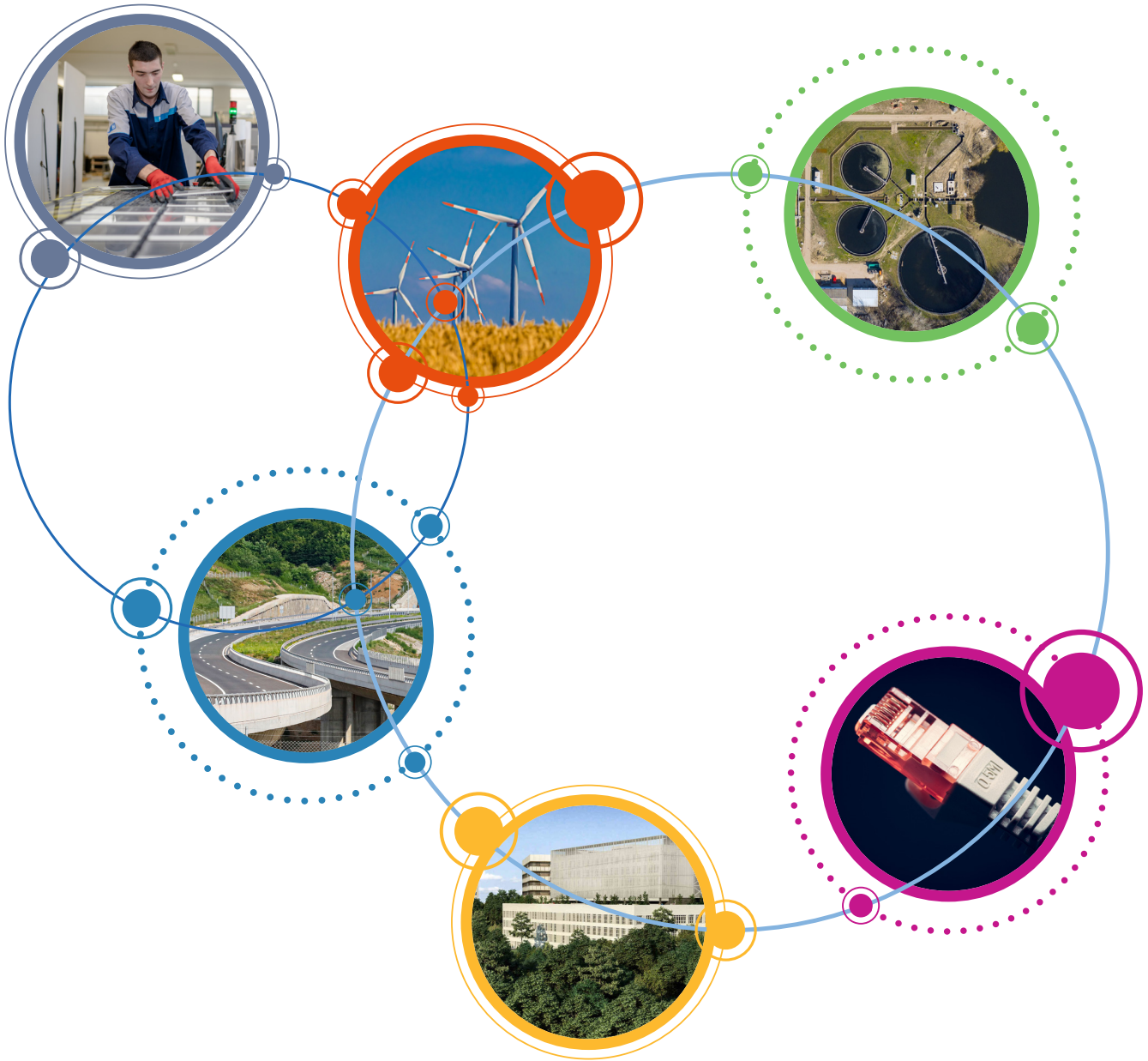




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Western Balkans
Investment Framework **WBIF**
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Western Balkans Investment Framework

Annual Progress Report 2022



Co-funded by the European Union

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Introduction

The Western Balkans Investment Framework (WBIF) is a joint initiative of the EU, International Financial Institutions, Bilateral Donors and the Western Balkan economies, 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 focuses on key investments in the region in support of the public sector and private sector development through blending and guarantee instruments.

Since the adoption of the Economic and Investment Plan for the Western Balkans (EIP) on 6 October 2020, WBIF has become the main financial vehicle for the implementation of the EIP flagship investments with a view to spur the socio-economic recovery of the region and its convergence towards the EU.

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 2022. It also presents a financial overview of used funds based on aggregated data provided by financial institutions, the Annual WBIF Monitoring Report 2022, the Joint Fund Summary Implementation Report 2022, the Joint Fund Financial Statements for 2022, and regular reports provided for the different funds and by programme managers responsible for implementation.

This Report is structured as follows:

- Section 1 presents the WBIF's main progress in 2022, such as its contribution to the implementation of the EIP and the Energy Support Package for the Western Balkans, and progress on other related investments;
- Section 2 presents the progress achieved in the implementation of the six EIP priority areas, both through blending and guarantee instruments under WBIF;
- Section 3 presents the WBIF financial figures for 2022.

Once endorsed by the WBIF Strategic Board in December 2023, this report will be published on the www.wbif.eu website.

1. WBIF in 2022: main achievements of the year

Since the endorsement of the Economic and Investment Plan for the Western Balkans (EIP) in October 2020, the WBIF members have been active in identifying investments in support of the public and private sectors that contribute to stepping up the socio-economic convergence of the region and further the advancement of the region on the path towards the EU.

During 2022, the WBIF members contributed significantly to the implementation of the EIP, with the endorsement of new investment flagships in public infrastructure and private sector development. In addition, WBIF was key in crafting the Energy Support Package for the Western Balkans, presented at the Berlin Process Summit of November 2022, aimed at alleviating the impact of the energy, and the resulting cost of living, crises. Lastly, the WBIF continued to advance on the implementation of investments related to the 2015 Connectivity Agenda.

1.1. EIP implementation in full swing

The EIP was adopted on 6 October 2020. It aims at closer integration and bridging the socioeconomic gap between the region and the EU, assisting its green and digital transition and bringing the Western Balkans closer to the EU Common Market. The Plan is implemented through a package of EUR 9 billion of EU grants and the Western Balkans Guarantee Facility, expected to crowd in up to 20 billion EUR in investments.

In 2022, WBIF progressed on its objective of advancing the European perspective of the Western Balkans. In April 2022, the WBIF Assembly of Contributors approved the funding for the EIP flagship investments that were submitted to the Operational Board in December 2021, a total of €1.2 billion in grants for €3.6 billion investments in the region and €3.6 million in technical assistance. Furthermore, four calls for proposals for public and private sector blending were endorsed by the Operational Boards in Rome (22 June 2022) and Brussels (5 December 2022) for co-funding 15 new EIP flagship investments with €454 million in grants for €1.7 billion investments and €32.4 million in technical assistance.

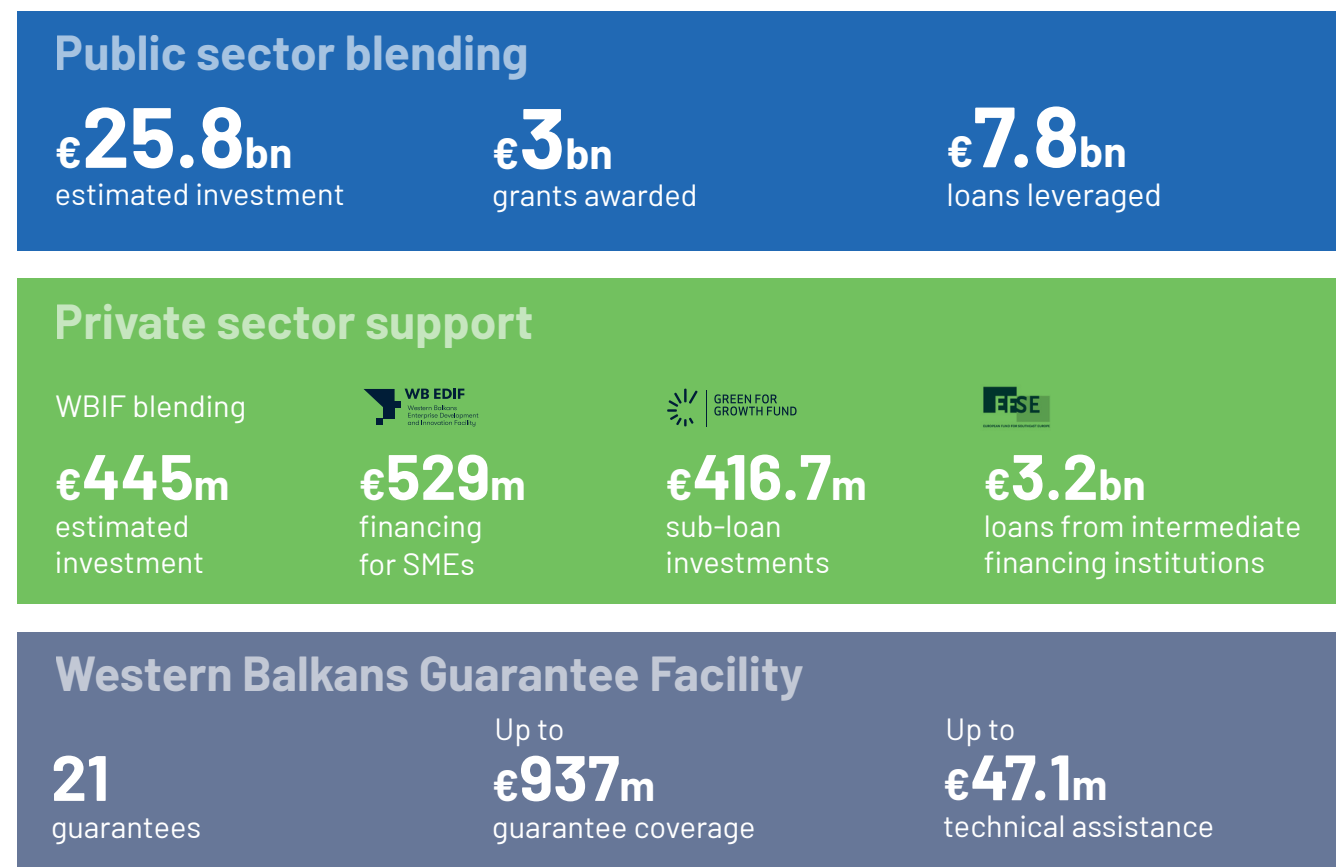
In addition, in 2022, 21 guarantees (relevant for the Western Balkans) are under implementation and, once operational, will provide up to €937 million in EU guarantee coverage and up to €47.1 million in technical assistance.

