: to ensure functioning market economies and demonstrate the capacity to cope with the competitive pressure while aligning with the EU legal framework. Although key factors for growth, there are shortcomings related to the competitiveness of the private sector and its innovation potential. The COVID-19 pandemic, and the energy crisis resulted from Russia's war of aggression against Ukraine have further exacerbated those problems. More than before, there is the need to facilitate the identification, development and promotion of innovative entrepreneurial ideas and provide support to micro, small and medium sized enterprises in urban and rural areas to improve their adjustment capacity. This requires increased investments in micro, small and medium sized enterprises' ability to modernise, innovate, scale-up and grow, while offering at the same time options to enhance their competitiveness by the adoption of green and circular business practices, including resource efficiency and cleaner production, and promote eco-innovation, including addressing specific sectors and the contribution to the global value-chain. Digitalisation of processes and production sites is needed to improve competitiveness. Investments in infrastructure and digital skills would mitigate the brain drain of the region and boost innovation capacity. Especially, focus needs to be paid to sustainable agriculture production, trade within the region and with the EU, integration of the region in European and international value-chains and supporting vulnerable groups (incl. social entrepreneurship). A good combination with tailor-made capacity support would include transfer of knowledge and information to reinforce open, innovative, green, and circular business friendly ecosystems in the region. Building on its partnerships with key stakeholders (e.g. IFIs, regional organisations, business support organisations, microfinance intermediaries) the EU can play crucial role in mobilising investments and expertise for the private sector in the region, including in support of more economically vulnerable actors and facilitating finance diversification.

Therefore, against this background seven key areas of intervention have been identified: i) Green transition, ii) Sustainable agriculture, iii) Digital transition, iv) Trade, v) Financial Inclusion, vi) Financial and financing diversification, vii) Business climate development.

The main stakeholders of this actions are partner economies as beneficiaries, International Financial Institutions as implementing partners and co-financiers, and EU Member States and non-EU countries as donors.

### **2.3. Lessons Learned**

WBIF has proved to be an efficient instrument to crowd-in financial institutions and bilateral donor investments to advance on the implementation of the EIP. It also continues to serve as a forum for exchanging analysis on investment needs as well as a framework for blending and guarantee operations. It is confirmed as the appropriate financial mechanism to continue implementing the EIP policy priorities and EU policy objectives, beneficiary strategies and macro-regional strategies. It also provides technical assistance and financing support to projects to bring them to maturity.

Through the experience built over the years with previous financing provided under the WBIF umbrella a set of lessons learned have been identified under this action. This includes:

- WBIF financing of infrastructure projects in the Western Balkans, namely under the Connectivity Agenda and the new projects supporting the implementation of the EIP under the EU Contribution to the WBIF 2021-2023 which also include technical assistance (preparatory studies), further expanded since 2015 to co-financing of investments (construction).
- The previous WB EDIF and current WBIF Private Sector Development, financing the competitiveness of the local private sector which started in 2011. With more than EUR 200 million of EU contribution provided under WB EDIF, and the outcome of the 1st and 2nd call for WBIF Private Sector Development Blending which combined has helped leveraging more than EUR 1 billion for SME competitiveness in the Western Balkans. Close monitoring of projects implementation in partnership with Beneficiaries and IFIs to mitigate delays, and to identify timely possible obstacles.
- EU contributions into the multi-donor GGF since 2009, and into the multi-donor REEP since 2013.

- Technical assistance grants for project preparation (e.g. IPF and CONNECTA) and support to WBIF activities through IFICO.

Large project infrastructures and support to competitiveness of the private sector need strategic long-term planning and budgeting, thus mitigating risks related to project maturity, implementation delays, and capacity of Beneficiaries for project preparation and 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 multi-annuity 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.

However, under the WBIF Private Sector Blending more efforts should be direct to increasing the awareness at Beneficiary level (both Administration and EU Delegation/EU Office) on regional programmes, usually implemented through Partner Financial Institutions (e.g. Commercial Banks) and not public administrations, as this is of paramount importance to the enhancement of the synergies between regional and bilateral programmes. For this reason, under the previous EU Contribution to WBIF 2021-2023, a few steps were taken including bi-annual coordination meetings between EU Delegation/EU Office and NEAR Headquarter and IFI portfolio review meetings to discuss in detail the implementation of each of the programmes entrusted to IFIs. These meetings have successfully allowed to increase the awareness on regional programmes. Nevertheless, the effort should be further strengthened for the implementation of funds under this Financing Decision to keep the momentum. Such coordination and monitoring efforts allow WBIF operational stakeholders (i.e. EU Commission, including EU Delegations/EU Office, Beneficiaries, and IFIs) to have an overview of the EU support to the region and decide which instrument (e.g. grants at beneficiary level, regional blending, or guarantees) is better suited to contribute to the delivering on our different policy priorities set by the EIP.

The WBIF has also showed flexibility to address unforeseeable needs, such as COVID-19 pandemic and the most recent energy crisis triggered by the Russian invasion of Ukraine, whereas a EUR 500 million grant contribution to the EU 1 billion Energy Support Package for the Western Balkans was provided through WBIF.

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Intervention Logic

The Overall Objective/(Impact) of this action is 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.

The Specific Objectives (Outcomes) of this action are:

#### **Component 1: Sustainable Connectivity (Transport, Energy and Digital)**

- Outcome 1: Contribute to the fulfilment of the objectives established in the EIP Investment Flagships: Flagship 1 “Connecting East to West”, Flagship 2 “Connecting North to South”, Flagship 3 “Connecting the Coastal Region”, Flagship 4 “Renewable Energy”, Flagship 5 “Transition from Coal”, Flagship 7 “Waste and wastewater management”, as spelled out in the WBIF Strategic Orientation for blending operations.
- Outcome 2: Contribute to the fulfilment of the objectives established in the EIP investment Flagship 8 “Digital Infrastructure” as spelled out in the WBIF Strategic Orientation for blending operations.

