



WBIF

Annual Progress Report

2021

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Introduction

The Western Balkans Investment Framework (WBIF) is a joint initiative of the EU, financial organisations, bilateral donors and beneficiaries, aimed at enhancing harmonisation and cooperation in investments for the socio-economic development of the region and contributing to the European perspective of the Western Balkans. Created in 2009, WBIF has evolved over the years, and since 2020 it entails investments in the region in support of the public sector and private sector development through blending and guarantee instruments.

The Economic and Investment Plan for the Western Balkans¹, adopted at the end of 2020, identifies WBIF as the main financial vehicle for the implementation of flagship investments to spur the socio-economic recovery of the region and its convergence towards the EU.

During 2021, the WBIF governance changed. The Rules of Procedures² have been amended to make this financial vehicle suitable for the purpose of contributing - in partnership with EU Member States, bilateral donors and financial institutions - to the recovery of the economies of the region and focusing investments in the areas of sustainable transport, clean energy, environment and climate, digital infrastructures, private sector development and human capital infrastructures. The WBIF governance is currently extended to include in its Strategic and Operational Boards the 27 EU Member States, and the European Parliament as an observer to the Strategic Board.

Reporting requirements have also been adapted. This **Annual WBIF Progress Report** is prepared by the European Commission and highlights the main achievements of operations under the WBIF in the implementation of the Economic and Investment Plan for the Western Balkans in 2021. It also presents a financial overview of used funds based on aggregated data provided by financial institutions, the Annual WBIF Monitoring Report 2021 (September 2022)³; the Joint Fund Summary Implementation Report 2021 (September 2022), the Joint Fund audited Financial Statements 2021 from EBRD (June 2022), and regular reports provided for the different funds and by programme managers responsible for implementation⁴.

It is worth noting that DG NEAR and the WBIF Secretariat closely follow project implementation progress in the Western Balkans and, where relevant, such information is also presented.

This Report is structured as follows:

- **Section 1** presents the WBIF's main progress achieved during 2021 in the implementation of the Economic and Investment Plan for the Western Balkans flagship investments;
- **Section 2** presents the WBIF financial figures for 2021;
- **Section 3** advances on 2022 expected accomplishments on investment projects implementation, flagship investments expected to be launched and main events.

Once endorsed by the WBIF Strategic Board in December 2022, this report will be published on the www.wbif.eu website.

¹ 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

² Last amended at the 2nd WBIF Strategic Board meeting, 21 June 2022 (references to the WBIF Rules of Procedure relate to the latest version).

³ Available on the WBIF website: Library (wbif.eu)

⁴ Among other: EFSE Impact Report 2021 (April 2022), available on the EFSE's website: www.efse.lu/publications/publications

1. WBIF in 2021: Advancing on the implementation of EIP flagship investments

1.1 Main achievements of the year

Since the endorsement of the Economic and Investment Plan for Western Balkans (EIP) in October 2020, the WBIF members have been very active in identifying projects that prompt the mitigation of the Covid-19 crisis and that, at the same time, contribute to the advance of the region on the path towards the EU.

In 2021, the WBIF members took action on several fronts with the objective to advance on the EIP implementation and continue with the implementation of the Connectivity Agenda⁵.

- **New investments.** Following December 2020, the first package of 6 EIP investment flagship projects in the areas of sustainable transport and clean energy co-financed with €132 million by contributions of the European Commission (EC) as well as 3 investment projects⁶ for water management and education facilities co-financed with €9.4 million by the WBIF Bilateral Donors were approved by the 23rd Steering Committee⁷ for a total investment volume of €718.2 million. The 23rd WBIF Steering Committee also launched the calls for proposals for 2021⁸; these were (i) Round 25 of technical assistance for investment project preparation, and (ii) Round 6 for flagship investment projects. As a result of Round 6, 18 new EIP investment flagships were endorsed by the 1st Operational Board for a total value of €2.7 billion. These two packages bring the region an investment volume of over €3.4 billion.
- **Accelerating implementation of the Connectivity Agenda.** During 2021, concrete actions were taken to accelerate the implementation of flagship investments approved under the Connectivity Agenda in the fields of sustainable transport and clean energy, as well as of environmental and human capital projects co-financed by WBIF Bilateral Donors, with concrete results including:
 - The Svilaj Bridge and the 10.7 km motorway section connecting Bosnia and Herzegovina and Croatia were completed. This project benefited from a €25.1 million EU IPA grant and includes a state-of-the-art border crossing point, which is open for traffic, cutting travel and border crossing times significantly and completing a vital section of Corridor Vc.
 - On the same Corridor, Zenica Tunnel – Donja Gračanica and Buna – Počitelj motorway subsections were also completed, for which €21.4 million in EU IPA grants was approved.
 - Works commenced for the reconstruction and modernisation of the river port of Brčko to upgrade the port's handling capacity to 150-200 tons/hour, which are supported by a €3.1 million EU IPA grant.
 - Construction also started on the North Macedonia – Albania power interconnection, which will complete the 400 kV electricity ring between Albania, North Macedonia and Greece. This project benefits from a €12.2 million EU IPA grant and will significantly increase energy supply security and reduce losses.
- **Renewal of the WBIF Governance.** The year was marked by the transition of WBIF governance to fit the purpose of making it the main financial vehicle for the implementation of the Economic and Investment Plan for the Western Balkans. In 2021, with the objective to adhere to the dispositions of the IPA III regulation, the WBIF Rules of Procedures amendment was initiated, and the Strategic and Operational boards were constituted. The renewal of the WBIF governance entailed several meetings and interchanges with all the WBIF members with the view to keep the inclusiveness of this financial vehicle. The 1st Strategic Board of the renewed WBIF took place virtually in December 2021 with the adoption by consensus of the Rules of Procedure and the WBIF Strategic Orientations for blending operations. Whereas the European Fund for Sustainable Development Plus (EFSD+) Strategic Board for guarantee instruments approved in October the EFSD+ Strategic Orientations for guarantee operations, including in Western Balkans.



Svilaj cross-border bridge on Corridor Vc, © JP Autoceste FBiH

⁵ Additional Information about the Connectivity Agenda and projects can be found here: [Library \(wbif.eu\)](https://library.wbif.eu)

⁶ These are not EIP flagships, but come under the WBIF intervention areas Environment & climate and Human Capital.

⁷ Approval through WBIF Written Procedure No. WBIFWP: 044_11/12/20, effective as of 30 December 2020.

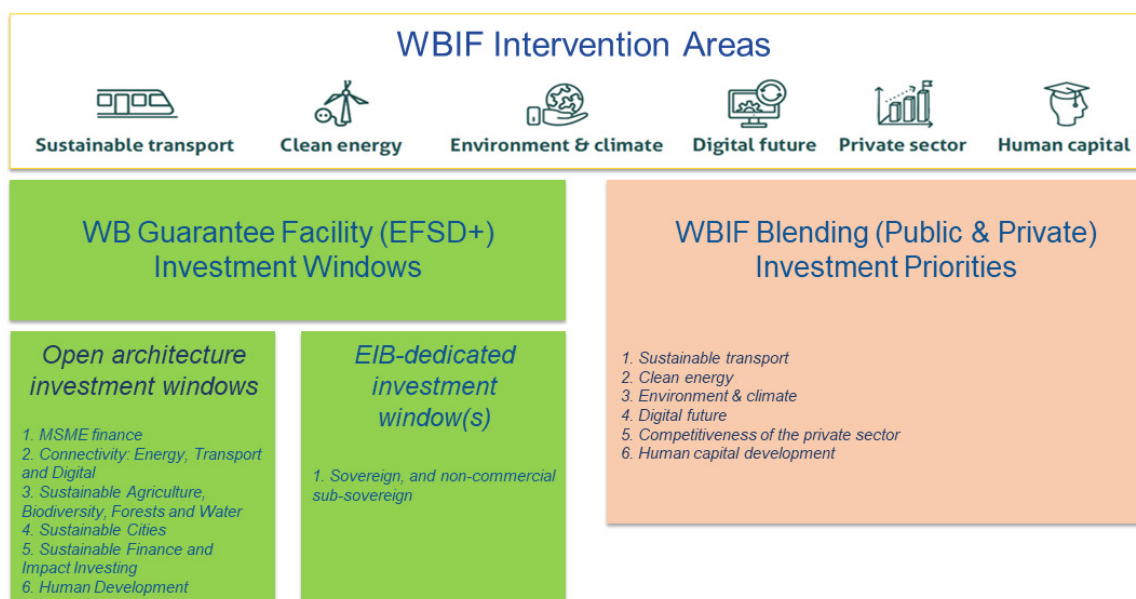
⁸ Because this 23rd WBIF Steering Committee meeting was a virtual meeting, the calls were launched through (old governance) a Written Procedure: WBIFWP: 044_11/12/20

