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Subject:	Proposal for a Regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for the Western Balkans (first reading) – Mandate for negotiations with the European Parliament

At its meeting on 6 March 2024, Coreper reached agreement on the mandate for the above-mentioned Regulation, as set out in Annex.

This mandate will serve as a basis for negotiations with the European Parliament.

Changes compared to the Commission proposal have been marked in **bold** (for additions) and ~~strikethrough~~ (for deletions).

Proposal for a

REGULATION (EU) 2024/...**OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL****on establishing the Reform and Growth Facility for the Western Balkans**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212(2) and Article 322(1) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) It is in the common interest of the Union and its Western Balkans partners, **namely Albania, Bosnia and Herzegovina, Kosovo^{*}, Montenegro, North Macedonia and Serbia (the ‘beneficiaries’)**,[†] to advance ~~the~~ efforts to reform ~~the~~ political, legal and economic systems of the ~~latter beneficiaries~~ with a view to their future Union membership **and to support their accession process**. The prospect of Union membership has a powerful transformative effect, embedding positive democratic, political, economic and societal change.

^{*} **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**

[†] ~~Albania, Bosnia and Herzegovina, Kosovo^{*}, Montenegro, North Macedonia and Serbia.~~

^{*} 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) ~~There is a need~~**It is necessary** to bring forward some of the advantages of Union membership before accession. Economic convergence is at the heart of ~~these-those~~ 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.
- (3) To reduce ~~this-that~~ disparity, the ~~European Commission adopted a~~ **in its Communication of 8 November 2023, entitled on a ‘New Growth Plan for the Western Balkans’ set out a new growth plan for the Western Balkans** based on four pillars: (a) increasing integration with the EU’s Single Market; (b) boosting regional economic integration, based on ~~EU-Union~~ rules and standards, by fully implementing the existing Common Regional Market Action Plan; (c) deepening reforms ~~aiming at~~ **with the aim of** accelerating growth in the region, promoting economic convergence and strengthening regional stability; and (d) establishing a new ~~Ffinancing Iinstrument~~: the Reform and Growth Facility for the Western Balkans (**the ‘Facility’**).
- (4) The implementation of that ~~Ggrowth Pplan~~ requires increased funding under a dedicated new ~~Ffinancing Iinstrument~~, **namely the Reform and Growth Facility**, to assist the region in implementing ~~the~~ growth-promoting reforms, regional integration and **the** Common Regional Market.
- (5) To achieve ~~these-those~~ goals, special emphasis with respect to investment areas should be placed on sectors that are likely to function as key multipliers for social and economic development: connectivity, including **sustainable** transport, energy, green and digital transitions, ~~education and skills~~ **as well as human capital** development.
- (6) Transport infrastructure is essential to improve connectivity between the Western Balkan partners and with the ~~EU-Union~~. It should contribute to **the integration of** ~~integrate~~ the region in the Union. In its proposal revising the trans-European transport ~~framework~~ **network** (TEN-T), the Commission included a new Corridor crossing the Western Balkan region (Western **Balkans**-Eastern Mediterranean corridor). The TEN-T network should be the reference for funding **sustainable** transport infrastructure in the region.

- (7) The Facility should support investment and reforms that promote the beneficiaries' path to the digital transformation of the economy and society in line with the ~~EU-Union~~ vision for 2030 presented in the Commission communication of **9 March 2021, entitled '2030 Digital Compass: the European way for the Digital Decade'**². It should strive to facilitate ~~their~~**the beneficiaries'** achievement of the general objectives and digital targets with regard to the Union. As outlined by the Commission in its communication of 15 June 2023³, **entitled 'Implementation of the 5G cybersecurity Toolbox'**, the 5G cybersecurity Toolbox should be the reference for ~~EU-Union~~ funding to ensure security, resilience and ~~the~~ protection of integrity of digital infrastructure in the region.
- ~~(8) Union support under the Facility should not replace the bilateral and regional support provided under Regulation (EU) 2021/1529 of the European Parliament and of the Council⁴, focussing on preparing the Beneficiaries for Union membership, but complement it and add to it, while using already existing mechanisms and structures where possible. The approach should build on the existing enlargement methodology, notably the 2020 Revised Methodology⁵, and the Economic and Investment Plan⁶ from the same year.~~