- Outcome 3: Increased coordination and support in the achievement of the objectives of the EIP investment flagships

### **Component 2: Green Transition**

- Outcome 1: Contribute to the fulfilment of the objectives established in the EIP investment flagship 6 “Renovation Wave” as spelled out in the WBIF Strategic Orientation for blending operations.
- Decarbonization, clean energy and energy efficiency

### **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

- Outcome 1: Contribute to the fulfilment of the objectives established in the EIP investment flagship 9 “Investing in the Competitiveness of the Private Sector” as spelled out in the WBIF Strategic Orientation for blending operations.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

### **Component 1: Sustainable Connectivity (Transport, Energy and Digital)**

1.1 contributing to Outcome 1: Support for the implementation of the relevant elements of the GAWB (as clean energy production and depollution) and contribution to the preparation of smart, sustainable, inclusive, safe, and green transport.

1.2 contributing to Outcome 2: Accelerated shift towards Digital transition and improved regional connectivity through broadband coverage and penetration.

1.3 contributing to Outcome 3: Implementation of the IFICO service contract in direct management to support WBIF design, selection, implementation, reporting, and visibility activities in relation to the 3 components of this Action Document.

### **Component 2: Green Transition**

2.1 contributing to Outcome 1: Reduced financial, technical and institutional barriers to renewable energy and energy efficiency investments. Increased support to energy efficiency supply chains (such as building materials, heating and cooling appliances, lighting equipment, mobility solutions, renewable energy sources, new European Bauhaus, Horizon Europe Smart and Climate-neutral Cities Mission outcomes), acting as ‘market-makers’ in this sector.

2.2 contributing to Outcome 1: An effective energy efficiency and renewable energy policy in the residential and non-residential building sector and in the SMEs sector implemented in the Western Balkans, following the requirements of the EU legislation and new European Bauhaus.

### **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

3.1 contributing to Outcome 1: Increased access to financial services and products to support innovative and sustainable investments by start-ups, MSMEs/ social enterprises and cooperatives (including women and/or youth led entities)

3.2 contributing to Outcome 1: Increased competitiveness of SMEs in the Western Balkans (business skills, standards and business sophistication) to unlock their growth potential and contribution to the economy.

3.3 contributing to Outcome 1: Improved business performance of supported early-stage businesses, MSMEs/social enterprises and cooperatives (including women and youth led entities) and cyber resilience.

The underlying intervention logic for this action is based on 3 components:

### **Component 1: Sustainable Connectivity (Transport, Energy and Digital)**

The **Green Agenda** for the Western Balkans is a new growth strategy for the region. It aims at adapting to the region the initiatives of the European Green Deal in a proportionate manner considering the realities on the ground and the needs of the region. In addition to support for clean energy transition, focus will be put on the environmental pillars of the GAWB, amongst others, on circular economy/waste management and water and wastewater management.

In the field of clean **energy**, more emphasis will be put on **energy security, energy transition**, including work on smart grids, energy efficiency, modernisation of district heating. The increased use of diversified energy sources and the prioritisation of renewable energy sources should facilitate the energy transition to renewable sources (including in some cases the use of gas in a transition phase, as part of clear and well-defined roadmaps towards climate neutrality) and energy efficiency.

In the field of **circular economy**, WBIF will support waste management, recycling, sustainable production, and efficient use of resources for the green and climate-neutral economy.

In the field of depollution, WBIF will support **water and wastewater treatment facilities**. Support will be provided to upgrade basic infrastructure in line with relevant EU standards in the area of water and sanitation (including investments in drinking water treatment and supply, and sewerage systems covering multiple agglomerations with a regional coverage or in the major cities) and pollution prevention measures. Actions that address water pollution and have co-benefits of improving resilience to extreme climate events or contributing to nature conservation and restoration, such as nature-based solutions or green infrastructure, will be prioritised.

In the digital sector, work on the **Digital Agenda for the Western Balkans**, assisted by the Regional Cooperation Council and in line with the CRM will be intensified. Support for investments in **digital infrastructure** will increase aiming at deploying ultra-fast broadband, creating secure, energy-efficient, and trustworthy data centres, edge and cloud infrastructures, as well as linking to EU initiatives on high performance (so-called super) computers, digital incubators, and innovation hubs, as well as supporting cyber resilience measures. Digital technologies solutions can also fight the effects of climate change, including with better utilisation of data and resources, use of AI tools and state of the art sensors, gathering and analysing information for a better understanding of the challenges (including regarding energy efficiencies, sustainable mobility and logistics solutions, smart grids, trust and security in digital environment or for businesses digital solutions for circular business models).

The decision on future investment grant projects should also respect the EU EIA and SEA legislation. The EU Green infrastructure strategy the EU biodiversity strategy and EU best practices and recommendations should also be considered for the investment decisions, and the ‘Do No Significant Harm’ principle. The Guidelines on the Climate Proofing of Infrastructure<sup>16</sup> should also be considered, as appropriate.

## **Component 2: Green Transition**

The WBIF directly or through contributions to new or existing multi-donor platforms such as REEP and GGF will contribute to the implementation of the **Green Agenda for the Western Balkans** focusing its efforts in increasing the energy efficiency of buildings and businesses.

The energy sector in the Western Balkans is characterised by insufficient and aging infrastructure, high reliance on fossil fuels, late adoption of renewables beyond hydropower and residential biomass, limited energy efficiency, high rates of energy intensity, energy poverty, limited market mechanisms and private sector participation.

The building sector accounts for over 40% of total energy consumption in the Western Balkans. Renovating public and private buildings to meet energy performance standards can make a significant contribution to energy savings, displace greenhouse gas emissions and improve living standards.

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<sup>16</sup> Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027

In 2013, jointly with the European Commission, the Energy Community Secretariat, WBIF and bilateral donors, the EBRD established the REEP. The programme blends policy support with loans, technical assistance and incentives to support energy efficiency and renewable energy investments in the public and private sectors in the Western Balkans. Under the Economic and Investment Plan, the WBIF supports projects focusing on energy efficiency and renewable energy sources, low carbon transition, as well as performant electricity transmission lines and smart grids.

Established in 2009 the GGF is a public-private partnership that provides refinancing to partner institutions to enhance their participation in the energy efficiency, renewable energy, and resource efficiency sectors. It is an impact investment fund that mitigates climate change and promotes sustainable economic growth, primarily by investing in measures that reduce energy consumption, resource use and CO2 emissions. The fund, a blended finance structure, is a public-private partnership that leverages risk-capital provided by public institutions with additional private capital to substantially increase investment volumes to regions and sectors that do not normally attract such flows and is an early and successful example of blended finance in action.