The WBIF as of 2020 governs private sector investments with all the platforms, programmes and projects facilitating access to finance and building capacity of micro, small and medium enterprises, notably the Regional Energy Efficiency Programme (REEP), Green for Growth Fund (GGF), European Fund for Southeast Europe (EFSE) and the well-established Enterprise Development and Innovation Facility (WB EDIF). It also governs the Western Balkans Guarantee facility (EFSD+ guarantee).

1.2 Advancing on the implementation of the Economic and Investment Plan

Since 2021, WBIF contributes to the implementation of the Economic and Investment Plan in support of public and private sector flagship investments in six intervention areas through **blending** and **guarantee** operations, addressing specific investment priorities and investment windows, as summarised in the figure below.

Figure 1.1 WBIF areas of intervention, investment windows and priorities



Source: EC-NEAR 2021, extracted from the WBIF Strategic Orientations for Blending and EFSD+ Strategic Orientations

The sections below summarise advancing investment implementation under the EIP and ongoing progress of Connectivity Agenda projects.

1.2.1 PUBLIC SECTOR BLENDING OPERATIONS

In 2021, the WBIF Operational Board endorsed investments to support project preparation and co-finance infrastructure projects, as follows⁹:

Round 25¹⁰, technical assistance for investment projects preparation

This round covered six technical assistance projects for a **total grant value of €9,455,191**, all financed through EU IPA grants. These projects have the objective to prepare the ground for flagship investments in the areas of clean energy, environment and climate and sustainable transport through feasibility studies and designs, as well as environmental and social impact assessments (ESIA) and tender documents. More specifically, projects per area include:

- Clean energy, these include feasibility studies and ESIA for the North Macedonia – Serbia gas interconnector, which is a crucial component for advancements of investments under Flagship 5 (Transition from coal), and the North Continental Southeast Corridor in Serbia.
- Sustainable transport, a substantial TA package was approved for the railway route connecting Belgrade with Pristina covering feasibility study, ESIA, preliminary design and tender documents for the Stalać – Kraljevo section (Flagship 1).
- Environment and climate were approved, one concerning improved wastewater management in Durrës, Albania. In Kosovo*, one project addresses water shortages and water supply in the Iber-Lepenc hydro system and another develops flood risk and hazard maps for all river basins.

Round 26¹¹, technical assistance for investment projects preparation

The 3rd WBIF Operational Board endorsed four technical assistance projects for a **total WBIF grant of €3,589,219**, of which EU

⁹ All grant amounts forthwith are inclusive of implementation and administration fees unless otherwise stated.

¹⁰ Approval through WBIF (old governance) Written Procedure No. WBIFWP: 048_27/05/21, effective as of 12 June 2021.

*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.

IPA grant contributions amount to €2,209,627 and contributions by Bilateral Donors to €1,379,592. These projects also have the objective to prepare the ground for investments in the areas of clean energy, environment and climate, and digital future. More specifically, projects per area include:

- Clean energy: technical assistance was granted to the Kosovo Energy Efficiency Fund to develop financial models for investments in energy efficiency measures for residential buildings and SMEs.
- Environment and climate: i) feasibility study, design and tender documents for secondary sewerage network for Mostar in Bosnia and Herzegovina; ii) pre-feasibility for optimisation of dam safety and resilience of irrigation systems to climate change in Albania.
- Digital future: feasibility study for high-performance computing and secure information exchange network for the government in Albania.

Round 6¹¹, flagship investments

Grant applications under Investment Round 6 were endorsed by the 1st WBIF Operational Board on 17 December 2021. **This first WBIF Operational Board issued a positive opinion for a total WBIF grant value of €1,112,340,538.02, supporting 21 new investments¹²** with an estimated total investment volume of €3,231,294,140. EU IPA grant contributions of €1,108,033,496.82 co-finance 19 projects and contributions by the Bilateral Donors amount to €4,307,041.19, financing 2 projects¹³. These projects contribute to the implementation of the following EIP flagships: sustainable transport, clean energy, environment and climate, digital future and human capital (details in the boxes below).

The investments endorsed in 2020 and 2021 under the EIP are presented in the section below. In 2021, WBIF advanced also on the implementation of the Connectivity Agenda in the areas of sustainable transport, clean energy and digital as briefly summarised below.

Sustainable transport

EIP INVESTMENT FLAGSHIPS

Flagship 1
Connecting East to West

Flagship 2
Connecting North to South

Flagship 3
Connecting the coastal regions



Round 6 contributed to advance on investments in this area notably to ensure future-proof and sustainable, climate proofing and mainstreaming, in line with the Guidelines for the Implementation of the Green Agenda for the Western Balkans, fast and efficient transport links, both within the region and with the neighbouring EU Member States, sustainable transport and speeding up the completion of the indicative extension of the Trans-European Transport Network (TEN-T) to the Western Balkans with full alignment with the EU acquis on digital and clean energy technologies.

In total 14 investments were endorsed under sustainable transport (Flagship 1: 6, Flagship 2: 6, Flagship 3: 2) for a **total investment volume of €2.747 billion¹⁴** with an overall **EU IPA grant totalling €1.042 billion**, advancing on implementation of the following EIP flagships.

Flagship 1: Connecting East to West

Under this flagship, 6 investments were endorsed for an estimated **total investment volume of €1,235,787,074** and an **EU IPA grant of €378,828,756.50**.

¹¹ Approval through WBIF (new governance) Written Procedure No. WBIFWP: 02_OB_opinion_Blend_1FEB22, effective as of 23 February 2022 and approval by the Assembly of Contributors (meeting) on 1 April 2022.

¹² Three projects were approved in 2020 and received additional grant funding, due to an increase in co-financing rates for road investments (from 20 to 40%). These were: Tirana Bypass in Albania, Kvanj Tunnel – Buna Motorway Subsection on Corridor Vc in Bosnia and Herzegovina, and the Peace Highway in Kosovo.

¹³ i) Vau i Dejës Floating Solar Photovoltaic Power Plant in Albania; ii) Oslomej 1 Solar Photovoltaic Power Plant in North Macedonia.

¹⁴ Numbers are rounded.

Table 1.1 Investments endorsed under Flagship 1

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Rhine/Danube Corridor: Demining the Right Bank of the Sava River ¹⁵	Bosnia and Herzegovina	8,326,530.61	38,000,000	WB
2	Orient/East-Med Corridor: Kosovo – Serbia Route 7 Road Interconnection, Pristina – Merdare Section (Peace Highway) ¹⁶	Kosovo	79,149,746.22	204,696,558	EBRD
3	North Macedonia – Bulgaria CVIII Rail Interconnection, Kriva Palanka – Border with Bulgaria Section	North Macedonia	155,562,188.65	412,272,087	EIB
4	Orient/East Med Corridor: Niš – Dimitrovgrad Xc Railway Line, Niš Bypass	Serbia	35,815,801.22	275,777,243	EIB
5	Orient/East Med Corridor: Belgrade – Mladenovac – Niš X Railway Line, Stalać – Đunis Section	Serbia	83,424,489.80	275,941,186	EIB
6	Rhine-Danube Corridor: Removal of WWII German Sunken Vessels from the Danube, Prahovo Sector	Serbia	16,550,000.00	29,100,000	EIB
Total			378,828,756.50	1,235,787,074	

State of play at the end of 2021

EIP Investments will start implementation on the ground in due course during 2022 and 2023.