Three years after its adoption, the EIP is moving forward with regard to achieving the investment goals set out in its Communication COM(2020) 641. To date¹, the EU has committed funding of EUR 4.29 billion in grants, expected to leverage more than EUR 15.76 billion in investments from other sources. This includes funding for 54 flagship projects under the WBIF as well as actions under bilateral and multi-country IPA, and IPARD funding in support of agriculture measures. The WBIF contributed significantly to the EIP, with EUR 2.3 billion of EU and bilateral donor grants approved for EUR 8 billion in overall investments thus far.

¹ These figures cover the period 2020–June 2023, when the last WBIF Operational Board took place.

The 54 EIP flagships projects implemented through the WBIF are the mean to deliver the Global Gateway in the Western Balkans. These projects contribute to boosting energy and transport connectivity across the region and will provide better inter-connectivity with the EU.

Figure 1.1 WBIF at a glance (end 2022)



1.2. Energy Support Package

At the Berlin Process Summit of November 2022, the European Commission put forward an Energy Support Package of €1 billion in assistance for the Western Balkans partners. The package aimed at addressing immediate, short-term and medium-term needs in the Western Balkans in the context of the energy crisis stemming from Russia's war of aggression against Ukraine. With this substantial support, the European Commission assisted the Western Balkans partners to begin decreasing their dependence on Russian fossil fuels, accelerate decarbonisation, and improve the energy security of the region. In terms of immediate measures, the European Commission provided up to €500 million in budget support to the Western Balkans partners to mitigate the impact of increased energy prices on small and medium-sized enterprises and vulnerable households. The European Commission disbursed 90% of this amount (e.i EUR 450 million) in the first semester of 2023.

With regard to short- and medium-term measures, the European Commission provided a further €500 million via the WBIF to advance the energy transition and energy security of the region. The WBIF Operational Board endorsed six flagship investments for a total grant of €123 million in 2022, which is expected to leverage €476 million in investments in clean energy in the public sector. Another 3 flagship investments were endorsed in support to the private sector development, for a total of €52 million in grants, and expected to leverage €445 million of investments. Moreover, the Regional Energy Efficiency Programme (REEP) received over €100 million in grants for €540 million in investments, and six dedicated Western Balkans guarantees were further endorsed with a guarantee coverage of up to €419 million.

1.3. Advances in implementing Connectivity Agenda and other investments

During 2022, concrete actions were taken to accelerate the implementation of investments approved under the EU's Connectivity Agenda² in the fields of transport and energy, as well as environmental and social projects co-funded by the WBIF Bilateral Donors.

These led to the following principal tangible results in this reporting period:

- Completion of construction works on five Connectivity Agenda investments located on the indicative extension of the TEN-T core network and electricity corridors into the region:
 - *Gradiška cross-border bridge in Bosnia and Herzegovina into Croatia;*
 - *Johovac – Rudanka, Tarčin – Ivan I and II motorway sections of Corridor Vc in Bosnia and Herzegovina;*
 - *Kragujevac – Kraljevo grid section of Trans-Balkan Electricity Corridor in Serbia.*
- Start of construction on three Connectivity Agenda investments:
 - *Putnikovo Brdo 2 Tunnel – Medakovo motorway section of Corridor Vc in Bosnia and Herzegovina;*
 - *Fushë Kosovë/Kosovo Polje – Mitrovicë/Mitrovica railway section of Route 10 in Kosovo*;*
 - *Beljakovce – Kriva Palanka railway section of the interconnection with Bulgaria on Corridor VIII in North Macedonia.*

² Additional information on the Connectivity Agenda and related projects can be found in the library on the WBIF website at: <https://wbif.eu/library/connectivity-agenda>

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

2. EIP flagship investments implementation

2.1. Blending operations

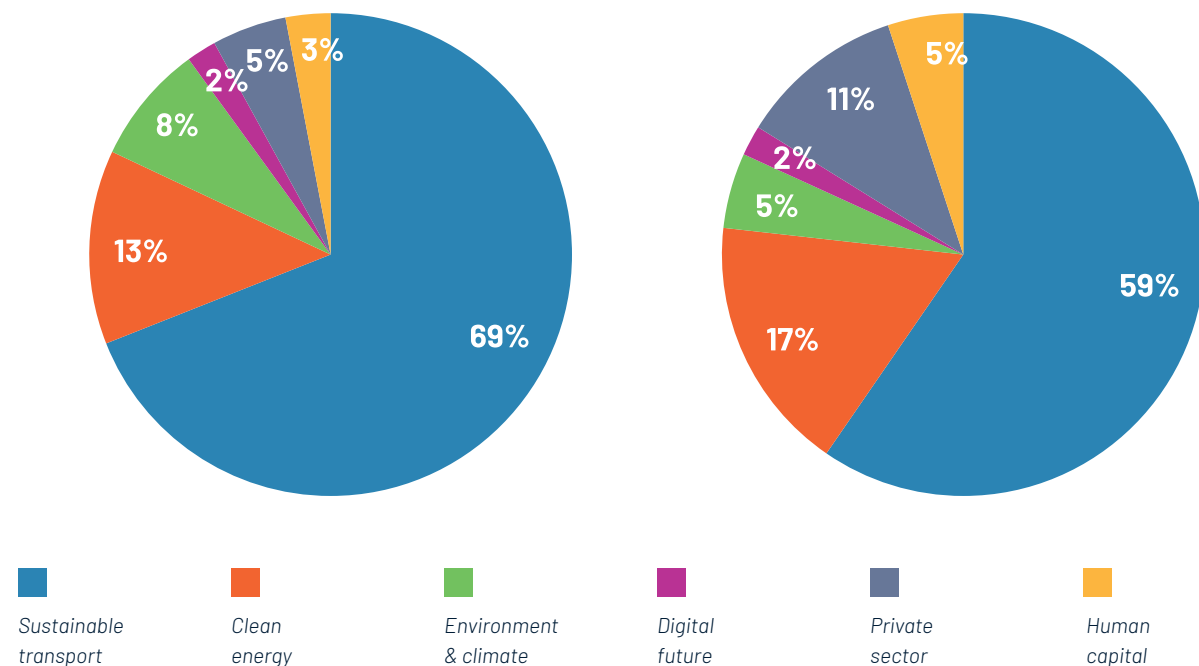
In 2022, four calls for proposals for public and private sector blending were completed. Through these calls, the WBIF Operational Board endorsed 15 EIP flagship investments, worth €454 million in grants for an estimated investment volume of €1.7 billion.

During the period 2020-2023³, the WBIF endorsed 54 flagship investments for €8.2 billion investments in rail, road and water transport, renewable energy, energy efficiency and power interconnections, waste and water management, health and education facilities, digital infrastructures, and private sector development. The European Union and the WBIF Bilateral Donors contribute €2.3 billion in grants to these investments (99% EU and 1% Bilateral Donors).

Figure 2.1: EIP flagship investments per area of intervention

EU and Bilateral Donors grants: **€2.3bn**

Estimated investments: **€8.2bn**



Principal tangible expected results of these flagship investments are:



Sustainable transport

- 334.7 km of new and upgraded railway lines
- 147.5 km of motorway and 21.5 km-long road bypass built
- 45 km of waterway upgraded ensuring safe navigation on the Rhine-Danube Corridor in the region



Clean energy

- 1,157 MW renewable energy generation capacity installed
- Regional electricity transmission capacity increased by 1,000 MW through construction of 84 km of 400 kV double-circuit power interconnection
- 205,000 smart meters installed in Kraljevo, Čačak and Niš in Serbia



Environment & climate

- EU-compliant wastewater collection and treatment services for over 860,000 people
- Efficient drinking water services for over 360,000 people
- EU-compliant waste disposal services for more than 1 million people



Digital future

- 815 settlements, 305 schools and 118,000 households in rural areas connected to broadband networks in Serbia
- 627 schools equipped with smart labs for the benefit of over 198,000 students annually in Albania



Human capital

- Better schools for over 10,000 students per year in Montenegro
- Innovative learning environments for 18,000 higher education students per year in Serbia
- New building constructed and equipped at University Children's Hospital in Belgrade



Private sector

- Over 6,700 businesses supported
- Sustainable production practices, processes and equipment implemented in 3,000 supported businesses.

The chart below shows an overview of all EIP flagship investments as of 30 June 2023.

³ Includes flagship investments endorsed by the 4th WBIF Operational Board in June 2023.

EIP flagship investments



Sustainable transport

- Rhine-Danube Corridor: Demining the Right Bank of the Sava River
- Corridor Vc: Johovac – Vukosavlje Motorway Section
- Corridor Vc: Šamac – Rječica Railway Section
- Corridor Vc: Medakovo – Ozimice Motorway Subsection
- Corridor Vc: Ozimice – Poprikuše Motorway Subsection
- Corridor Vc: Mostar North – Mostar South Motorway Subsection
- Corridor Vc: Mostar South – Kvanj Tunnel Motorway Subsection
- Corridor Vc: Kvanj Tunnel – Buna Motorway Subsection
- Rhine-Danube Corridor: Removal of Sunken WWII German Vessels from the Danube, Prahovo Sector
- Corridor X: Paraćin – Medurovo Railway Section
- Corridor X: Stalać – Dunis Railway Section
- Corridor Xc: Niš Rail Bypass
- Peace Highway: Pristina – Merdare Section
- Bar – Vrbnica Railway Line
- Albania – Montenegro Rail Interconnection: Vorë – Hani i Hotit Section
- Corridor VIII: Kriva Palanka – Border with Bulgaria Railway Section
- Blue Highway: Tirana Bypass
- Corridor VIII: Cut-Slopes Stabilisation on Kriva Palanka – Stracin Express Road Section
- Safe and Sustainable Transport Programme