With this action WBIF will continue supporting the expansion of the “**EU Renovation Wave**” to the Western Balkans. Component 2 Green Transition will prioritise investments in three areas: i) decarbonisation of heating and cooling; ii) energy poverty in worst-performing buildings; and iii) renovation of public buildings such as schools, hospitals, and administrative buildings.

### **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

**The WBIF Private Sector Development** (which covers the old Western Balkans Enterprise Development and Innovation Facility – WB EDIF – and other platforms and programmes that supported the competitiveness of SMEs) is the main EU-led platform for private sector development in the Western Balkans, where IFIs active in the region, bilateral donors and investment/finance institutions of the Western Balkans are joining forces (including organisations such as the Regional Cooperation Council and the Western Balkans Chamber Investment Forum). Contributions through the WBIF Private Sector Development shall contribute to increase investments into the **competitiveness of the private sector as per Flagship 9 of the Economic and Investment Plan for the Western Balkans**. Investing in the competitiveness of the private sector entails ensuring the availability and reliability of affordable and diversified access to finance for businesses, including start-ups and Micro, Small and Medium-sized Enterprises (MSMEs), which shall support them to grow and expand. A robust private sector is essential for creating jobs and strengthening socio-economic development and regional integration.

The Component 3 Competitiveness, Innovation, Digital transition and Inclusive growth will prioritise investments in seven key areas of intervention:

1. Green transition, to support investments in the private sector focusing on the Green Agenda for Western Balkans priorities.
2. Sustainable agriculture, to support investments in the private sector focusing on sustainable farming, food production and climate change resilience dimension of Green Agenda for the Western Balkans.
3. Digital transition, to support investments that strengthen the digitalisation of the business sector in the region (including start-ups and scale-ups MSMEs), as well as the integration of research and development results, innovation, technology transfer, and enabling digital eco-systems.
4. Trade, to support the raise of company quality standards, the availability of export-oriented investments and facilitate the integration of innovative industrial value chains between the Western Balkans and the EU for the region private sector to benefit from market integration and trade within the region and with the EU.
5. Financial Inclusion, to support the labour, social and financial inclusion of those furthest away from the labour market including Roma population.
6. Financial and financing diversification, to support the development of innovative financial instruments (including bonds and equity) and unlock alternative sources of funding (including pension funds; insurance funds) across all priorities identified above.

7. Business climate development, to support the development or the advancement of an adequate business climate in the regions.

The support will be provided in a way to ensure complementarity with ongoing and planned assistance at central level. A part of the support under Competitiveness, Innovation, Digital transition and Inclusive growth will also be dedicated to the Technical Assistance component of the Western Balkans Guarantee Facility (EFSD+ guarantee) and the legal support to the contractualisation of the Guarantees. This will help ensure more ambitious goals of the financial instruments in terms of targeted groups, innovativeness of the services provided and achieving higher policy objectives. In particular, the Technical Assistance component, blended with the guarantee (and not as a stand-alone TA), will be instrumental to roll out the guarantees and could be used at different levels as follows: i) assist guarantee beneficiaries (e.g. local financial intermediaries) design and/or adapt their products to ensure a more tailored-made service; ii) help guarantee final beneficiaries (e.g. SMEs, entrepreneurs) strengthen viable projects through the provision (usually by the IFIs) of business development services that will make them creditworthy; iii) fast-track reforms or support institutional capacity necessary to unlock private investment and thus maximise the leverage and impact of the guarantee iv) provide experts specific knowledge.

### 3.2. Indicative Activities

#### Component 1: Sustainable Connectivity (Transport, Energy and Digital)

Activities related to Outcome 1 and 2

- The EU contribution provided under this component will finance both project preparation (feasibility studies, designs, environmental and social impact assessments, climate proofing, etc) and investment grants as blending component. In addition to project preparation, technical assistance might be provided to support capacity building, the preparation of studies and the implementation of the projects. The main activity will consist in the **construction of infrastructure supported by investment grants through projects in clean energy, environment, digital and social infrastructure sectors** via grant-loan arrangements between the European Commission and the IFIs involved in the WBIF and in line with the list of flagship projects included in the EIP. These will be accompanying and linked to the implementation of EIP, the Green Agenda, the connectivity reform measures, and other policy objectives related to the green and digital transformation of the region. The investment support will be channelled through the European Western Balkans Joint Fund. Eligible investment and technical assistance projects will have to show their alignment to the WBIF Strategic Orientations<sup>17</sup> for Blending Operations and the Guidelines for Investment<sup>18</sup>. Projects should be screened for their environment and climate risk and a decision made on the need for environmental and social impact assessments, including where relevant 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 and respecting the minimum EU requirements.

Activities related to Outcome 3

- Setting up of an IFI Cooperation Office (IFICO) to support the WBIF Secretariat in the implementation of the Economic and Investment Plan by providing support for the design, selection, implementation, reporting, and visibility. The IFICO will ensure support to the WBIF Secretariat and the WBIF governing structures as shaped by the IPA III Regulation for all blending and guarantee operations. IFICO will ensure efficient coordination and communication among all WBIF stakeholders and contribute to increase the visibility of the WBIF umbrella by better promoting supported projects in the public and private sectors, both in the Western Balkans and in the EU Member States. As regards EU support, the WBIF support to both public and private sectors have to be ensured. It will entail development and implementation of coherent and structured application, monitoring, reporting,

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<sup>17</sup> [Annex 1 WBIF Strategic Orientation.pdf](#)

<sup>18</sup> [WBIF Guidelines for Applicants December 2022.pdf](#)

analysis and communication tools. Tracking and outreach of key achievements across EU funded programmes in the private and public sector will be achieved via a single EU communication and visibility platform, inspired by the EU experience in the neighbourhood. IFICO will mobilise services to provide technical, administrative, analytical, monitoring, reporting, visibility and communication support to WBIF structures, including the Operational and Strategic Boards and their related preparatory meetings.

## **Component 2: Green Transition**

Activities related to Output 1 and 2 of Outcome 2

- The EU will provide, through WBIF, investments or contributions to new or existing multi-donor platforms such as REEP, TA grants and blended grants the support to the implementation of energy connectivity measures, renewable energy resources, refurbishing of public buildings, energy efficiency in residential sectors and in the private sector, policy support and policy reforms. The EU will also provide through multi-donor platforms such as GGF additional financing in the form of C-share (1st loss piece) equity contributions into the fund for investments in energy efficiency and renewable energy to SMEs, households, and municipal entities via local financial institutions on a revolving basis.