Procurement for works was launched in 2021 for Stalać – Đunis railway section in Serbia.



Feasibility and design studies started for the railway route connecting Belgrade with Pristina.

It is worth recalling that in 2021, the **Connectivity Agenda** contributed to the objective of Flagship 1 with:



Kick-off of the works for the reconstruction and modernisation of the river port of Brčko, construction of the Niš – Pločnik section of the Peace Highway and of the Niš – Brestovac rail section of Corridor X in Serbia.



Tenders were launched for two rail projects: Beljakovce – Kriva Palanka railway section in North Macedonia and Sićevo – Dimitrovgrad railway section in Serbia.

Flagship 2: Connecting North to South

Under this flagship, 6 investments were endorsed for an estimated **total investment volume of €1,053,522,672** and a **total EU IPA grant volume of €454,327,725.77**.

Table 1.2 Investments endorsed under Flagship 2

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Mediterranean Corridor: Medakovo – Ozimice Vc Motorway	Bosnia and Herzegovina	82,417,808.16	202,110,649	EIB
2	Mediterranean Corridor: Mostar South – Kvanj Tunnel Vc Motorway Subsection	Bosnia and Herzegovina	31,641,157.51	80,452,045	EBRD
3	Mediterranean Corridor: Kvanj Tunnel – Buna Vc Motorway Subsection ¹⁶	Bosnia and Herzegovina	45,703,453.98	104,722,978	EIB
4	Mediterranean Corridor: Johovac Interchange – Vukosavlje Interchange Vc Motorway Section ¹⁷	Bosnia and Herzegovina	187,436,734.69	463,520,000	EIB
5	Mediterranean Corridor: Šamac – Doboj – Rječica Vc Railway Section ¹⁷	Bosnia and Herzegovina	86,584,489.80	162,512,000	EBRD
6	Orient/East-Med Corridor: Montenegro – Serbia Route 4 Rail Interconnection, Bar – Vrbnica Section ¹⁵	Montenegro	20,544,081.63	40,205,000	EIB
Total			454,327,725.77	1,053,522,672	

State of play at the end of 2021

EIP Investments approved under this flagship in 2021 will start implementation on the ground in due course during 2022 and 2023.




The update of the detailed design started for the Šamac – Doboj – Rječica railway subsection of Corridor Vc in Bosnia and Herzegovina.


¹⁵ Investment co-financed under Round 5.


¹⁶ Investment co-financed under Rounds 5 and 6.


¹⁷ The contribution agreement for these two investments, located in Republika Srpska, will only be signed once the political crisis in Bosnia and Herzegovina is solved.


 The detailed designs were completed for Bar – Vrbnica railway line in Montenegro and Medakovo – Ozimice motorway subsection of Corridor Vc in Bosnia and Herzegovina.

Connectivity Agenda projects contribute to the objective of Flagship 2 and progress was achieved in 2021, namely:

 The cross-border bridge and the border crossing point at Svilaj, connecting Bosnia and Herzegovina and Croatia, were completed and opened for traffic.

 Zenica Tunnel – Donja Gračanica and Buna – Počitelj motorway subsections on Corridor Vc in Bosnia and Herzegovina were completed.

 Works commenced on Rudanka – Putnikovo Brdo 2 Tunnel and Poprikuse – Nemila motorway subsections on Corridor Vc in Bosnia and Herzegovina.

 The works contract was signed for the Fushë Kosovë/Kosovo Polje – Mitrovicë/Mitrovica section of the railway route connecting Belgrade with Pristina.

Flagship 3: Connecting the coastal regions

Two investments were endorsed with an estimated **total investment volume of €457,647,506** and a **total EU IPA grant volume of €208,452,532.97**.

Table 1.3 Investments endorsed under Flagship 3


#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Mediterranean Corridor: Vorë - Hani i Hotit Railway Line	Albania	139,013,571.20	266,995,000	EBRD
2	Mediterranean Corridor: Tirana Bypass (Blue Highway) ¹⁶	Albania	69,438,961.77	190,652,506	EBRD
Total			208,452,532.97	457,647,506	

State of play at the end of 2021

EIP Investments approved under this flagship will start implementation on the ground in due course of 2022 and 2023.

 The detailed designs were completed for Tirana bypass and Vorë – Hani i Hotit railway line.

Connectivity Agenda projects contribute to the objective of Flagship 3 and progress was achieved in 2021, namely:

 The design-build contract was signed and the rehabilitation of Durrës – Tirana railway line commenced.

Clean energy

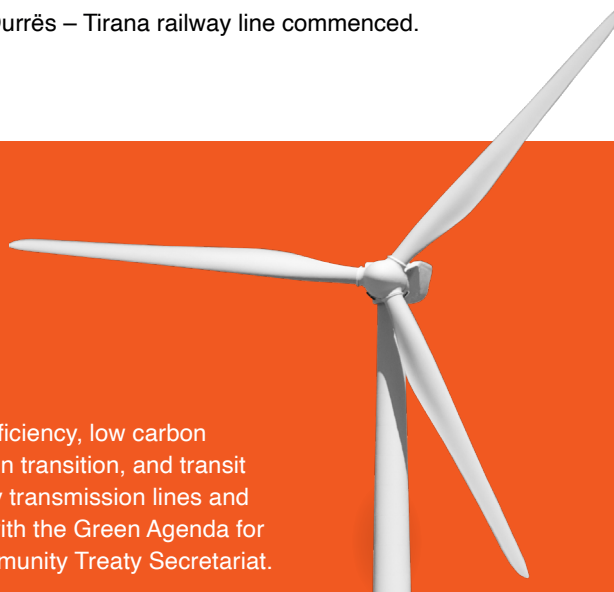
EIP INVESTMENT FLAGSHIPS

Flagship 4
Renewable energy

Flagship 5
Transition from coal

Flagship 6
Renovation wave

Round 6 contributed to advance investments in support of energy efficiency, low carbon transition (e.g. future-proof gas pipelines supportive of the low carbon transition, and transit of decarbonised gas and hydrogen), as well as performant electricity transmission lines and smart grids for increased use of renewable energy sources, in line with the Green Agenda for the Western Balkans and closely collaborating with the Energy Community Treaty Secretariat.



In total, 6 investments were endorsed under clean energy for a **total investment volume of €176 million** with an overall **EU IPA grant of €30.9 million** and **€4.3 million from Bilateral Donors**¹⁸.

Flagship 4: Renewable energy

Under this flagship, 4 investments were endorsed, for an estimated **total investment volume of €94,627,534** and a **total grant**

¹⁸ Numbers are rounded.

volume of **€18,190,898.33**. Of this total grant amount the EU contributes **€13,883,857.14 in IPA grants** and the **Bilateral Donors contribute €4,307,041.19** for 2 clean energy projects.

Table 1.4 Investments endorsed under Flagship 4

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Rehabilitation of Fierza Hydropower Plant ¹⁵	Albania	8,722,448.98	48,350,000	KfW
2	Vau i Dejës Floating Solar Photovoltaic Power Plant	Albania	2,711,931.88	11,959,755	EBRD
3	Oslomej 1 Solar Photovoltaic Power Plant	North Macedonia	1,595,109.31	8,852,779	EBRD
4	Oslomej 2 and Bitola Solar Photovoltaic Power Plants	North Macedonia	5,161,408.16	25,465,000	EBRD
Total			18,190,898.33	94,627,534	

State of play at the end of 2021

EIP Investments approved under this flagship will start implementation on the ground in due course of 2022 and 2023.