Clean energy

- Kostolac Wind Farm
- Advanced System for Remote Meter Reading
- Trans-Balkan Electricity Corridor: Serbia – Montenegro – Bosnia and Herzegovina 400kV Interconnection
- Rehabilitation of Bistrica Hydropower Plant
- Rehabilitation of Čaplina Pump Storage Hydropower Plant
- Reconstruction of Vlasina Hydropower Plant
- Solar4Kosovo: Photovoltaic Plant
- Solar4Kosovo II: Solar District Heating for Pristina
- Rehabilitation of Fierza Hydropower Plant
- Vau i Dejës Floating Solar Photovoltaic Power Plant
- Green Transport Tirana
- Rehabilitation of Six Hydropower Plants Phase 3
- Oslomej 1 Solar Photovoltaic Power Plant
- Oslomej 2 and Bitola Solar Photovoltaic Power Plants
- Energy Efficiency Investments in Healthcare Buildings
- Strengthening the Transmission Network in the Southeast Region
- Bogdanci Wind Park Phase 2
- Regional Energy Efficiency Programme (REEP)

Environment & climate

- Sewage System for Palilula, Belgrade
- Sarajevo Water Project
- Wastewater and Water Supply Systems for Kolašin, Rožaje and Mojkovac
- Podgorica Wastewater Treatment Plant
- Skopje Wastewater Treatment Plant
- Regional Waste Management System for Polog, Pelagonija, Vardar, Southwest and Southeast Regions

Human capital

- University Children's Hospital Tirsova 2 in Belgrade
- Improving Energy Efficiency and Integrated Energy Management of the Technical Faculties Campus in Belgrade
- Education Infrastructure Improvement in Montenegro

Digital future

- Rural Broadband Rollout Phase 2
- Smart Labs - Network of ICT Laboratories for Pre-University Education System

Private sector

- SMEs Go Green Programme
- Western Balkans Climate Programme
- Green Finance for Inclusion
- GGF: Promoting Green Lending in the Western Balkans II
- Sustainable Access to Finance for Entrepreneurship
- Go Digital in the Western Balkans

The European Commission, in 2022, launched four WBIF call for investments projects in the public and private sectors and technical assistance. The results of each call are detailed below.

Round 27, technical assistance for investment projects preparation

Eight technical assistance projects were endorsed by the 2nd WBIF Operational Board on 22 June 2022 in Rome for a total grant of €13,598,538, of which €11,476,089 financed by EU IPA contributions and €2,122,449 by Bilateral Donor contributions. These projects have the objective to prepare the ground for investments in the areas of clean energy, environment and climate, digital future and sustainable transport through feasibility studies and designs, as well as environmental and social impact assessments and tender documents. More specifically, these eight projects will develop technical documentation for energy efficiency in schools and hydropower generation in Albania, water supply and sanitation in Bosnia and Herzegovina and Montenegro, regional waste management in North Macedonia, expansion of the government digital network in Albania and broadband connectivity in Montenegro and will provide technical assistance to advance the Prenj tunnel motorway section of Corridor Vc in Bosnia and Herzegovina.

Round 28, technical assistance for investment projects preparation

Five investment projects were endorsed by the 3rd WBIF Operational Board on 5 December 2022 in Brussels, with a total grant consideration of €10,796,254 in EU IPA contributions. These projects have the objective of preparing the ground for investments in the areas of clean energy, sustainable transport and human capital through feasibility studies and designs, as well as environmental and social impact assessments and tender documents. More specifically, these five projects will update the feasibility study and develop technical documentation for the Bar – Boljare highway in Montenegro, as well as for solar photovoltaic power plants and solar district heating in Serbia, and social housing in Kosovo.

Round 7, flagship investments, public sector

Twelve investment projects were endorsed by the 3rd WBIF Operational Board on 5 December 2022 in Brussels for a total WBIF grant value of €401,653,258, of which €6.7 million in Bilateral Donor contribution for co-financing an education infrastructure investment programme in Montenegro, which supports 12 EIP flagship investments of €1.2 billion. These projects contribute to the implementation of EIP investment flagships, notably: Flagship 1 – Connecting East to West, Flagship 4 – Renewable energy, Flagship 7 – Waste and wastewater management, Flagship 8 – Digital infrastructure, and human capital development.

Round 1, flagship investments, private sector

Under WBIF's first call for proposals⁴, three flagship investment and three technical assistance projects were endorsed by the 3rd WBIF Operational Board on 5 December 2022 in Brussels for a total EU IPA contribution of €60 million. A total grant of €52 million supports 3 flagship investments, expected to leverage up to €445 million of EIP flagship investments in energy efficiency, renewable energy, circular economy, agribusiness, microfinance, and green bonds. These investments are complemented by three EU-supported technical assistance programmes to the value of €8 million.

⁴ Launched by the 1st WBIF Operational Board, 16 December 2021 (virtual meeting).

2.2.1 Sustainable transport



EIP Investment flagships

Flagship 1: Connecting East to West

Flagship 2: Connecting North to South

Flagship 3: Connecting the coastal regions

The EIP flagship investments endorsed in 2020–2023 contribute to the completion of major connections on the indicative extension of the Trans-European Transport Network (TEN-T) core network which are of strategic interest to the region and to the EU. They speed up the construction of new transport infrastructure and the upgrading of roads, railways, and waterways with the objective of bringing the region's core network up to EU standards. To further spur regional cooperation and integration, connecting capitals in the region and with the EU is an important priority of these investments, as well as enabling multimodal transport solutions and modal shift, and reducing the transport's impact on the environment and climate in line with the Guidelines for the Implementation of the Green Agenda for the Western Balkans.

In 2022, one EIP flagship investment was endorsed under sustainable transport for a total investment volume of €475,633,965 with an overall EU IPA grant totalling €174,617,354.

In 2020–2023³, WBIF endorsed a total of nineteen EIP flagship investments that directed €4,865,046,703 towards investments in sustainable transport. The total EU IPA grant component was €1,600,882,273 (about 33% of the total estimated investment).

In terms of overall funding mobilised by the end of June 2023, sustainable transport accounted for 59% of total investment in EIP flagship projects. The EU IPA grant component was 69% of the total committed for EIP flagship investments.

Flagship 1: Connecting East to West

In 2022, one EIP flagship investment was endorsed under this flagship for a total investment volume of €475,633,965 with an overall EU IPA grant totalling €174,617,354.

During 2020–2023³, WBIF endorsed eight EIP investments under this flagship for an estimated total investment volume of €1,919,279,933 and an EU IPA grant of €564,999,520.

Table 1.1: EIP flagship investments endorsed under Flagship 1

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|---|--|------------------------|----------------|--------------------------|------------------|----------|
| 1 | Rhine/Danube Corridor: Demining the Right Bank of the Sava River | Bosnia and Herzegovina | 8,267,477 | 38,867,477 | 2020 | WB |
| 2 | Peace Highway: Pristina – Merdare Section | Kosovo | 78,868,904 | 207,692,568 | 2020; 2021 | EBRD |

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|---|-----------------|--------------------|--------------------------|------------------|----------|
| 3 | North Macedonia – Bulgaria Rail Interconnection, Kriva Palanka – Border with Bulgaria Section | North Macedonia | 154,458,911 | 573,229,910 | 2021 | EIB |
| 4 | Corridor VIII: Cut-Slopes Stabilisation on Express Road A2, Kriva Palanka – Stracin Section | North Macedonia | 13,959,635 | 36,700,865 | 2023 | WB |
| 5 | Rhine–Danube Corridor: Removal of Sunken WWII German Vessels from the Danube, Prahovo Sector | Serbia | 16,432,624 | 29,682,624 | 2021 | EIB |
| 6 | Serbia – Bulgaria Rail Interconnection: Niš – Dimitrovgrad Railway Line, Niš Bypass | | 35,561,788 | 278,471,011 | 2021 | EIB |
| 7 | Corridor X: Belgrade – Niš Railway Line, Stalać – Đunis Section | | 82,832,827 | 279,001,513 | 2021 | EIB |
| 8 | Corridor X: Belgrade – Niš Railway Line, Paraćin – Međurovo Section | | 174,617,354 | 475,633,965 | 2022 | EIB |
| Total | | | 564,999,520 | 1,919,279,933 | | |

Key expected outputs of these investments are:

- 129.5 km of new and upgraded railway lines;
- 50 km of motorway built;
- 5 km of waterway upgraded by removal of 21 wrecks and elimination of critical bottleneck on the Danube in Serbia;
- 40 km demined on the right bank of the Sava River in Bosnia and Herzegovina which will improve navigability on 335 km of inland waterway on the Rhine–Danube Corridor and unlock additional development funds.

Progress achieved in 2022

The implementation on the ground of the EIP investments endorsed under this Flagship will commence in 2023–2025 and should be completed by the end of 2029.

- The Peace Highway, Pristina – Merdare section, entered the technical due diligence phase.
- The works procurement was launched for the Niš rail bypass, Stalać – Đunis railway section and for the removal of sunken vessels from the Danube in Serbia.

Connectivity Agenda investments contributed to the objective of Flagship 1 with the following:

- Construction works continued on the first subsection of the Peace Highway in Serbia.
- Reconstruction and modernisation works advanced on the Brčko Port in Bosnia and Herzegovina.
- Construction works commenced on the Beljakovce – Kriva Palanka railway section of Corridor VIII in North Macedonia.
- The design–build contract was signed for the Sićevo – Dimitrovgrad railway section of Corridor Xc in Serbia.

Flagship 2: Connecting North to South

Under this Flagship, WBIF endorsed eight EIP investments in 2020–2023³ for an estimated total investment volume of €1,985,910,213 and a total EU IPA grant volume of €748,672,601.

Table 1.2: EIP flagship investments endorsed under Flagship 2

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|---|------------------------|--------------------|--------------------------|------------------|----------|
| 1 | Corridor Vc: Medakovo – Ozimice Motorway Subsection | Bosnia and Herzegovina | 81,833,285 | 383,368,189 | 2021 | EIB |
| 2 | Corridor Vc: Mostar South – Kvanj Tunnel Motorway Subsection | | 31,416,752 | 81,537,979 | 2021 | EBRD |
| 3 | Corridor Vc: Kvanj Tunnel – Buna Motorway Subsection | | 45,532,059 | 106,958,285 | 2020, 2021 | EIB |
| 4 | Corridor Vc: Johovac Interchange – Vukosavlje Interchange Motorway Section ⁵ | | 186,107,396 | 470,327,396 | 2021 | EIB |
| 5 | Corridor Vc: Šamac – Doboj – Rječica Railway Section ⁵ | | 85,970,415 | 165,412,415 | 2021 | EBRD |
| 6 | Corridor Vc: Ozimice – Poprikuše Motorway Subsection | | 141,350,233 | 354,272,988 | 2023 | EIB |
| 7 | Corridor Vc: Mostar North – Mostar South Motorway Section | | 155,918,379 | 382,976,379 | 2023 | EBRD |
| 8 | Montenegro – Serbia Rail Interconnection: Bar – Vrbnica Section | Montenegro | 20,544,082 | 41,056,582 | 2020 | EIB |
| Total | | | 748,672,601 | 1,985,910,213 | | |

Upon completion, these projects will yield a total of 97.5 km of motorway and 85 km of rehabilitated railway lines.