## **Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth**

Activities related to Output 1, 2 and 3 of Outcome 3

- The EU will support the competitiveness of SMEs in the form of technical assistance, studies, financial instruments/risk sharing mechanisms, investment grants, and attract private funds including through impact investment (social, governance, environment), in partnership with International Financial Institutions (IFIs), other international organisations, and bilateral donors, in the above identified seven key areas of intervention.

### **3.3 Mainstreaming**

Implementing partner financial institutions and eligible local 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.

### **Environmental Protection, Climate Change and Biodiversity**

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 will be strengthened. Technical assistance as well as capacity building programmes will 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, biodiversity loss 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, and the Montreal-Kunming Global Biodiversity Framework.

Energy efficiency and renewable energy projects specifically target environmental and climate change and specific indicators such as amount of greenhouse gas emission reduced/avoided, and MWh of yearly energy savings will be monitored. Investment proposals should be aligned with the GAWB and EU environmental *acquis* to benefit from the EU instrument.

With regards to micro, small and medium enterprises support, including agri-businesses, special consideration will be given to upgrading of farm and primary products processing practices including short supply chain, resource-efficiency, energy-efficiency processes limiting the effects of climate change and adapting farming to climate change effects, low-emissions/low-carbon initiatives, and sustainable and climate-smart agricultural practices (e.g. addressing deforestation, biodiversity loss, soil erosion, air pollution, water contamination).

### **Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G0.

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. For that reason, support to women-led SME initiatives as a specific target group will be pursued as an activity under the Competitiveness, Innovation, Digital transition and Inclusive growth.

Implementing partners must 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.

### **Human Rights and Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0.

The action will ensure that equal opportunities are given to women, men, people with disabilities, minority groups and Roma 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. Allowing access to digital infrastructure and digitalisations skills to the most de-favourable group will increase their opportunities of integration and economic integration and competitiveness in the WB society. 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.

### **Disaster Risk Reduction**

Actions addressing water depollution may also contribute to disaster risk reduction. For example, rainwater and wastewater collection networks should be designed to account for extreme events and prevent large-scale flooding in urban areas. Nature-based solutions will be prioritised.

European Union Disaster Resilience Goals<sup>19</sup> should be considered and applied as appropriate. Guidelines on the Climate Proofing of Infrastructure<sup>20</sup> should also be considered in design and construction of infrastructure.

### Other considerations if relevant

The main condition that must 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 policymakers 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.

### 3.4. Risks and Assumptions

| Category             | Risks                                                                                                                                                                                                                                                                      | Likelihood<br>(High/<br>Medium/<br>Low) | Impact<br>(High/<br>Medium/<br>Low) | Mitigating measures                                                                                                                                                                                                                                                                             |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Economic risk</b> | macroeconomic instability as well as the impact of increasing interest rates and reliance of increased sovereign lending on banks, as well as a deterioration of balance sheets following the COVID-19 pandemic and current energy crisis which has increased inflation in | M                                       | M                                   | Participating Financial Institutions (PFIs) will be carefully selected using IFI's standard selection criteria for integrity and business conduct, financial stability, capacity and appetite for investment / lending. In addition, the financial capacity, maturity and relevance of projects |

<sup>19</sup> EUR-Lex - 32023H0215(01) - EN - EUR-Lex (europa.eu); EUR-Lex - 52023DC0061 - EN - EUR-Lex (europa.eu)

<sup>20</sup> Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |   |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       | the beneficiaries, could negatively affect both the banking sector and the public sector fiscal capacity to support new projects, hence depressing the capacity to provide needed lending activity. Reduced willingness of the companies and investors to pursue risky investment projects, and deterioration of balance sheets. If the economic situation would further deteriorate once the public and private funds have been invested, the performance of the underlying investments may deteriorate and eventually collapse. Further deterioration of the economic situation (e.g. continued, increased inflation) can also potentially reduce private sector investments hence having an adverse effect on the action in terms of final beneficiaries reached and leverage achieved. |   |   | supported by the public sector will be carefully taken into account and monitoring of the projects will be done to ensure early detection of potential issues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Financial risk</b> | Financial risk is the possibility of losing money on an investment or business venture. Some more common and distinct financial risks include credit risk, liquidity risk, and operational risk. Financial risk is a type of danger that can result in the loss of capital to interested parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | M | L | These factors will be monitored carefully throughout implementation to raise and address pertinent issues and developments. Shareholders will actively supervise the performance of the investments.                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Product risk</b>   | Some of the new instruments under the action will be new to both the market the PFIs and public institutions (e.g. municipalities, utility companies), which may lead to delay in the roll-out, a small number of infrastructure project at municipal level, fewer deals with PFIs and low lending volumes, at the early stage especially                                                                                                                                                                                                                                                                                                                                                                                                                                                  | L | L | This will be effectively managed by a combination of actions. First, the implementing partner expertise in portfolio construction together with the alignment of interests with the Commission through “skin in the game” will ensure a proper management of the financial risk; second, an acceptable risk target for the instrument will be estimated and contractually established with the implementing partner; finally, technical assistance will provide support to intermediaries, municipalities and other public institutions in the ground and final beneficiaries to ensure proper risk assessment and management. |
| <b>Implementation</b> | Change in management/ownership, and/or lack of                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | M | M | A comprehensive TA support and an efficient consultant deployment will                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |   |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | management response in benefiting public entities or SMEs. Lack of engagement and ownership (participation, commitment, and consensus must be secured)                                                                                                                                                                                                                                                                                                                                                                                                                         |   |   | further minimise the risk of slow roll-out and improper implementation. Monitoring will also be a key activity to ensure good implementation and detect and address potential hiccups in advance.                                                                                                                                                                                                                                                 |
| <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                                                                                                                                                                                                                                                                                                                                                                                                                                                  | L | L | Rigorous selection of beneficiaries and oversight of consultant selection. Technical Assistance for project preparation and careful considerations on financial capacity, maturity and relevance of projects will be key to mitigate this possibility. Working with different implementing partners will also reduce the implementation risk should one of the partner financial institutions fail to properly implement their activities.        |
| <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                                                                                                                                                                                                                                                                                                                                                                            | L | L | Public blending proposals must fully comply with the EIA methodology. For Private Sector support, grants are not paid until the consultants' final reports have been fully accepted.                                                                                                                                                                                                                                                              |
| <b>Political risks</b>                     | The following issues can affect implementation of infrastructure projects: (i) change of government having an impact on the project, (ii) politically related issues not necessarily linked to the project but affecting it and/or (iii) lack of sufficiently strong political support for the project.                                                                                                                                                                                                                                                                        | M | M | Regular dialogue, including at high level, regular governance meetings (e.g. participation of Beneficiaries at high level WBIF meetings)                                                                                                                                                                                                                                                                                                          |
| <b>Implementation risks</b>                | Slow implementation of public sector blending projects for a variety of reasons, on which funding and financing counterparts have often limited influence (e.g. delays caused by disagreement or lengthy discussion when agreeing the precise scope of work for consultants in the case of TAs, or the lack of project maturity and procurement issues in the case of IGs). In addition, DG NEAR has also implemented a detailed monitoring/warning system in MIS, highlighting those grants that suffer from heavier delays and require more detailed follow up and attention | M | M | The main factor to take into consideration at grant approval is the stage and quality of project preparation, taking also into account that well prepared and highly economically viable projects are those less likely to suffer from delays. In addition, DG NEAR has also implemented a detailed monitoring/warning system in MIS, highlighting those grants that suffer from heavier delays and require more detailed follow up and attention |