Construction started on the Oslomej 1 solar power plant in North Macedonia.



The loan agreement was signed for the floating solar power plant at Vau i Dejës in Albania.

Flagship 5: Transition from coal

Under this flagship, 2 investments were endorsed in Round 6, for an estimated **total investment volume of €80,945,000** and a **total EU IPA grant volume of €17,038,367.35**.

Table 1.5 Investments endorsed under Flagship 5

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Trans-Balkan Electricity Corridor: 400 kV Interconnection	Serbia	8,878,367.35	40,800,000	KfW
2	Advanced System for Remote Meter Reading Phase 1A	Serbia	8,160,000.00	40,145,000	EBRD
Total			17,038,367.35	80,945,000	

State of play at the end of 2021

EIP Investments approved under this flagship will start implementation on the ground in due course of 2022 and 2023.

Also, projects approved under the **Connectivity Agenda** contribute to the objective of Flagship 5 with:



Construction of the North Macedonia – Albania power interconnection began in North Macedonia.



The design-build contract was signed for the grid section in Albania of the power interconnection with North Macedonia.



The tender was launched and the loan agreement was signed for Serbia – Bulgaria gas interconnector.

Environment & climate

EIP INVESTMENT FLAGSHIPS

Flagship 7

Waste and waste water management

Round 6 contributed to advance the implementation of the Green Agenda for the Western Balkans by supporting investments in decarbonisation, climate change resilience, depollution of air, water and soil, green infrastructure, circular economy, sustainable farming and food production, protecting biodiversity and nature-based solutions.



Under Flagship 7, 2 investment projects were endorsed in Round 6 with an estimated **total investment volume of €212,316,354**

and a **total EU IPA grant of €96,623,266.88**.



Table 1.6 Investments endorsed under Flagship 7

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Podgorica Wastewater Treatment Plant	Montenegro	23,882,875.45	75,616,354	KfW
2	Skopje Wastewater Treatment Plant	North Macedonia	72,740,391.43	136,700,000	EIB
Total			96,623,266.88	212,316,354	

State of play at the end of 2021

EIP investments approved under this flagship will start implementation on the ground in due course during 2022 and 2023.

Previously approved investment projects' **progress** also contributed to the objective of flagship 7:

-  Construction works started on the Gradačac Water Supply Project in Bosnia and Herzegovina.
-  Grant agreements were signed for two WATSAN projects in Bosnia and Herzegovina and Mitrovica waste water treatment plant in Kosovo.

Digital future

EIP INVESTMENT FLAGSHIPS

Flagship 8 Digital infrastructure

Round 6 contributed to advancing in accelerating the region's digital transformation through investments in digital infrastructures and services for businesses and governments represent a priority.





Under Flagship 8, 1 investment project was endorsed in Round 6, for a **total investment volume of €106,450,000 million** with a total **EU IPA grant of €34,408,163.27**.

Table 1.7 Investments endorsed under Flagship 8

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	Rural Broadband Rollout Phase 2	Serbia	34,408,163.27	106,450,000	EBRD
Total			34,408,163.27	106,450,000	

State of play at the end of 2021

EIP investments approved under this flagship will start implementation on the ground in due course during 2022 and 2023. Progress was achieved:

-  The preliminary design was completed and a loan agreement was signed for next-generation broadband connectivity in rural areas in Serbia.
-  Also, **projects approved under the WBIF** contribute to the objectives of Flagship 8 with the completion of the feasibility study for broadband roll-out in Montenegro.

Human capital

EIP INVESTMENT FLAGSHIPS

Flagship 10 Youth guarantee

Round 6 contributed to advancing social infrastructure investments in support of education and skills, health and social protection.




Relating to this area of intervention, 1 investment project was endorsed in Round 6, contributing to advancing in this area, with an estimated **total investment volume of €116,553,000 million** with an **EU IPA grant of €36,428,571.43 million**.

Table 1.8 Investments endorsed for human capital development

#	Investment	Beneficiary	WBIF grant (€m)	Total value (€m)	Lead IFI
1	University Children's Hospital Tirsova 2 in Belgrade	Serbia	36,428,571.43	116,553,000	CEB
Total			36,428,571.43	116,553,000	

State of play at the end of 2021

 Preparatory works commenced on the University Children's Hospital Tiršova 2 in Belgrade and construction is planned to start in 2023.

1.2.2 PRIVATE SECTOR BLENDING OPERATIONS

EIP INVESTMENT FLAGSHIPS

Flagship 9 Investing in the competitiveness of the private sector

The Economic and Investment Plan for the Western Balkans focuses on the importance to develop a robust, innovative and competitive private sector through blending and guarantee instruments to facilitate access to finance of micro, small and medium-sized enterprises (MSMEs) and to create an adequate business climate to crowd in investors in the region.



During 2021, in this specific intervention area, the first call for proposals under WBIF was prepared through different consultation processes with financial institutions and other stakeholders who, since 2012, contributed to support the business sector in the region through the **Western Balkans Enterprise Development and Innovation Facility (WB EDIF)**. As a result of these consultations, blending operations focus on financial schemes in support of green transition, sustainable agriculture, digital transition, innovation, trade and value chain, financial inclusion, financial and financing diversification, and on business climate development.

In 2021, the first call for proposals for private sector blending operations was launched by the 1st WBIF Operational Board with closing date in April 2022¹⁹.

During 2021, projects launched since 2013 by WB EDIF continued their implementation activities and contributed to the objective of the Economic and Investment Plan Flagship 9, investing in the competitiveness of the private sector. The table below shows the main advances in terms of access to finance and capacity building. It is worth noticing that, since the inception of WB EDIF in 2013, **the EU has provided a total of €277.3 million out of which €90 million were contracted in 2021**. This directly helped leveraging important additional resources and more than **€1.2 billion** have been made **available for SME competitiveness in the Western Balkans** with a resulting average leverage of 4.4²⁰.

The table below shows the increases in key WB EDIF activities from 2020 to 2021 and per pillar.

Table 1.9 WB EDIF selected activity data 2021

	Change y-o-y*
Increase in available financing to SMEs via WB EDIF financial instruments (€m)	9.0
Increase in deployed funds (€m)	56.0
Increase in SMEs supported (no.)	599
Increase in supported jobs (no.)**	9,773
<i>Pillar 1 - Equity instruments</i>	
Enterprise Innovation Fund (ENIF) - total investment increase (€m)	2.2

¹⁹ Call for proposals launched through WBIF (new governance) Written Procedure No. WBIFWP: 03_OB_Call_1FEB22, effective as of 22 February 2022.