⁵ The contribution agreement for investments no. 4 and 5, located in Republika Srpska, will only be signed once the political crisis in Bosnia and Herzegovina is solved.

These investments will have a significant impact in achieving the main goal of Flagship 2 and its expected outputs. Specifically, in the case of Corridor Vc, the cumulative effect of the investments endorsed under the EIP with those co-funded via the Connectivity Agenda means that the corridor will be 85% complete as a result of WBIF support. This is a significant milestone, exceeding the original target by over 10% already. The investments in upgrading the Bar – Vrbnica railway line, which links Montenegro to Serbia by rail, likewise represent an important knitting together of the regional transport networks.

Progress achieved in 2022

The implementation on the ground of the EIP investments endorsed under this Flagship will commence in 2023-2024 and should be completed by the end of 2028.

- Works procurement was launched for the Kvanj Tunnel – Buna, Medakovo – Ozimice and Johovac – Vukosavlje motorway sections of Corridor Vc in Bosnia and Herzegovina.

Connectivity Agenda investments contributed to the objective of Flagship 2 with the following:

- In Bosnia and Herzegovina, the Gradiška cross-border bridge and three motorway sections were completed on Corridor Vc. On the same corridor, works progressed on four other sections and started on the Putnikovo Brdo 2 Tunnel – Medakovo section.
- In Kosovo, construction works continued on the Fushë Kosovë/Kosovo Polje – Border with North Macedonia section and commenced on the Fushë Kosovë/Kosovo Polje – Mitrovicë/Mitrovica section of Route 10.
- In Montenegro, the rehabilitation of bridges and tunnels advanced on the Bar – Vrbnica railway line.

Flagship 3: Connecting the coastal regions

WBIF endorsed two EIP flagship investments under this flagship in 2020 and 2021 with an estimated total investment volume of €465,056,557 and a total EU IPA grant volume of €207,210,152.

Table 1.3: EIP flagship investments endorsed under Flagship 3

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|--|-------------|--------------------|--------------------------|------------------|----------|
| 1 | Albania – Montenegro Rail Interconnection: Vorë – Hani i Hotit Section | Albania | 138,027,659 | 271,632,120 | 2021 | EBRD |
| 2 | Blue Highway: Tirana Bypass | | 69,182,493 | 193,424,437 | 2020, 2021 | EBRD |
| Total | | | 207,210,152 | 465,056,557 | | |

Key expected outputs of these investments are 120.2 km of railway line rehabilitated, and a 21.5 km-long road bypass built.

Progress achieved in 2022

The implementation on the ground of these EIP investments will commence in 2024 and should be completed by the end of 2029.

Connectivity Agenda investments contributed to the objective of Flagship 3 with the following:

- Rehabilitation works on the Durrës – Tirana railway line and for construction of a railway link to Tirana airport in Albania advanced and are due for completion in 2024.

Safe and Sustainable Transport Programme

The *Safe and Sustainable Transport Programme (SSTP)* aims to enhance transport safety and sustainability in the Western Balkans, aligned with the EU's Green Agenda. The region faces climate change consequences, with energy and transport sectors being major greenhouse gas emitters. SSTP, funded by the EU and World Bank, supports initiatives like *road safety improvements, alternative fuel infrastructure, and intelligent transport systems*. It targets reduced travel times, enhanced safety, lower pollution, improved market access, increased trade, job creation, and socio-economic convergence with the EU.



Using existing World Bank projects, such as the Western Balkans Trade and Transport Facilitation Project and Serbia Railway Modernisation Project, SSTP collaborates with public partners and the private sector. The programme facilitates the region's long-term recovery, the greening of transport, economic integration, and improved quality of life for Western Balkans residents. With the SSTP, the Western Balkans can benefit from technical assistance and knowledge, moving forward with the green and digital transition in transport.

An overview of the WBIF investments in sustainable transport co-financed under the EIP and Connectivity Agenda is shown below.

Sustainable transport flagship investments



Albania

- 1 Durrës – Tirana Railway Line and New Railway Link to Tirana Airport
- 2 Blue Highway: Tirana Bypass
- 3 Albania – Montenegro Rail Interconnection: Vorë – Hani i Hotit Section

Bosnia and Herzegovina

- 4 Gradiška Cross-Border Bridge
- 5 Corridor Vc: Svilaj Cross-Border Bridge, Svilaj – Odžak Motorway Section
- 6 Corridor Vc: Johovac – Vukosavlje Motorway Section⁽¹⁾
- 7 Corridor Vc: Johovac – Rudanka Motorway Section
- 8 Corridor Vc: Rudanka – Putnikovo Brdo 2 Tunnel Motorway Subsection
- 9 Corridor Vc: Putnikovo Brdo 2 Tunnel – Medakovo Motorway Subsection
- 10 Corridor Vc: Medakovo – Ozimice Motorway Subsection
- 11 Corridor Vc: Ozimice – Poprikuše Motorway Subsection
- 12 Corridor Vc: Poprikuše – Nemila Motorway Subsection
- 13 Corridor Vc: Ponirak – Vraca/Zenica Tunnel Motorway Subsection
- 14 Corridor Vc: Zenica Tunnel – Donja Gračanica Motorway Subsection
- 15 Corridor Vc: Tarčin – Ivan Motorway Subsection I
- 16 Corridor Vc: Ivan Tunnel Motorway Subsection
- 17 Corridor Vc: Mostar North – Mostar South Motorway Section
- 18 Corridor Vc: Mostar South – Kvanj Tunnel Motorway Subsection
- 19 Corridor Vc: Kvanj Tunnel – Buna Motorway Subsection
- 20 Corridor Vc: Buna – Počitelj Motorway Subsection
- 21 Corridor Vc: Počitelj – Zvirovići Motorway Subsection
- 22 Corridor Vc: Šamac – Doboj – Rječica Railway Section⁽¹⁾
- 23 Rhine-Danube Corridor: Demining the Right Bank of the Sava River
- 24 Rhine-Danube Corridor: Brčko Port

Kosovo

- 25 Route 10: Fushë Kosova/Kosovo Polje – Border with North Macedonia Railway Section (Phase 1)
- 26 Route 10: Fushë Kosova/Kosovo Polje – Mitrovicë/Mitrovica Railway Section (Phase 2)
- 27 Route 10: Signalling and Telecoms for Mitrovicë/Mitrovica – Border with North Macedonia Railway Sections (Phases 1&2)
- 28 Peace Highway: Pristina – Merdare Section

Montenegro

- 29 Montenegro – Serbia Rail Interconnection: Bar – Vrbnica Section
- 30 Montenegro – Serbia Rail Interconnection: Bar – Vrbnica Section
- 31 Montenegro – Serbia Rail Interconnection: Bar – Vrbnica Section

North Macedonia

- 32 Corridor VIII: Beljakovce – Kriva Palanka Railway Section
- 33 Corridor VIII: Kriva Palanka – Border with Bulgaria Express Road Section
- 34 Corridor VIII: Bukojčani – Kičevo Motorway Subsection
- 35 Corridor X: Tabanovce Joint Border Railway Station
- 36 Skopje (Stenkovec Interchange) – Blace Motorway Section
- 37 Corridor VIII: Kriva Palanka – Border with Bulgaria Railway Section
- 38 Corridor VIII: Cut-Slopes Stabilisation on Kriva Palanka – Stracin Express Road

Serbia

- 39 Corridor X: Intermodal Terminal in Batajnica, Belgrade
- 40 Corridor X: Niš – Brestovac Railway Section
- 41 Corridor Xc: Sicevo – Dimitrovgrad Railway Section
- 42 Corridor Xc: Niš – Dimitrovgrad Railway Line, Electrification & Signalling
- 43 Peace Highway: Niš (Merošina) – Pločnik (Beloljin) Section
- 44 Corridor X: Belgrade – Niš Railway Line, Paraćin – Medurovo Section
- 45 Corridor X: Belgrade – Niš Railway Line, Stalać – Dunis Section
- 46 Corridor Xc: Niš Rail Bypass
- 47 Rhine-Danube Corridor: Removal of Sunken WWII German Vessels from the Danube, Prahovo Sector

Regional Programme

- 48 Safe and Sustainable Transport Programme (SSTP)

(1) The European Commission will sign the contribution agreements for those two investments located in Republika Srpska after the end of the political crisis in Bosnia and Herzegovina, with full functioning of the State institutions.

2.2.2 Clean energy



EIP Investment flagships

Flagship 4: Renewable energy

Flagship 5: Transition from coal

Flagship 6: Renovation wave

The EIP flagship investments endorsed in 2020-2023 support energy transition – from highly polluting coal to more sustainable and green energy sources. The focus is on renewable energy generation, energy efficiency, low carbon transition, and performant electricity transmission lines for increased use of renewable energy sources in line with the region’s potential. The contribution of these investments to decarbonise energy production and/or consumption is key to delivering on the Green Agenda for the Western Balkans and avoiding potentially negative consequences of the Carbon Border Adjustment Mechanism.

In 2022, to tackle the energy crisis resulted from Russia’s war of aggression against Ukraine, WBIF endorsed six EIP flagship investments for clean energy for a total grant consideration of €122,501,798, which are expected to leverage €475,511,123 in investments. These investments are part of the short to mid-term measures of the Energy Support Package for the Western Balkans.

Overall, WBIF endorsed a total of eighteen EIP flagship investments in 2020-2023³ that directed €1,428,898,002 towards investments in clean energy. The total EU IPA and Bilateral Donor grant component was €312,559,621 (about 22% of the total estimated investment).

Flagship 4: Renewable energy

Under this Flagship, six new EIP investments were endorsed in 2022 for an estimated total investment volume of €475,511,123 and a total EU IPA grant contribution of €122,501,798.

During 2020-2023³, a total of thirteen EIP investments for an estimated investment of €741,874,530 contributed to fulfilling this flagship’s objective of supporting increased use of renewable energy sources in line with the region’s potential and national preferences. The total WBIF grant component was €183,526,329 million. Bilateral Donors contributed €4,276,494 to two projects, and the remainder was financed by EU IPA grants.