## **External Assumptions**

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.
- stability of macroeconomic indicators and repercussions on the real economy, i.e prices of raw materials

### 3.5. Indicative Logical Framework Matrix

| Results                                                                      | Results chain:                                                                                                                                                                                                                                                                                                                                                                                                                       | Indicators                                                                                                                                                                                                                                                                   | Baselines<br>(Values<br>and years) | Targets<br>(Values<br>and years) | Sources of data                                                                                                                                                                                    | 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<br>Value of trade in goods and services (EUR million)<br>N. of SMEs supported through WBIF<br>Human development index                                                                                                                                        | Tbd at PINTV level                 | Tbd at PINTV level               | European Commission Reports,<br>National Statistic Institutes,<br>Central Banks reports,<br>Government budget reports<br>Public Finance statistics<br>Eurostat.                                    | <i>Not applicable</i>                                                                                                                                                                  |
| <b>Component 1: Sustainable Connectivity (Transport, Energy and Digital)</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                              |                                    |                                  |                                                                                                                                                                                                    |                                                                                                                                                                                        |
| <b>Outcome 1</b>                                                             | Contribute to the fulfilment of the objectives of the objectives established in the EIP Investment Flagships:<br>Flagship 1 “Connecting East to West”, Flagship 2 “Connecting North to South”, Flagship 3 “Connecting the Coastal Region”, Flagship 4 “Renewable Energy”, Flagship 5 “Transition from Coal”, Flagship 7 “Waste and wastewater management”, as spelled out in the WBIF Strategic Orientation for blending operations. | <ul style="list-style-type: none"> <li>- Number of studies supported (technical, economic, environmental including biodiversity);</li> <li>- Creation of Infrastructures supported;</li> <li>- Improved protection and sustainable management of water resources.</li> </ul> | Tbd at PINTV level                 | Tbd at PINTV level               | Transport Community Permanent Secretariat reports. RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report. | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Output 1 related to Outcome 1</b>                                         | Smart, sustainable, inclusive, safe, and green transport promoted and removed bottlenecks in key transport                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>- Number of transport/logistic infrastructures with a prior environmental, social impact</li> </ul>                                                                                                                                   | Tbd at PINTV level                 | Tbd at PINTV level               | Transport Community Permanent                                                                                                                                                                      | Political commitment from beneficiaries, sufficient administrative capacity in the                                                                                                     |

|                                      |                                                                                                                                                                                                                    |                                                                                                                                                                   |                                             |                                     |                                                                                                                                                                      |                                                                                                                                                                                        |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      | infrastructures and supported the implementation of the relevant elements of the GAWB (as depollution).                                                                                                            | analysis; including gender and climate analysis<br>- Improved water and sanitation facilities in line with climate proofing                                       |                                             |                                     | Secretariat reports. RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report. | beneficiaries, continued government commitment towards the EU perspective, financial sustainability                                                                                    |
| <b>Outcome 2</b>                     | Contribute to the fulfilment of the objectives established in the EIP investment Flagship 8 “Digital Infrastructure” as spelled out in the WBIF Strategic Orientation for blending operations.                     | - Advance on the overall connectivity performance of the region                                                                                                   | Regional Connectivity index (DESI 2022) 7.8 | Advancing on broadband connectivity | Digital Economy and Society Index (DESI) for Western Balkans and the EU                                                                                              | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Output 1 related to Outcome 2</b> | Accelerated shift towards Digital transition and improved regional connectivity through broadband coverage and penetration.                                                                                        | - ICT Development Index<br>- Number of people using digital financial services through investment support, disaggregated by sex, age, rural/urban where relevant. | Tbd at PINTV level                          | Tbd at PINTV level                  | RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report.                      | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Outcome 3</b>                     | Increased coordination and support in the achievement of the objectives of the EIP investment flagships                                                                                                            | - Internal coordination for the delivery on the EIP investment Flagships improved                                                                                 | Tbd at PINTV level                          | Tbd at PINTV level                  | IFICO Progress Reports                                                                                                                                               | Commitment from the contractor, sufficient administrative capacity in the beneficiary, continued commitment towards the EU perspective, financial sustainability                       |
| <b>Output 1 related to Outcome 3</b> | Implementation of the IFICO service contract in direct management to support WBIF design, selection, implementation, reporting, and visibility activities in relation to the 3 components of this action document. | - Internal coordination on the 3 components for the delivery on the EIP investment Flagships improved.                                                            | Tbd at PINTV level                          | Tbd at PINTV level                  | IFICO Progress Reports                                                                                                                                               | Commitment from the contractor, sufficient administrative capacity in the beneficiary, continued commitment towards the EU perspective, financial sustainability                       |
| <b>Component 2: Green Transition</b> |                                                                                                                                                                                                                    |                                                                                                                                                                   |                                             |                                     |                                                                                                                                                                      |                                                                                                                                                                                        |