²⁰ For more information on WB EDIF, please visit wbedif.eu and wbif.eu

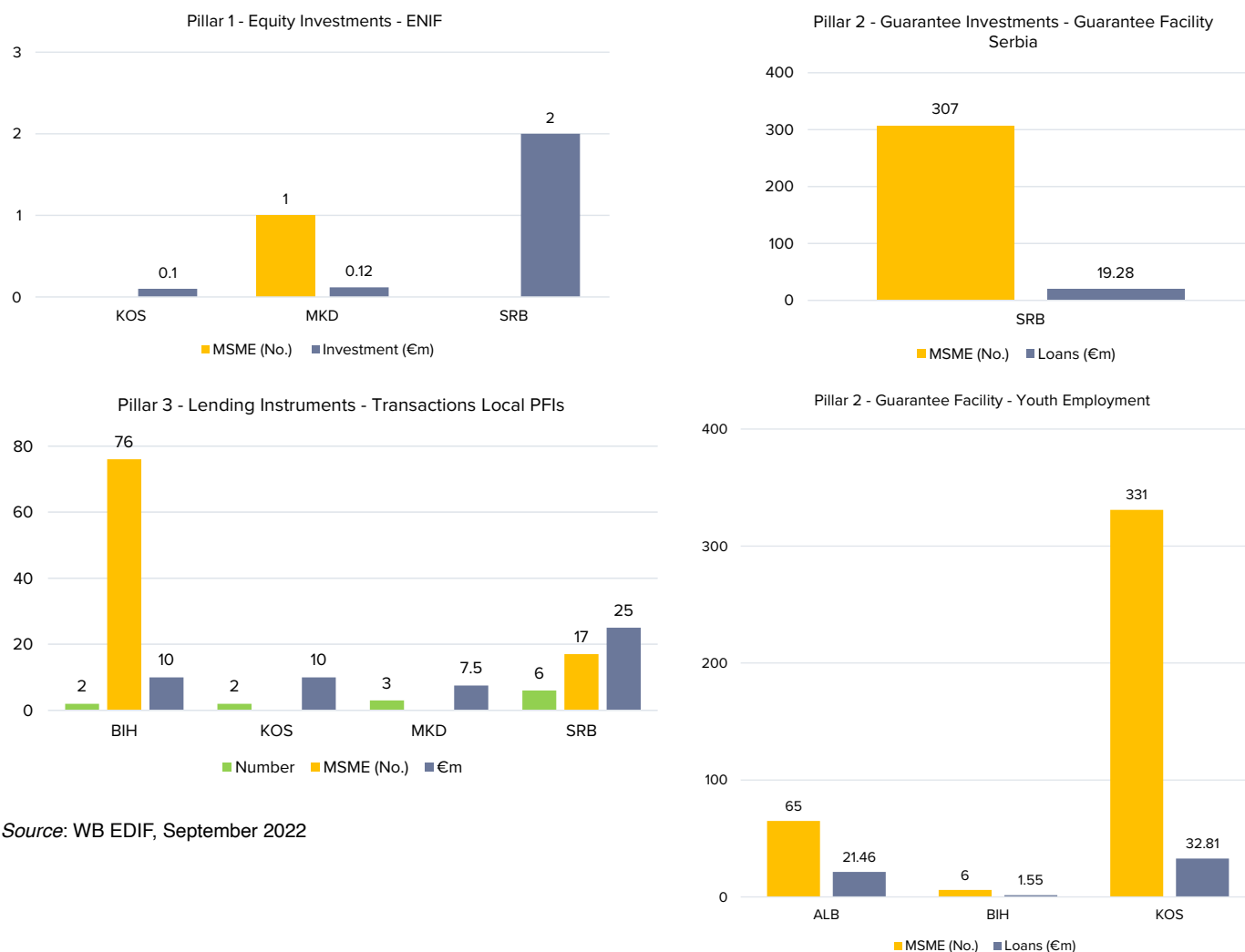
	Change y-o-y*
Enterprise Expansion Fund (ENEF) - total investment increase (€m)	0.0
<i>Pillar 2 - Guarantee instruments</i>	
Guarantee Facility Serbia - increase in SMEs reached (no.)	280
Guarantee Facility Youth Employment - increase of total loan value (€m)	46.9
Guarantee Facility Youth Employment - increase of SMEs reached (no.)	402
<i>Pillar 3 - Lending instruments</i>	
Competitiveness Programme - increase in total value signed with PFIs (€m)	52.5
Competitiveness Programme - increase in number of PFIs	10
<i>Pillar 4 - Technical assistance</i>	
Total EU assistance (€m)	49.5

* Except for Pillar 4 which provides the overall figure since inception.
 *SMEs and jobs supported include the estimates under the support services programmes.

Source: WB EDIF, September 2022

The achievements under the WB EDIF Pillars 1, 2 and 3 and their respective instruments are shown below.

Figure 1.2 WB EDIF achievements under Pillars 1-3



Source: WB EDIF, September 2022

Following the WBIF new governance in place since 2020, the following programmes and funds also contribute to the implementation of the EIP private sector development, in particular to its aspects related to the green transition and energy efficiency.

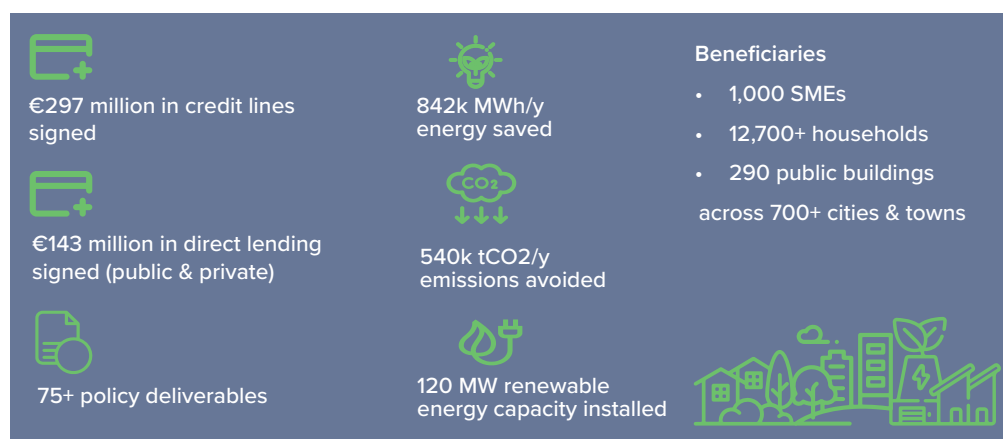
Regional Energy Efficiency Programme (REEP)²¹

²¹ REEP was established to promote sustainable market for energy efficiency in the Western Balkans and consists of four windows. For more information please visit www.wbif.eu/reep

Since inception in 2013, the **European Commission contributed €78.8 million in grants and leveraged additional resources from other donors: more than €630 million of total financing** has been made available for energy efficiency measures, including in the private sector; the average leverage currently stands at 5.

EBRD and KfW implement REEP. The first WBIF Operational Board approved a substantial replenishment of REEP and doubled the size of the programme by committing another **€102.6 million of EU IPA grant funds**, which are expected to **scale up total financing to €1 billion**.

Figure 1.3 REEP results by end 2021

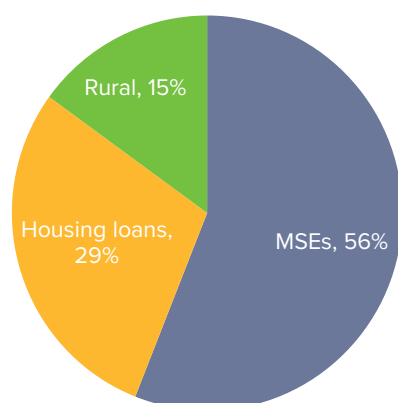


European Fund for Southeast Europe (EFSE)²²

Since inception, the **European Commission acquired C-shares in EFSE for a contribution of €100.8 million, enabling €2.9 billion in the form of loans** from intermediate financing institutions, thereby **leveraging about €7.4 billion investments in the Western Balkans region**.

Overall, 76.4% of the EFSE's portfolio, reflecting €969 million at the end of 2021, consists of loans to MSEs (of which 35.3% were rural MSEs). The Western Balkans region comprised 31% of this portfolio (€303 million in total).

Figure 1.4 EFSE portfolio composition in the Western Balkans by key products by end 2021



The largest share of MSEs loans in the Western Balkans has been provided to the agriculture sector making up 37% of all MSEs loans. The share of housing loans in the Western Balkans is higher than in the rest of the EFSE-covered countries and dropped from 41% in 2020 to 29% in 2021.

