

# Establishing the Reform and Growth Facility for the Western Balkans

2023/0397(COD) - 08/11/2023 - Legislative proposal

PURPOSE: to establish the reform and growth facility for the Western Balkans.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: it is in the common interest of the Union and its Western Balkans partners to advance the efforts to reform political, legal and economic systems of the latter with a view to their future Union membership. The prospect of Union membership has a powerful transformative effect, embedding positive democratic, political, economic and societal change.

There is a need to bring forward some of the advantages of Union membership before accession. Economic convergence is at the heart of these benefits. Currently, the convergence of Western Balkans in terms of GDP per capita expressed in purchasing power standards remains low at between 30% and 50% of the Union average and is not progressing fast enough.

CONTENT: to reduce this disparity, the Commission drafted this proposal establishes the Reform and Growth Facility for the Western Balkans (the Facility). The proposal lays down the Facility's objectives, its financing, the budget for the period 2024-2027, the forms of Union funding under it and the rules for providing such funding.

The general objectives of the Facility should be to accelerate regional economic integration, progressive integration with the Union single market, socio-economic convergence of Western Balkans economies and alignment with Union laws, rules, standards, policies and practices with a view to Union membership. The Facility should also help accelerate reforms related to fundamentals of the enlargement process, including rule of law, public procurement and State aid control, public finance management and fight against corruption. These objectives should be pursued in a mutually reinforcing manner.

## *Reform agendas*

Every Western Balkan partner will be invited to prepare a Reform Agenda which should contain reforms and investment areas to be financed by the Facility, and the systems to prevent, detect and correct irregularities, fraud, corruption and conflicts of interests, when using the funds provided under the Facility.

## *Funding*

The overall maximum amount for the Union support through the Facility should be **EUR 6 billion** in current prices for the period from 2024 to 2027, of which up to **EUR 2 billion in non-repayable support and EUR 4 billion in concessional financial-assistance loans** provided by the Union and provisioned from the EUR 2 billion. At least half of the total amount should be allocated through the Western Balkans Investment Framework (WBIF), including the entire amount of the non-repayable support, less 1.5% of technical assistance and the amounts necessary for provisioning of the loans.

The current financial assistance to the Western Balkans and Türkiye under the Instrument for Pre-Accession (IPA III), will continue in its current form and target the increasing alignment of national legislation and public administration to the EU acquis and EU standards with a view to future Union membership.

The new Facility will therefore complement the IPA III approach by focussing on the specific determinants for social and economic growth.

#### ***Release of funds***

Funds under the Facility will be released semi-annually upon presentation by the Beneficiaries of requests justifying the fulfilment of the payment conditions and confirming legality and regularity of any underlying transactions, accompanied by a report on the follow-up of cases of mismanagement of related funding. The Commission will make funds available based on its assessment of the requests. Funds may be released as whole amounts, reduced amounts, or completely withheld, depending on the level of fulfilment of payment conditions, by type. **Withheld funds may be redistributed among the other Beneficiaries** in the subsequent years.