|                                      |                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                    |                    |                                                                                                                                                                                |                                                                                                                                                                                        |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Outcome 1</b>                     | Contribute to the fulfilment of the objectives established in the EIP investment Flagship 6 “Renovation Wave” as spelled out in the WBIF Strategic Orientation for blending operations, decarbonisation, clean energy, energy efficiency                                                            | <ul style="list-style-type: none"> <li>- Amount of renewable energy generated, or energy saved through investments</li> <li>- Amount of CO2e tons saved</li> </ul>                                                                                                                                                                                                                                                                                                      | Tbd at PINTV level | Tbd at PINTV level | RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report.                                | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Output 1 related to Outcome 1</b> | <p>Reduced financial, technical and institutional barriers to renewable energy and energy efficiency investments.</p> <p>Increased support to energy efficiency supply chains (such as building materials, heating and cooling appliances, lighting), acting as ‘market-makers’ in this sector.</p> | <ul style="list-style-type: none"> <li>- Number of loans served among relevant target groups, disaggregated, whenever possible and relevant, by target group, by sex and age of the borrower/investee, by type of intermediary, by type of product, by served area/sector/region.</li> <li>- Financial instruments offer matching demand, market maturity. Including if relevant, local currencies, equity, sub-debt and green bonds.</li> </ul>                        | Tbd at PINTV level | Tbd at PINTV level | RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report.                                | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Output 2 related to Outcome 1</b> | An effective energy efficiency and renewable energy policy in the residential and non-residential building sector and in the SMEs sector, implemented in the Western Balkans, following the requirements of the EU legislation.                                                                     | <p>REEP key performance indicators:</p> <ol style="list-style-type: none"> <li>1. Refurbishment rate (sq.m<sup>2</sup> of retrofitting buildings)</li> <li>2. CO<sub>2</sub> emissions savings (CO<sub>2</sub>/yr)</li> <li>3. Energy savings (MWh/yr)</li> </ol> <p>GGF key performance indicators:</p> <ol style="list-style-type: none"> <li>1. Expected CO<sub>2</sub> emissions savings (CO<sub>2</sub>/yr)</li> <li>2. Primary energy savings (GWh/yr)</li> </ol> | Tbd at PINTV level | Tbd at PINTV level | RCC studies, World Bank regular economic outlook of the region, EIB and EBRD specific reports of the region, EIP regular implementation report. REEP and GGF Progress Reports. | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Component 3:</b>                  |                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                    |                    |                                                                                                                                                                                |                                                                                                                                                                                        |

|                                                                             |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                    |                    |                                                                                                                          |                                                                                                                                                                                        |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Competitiveness, Innovation, Digital transition and Inclusive growth</b> |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                    |                    |                                                                                                                          |                                                                                                                                                                                        |
| <b>Outcome 1</b>                                                            | Contribute to the fulfilment of the objectives established in the EIP investment Flagship 9 “Investing in the Competitiveness of the Private Sector” as spelled out in the WBIF Strategic Orientation for blending operations. | <ul style="list-style-type: none"> <li>- Number of beneficiaries, disaggregated by gender and age (15-30 years).</li> <li>- Amount invested in support of SMEs within the Western Balkans (EUR million) disaggregated by green investments.</li> <li>- Number of enterprises supported, when possible, include the typology of enterprises</li> <li>- Number of jobs created</li> <li>- Percentage of Micro Small and Medium-sized Enterprises (MSMEs) who introduced at least one innovation product or process to their market.</li> </ul> | Tbd at PINTV level | Tbd at PINTV level | <p>Reports from WBIF private sector development (MIS based).</p> <p>Other dedicated reports, including from DG GROW.</p> | Political commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |
| <b>Output 1 related to Outcome 1</b>                                        | Increased access to financial services and products to support innovative and sustainable investments by start-ups, MSMEs/ social enterprises and cooperatives (including women and/or youth led entities)                     | <ul style="list-style-type: none"> <li>- Volume of new loans/investments extended to relevant target group, disaggregated by target group, by sex, age, by type of intermediary, by type of product, by served area/ sector where relevant/WB economies</li> </ul>                                                                                                                                                                                                                                                                           | Tbd at PINTV level | Tbd at PINTV level | <p>Reports from WBIF private sector development (MIS based).</p> <p>Other dedicated reports, including from DG GROW.</p> | Commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability           |
| <b>Output 2 related to Outcome 1</b>                                        | Increased competitiveness of SMEs in the Western Balkans (business skills, standards and business sophistication) to unlock their growth potential and contribution to the economy.                                            | <ul style="list-style-type: none"> <li>- Number of supported MSMEs that report: an improvement in their market linkages/ market share/ increase in their international trade flows/ that report entry in a new market;</li> </ul>                                                                                                                                                                                                                                                                                                            | Tbd at PINTV level | Tbd at PINTV level | <p>Reports from WBIF private sector development (MIS based).</p> <p>Other dedicated reports, including from DG GROW.</p> | Commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability           |

|                                      |                                                                                                                                                       |                                                                                                                                                                                                                                                               |                    |                    |                                                                                                                          |                                                                                                                                                                              |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      |                                                                                                                                                       | disaggregated, whenever possible and relevant, by sex and age (15-30 years) of leader, area/sector/region                                                                                                                                                     |                    |                    |                                                                                                                          |                                                                                                                                                                              |
| <b>Output 3 related to Outcome 1</b> | Improved business performance of supported early-stage businesses, MSMEs/social enterprises and cooperatives (including women and youth led entities) | - Number of supported businesses, disaggregated by sectors, including social enterprises and cooperatives. Reporting on if possible increased turnover (as a result of direct support of the investment), disaggregated by sex, age of leader where relevant. | Tbd at PINTV level | Tbd at PINTV level | <p>Reports from WBIF private sector development (MIS based).</p> <p>Other dedicated reports, including from DG GROW.</p> | Commitment from beneficiaries, sufficient administrative capacity in the beneficiaries, continued government commitment towards the EU perspective, financial sustainability |

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1 Financing Agreement**

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

### **4.2 Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 624 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### **4.3 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>21</sup>.

#### **4.3.1 Direct Management (Grants)**

##### **4.3.1.1. Grants**

##### **(a) Purpose of the grant(s)**

The grant will contribute to achieving the output 1 of Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth.