EFSE added 6 additional active Partner Financial Institutions in 2021 to a current total of 73, serving over 85,000 active sub-borrowers. **Overall, 1,944,149 jobs were supported** since inception, out of which **129,658 jobs were supported in 2021** alone.

The EFSE Development Facility for capacity building provided tailored advisory support to over 35,000 beneficiaries worth €36.2 million. The Western Balkans region received 51.8% of this TA programme, with Bosnia and Herzegovina being the largest recipient.

Green for Growth Fund (GGF)²³

GGF is active in 19 markets including the Western Balkans, the European Eastern Neighbourhood Region, the Middle East and North

²² EFSE is an impact fund whose role is to support micro and small enterprises as well as improving living conditions for households in Southeast Europe and the EU Eastern Neighbourhood Region by investing in local financial infrastructure complemented by the EFSE Development Facility.

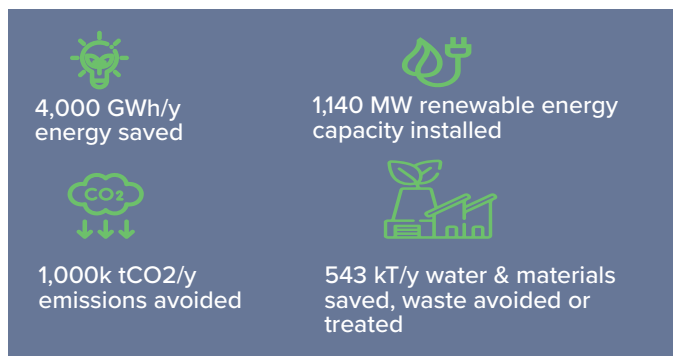
²³ GGF is a public-private fund to finance energy use and CO₂ emission reduction programs by providing financing to PFIs that on-lend to MSEs and households for energy efficiency. It also provides equity financing for renewable energy investments as well as TA grants. For more information visit: www.ggf.lu

Africa.

Since inception in 2009, the **European Commission contributed over €68 million in the form of C-shares**, enabling about €306.5 million in the form of loans from intermediate financing institutions that **leveraged over €803 million of investments** made by final recipients in the Western Balkans alone.

The cumulative investments reached €1.3 billion. GGF now works with 62 partner institutions, which in turn extended financing to 42,000 end-borrowers.

Figure 1.5 GGF environmental impact by end 2021



1.2.3 PUBLIC AND PRIVATE SECTOR GUARANTEES

In December 2019, as part of the European Commission 2018 Communication on “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans”²⁴, the European Commission launched a call for a new Western Balkans Guarantee Facility to crowd in private investment in the region. As a result, 9 proposals were assessed positively, out of which two were launched at the end of 2020 for a total of **€110 million in EU IPA contributions**.

- “Supporting Entrepreneurs and MSMEs to Safeguard Employment” up to a guarantee coverage amount of €50 million with KfW: Supporting the Kosovo Credit Guarantee Fund (KCGF), the Albanian Rural Credit Guarantee Fund (RCGF), and the Serbian Entrepreneurship Foundation (SEF), providing bank guarantees to financial institutions to support start-ups, young MSMEs, farmers, etc.²⁵
- WB EDIF Guarantee “Economic Recovery” up to a guarantee coverage amount of €60 million with EIF: Increasing the availability of affordable finance to MSME, targeting specifically micro-businesses.

Three proposals from the **reserve list** are still relevant for the region for a total of **€125 million in EU IPA contributions**. These 3 guarantees are²⁶:

- IFC’s “Western Balkans Agricultural Risk Sharing Facility” proposal, for up to €40 million guarantee coverage, intends to address some of the agri-finance market failures by de-risking financing, supporting the digitalisation and adoption of climate-smart technologies, and improving linkages between producers and markets to improve the productivity of the sector.
- EBRD’s “Growth4All” proposal, for up to €40 million guarantee coverage, intends to address the limited access to affordable and reliable funding for underserved segments such as women-led MSMEs, youth-led MSMEs and agri-businesses.
- EIB’s “Risk-sharing instrument for Energy Efficiency, Renewable Energy and Digital Project” proposal, for up to €45 million guarantee coverage, intends to boost investments from Partner Financial Intermediaries (PFIs) in energy efficiency, renewable energy and digital sectors projects promoted by Special Purpose Vehicles (SPVs), corporates and sub-sovereign entities.

The 1st Regional Operational Board for Guarantee Operations in April 2022 endorsed the proposal of the European Commission to carry over these three proposals for an estimated overall amount of up to €125 million of guarantee coverage.

It is worth noticing that the EFSD+ Worldwide Operational Board, which entails the Western Balkans guarantee facility and of which WBIF is a regional platform, launched in April 2022 the 1st call for Proposed Investment Programmes (PIPs) under the “open architecture” investment windows. These PIPs were then be screened by the European Commission services, including EU Delegations and relevant Line Directorate-Generals. Under WBIF, a Technical Assessment Meeting (TAM) was established to select the final proposals that will be submitted to the opinion of the 2nd Operational Board for guarantees meeting in December 2022.

²⁴ COM(2018) 65 final.

²⁵ The “Supporting Entrepreneurs and MSMEs to Safeguard Employment” Guarantee with KfW was signed in December 2020 with a suspensive clause delaying the start date of implementation until an agreement is found between the European Commission and KfW on legal horizontal measures.

²⁶ These three “carry-over guarantee proposals” received a positive opinion by the 2nd WBIF Operational Board (for Guarantee Operations) on 6 April 2022.

2. Overview of WBIF investments

2.1 EC contribution

By the end of 2021, the **European Commission (EC) contributed a total of €198,996,375 to the Joint Fund**, and €60,545,331 in 2021, of which €58,376,000²⁷ were transferred from the Joint Fund to implementing entities for advances of 9 TA and 14 investment projects²⁸.

In parallel, the European Commission committed to financing 8 technical assistance projects²⁹ under the Infrastructure Project Facility (IPF), for a total grant value of €10,391,348.

2.2 Bilateral Donor pledges in 2021

In 2021, the Bilateral Donors pledged another €11,500,000 to the WBIF.

- Austria: €2 million
- Germany: €2 million
- Italy: €4 million
- Norway: NOK 30 million (approximately €3 million)
- Luxembourg: €0.5 million

By the end of 2021, contributions by Bilateral Donors totalled at €114,710,659³⁰.

2.3 Joint Fund & leverage 2021

In **2021 total contributions** to the Joint Fund reached **€313,727,702**, up from €245,772,493 in 2020. At the end of 2021, the balance of the Joint Fund net of costs and cancellations was €59,182,000.

Also in 2021, the European Commission and the Bilateral Donors committed to financing 10 technical assistance projects³¹, 21 investment projects and REEP³². At the 1st WBIF Operational Board, **a record total grant value of €1,218,529,757** (€1,212,843,124 European Commission and €5,686,633 Bilateral Donors) was endorsed.

WBIF works on the principle of leverage. Each grant aims to mobilise loans and other financial flows for an overall investment (total project value) exceeding the size of the WBIF grant. The leverage reflects the additional amount of finance a grant can help mobilise as financial input into an investment project that will deliver beneficial results in line with policy objectives.

The WBIF public blending portfolio stands at **€2.6 billion in grants** and **€7.1 billion in signed loans** for **€24.7 billion in estimated investments**. The chart below shows how WBIF leverages significant investments. The total loans signed and planned on projects versus total grants gives a ratio of 5.7, while total investment to total grants delivers a substantial 9.5 average investment leverage.