Table 1.4: EIP flagship investments endorsed under Flagship 4

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|---|------------------------|--------------------|--------------------------|------------------|----------|
| 1 | Rehabilitation of Fierza Hydropower Plant | Albania | 8,722,449 | 48,722,449 | 2020 | KfW |
| 2 | Vau i Dejës Floating Solar Photovoltaic Power Plant | | 2,692,698 | 12,055,891 | 2021 | EBRD |
| 3 | Green Transport Tirana | | 32,129,483 | 111,299,483 | 2023 | KfW |
| 4 | Rehabilitation and Modernisation of Čaplina Pump Storage Hydropower Plant | Bosnia and Herzegovina | 3,048,632 | 18,864,632 | 2023 | KfW |
| 5 | Solar4Kosovo - Photovoltaic Plant | Kosovo | 32,839,493 | 104,490,493 | 2022 | KfW |
| 6 | Solar4Kosovo II - Solar District Heating for Pristina | | 22,320,162 | 81,520,162 | 2022 | KfW |
| 7 | Oslomej 1 Solar Photovoltaic Power Plant | North Macedonia | 1,583,796 | 8,904,019 | 2021 | EBRD |
| 8 | Oslomej 2 and Bitola Solar Photovoltaic Power Plants | | 5,124,802 | 25,630,802 | 2021 | EBRD |
| 9 | Bogdanci Wind Park Phase 2 | | 9,219,318 | 30,323,577 | 2022 | KfW |
| 10 | Rehabilitation of Six Hydropower Plants Phase 3 | Serbia | 11,119,564 | 36,319,564 | 2022 | KfW |
| 11 | Kostolac Wind Farm | | 31,003,040 | 145,061,040 | 2022 | KfW |
| 12 | Reconstruction of Vlasina Hydropower Plant | | 16,000,221 | 77,796,287 | 2022 | EBRD |
| 13 | Rehabilitation of Bistrica Hydropower Plant | | 7,722,671 | 40,886,131 | 2023 | EIB |
| Total | | | 183,526,329 | 741,874,530 | | |

These investments represent a comprehensive mix of hydro, solar and wind energy projects and are well-targeted, addressing most of the goals of Flagship 4. The region’s renewable power generation capacity from hydro, wind and solar sources will increase by 1,157 MW, and clean urban transport infrastructure will be put in place in Tirana in Albania.

Progress achieved in 2022

The implementation on the ground of the EIP investments endorsed under this Flagship commenced in 2021 and should be completed by the end of 2030.

- The Oslomej 1 solar power plant was completed and connected to the grid in North Macedonia.
- The procurement was launched for the Vau i Dejës floating solar photovoltaic plant in Albania.
- The design-build contract was signed for the Kostolac wind farm in Serbia.

Flagship 5: Transition from coal

Under this Flagship, WBIF endorsed three investments in 2021-2023³ for an estimated total investment volume of €124,095,002 and a total EU IPA grant contribution of €24,904,822.

Table 1.5: EIP flagship investments endorsed under Flagship 5

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|--|-----------------|-------------------|--------------------------|------------------|----------|
| 1 | Strengthening the Transmission Network in the Southeast Region of North Macedonia | North Macedonia | 7,987,294 | 34,720,974 | 2023 | EBRD |
| 2 | Trans-Balkan Electricity Corridor: Serbia – Montenegro – Bosnia and Herzegovina 400 kV Interconnection | Serbia | 8,815,400 | 41,126,900 | 2021 | KfW |
| 3 | Advanced System for Remote Meter Reading Phase 1A | | 8,102,128 | 48,247,128 | 2021 | EBRD |
| Total | | | 24,904,822 | 124,095,002 | | |

Key expected outputs of these investments are:

- Regional electricity transmission capacity increased by 1,000 MW through the installation of 84 km of 400 kV double-circuit power interconnection.
- 38.7 km of electricity transmission line upgraded in North Macedonia to support the development of renewable energy sources.
- 205,000 smart meters installed in Kraljevo, Čačak and Niš.

These investments, combined with those endorsed under Flagship 4, constitute a meaningful step towards transitioning from polluting coal to more sustainable sources of energy.

Progress achieved in 2022

The EIP investments endorsed under this Flagship will start implementation on the ground in 2024-2025 and should be completed by the end of 2027.

- The detailed design was completed and the construction permit obtained for section 4 of the Trans-Balkan Electricity Corridor in Serbia.

Also, projects approved under the Connectivity Agenda contributed to the Flagship 5 objective to transition from highly polluting coal to more sustainable and green sources of energy with the following:

- In Serbia, the Kragujevac – Kraljevo grid section (section 2) of the Trans-Balkan Electricity Corridor was completed, while the detailed design was finalised and the construction permit obtained for the Obrenovac – Bajina Bašta grid section (section 3) of the corridor.
- In Montenegro, the construction of the Lastva – Pljevlja – border with Serbia section of the Trans-Balkan Electricity Corridor progressed.
- Works started on the power interconnection with Albania in North Macedonia.
- Construction of the Serbia – Greece gas interconnector commenced.
- The design for the North Macedonia – Greece gas interconnector was finalised.

Flagship 6: Renovation wave

Under this Flagship, WBIF endorsed two investments in 2021-2023³ for an estimated total investment volume of €562,928,470 through the Regional Energy Efficiency Programme (REEP) and the World Bank's project for energy efficiency in healthcare facilities in North Macedonia. Bilateral Donors contributed €2,211,550 to the project in North Macedonia, and the remainder was financed by EU IPA grants.

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, reduce greenhouse gas emissions and improve living standards.

The **Regional Energy Efficiency Programme (REEP)** was established in 2013, by the EBRD jointly with the European Commission, the Energy Community Secretariat, WBIF and Bilateral Donors. 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.

Regional Energy Efficiency Programme

Up to end 2021:

€630m total investment mobilised

€80m EU grant contribution

2022 replenishment:

€102m additional EU grant funding

€540m expected leverage

The EBRD and the KfW implement the programme, which operates both directly and through intermediaries and is a key instrument for the implementation of the EIP.

Since its inception, the integrated package offered through REEP has reached 1,000 SMEs, 16,000 households and 399 public buildings across over 700 cities and towns. Related investments translate into 964,000 MWh/year energy saved, 540,000 tCO₂/year emissions avoided, and 121 MW renewable energy capacity installed.

An overview of the WBIF investments in clean energy co-financed under the EIP and Connectivity Agenda is shown below.

Clean energy flagship investments



Albania

- 1 Albania - North Macedonia Power Interconnection: Grid Section in Albania (Fier - Elbasan - MK border)
- 2 Rehabilitation of Fierza Hydropower Plant
- 3 Vau i Dejës Floating Solar Photovoltaic Power Plant
- 4 Green Transport Tirana

Bosnia and Herzegovina

- 5 Rehabilitation of Čapljina Pump Storage Hydropower Plant

Kosovo

- 6 Solar4Kosovo: Photovoltaic Plant
- 7 Solar4Kosovo II: Solar District Heating for Pristina

Montenegro

- 8 Trans-Balkan Electricity Corridor: Grid Section in Montenegro (Lasta - Pljevlja - border with Serbia)

North Macedonia

- 9 North Macedonia - Albania Power Interconnection: Grid Section in North Macedonia (Bitola - Ohrid - AL border)
- 10 North Macedonia - Greece Gas Interconnector
- 11 Oslomej 1 Solar Photovoltaic Power Plant
- 12 Oslomej 2 and Bitola Solar Photovoltaic Power Plants
- 13 Rehabilitation of Six Hydropower Plants Phase 3
- 14 Bogdanci Wind Park Phase 2
- 15 Strengthening the Transmission Network in the Southeast Region
- 16 Energy Efficiency Investments in Healthcare Buildings

Serbia

- 17 Serbia (Niš) - Bulgaria Gas Interconnector
- 18 Trans-Balkan Electricity Corridor: Kragujevac - Kraljevo Grid Section
- 19 Trans-Balkan Electricity Corridor: Obrenovac - Bajina Bašta Grid Section
- 20 Trans-Balkan Electricity Corridor: Bajina Bašta - Montenegro - BiH Borders Section
- 21 Advanced System for Remote Meter Reading Phase 1A
- 22 Kostolac Wind Farm
- 23 Rehabilitation of Bistrica Hydropower Plant
- 24 Reconstruction of Vlasina Hydropower Plant

Regional Programme

- 25 Regional Energy Efficiency Programme for the Western Balkans (REEP)

2.2.3. Environment & climate

EIP Investment flagships

Flagship 7: Waste and wastewater management



The EIP flagship investments endorsed in 2021-2023 support sustainable and reliable ways of managing water supply, wastewater treatment and waste disposal. The EIP together with the Guidelines for the Implementation of the Green Agenda for the Western Balkans set out that significant investment should be directed towards greening the Western Balkans and mainstreaming environmental and climate requirements in other sectors.

Under Flagship 7, three new EIP investments were endorsed in 2022 with an estimated total investment volume of €179,434,858 and a total EU IPA grant of €82,661,015.

Overall, WBIF endorsed six EIP flagship investments in 2021-2023³ that directed €427,420,582 towards investments in environment and climate. The total EU IPA and Bilateral Donors grant component was €181,182,597 (about 42% of the total estimated investment).

Table 1.6: EIP flagship investments endorsed under Flagship 7

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|---|------------------------|--------------------|--------------------------|------------------|----------|
| 1 | Sarajevo Water Project: Reconstruction of Water Supply Network | Bosnia and Herzegovina | 2,583,587 | 32,203,587 | 2023 | EBRD |
| 2 | Podgorica Wastewater Treatment Plant | Montenegro | 23,713,493 | 76,639,493 | 2021 | KfW |
| 3 | Wastewater and Water Supply Systems Improvement in Kolašin, Rožaje and Mojkovac | | 23,346,186 | 34,909,629 | 2022 | EIB |
| 4 | Skopje Wastewater Treatment Plant | North Macedonia | 72,224,502 | 139,142,644 | 2021 | EIB |
| 5 | Regional Waste Management System for Polog, Pelagonija, Vardar, Southwest and Southeast Regions | | 22,562,513 | 60,577,513 | 2022 | EBRD |
| 6 | Sewerage System for Palilula, Belgrade | Serbia | 36,752,316 | 83,947,716 | 2022 | EIB |
| Total | | | 181,182,597 | 427,420,582 | | |

Key expected outputs of these investments are:

- EU-compliant wastewater collection and treatment services for over 860,000 people in Montenegro, North Macedonia and Serbia.
- Efficient drinking water services for over 360,000 people in Bosnia and Herzegovina.
- EU-compliant waste disposal services for more than 1 million people in North Macedonia.