The purpose of this grant is to support intervention on ecosystem development especially on areas as social economy and social entrepreneurship in the Western Balkans.

##### **b) Type of applicants targeted**

The call for proposals will target potential applicants with experience on social economy and entrepreneurship, notably legal entities; natural persons or groupings, international organisations, NGOs, economic operators such as enterprises and business support structures.

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<sup>21</sup> [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

### 4.3.2 Direct Management (Procurement)

Procurement will contribute to achieve Objective 1 - Sustainable Connectivity (Transport, Energy and Digital) (CONNECTA and IFICO) and Objective 3 - Competitiveness, Innovation, Digital transition and Inclusive growth (mainly with regards to the legal support for contracting the EFSD+ Guarantees).

### 4.3.3 Indirect Management with a pillar-assessed entity

1. European Western Balkans Joint Fund (EWBJF), including Regional Energy Efficiency Programme (REEP)

A part of this action may be implemented in indirect management with the EWBJF Managers (the EIB and the EBRD) through a Contribution Arrangement (signed between the Commission, the EBRD and the EIB, as Joint Fund Managers). This implementation entails supporting the implementation of private and public sector projects and will contribute to achieving the objectives of Component 1 - Sustainable Connectivity (Transport, Energy and Digital), and Component 2 - Green Transition. 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. Contributions to support the Regional Energy Efficiency Programme (REEP) will be channelled through the EWBJF too.

The envisaged entities have been selected using the following criteria: 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.

The entrusted entities will implement the action in close coordination with the lead IFIs of the projects:

- Agence Française de Développement (AFD);
- Council of Europe Development Bank (CEB);
- European Investment Bank (EIB)<sup>22</sup>;
- European Bank for Reconstruction and Development (EBRD);
- Kreditanstalt für Wiederaufbau (KfW) and;
- World Bank Group (WBG), including the World Bank (WB) and 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.

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<sup>22</sup> EIF is an entrusted entity within WBIF but not with the EWBJF. Since EIF is pillar assessed only for financial instruments.

## 2. Infrastructure Project Facility

Part of this action may be implemented in indirect management with the European Investment Bank (EIB).

This implementation entails, among others, procure and manage the Infrastructure Project Facilities (IPFs) for the successful preparation and implementation of major infrastructure investment projects in the Western Balkans, namely the flagship projects mentioned in the annex to the EIP. By contributing to prepare all project support documentation necessary for the successful implementation, it will make the infrastructure investment projects eligible for loans from International Financial Institutions and/or EU grant financing through the Western Balkans Investment Framework. This implementation modality will contribute to achieving Objective 1 Sustainable Connectivity (Transport, Energy and Digital).

The envisaged entity has been selected based on its longstanding experience in procuring and managing technical assistance contracts related to major infrastructure investment projects. Moreover, the EIB has proven track record and expertise as one of the founding members of the WBIF.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced the decision to replace it needs to be justified.

## 3. WBIF Private Sector Development (which covers the old Western Balkans Enterprise Development and Innovation Facility – WB EDIF – and other platforms and programmes that supported the competitiveness of SMEs)

A part of this action may be implemented in indirect management with these entities:

- Agence Française de Développement (AFD),
- Cassa Depositi e Prestiti (CDP)
- 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).

This implementation entails supporting the implementation of private sector projects and will contribute to achieving the objectives of Component 3 - Competitiveness, Innovation, Digital transition and Inclusive growth, contributing to increase the investments into the competitiveness of the private sector as per Flagship 9 of the Economic and Investment Plan for the Western Balkans. 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.

The envisaged entities have been selected using the following criteria: being already a WBIF financial partner, comparative advantages, expertise, capacity and experience with managing project preparation facilities in the past. Implementing entities would need to align operations to the EIP for Western Balkans policy objectives and to the investment flagship 9 on competitiveness of the private sector. Priority will be given to entities that demonstrate experience in support the business sector investments in five areas: i) green, energy and environment; ii) financial inclusion (including microfinance and social entrepreneurship); iii) digital and innovation; iv) trade and value chain; v) financial diversification.

If negotiations with the above-mentioned entities fail, that part of this action may be implemented in indirect management with the EWBIF Managers (the EIB and the EBRD) through a Contribution Arrangement (signed between the Commission, the EBRD and the EIB, as Joint Fund Managers). The implementation by these alternative entities would be justified because of the following criteria: 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 projects and demonstrated the capacity to be entrusted with the implementation of the action. In addition, the entrusted entities under the EWBIF have:

- demonstrated long-lasting experience and length cooperation within WBIF in: supporting the private sector through financial instruments (including equity, loans, microcredits, other risk capital), through, although not exclusively, ex-WB EDIF; attracting private funds, including through impact investment (social, governance, environment); partnering with other international financial institutions and bilateral donors; supporting the business sector in Western Balkans, including in fragile markets, or
- demonstrated long-lasting experience and length cooperation within WBIF in building capacity of the financial and business markets; identify priorities for an adequate business climate; envisage structural reforms; identifying, analysing particularly fragile and risky business segments, including piloting actions.

#### 4. Green for Growth Fund (GGF)

A part of this action may be implemented in indirect management with KfW as EU trustee. This implementation entails, among others, representation of the EU interests in the Green for Growth Fund and the monitoring of a set of output indicators that will be agreed with the KfW. It will contribute to the objectives of increasing energy-efficiency investments for SMEs and households, as well as renewable energy projects through financial intermediaries in the Western Balkans, hence supporting the implementation of the Green Agenda for the Western Balkans. This implementation modality will contribute to achieving Objective 2 - Green Transition.

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

In case the envisaged entity needs to be replaced, the Commission's services may select a replacement entity using the same selection criteria given above. If the entity is replaced the decision to replace it needs to be justified.

#### 5. *Guarantee- financial instrument*

A part of this action may be implemented in indirect management with CDP. This implementation entails, a cash collateral guarantee component to be implemented by Cassa Depositi e Prestiti (CDP). It will contribute to the objectives of supporting social entrepreneurship and social enterprises, a limited and niche market in the Western Balkans. This implementation modality will contribute to achieving the objectives of Component 3: Competitiveness, Innovation, Digital transition and Inclusive growth.