Figure 2.1 WBIF grants blended with loans (€bn)

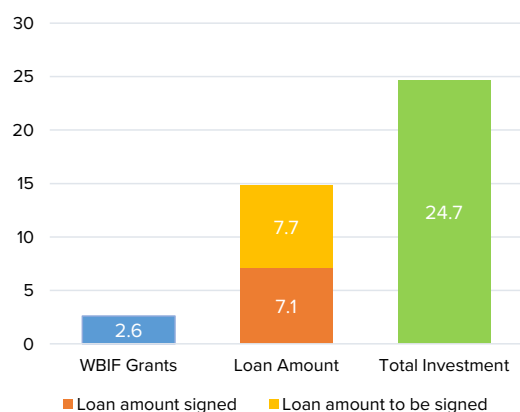
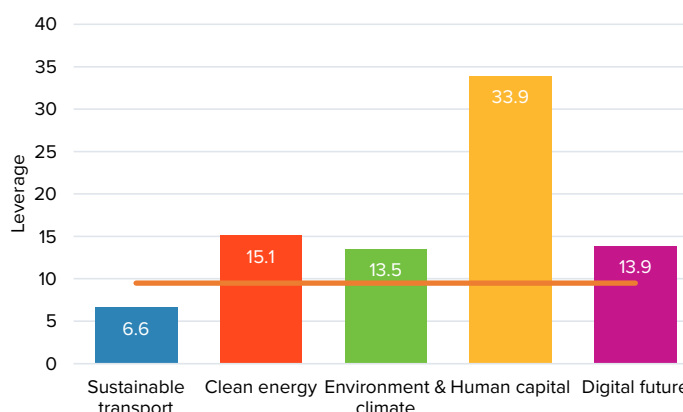


Figure 2.2 Investment leverage ratio by area of intervention



²⁷ This amount includes the contributions from the Bilateral Donors.

²⁸ EBRD audited financial statement 2021.

²⁹ A total of 6 TA projects under TA Round 25 and another 2 under TA Round 26 were allocated to the IPF.

³⁰ This number includes the initial transfer of €5,168,214 from the Western Balkans Fund.

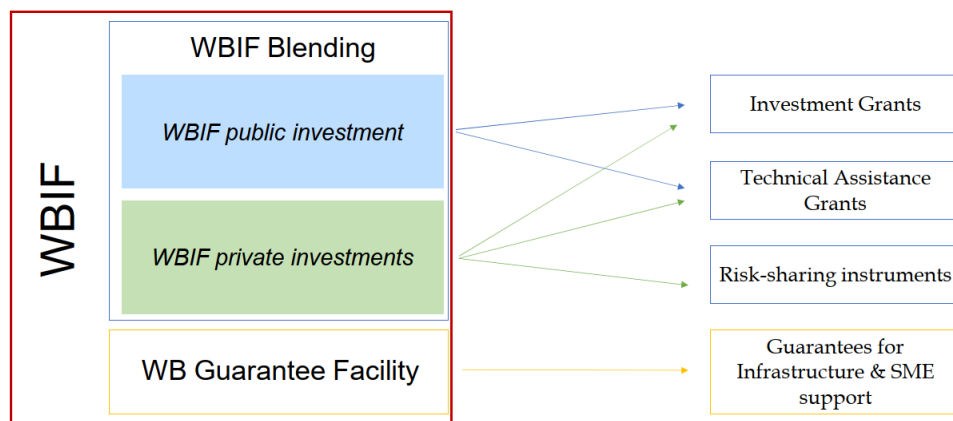
³¹ See above, 6 TA projects were approved under TA Round 25 and another 4 TA projects were approved under TA Round 26, which are financed from the IPA II envelope and Bilateral Donors.

³² Under Investment Round 6.

2.4 Financial architecture

Since 2020 the WBIF portfolio of financial instruments has been extended to include investment grants, technical assistance grants, risk sharing instruments for blending operations and guarantees, as illustrated in the figure below. The Guarantee Facility complements Blending and aims to **boost the investment capacity of the region to deliver on the EIP**, by reducing potential losses, aligning perceived risks with actual risks, reducing prohibitive return expectations / collateral requirements and mobilising financiers' liquidity.

Figure 2.3 WBIF financing under IPA III



The WBIF sources of financing originate from the European Western Balkans Joint Fund (Joint Fund), IPA contribution agreements signed directly with IFIs, Partner Financial Organisations' loans, and financial instruments.

The **Joint Fund is a multi-donor fund** and at the heartbeat of WBIF's inclusiveness, which pools the resources of the Contributors, namely the European Commission, Partner Financial Organisations and Bilateral Donors, to **co-finance high-priority and mature projects**. These grants are a non-repayable form of financing which facilitates the realisation of the projects and makes the loans more affordable. For private sector blending, the risk-sharing instrument has been introduced to address market failure and offer concessional forms of finance to the business sector in the region.

To ensure a coherent and timely preparation of a solid investment project pipeline, both the Joint Fund and the EC also finance technical assistance for the preparation and maturing of infrastructure projects in all eligible areas of intervention. In addition, the EC finances technical assistance (parallel to the Joint Fund) through the Infrastructure Project Facility.

The WBIF financial architecture is instrumental for the implementation of the Economic and Investment Plan for the Western Balkans and in supporting the region to align with the EU policy objectives, reforms and standards.

3. Advances on 2022 achievements

In 2022, the WBIF's main priority is to continue advancing on the implementation of the EIP through flagship investments. In this context planned activities include:

Advancing investments implementation: public & private blending and guarantees

To ensure fast and efficient implementation and roll-out of the EIP, in 2022 the WBIF Operational Board launched the following rounds:

- TA Rounds 27, 28 and 29;
- Investment Round 7 in February 2022 and Round 8 in November 2022;
- Private Sector Blending Round 1 in February 2022 and Round 2 at the 4th Operational Board meeting in December 2022;
- First Call for Expression of Interest for the Guarantee Instrument under EFSD+.

In addition, regular investment project progress monitoring will ensure that potential bottlenecks are identified early, and all stakeholders concerned will agree on actions to overcome such bottlenecks.

The call for proposals under Investment Round 7 attracted a similar volume of applications as was the case under Investment Round 6. TA Rounds 27-29 were launched with the aim to further accelerate investment mature projects. Acceleration of implementation and the realisation of additional efficiency gains, tracking and tackling of delays are thus more important than ever. The recommendations of the Informal Expert Groups will therefore be further implemented and operationalised.

The first call for private sector blending was launched and the proposals were screened during the first half of 2022 and then endorsed at the 3rd WBIF Operational Board meeting.

The 34th PFG and the 1st TAM, planned for the 4th quarter of 2022, will submit mature and investment-ready Investment Round 7 applications and the proposals of the first Round of Guarantees to the 4th Operational Board for endorsement.

Finalising governance structure

Following the enactment of the IPA III Regulations, the WBIF governance had to be updated. As far as the governance structure as such for public and private blending is concerned, the WBIF Rules of Procedure were endorsed in February 2022 following the 1st WBIF Strategic and Operational Board meeting in December 2021. This was necessary to enable approval of the pending public blending TA and INV applications, and to launch the calls for both public and private blending in February 2022.

The updated governance also foresees the Guarantee Instrument. To this end, the Rules of Procedure were amended in April and June 2022 and adopted by the 2nd WBIF Strategic Board in June 2022.

At the EFSD+, the 2nd WBIF Operational Board meeting on 6 April 2022, the amended WBIF Rules of Procedure were presented and approved (covering aside from Blending Operations also the Guarantee Operations). In addition, 3 (carry-over) guarantees were approved.

Enhance partnership, strengthen cooperation through OB and PFG meetings

The WBIF plays a key role in supporting in partnership with all the platform members the implementation of the EIP and the convergence of the region towards the EU economies and EU values. Through WBIF, members will continue pulling together their funding to ensure the EFSD+ Team Europe approach, showing that the EU collectively is the largest international cooperation partner. On top of EU funds used for blending and guarantee operations, WBIF partners add their own resources and contributions. The Team Europe implementing partners for the EFSD+ include a range of European Financial Institutions teaming up with the Western Balkans economies in a coordinated approach.

