

Establishing the Reform and Growth Facility for the Western Balkans

2023/0397(COD) - 11/03/2024 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Foreign Affairs and the Committee on Budgets jointly adopted the report presented by Tonino PICULA (S&D, HR) and Karlo RESSLER (EPP, HR) on the proposal for a regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for the Western Balkans.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Objective

The Facility should complement Regulation (EU) 2021/1529 to provide assistance to the Western Balkans for the delivery of inclusive and sustainable socio-economic reforms aligned with Union values and investments to implement their respective Reform Agendas. The Facility should also contribute to fighting poverty and tackling unemployment and lead to quality job creation.

The general objectives of the Facility should be to:

- (a) accelerate regional economic integration and promote balanced regional development through strengthening social and territorial cohesion and progressive integration with the Union single market;
- (b) accelerate the socio-economic convergence of Beneficiaries' economies, including decarbonisation of their economies, and of societies with the Union;
- (c) in line with the general objectives of IPA III, accelerate alignment with Union values, laws, rules, standards, policies and practices through the adoption and implementation of reforms with a view to future Union membership

Preconditions for Union support

Preconditions for the support under the Facility should be that the Beneficiaries: (i) improve, uphold and respect effective democratic mechanisms; (ii) safeguard free and pluralistic media and fight against disinformation, foreign information manipulation and interference; (iii) uphold the rule of law and guarantee protection and respect for all human rights including the rights of persons belonging to all minorities and communities.

Another precondition should be alignment with the Union's common foreign and security policy.

Budget

The resources to be made available through the Facility should not exceed **EUR 6 billion for the period from 2024 to 2027**. The financial envelope for the implementation of the Facility shall be EUR 2 billion for the period from 1 January 2024 to 31 December 2027, of which: (a) 98.5% in the form of non-repayable financial support to the Beneficiaries for the implementation of the Reform Agendas; (b) 1.5% for expenditure under the technical assistance heading.

Framework Agreement

The Commission should conclude a Framework Agreement with each Beneficiary for the implementation of the Facility setting out specific arrangements for the management, control, supervision, monitoring, evaluation, reporting and audit of funds under the Facility, as well as to prevent, detect, investigate and correct irregularities, fraud, corruption and conflicts of interest. The Framework Agreement should all be preceded by a public consultation and a positive assessment of the respective national parliament.

Reform programmes

The reform programmes should set out specific **targets and milestones** for each priority area, for example energy efficiency, the uptake of renewable energy, the development of digital infrastructure, judicial reform and anti-corruption measures. The Commission should forward the beneficiaries' reform programmes to the European Parliament and the Council as soon as they are available.

The reform programmes should include measures relating to **justice and the fight against corruption, fraud and organised crime**. They should also include an explanation of the extent to which the measures are expected to contribute to:

- reinforcing democratic institutions, good governance, public administration and capacity building, media freedom and civil society;
- international justice, good neighbourly relations and reconciliation;
- decentralisation and local development;
- climate, biodiversity and environmental objectives, in particular through convergence with Union climate and environmental standards and compatibility with the principle of 'do no significant harm';
- social cohesion, including progress towards Union social and economic standards, reduction of inequality, equality and the inclusion of vulnerable groups;
- the digital transformation, innovation, education, training and employment;
- gender equality and the empowerment of women and girls;
- non-discrimination, tolerance and the respect for the rights of persons belonging to all minorities, including ethnic and religious minorities and the LGBTI community.

The reform programmes should explain how the beneficiaries ensure the effective participation and consultation of regional and local authorities and civil society organisations in the preparation and implementation of the reform programmes. They should also explain how they contribute to improving public participation and public access to information, including access to environmental information.

Protection of financial interests

The Commission should ensure that the financial interests of the Union are effectively protected under the Facility. To this end, an **independent Audit Board** should be set up to provide the Commission with information on possible mismanagement of funds and guarantee that a declaration of assurance is obtained through an independent external audit. The Audit Board should be subject to the reporting obligations to European Public Prosecutor's Office (EPPO).

The Commission and OLAF should provide an evaluation of said fraud prevention systems and offer recommendations for upgrades or fixes to the Beneficiaries in line with the EU acquis in case of deficiencies. The Commission should also receive the information on beneficial owners of legal entities benefiting from the Facility and publish a list of persons and legal entities receiving more than EUR 50 000 cumulatively from the Facility.