The envisaged entity has been selected using the following criteria: being already a WBIF financial partner, comparative advantages, expertise, capacity and experience with managing similar projects in the past.

In case the envisaged entity needs to be replaced, the Commission's services may select a replacement entity using the same selection criteria given above. If the entity is replaced the decision to replace it needs to be justified.

#### **4.4 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, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility based on 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 (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5 Indicative Budget

| <b>Indicative Budget components</b>                                                       | <b>EU<br/>Contribution<br/>2024 - 2027<br/>(EUR)</b> | <b>EU<br/>Contribution<br/>2024 (EUR)</b> | <b>EU<br/>Contribution<br/>2025 (EUR)</b> | <b>EU<br/>Contribution<br/>2026 (EUR)</b> | <b>EU<br/>Contribution<br/>2027 (EUR)</b> |
|-------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Component 1 - Sustainable Connectivity (Transport, Energy and Digital)</b>             | <b>706 000 000</b>                                   | <b>165 000 000</b>                        | <b>190 000 000</b>                        | <b>180 000 000</b>                        | <b>171 000 000</b>                        |
| <i>WBIF Infrastructure Investment (Indirect Management)</i>                               | 576 000 000                                          | 135 000 000                               | 150 000 000                               | 150 000 000                               | 141 000 000                               |
| <i>IPF (Indirect Management)</i>                                                          | 120 000 000                                          | 30 000 000                                | 30 000 000                                | 30 000 000                                | 30 000 000                                |
| <i>WBIF Infrastructure TA (Indirect Management)</i>                                       | 10 000 000                                           | -                                         | 10 000 000                                | -                                         | -                                         |
| <b>Component 2 - Green Transition</b>                                                     | <b>100 000 000</b>                                   | <b>50 000 000</b>                         | <b>50 000 000</b>                         | -                                         | -                                         |
| <i>REEP (Indirect Management)</i>                                                         | 90 000 000                                           | 40 000 000                                | 50 000 000                                | -                                         | -                                         |
| <i>GGF (Indirect Management)</i>                                                          | 10 000 000                                           | 10 000 000                                | -                                         | -                                         | -                                         |
| <b>Component 3 - Competitiveness, Innovation, Digital transition and Inclusive growth</b> | <b>163 678 878</b>                                   | <b>39 678 878</b>                         | <b>35 000 000</b>                         | <b>54 000 000</b>                         | <b>35 000 000</b>                         |
| <i>WBIF Private Sector Development (Indirect Management)</i>                              | 153 278 878                                          | 29 278 878                                | 35 000 000                                | 54 000 000                                | 35 000 000                                |
| <i>Unfunded Guarantee (Indirect Management)</i>                                           | 10 400 000                                           | 10 400 000                                |                                           |                                           |                                           |
| <b>Grants – total envelope</b>                                                            | <b>5 000 000</b>                                     | <b>5 000 000</b>                          | -                                         | -                                         | -                                         |
| <i>WBIF Private Sector Development - Grant</i>                                            | 5 000 000                                            | 5 000 000                                 | -                                         | -                                         | -                                         |

|                                                                                            |                      |                                           |                    |                    |                    |
|--------------------------------------------------------------------------------------------|----------------------|-------------------------------------------|--------------------|--------------------|--------------------|
| <b>Procurement – total envelope</b>                                                        | <b>29 900 000</b>    | <b>900 000</b>                            | <b>15 000 000</b>  | <b>14 000 000</b>  | <b>-</b>           |
| <i>CONNECTA (procurement direct management)</i>                                            | 13 000 000           | -                                         | -                  | 13 000 000         | -                  |
| <i>WBIF Private Sector Development (procurement direct management)</i>                     | 1 900 000            | 900 000                                   | -                  | 1 000 000          | -                  |
| <i>IFICO* (procurement direct management)</i>                                              | 15 000 000           | -                                         | 15 000 000         | -                  | -                  |
| <b>Evaluation</b> – cf. section 5.2<br><b>Audit</b> – cf. section 5.3                      |                      | will be covered<br>by another<br>Decision | N.A.               |                    |                    |
| <b>Strategic Communication and Public Diplomacy</b> – cf. section 6                        |                      | will be covered<br>by another<br>Decision | N.A.               |                    |                    |
| <b>Totals EU contribution to the Western Balkans Investment Framework (WBIF) 2024-2027</b> | <b>1 004 578 878</b> | <b>260 578 878</b>                        | <b>290 000 000</b> | <b>248 000 000</b> | <b>206 000 000</b> |

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\* IFICO will provide coordination and support also under Component 2 and 3 of this action document.

## 4.6 Organisational Set-up and Responsibilities

### *WBIF governance*

The WBIF governance is regulated by the IPA III Regulation<sup>23</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>24</sup>. The European Parliament is participating at the Strategic Board as an Observer.
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 EWBJF complete the set of rules which regulate the governance of WBIF.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

## 5. PERFORMANCE MEASUREMENT

### 5.1. Monitoring and Reporting

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.

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<sup>23</sup> EUR-Lex - 52018PC0465 - EN - EUR-Lex (europa.eu)

<sup>24</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

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 (EU DEL) 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);
- 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 DEL.

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.

### ***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 EWBIF report on the management of the fund twice per year to the Commission, the Project Financier Group (PFG) 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 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 (MIS) 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 EWBIF, and
- the annual report of WBIF activities

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

## 5.2. Evaluation

Having regard to the importance of the action, an 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), considering 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.

## 5.3. Audit and Verifications

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 audit or verification assignments for one or several contracts or agreements.

## 6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [\*Communicating and raising EU visibility: Guidance for external actions\*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the Beneficiaries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

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.

WBIF members include EU Member States and EU Member States are donors of WBIF. In this sense WBIF can be assimilated to a Team Europe Initiatives, although the visual identity followed is the WBIF one.

## 7. 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: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS

A Primary intervention (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- ✓ Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- ✓ Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
- ✓ Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

The present Action identifies as

|                                                                                                                                                                                                                         |                   |                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------|
| <b>Contract level</b> (i.e. Grants, Contribution Agreements, any case in which foreseen individual legal commitments identified in the budget will have different log frames, even if part of the same Action Document) |                   |                                                |
| <input checked="" type="checkbox"/>                                                                                                                                                                                     | Single Contract 1 | Several contracts per component and per entity |