Progress achieved in 2022

The EIP investments approved under this flagship will start implementation on the ground in 2023-2024 and should be completed by the end of 2028.

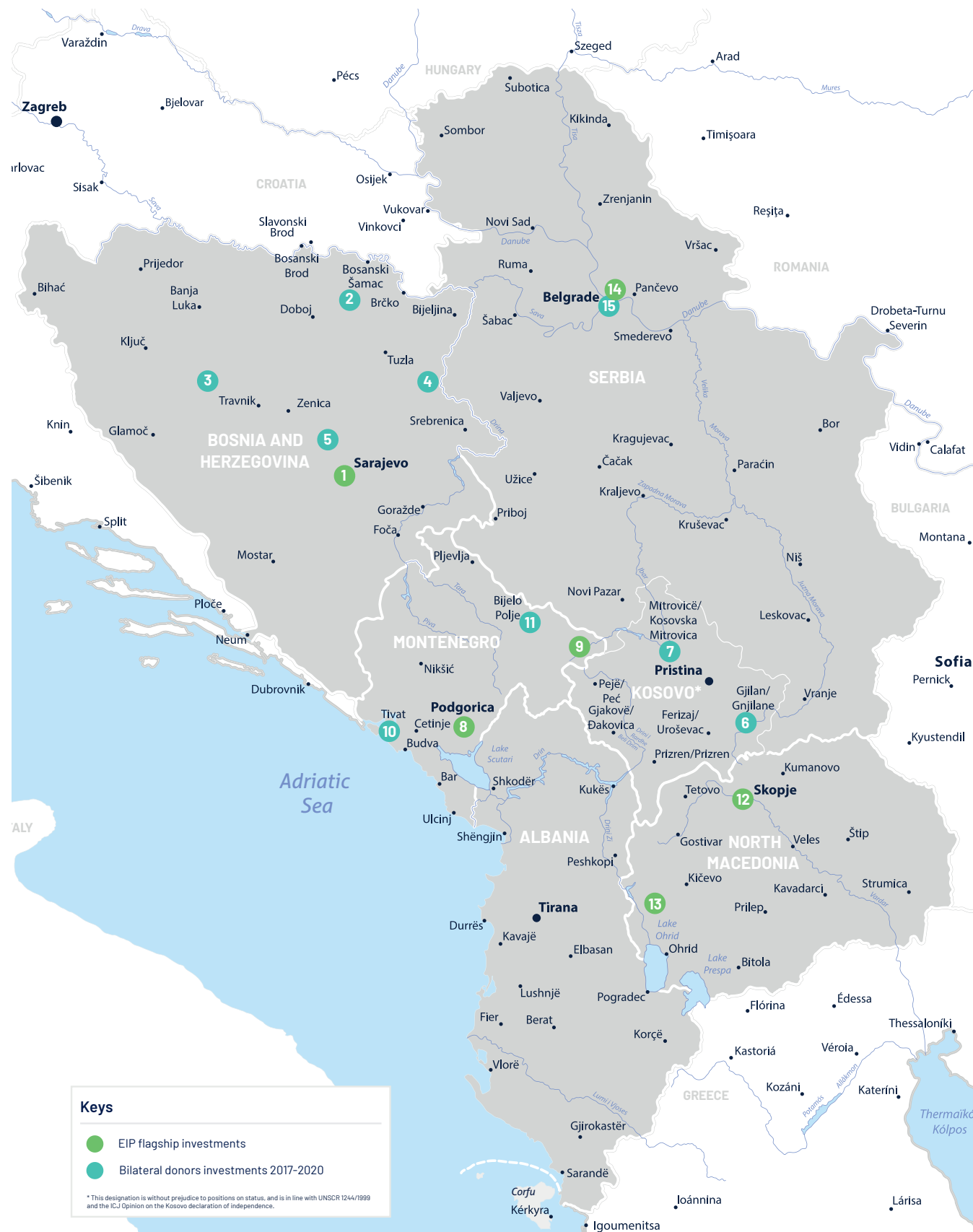
- In Montenegro, the design-build contract was signed for the Podgorica Wastewater Treatment Plant.
- In Serbia, the works tender was launched for the construction of the sewerage system in the Municipality of Palilula in Belgrade.

Investment projects approved in 2017-2020 with funding from the WBIF Bilateral Donors also contribute to the objective of Flagship 7:

- In Bosnia and Herzegovina, investments in water supply were implemented in the Jajce, Gradačac and Zvornik municipalities.
- In Montenegro, the procurement was launched for water supply and wastewater collection in Boka Bay.

An overview of the WBIF investments in environment and climate is shown below.

Environment & climate flagship investments



Keys

- EIP flagship investments
- Bilateral donors investments 2017-2020

* 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.

Bosnia and Herzegovina

- 1 Sarajevo Water Project: Reconstruction of Water Supply Network
- 2 Gradacac Water Supply Project
- 3 WATSAN FBiH: Water Supply and Water Loss Reduction in Jajce Municipality
- 4 WATSAN Republika Srpska: Lokanj-Piica Water Supply Phase 1 and Wastewater Treatment Plant for Tabanci in Zvornik Municipality
- 5 Visoko Water Supply Project: Mostre Subsystem and Water Network - Reconstruction Phase 3

Kosovo

- 6 Wastewater Treatment Plant and Sewerage Network Extension and Rehabilitation in Gjilan
- 7 Wastewater Treatment Plant and Sewerage Network for Mitrovica

Montenegro

- 8 Podgorica Wastewater Treatment Plant
- 9 Wastewater Treatment and Water Supply for Kolasin, Rozaje and Mojkovac
- 10 Boka Bay Water Supply and Wastewater Collection
- 11 Bijelo Polje Wastewater Treatment Plant

North Macedonia

- 12 Skopje Wastewater Treatment Plant
- 13 Regional Waste Management System for Polog, Pelagonija, Vardar, Southwest and Southeast Regions

Serbia

- 14 Sewerage System for Palilula, Belgrade
- 15 Upgrade of Makis Water and Wastewater Treatment Facilities, Belgrade

2.2.4. Digital future

EIP Investment flagships

Flagship 8: Digital infrastructure

The EIP flagship investments endorsed in 2021-2022 increase the EU support for deployment of ultra-fast and secure broadband, with the aim to ensure universal access, and digital education infrastructure. The Digital Agenda for the Western Balkans is a reference in designing interventions.



Under Flagship 8, one EIP investment was endorsed in 2022 for a total investment volume of €34,005,425 with a total EU IPA contribution of €10,483,868.

Overall, WBIF endorsed two EIP flagship investments in 2021-2022 that directed €169,619,559 towards investments in rural broadband connectivity and digital education infrastructure. The total EU IPA grant component was €44,648,002 (about 26% of the total estimated investment).

Table 1.7: EIP flagship investments endorsed under Flagship 8

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|---|-------------|-------------------|--------------------------|------------------|----------|
| 1 | Rural Broadband Rollout Phase 2 | Serbia | 34,164,134 | 135,614,134 | 2021 | EBRD |
| 2 | Establishment of Smart Labs - Network of ICT Laboratories for Pre-University Education System | Albania | 10,483,868 | 34,005,425 | 2022 | CEB |
| Total | | | 44,648,002 | 169,619,559 | | |

Both investments fit with the goal of this flagship for continued digitalisation and roll-out of national broadband infrastructures in the Western Balkans partners. In Albania, 627 schools will be equipped with smart labs for the benefit of over 198,000 students annually. In Serbia, 815 settlements, 305 schools and 118,000 households in rural areas will be connected to broadband networks.



Progress achieved in 2022

The EIP investments endorsed under this flagship will start implementation on the ground in 2023-2024 and should be completed by the end of 2026.

WBIF technical assistance also supported the deployment of broadband connectivity and digital infrastructures, as follows:

- Feasibility studies and designs were developed for rural broadband in Serbia, which made possible the start of installation works on phase 1 of the EIP flagship investment endorsed in 2021.
- The feasibility study for broadband connectivity for schools in Kosovo was completed.

2.2.5. Human capital

EIP Investment flagships

Flagship 10: Youth guarantee

The Economic and Investment Plan shifts focus from social infrastructures to investments in human capital recognising the importance of education and skills, health and social protection to unleash economic growth. Key areas under WBIF are investments in digitalisation and energy-efficient infrastructures in the fields of education and health.



Under this area of intervention, one EIP flagship investment was endorsed in 2022, for a total investment volume of €64,323,075 with a total WBIF grant of €11,389,224. The WBIF Bilateral Donors contributed €6,718,034. The remainder was financed by EU IPA grants.

Overall, WBIF endorsed three EIP flagship investments in 2021-2023³ that directed €398,013,695 towards investments in health and education facilities. The total WBIF grant component was €69,104,420 (about 17% of the total estimated investment).

Table 1.8: EIP flagship investments endorsed for human capital development

| # | Investment | Beneficiary | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|--|-------------|-------------------|--------------------------|------------------|----------|
| 1 | University Children's Hospital Tirsova 2 in Belgrade | Serbia | 36,170,213 | 164,120,213 | 2021 | CEB |
| 2 | Improvement of Energy Efficiency and Integrated Energy Management of the Campus of Technical Faculties in Belgrade | | 21,544,983 | 169,570,407 | 2023 | CEB |
| 3 | Education Infrastructure Improvement | Montenegro | 11,389,224 | 64,323,075 | 2022 | EIB |
| Total | | | 47,559,437 | 228,443,288 | | |

Through these EIP flagship investments, over 10,000 students in the pre-university system in Montenegro and 18,000 students in the higher education system in Serbia will benefit from better schools and innovative learning environments annually. Furthermore, a new building will be constructed and equipped at the University Children's Hospital in Belgrade to increase the hospital's capacity and bring novel diagnostic and treatment technologies, robotic surgery facilities, more sophisticated patient monitoring and new fields of therapeutic diagnosis.

Progress achieved in 2022

The implementation on the ground of these EIP investments will start in 2023-2024 and should be completed by the end of 2027.

- The design for the University Children's Hospital Tirsova 2 in Belgrade was completed.

The investment project approved in 2020 with funding from the WBIF Bilateral Donors also contributes to the objectives of this intervention area:

The grant agreement for rehabilitation and equipping of physical education facilities in primary and secondary schools in North Macedonia was signed and the works are planned to commence in 2023.



University Children's Hospital Tirsova 2 in Belgrade

2.2.6. Private sector

EIP Investment flagships

Flagship 9: Investing in the competitiveness of the private sector

The Economic and Investment Plan focuses on the importance of developing 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 a favourable business climate to crowd in investors in the region.