The unique WBIF partnership is reflected in the new governance, where the European Union, Partner Financial Organisations, all EU Member States, and Norway build the decision-making inner circle of the platform. The six Western Balkans partners, the European Parliament, and relevant regional organisations³³ are observers and invited to the governance meetings.

The partnership principle is also reflected at technical level, where project proposals are formulated and prepared for approval by the Operational Board. Here, the Western Balkans Partners are in the driving seat and present grant applications jointly with the Partner Financial Organisations to the WBIF. The European Commission ensures that these applications are mature, flagship relevant and in line with the Strategic Orientations, through a screening and assessment³⁴ or consultation³⁵ process, embedded in WBIF.

³³ These include the Regional Cooperation Council, Energy Community Secretariat, Permanent Secretariat of the Transport Community and the Chamber of Commerce for private sector.

³⁴ Public blending.

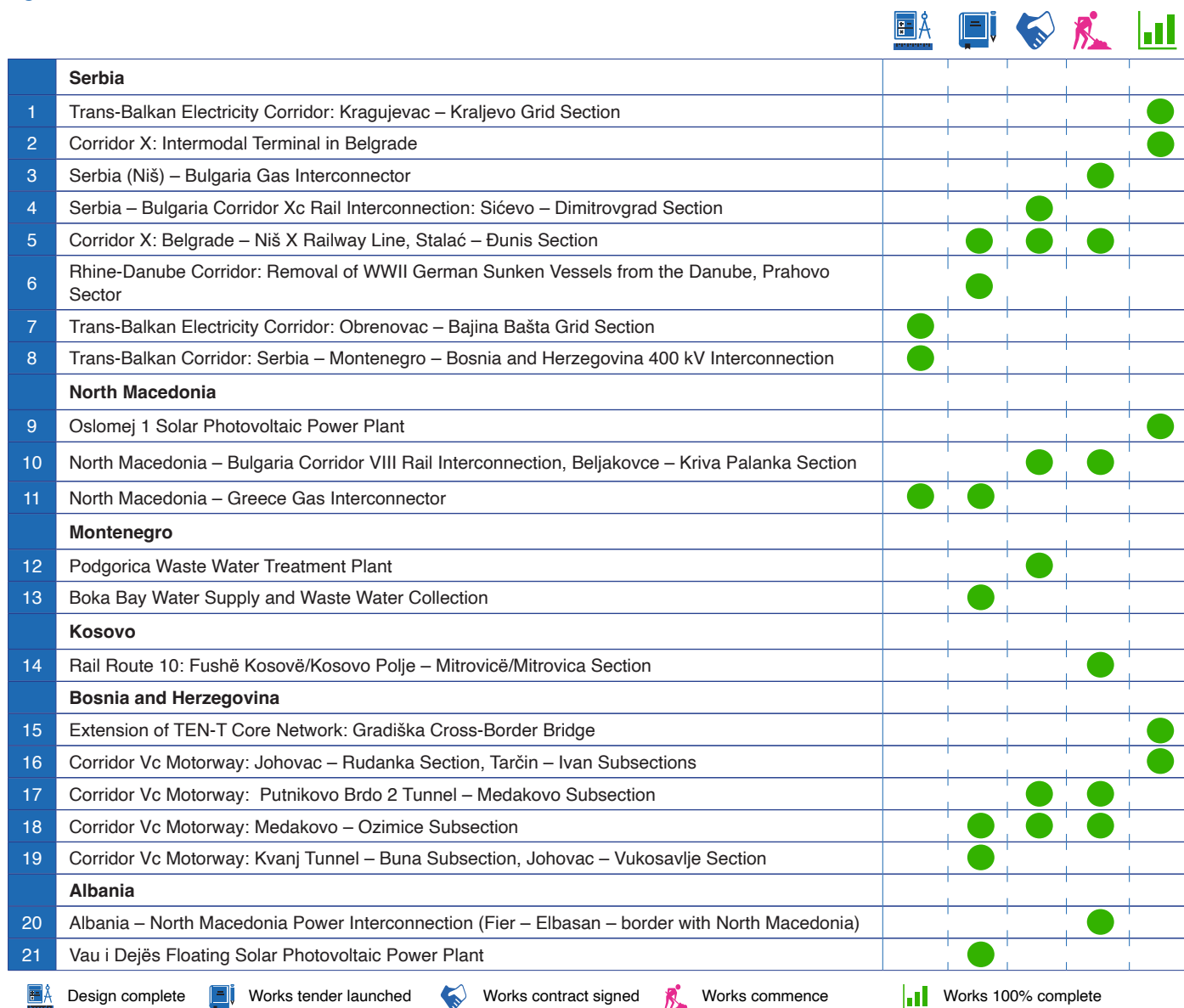
³⁵ Private blending.

The Project Financiers' Group finally reviews the applications and jointly, in consultation with observers such as the NIPACs, selects the technical assistance and investment projects and submits these to the Operational Board. The Bilateral Donors are also closely engaged in this process and pre-select projects they wish to support through their contributions to the Joint Fund.

Visibility events and milestones

Regarding Communication and Visibility (C&V), the further roll-out of C&V campaigns in the region, using local social media as well as traditional media channels and outlets must accompany the accelerated implementation of Flagships and reforms under the EIP. Several EIP-relevant events and milestones are expected in 2022.

Figure 3.1 EIP relevant events and milestones in 2022



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Abbreviations

AFD	Agence Française de Développement	KCGF	Kosovo Credit Guarantee Fund
ALB	Albania	KfW	KfW Development Bank
BIH	Bosnia and Herzegovina	KOS	Kosovo
bn	Billion	kt	Kilotonne
CEB	Council of Europe Development Bank	Lead IFI	Lead Financial Institution
COM	Communication	m	Million
C&V	Communication and Visibility	MKD	North Macedonia
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations	MSEs	Micro and Small Enterprises
EBRD	European Bank for Reconstruction and Development	MSMEs	Micro, Small and Medium Enterprises
EC	European Commission	MW	Megawatt
EFSD	European Fund for Sustainable Development	MWh	Megawatt-hour
EFSD+	European Fund for Sustainable Development Plus	NIPAC	National IPA Coordinator
EFSE	European Fund for Southeast Europe	No.	Number
EIB	European Investment Bank	NOK	Norwegian Krone
EIF	European Investment Fund	OB	Operational Board
EIP	Economic and Investment Plan for the Western Balkans	PFI	Partner Financial Intermediary
ENEF	Enterprise Expansion Fund	PFG	Project Financiers' Group
ENIF	Enterprise Innovation Fund	PIP	Proposed Investment Programme
ESIA	Environmental and Social Impact Assessment	PS	Private Sector
EU	European Union	RCGF	Albanian Rural Credit Guarantee Fund
GGF	Green for Growth Fund	REEP	Regional Energy Efficiency Programme for the Western Balkans
GWh	Gigawatt-hour	SEF	Serbian Entrepreneurship Foundation
ICJ	International Court of Justice	SMEs	Small and Medium-Sized Enterprises
IFC	International Finance Corporation	SPP	Single Project Pipeline
IFI	International Financial Institution	SPV	Special Purpose Vehicle
INV	Investment	SRB	Serbia
IPA	Instrument for Pre-Accession Assistance	TA	Technical Assistance
IPA II	Instrument for Pre-Accession Assistance 2014-2020	TAM	Technical Assessment Meeting
IPA III	Instrument for Pre-Accession Assistance 2021-2027	TEN-T	Trans-European Transport Network
IPF	Infrastructure Project Facility	UNSCR	United Nations Security Council Resolution
		WATSAN	Water and Sanitation Project
		WB	World Bank
		WB EDIF	Western Balkans Enterprise and Innovation Facility
		WBIF	Western Balkans Investment Framework
		WP	Written Procedure

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