Since 2020, support to private sector development has been consolidated under WBIF Private Sector Blending to encompass several prominent initiatives, notably the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), the European Fund for Southeast Europe (EFSE), the Green for Growth Fund (GGF) and the Regional Energy Efficiency Programme (REEP).

WBIF endorsed three EIP flagship investments in 2022 that directed €444,969,970 towards investments in line with the Green Agenda. The total EU IPA grant component was €52,001,165.

Overall, WBIF endorsed a total of six EIP flagship investments in 2022-2023³ that directed €894,099,970 towards investments in digital transition and innovation, green transition, trade and value-chain innovation, and financial inclusion. The total EU IPA grant component was €114,031,165 (about 13% of the total estimated investment).

Table 1.9: EIP flagship investments endorsed under Flagship 9

| # | Investment | Beneficiaries | WBIF grant (€) | Estimated investment (€) | Endorsement year | Lead IFI |
|--------------|--|-----------------------|--------------------|--------------------------|------------------|----------|
| 1 | SME Go Green Programme | All six Beneficiaries | 24,943,625 | 144,943,625 | 2022 | EBRD |
| 2 | Western Balkans Climate Programme | ALB, BIH, MKD, SRB | 17,000,000 | 200,000,000 | 2022 | IFC |
| 3 | Green Finance for Inclusion | All six Beneficiaries | 10,057,540 | 100,026,345 | 2022 | CDP |
| 4 | Sustainable Access to Finance for Entrepreneurship | All six Beneficiaries | 10,400,000 | 40,400,000 | 2023 | CDP |
| 5 | Go Digital in the Western Balkans | All six Beneficiaries | 27,630,000 | 177,730,000 | 2023 | EBRD |
| 6 | GGF: Promoting Green Lending in the Western Balkans II | All six Beneficiaries | 24,000,000 | 231,000,000 | 2023 | KfW |
| Total | | | 114,031,165 | 894,099,970 | | |

Progress achieved in 2022

The EIP investments endorsed under this flagship will start implementation on the ground in 2023 and should be completed by the end of 2029.

Western Balkans Enterprise Development and Innovation Facility

In 2022, WB EDIF continued to contribute to the objective of the Economic and Investment Plan Flagship 9, investing in the competitiveness of the private sector. Since its establishment in 2013, WB EDIF has deployed a total of €529 million in funds, supported 4,585 SMEs and 97,490 jobs.

Progress achieved in 2022

- In 2022, the Enterprise Expansion Fund (ENEF) Phase 2 was launched and received an additional €19 million for investment and €11 million for the TA Impact Fund from the EU. The targeted fund size is up to €75 million, with the aim of creating an investment portfolio of 15-25 companies with investments ranging from €0.5 million to €8 million across the Western Balkans.
- In the context of the post-COVID-19 recovery, a new Guarantee4SME Resilience was signed in 2022 to enhance the resilience of MSMEs without jeopardising their effort to move towards a more sustainable, low-carbon economy. This WB EDIF guarantee, the last of its kind, adds to the EU's support for the WB EDIF guarantee facility reaching a total of €129 million.
- Under Pillar 1: Equity Instruments, the total number of SMEs supported reached 36 for a total of €60.4 million in investments.
- Under Pillar 2: Guarantee Facilities, disbursed loans increased to €455.6 million, with 4,585 MSMEs and 97,490 jobs supported.
- Under Pillar 3: Regional SME Competitiveness Programme, a total of €110 million in sub-loans were allocated by the end of 2022, with 460 SMEs and 23,311 jobs supported.

European Fund for Southeast Europe (EFSE)

Since EFSE's inception, the European Commission acquired C-shares in EFSE for a contribution of €101.5 million, enabling €3.2 billion in the form of loans from 28 intermediate financing institutions to over 500,000 borrowers across the Western Balkans. EFSE added one additional active Partner Financial Institution in 2022 to reach a total of 74, serving nearly 87,000 active sub-borrowers.

In addition, the EFSE Development Facility for capacity-building provided tailored advisory support to over 37,000 beneficiaries through 611 projects worth nearly €42 million. The Western Balkans benefited from nearly 540 projects amounting to €19.3 million or 46% of the total value of the capacity development support under EFSE.

Progress achieved in 2022

- Overall, 82% of the EFSE's committed portfolio, reflecting €1,121.9 million at the end of 2022, consisted of loans to MSEs. The Western Balkans region comprised 29% of this portfolio (€328.5 million in total).

- The composition of the EFSE portfolio committed in the Western Balkans by key products at the end of 2022 was as follows: 46% MSEs, 44% housing loans, and 10% rural.
- €19.3 million was provided via technical assistance for the capacity development support for 538 projects by the end of 2022.

Green for Growth Fund (GGF)

Since the establishment of GGF in 2009, the European Commission contributed around €76 million in the form of C-shares, enabling about €417 million in the form of loans from 19 intermediate financing institutions throughout the Western Balkans. Through its collaboration with 64 partner institutions across 19 markets, GGF has successfully facilitated impactful green loans surpassing €1.4 billion.

In addition, the GGF Technical Assistance Facility supported 488 projects in the amount of €24.2 million to assist partner institutions in the areas of energy efficiency, renewable energy and resource efficiency. The Western Balkans benefitted from 456 projects amounting to €7.2 million or nearly 30% of the total value of the capacity development support.

Progress achieved in 2022

- By the end of 2022 the Fund invested €416.7 million by providing 31,518 sub-loans through its 19 intermediate financing institutions. This financing contributed to saving over 4,300 GWh of energy, reducing more than 1.1 million tons of CO₂ emissions, and sustainably managing nearly 560,000 tons of water, waste and materials yearly as of the end 2022.
- The Fund also provided technical assistance to 456 projects in the Western Balkans amounting to €7.2 million.
- The composition of the outstanding portfolio at the end of 2022 was as follows: 7% energy efficiency, 84% renewable energy/ energy efficiency, and 9% renewable energy.

2.2. Guarantee Facility

Guarantees share the risk associated with investing and lending, to encourage private investors and development banks to finance entrepreneurs or investments. The Western Balkans Guarantee Facility, launched in 2020, is expected to mobilise investments of up to €20 billion in the next decade. It is financed through the European Fund for Sustainable Development Plus (EFSD+) and the External Action Guarantee.

The EFSD+ focuses on six thematic areas for investments: (1) Micro, Small and Medium Enterprises (MSMEs); (2) Connectivity: Energy, Transport and Digital; (3) Sustainable Agriculture, Biodiversity, Forests and Water; (4) Sustainable Cities; (5) Sustainable Finance and Impact Investing; and (6) Human Development. In the Western Balkans, these thematic areas contribute to the implementation of the EIP and are aligned with the Plan's investment areas.

The total maximum guarantee coverage endorsed by the EFSD+ Boards for the region is €936 million and the technical assistance up to €47 million⁶. Altogether, once signed, these guarantees will support sustainable and inclusive economic development in the Western Balkans by strengthening public and private infrastructure, fostering energy efficiency and renewable energy, promoting sustainable agriculture and supporting the digital economy. An overview of these 21 guarantees is provided below.

| # | Proposed Investment Programme | Lead IFI | Guarantee coverage up to (€m) | TA up to (€m) | Endorsement |
|----|--|----------|-------------------------------|---------------|-------------|
| 1 | HI-BAR | EBRD | €50m | €2.5 m | Dec 2022 |
| 2 | Municipal, Infrastructure & Industrial Resilience Programme (Resilience) | EBRD | €50m | €2.5 m | Dec 2022 |
| 3 | Connectivity | EIB | €34m | €1.7m | Dec 2022 |
| 4 | Better Futures Program (BFP) | IFC | €40m | €2m | Dec 2022 |
| 5 | Supporting Market-Oriented Green Transformation in the ENI and WB6 | KfW | €200m | €10m | Dec 2022 |
| 6 | EIBG Multi-thematic (uncapped guarantee) support for SMEs in the Western Balkans | EIF | €120m | €3.5m | Dec 2022 |
| 7 | Inclusive Finance for the Western Balkans | EIF | €30m | €2.0m | Dec 2022 |
| 8 | EIF-UNDP Inclusive Growth initiative for the Western Balkans | EIF | €20m | €3.0m | Dec 2022 |
| 9 | Financing and Accelerating the Sustainable Transition of Cities (FAST-Cities) | AFD | €20m | €1.0m | Jan 2023 |
| 10 | Digital Transformation Platform | EBRD | €20m | €1.0m | Jan 2023 |
| 11 | Risk sharing for ESG projects | EBRD | €12.75m | €0.64m | Jan 2023 |

⁶ Rounded numbers, subject to revision.

| # | Proposed Investment Programme | Lead IFI | Guarantee coverage up to (€m) | TA up to (€m) | Endorsement |
|--------------|---|----------|-------------------------------|---------------|-------------|
| 12 | Credit Enhancement of Green Bonds - Global Green Bonds TEI | EBRD | €10m | €0.5m | Jan 2023 |
| 13 | MSME Access to green, growth and inclusive finance | EIB | €20m | €1.0m | Jan 2023 |
| 14 | The MSME Guarantee Platform (MGP) | KfW | €50m | €2.5 m | Jan 2023 |
| 15 | EDFI Carbon Sinks | EDFI | €12m | €0.6 m | Jan 2023 |
| 16 | Global Green Bond Initiative | EIB | €48m | €2.4 m | Jan 2023 |
| 17 | EU Market Creation Facility (EUMCF) | KfW | €15m | €0.75 m | Jan 2023 |
| 18 | Western Balkans Agricultural Risk Sharing Facility (carry-forward) | IFC | €40m | €3.0 m | Apr 2022 |
| 19 | Growth4All (carry-forward) | EBRD | €40m | €3.0 m | Apr 2022 |
| 20 | Risk-sharing instrument for Energy Efficiency, Renewable Energy and Digital project (carry-forward) | EIB | €45m | €3.5 m | Apr 2022 |
| 21 | WB EDIF Guarantee4SME Resilience | EIF | €60m | n.a. | 2020 |
| Total | | | €936.75m | €47.1m | |

Progress achieved in 2022

- Three guarantees were “carried forward” and brought under the umbrella of the WBIF Guarantee Facility; these were:
 - *Western Balkans Agricultural Risk Sharing Facility, implemented by IFC;*
 - *Growth4All, implemented by EBRD;*
 - *Risk Sharing Instrument for Energy Efficiency, Renewable Energy and Digital Project, implemented by EIB.*
- The WB EDIF Guarantee4SME Resilience, implemented by EIF was signed.
- A total of three guarantees exclusively for the Western Balkans and implemented by EIF were endorsed in 2022; these were:
 - *EIBG Multi-thematic (Uncapped Guarantee) Support for SMEs in the Western Balkans;*
 - *Inclusive Finance for the Western Balkans; and*
 - *EIF-UNDP Inclusive Growth Initiative for the Western Balkans.*

Several other guarantees which include the Western Balkans are under negotiation and are expected to advance further in 2023.

3. Overview of WBIF contributions

3.1. European Commission contribution

By the end of 2022, the European Commission contributed a total of €311,791,013 to the Joint Fund, and €198,996,375 in 2021⁷.

In parallel, the European Commission committed €477,207,567 in EU IPA grants, accounting for 98% of the WBIF total grant funding endorsed in 2022, for financing the following projects:

- 15 EIP flagship investments in the public and private sectors for a total grant value of €446,936,389;
- 3 private sector programmes for technical assistance for a total grant value of €7,998,835;
- 8 technical assistance projects under the Infrastructure Project Facility (IPF) for a total grant value of €13,246,629;
- 4 technical assistance projects under the Joint Fund for a total grant value of €9,025,714.

3.2. Bilateral Donor pledges in 2022

In 2022, the Bilateral Donors pledged another €8.12 million to the WBIF, as follows:

- Norway: NOK30 million (approximately €2.86 million)
- Croatia: €2 million
- Germany: €1.16 million
- France, for AFD: €1.1 million
- Austria: €1 million

Moreover, the Bilateral Donors committed €8,840,483 in grants, accounting for 2% of the WBIF total grant funding endorsed in 2022, for financing one EIP flagship investment and one technical assistance project.

By the end of 2022, contributions by Bilateral Donors to the Joint Fund totalled €126,828,139.

3.3. Joint Fund & Leverage 2022

In 2022 total contributions to the Joint Fund reached €438,639,819, up from €313,727,702 in 2021, of which €79,691,000⁸ were transferred from the Joint Fund to implementing entities for advances of 4 technical assistance and 19 investment projects.

⁷ Joint Fund audited financial statements for 2022.

⁸ This amount includes contributions from the Bilateral Donors.

The European Commission and the Bilateral Donors also committed in 2022 to financing 16 technical assistance projects and 15 EIP flagship investments in the public and private sectors in the region.

In summary, after the 2nd and 3rd WBIF Operational Boards, a total grant value of €486,048,050 was endorsed in 2022. Of this, €403,960,938 in EU IPA funds and €8,840,483 in Bilateral Donor contributions will be channelled through the Joint Fund.

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.

Since 2009, WBIF has allocated €3.1 billion through 419 grants net to cancellations that are expected to leverage investments of €28.4 billion in the public and private sectors. The following figures show how WBIF leverages these significant investments. Loans signed and planned on projects versus total grants gives a ratio of 5.3, while total investment to total grants delivers a substantial 9.2 average investment leverage.

Figure 3.1: WBIF grants blended with loans

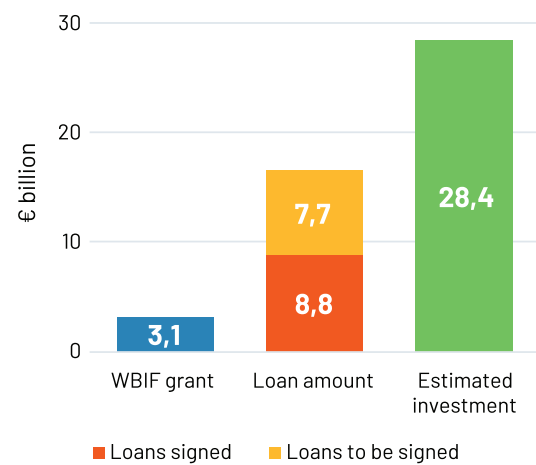
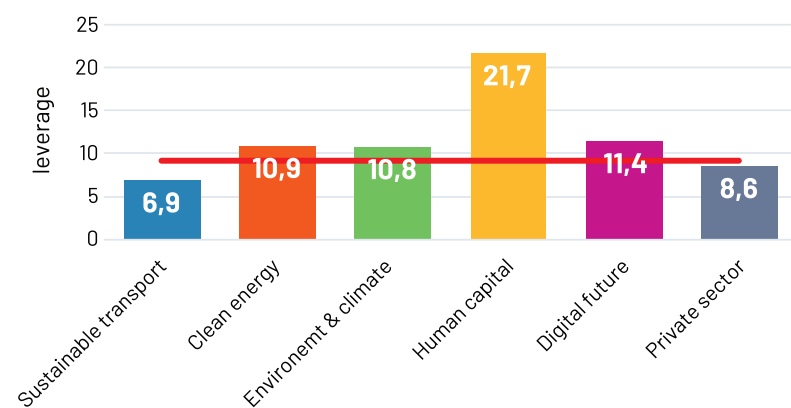


Figure 3.2: Investment leverage ratio per area of intervention



The WBIF's efforts to pool grant resources in order to leverage loans and other financial flows for infrastructure projects are effective. Overall, the investment leverage for transport projects is 6.9 and it increases to over 8x for private sector blending, over 10x for energy and environmental projects, 11x for digital and almost 22x for human capital projects. These ratios depend on project maturity and are expected to decrease with the progressive development of public sector projects and their co-financing by WBIF investment grants.

Annex 1: Visibility events and milestones 2022

The WBIF communication and visibility activities have also progressed and are promoted on WBIF's website and social media channels ([LinkedIn](#), [Twitter](#), [YouTube](#), [Facebook](#), [Instagram](#)).

Key achievements of communication and visibility activities in 2022 were:

- 19 high-level visibility events organised on supported investments
- 29,430 visitors on WBIF website
- 45 newsflashes published and disseminated
- 50 posts published on social media channels for various campaigns
- 5 success stories on supported investments published
- 13 publications and 11 videos produced.

The main events and milestones in 2022 are shown below.

| #W | Event | Location | IFI | Date |
|----|--|------------------------|------|---------------|
| 1 | Start of works on Serbia – Bulgaria gas interconnector | Serbia | EIB | 1 February |
| 2 | Start of works on North Macedonia – Albania electricity transmission line | North Macedonia | EBRD | 17 February |
| 3 | Reconstruction and modernisation of the Brčko Port Phase 1 - port plateau completed | Bosnia and Herzegovina | EBRD | 8 March |
| 4 | Oslomej 1 solar powerplant connected to power grid | North Macedonia | EBRD | 6 April |
| 5 | Grant signed for Road Corridor Vc, Poprikuše – Nemila and Ivan Tunnel sections | Bosnia and Herzegovina | EBRD | 27 April |
| 6 | Grant signed for energy efficiency in public buildings (REEP) | Kosovo | EBRD | 12 May |
| 7 | Energy efficiency in public buildings in Sarajevo - completion of works on kindergarten (REEP) | Bosnia and Herzegovina | EBRD | 3 June |
| 8 | Contract signed for construction of Podgorica wastewater treatment plant | Montenegro | KfW | 10 June |
| 9 | Grant signed for Oslomej 1 solar power plant | North Macedonia | EBRD | 4 July |
| 10 | Grant signed for Skopje – Blace motorway section | | EBRD | 4 July |
| 11 | Gradiška bridge completed | Bosnia and Herzegovina | EIB | 1 August |
| 12 | Opening of Corridor Vc Johovac – Rudanka motorway section | | EBRD | 31 August |
| 13 | European Commission President Ursula von der Leyen visit to the Western Balkans | Western Balkans | - | 26-30 October |
| 14 | Start of construction on Rail Corridor VIII, Beljakovce – Kriva Palanka and Kumanovo – Beljakovce sections | North Macedonia | EBRD | 14 November |

| #W | Event | Location | IFI | Date |
|----|--|----------|-------------|-------------|
| 15 | Completion of works on state-of-the-art prison in Kragujevac | Serbia | CEB | 25 November |
| 16 | Commissioner Várhelyi visit to Serbia, Trans-Balkan Electricity Corridor | | KfW | 5 December |
| 17 | Start of works on rural broadband phase 1 in Serbia | | EBRD | 8 December |
| 18 | EU and IFC sign the 1st of a series of EU Economic and Investment Plan projects | Brussels | IFC | 19 December |
| 19 | Grant signed for rehabilitation of Fushë Kosovë/Kosovo Polje – Mitrovicë/Mitrovica railway section | Kosovo | EBRD EIB | 22 December |

Abbreviations

| | |
|----------------|--|
| AFD | Agence Française de Développement |
| ALB | Albania |
| BIH | Bosnia and Herzegovina |
| CDP | Cassa Depositi e Prestiti |
| CEB | Council of Europe Development Bank |
| DG NEAR | Directorate-General for Neighbourhood and Enlargement Negotiations |
| EBRD | European Bank for Reconstruction and Development |
| EFSD+ | European Fund for Sustainable Development Plus |
| EFSE | European Fund for Southeast Europe |
| EIB | European Investment Bank |
| EIBG | EIB Group |
| EIF | European Investment Fund |
| EIP | Economic and Investment Plan for the Western Balkans |
| ENEF | Enterprise Expansion Fund |
| EU | European Union |
| GGF | Green for Growth Fund |
| ICT | Information and Communications Technology |
| IFC | International Finance Corporation |
| IFI | International Financial Institution |
| IPA | Instrument for Pre-Accession Assistance |
| IPARD | Pre-Accession Assistance for Rural Development |

| | |
|-----------------|--|
| IPF | Infrastructure Project Facility |
| KfW | Kreditanstalt für Wiederaufbau |
| KOS | Kosovo |
| Lead IFI | Lead Financial Institution |
| MKD | North Macedonia |
| MNE | Montenegro |
| MSEs | Micro and Small Enterprises |
| MSMEs | Micro, Small and Medium Enterprises |
| MW | Megawatt |
| MWh | Megawatt-hour |
| NOK | Norwegian krone |
| REEP | Regional Energy Efficiency Programme for the Western Balkans |
| SMEs | Small and Medium-Sized Enterprises |
| SRB | Serbia |
| SSTP | Safe and Sustainable Transport Programme |
| TA | Technical Assistance |
| TEN-T | Trans-European Transport Network |
| UNDP | United Nations Development Programme |
| WB | World Bank |
| WB EDIF | Western Balkans Enterprise and Innovation Facility |
| WBIF | Western Balkans Investment Framework |



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