² ~~COM(2021)118 final.~~

³ ~~'Implementation of the 5G cybersecurity Toolbox', COM(2023)4049 final.~~

⁴ ~~Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III) (OJ L 330, 20.9.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/1529/oj>).~~

⁵ ~~COM (2022) 57 final.~~

⁶ ~~COM(2020) 641 final.~~

- (9) ~~The s~~Support under the Facility should be provided to meet general and specific objectives, based on established criteria and with clear payment conditions. The general objectives of the Facility should be to **support the enlargement process of the beneficiaries by accelerating their alignment with Union values, laws, rules, standards, policies and practices ('acquis') with a view to future Union membership, to accelerate their regional economic integration, progressive integration with into the Union single market, and the socio-economic convergence of Western Balkans their economies, and to foster regional cooperation, good neighbourly relations, reconciliation and the settlement of disputes in the Western Balkans** ~~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, **migration management** and fight against corruption. These objectives should be pursued in a mutually reinforcing manner.
- (9bis) Union support under the Facility should not replace the bilateral and regional support provided under Regulation (EU) 2021/1529 of the European Parliament and of the Council⁷, focusing on preparing the beneficiaries for Union membership, but complement and add to it, while using already existing mechanisms and structures where possible. The approach should build on the existing enlargement methodology, in particular the 2020 Revised Methodology presented by the Commission in its communication of 5 February 2020, entitled 'Enhancing the accession process – A credible EU perspective for the Western Balkans', and the Economic and Investment Plan for the Western Balkans adopted by the Commission on 6 October 2020.
- (9ter) The Facility should complement the existing Economic and Financial Dialogue without compromising its scope, thereby enhancing economic integration and preparation for the Union's multilateral surveillance of economic policies.

⁷ Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III) (OJ L 330, 20.9.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/1529/oj>).

- (10) The Facility should promote the development of effectiveness principles, respecting additionality to **and complementarity with** the support provided under other Union programmes and instruments and striving to avoid duplication **and ensure synergies** between assistance under this Regulation and other assistance, **including integrated financial packages composed of both export and development financing** provided by the Union, the Member States, third countries, multilateral and regional organisations and entities.
- (10bis) **The Commission and the Member States should ensure the compliance, coherence, consistency and complementarity of their assistance, in particular through regular consultations and frequent exchanges of information during the different phases of the assistance cycle, including at local level. The necessary steps should also be taken to ensure better coordination and complementarity with other donors, including through regular consultations. The Commission should ensure that relevant stakeholders in the beneficiaries, including civil society organisations and local and regional authorities, as appropriate, are duly consulted and have timely access to relevant information to allow them to play a meaningful role during the design and implementation of programmes and the related monitoring processes.**
- (10ter) **Tailor-made and targeted technical assistance should be provided directly, and linked to the Reform Agendas in order to strengthen the relevant capacities of the beneficiaries, in synergy with other instruments.**
- (11) The Facility should ensure consistency with, and support ~~for~~ the general objectives of Union external action as laid down in Article 21 of the Treaty on European Union (TEU), including the respect for fundamental rights as enshrined in the ~~EU~~ Charter of Fundamental Rights of the European Union (the ‘Charter’). It should in particular ~~will notably~~ ensure the protection and promotion of human rights, and the rule of law.

(11bis) **The beneficiaries should demonstrate a credible commitment to European values, including through their alignment with the Union's Common Foreign and Security Policy, including EU restrictive measures.**

(11ter) **In the implementation of the Facility, account should be taken of the Union and its Member States' strategic interests and the values on which the Union is founded.**

(12) Activities under the Facility should support progress towards the **United Nations** Sustainable Development Goals, the Paris Agreement **adopted under**~~and the~~ United Nations Framework Convention on Climate Change, the United Nations Convention on Biological Diversity and the United Nations Convention to Combat Desertification and should not contribute to environmental degradation or cause harm to the environment or climate. Measures funded under the Facility should be in line with the ~~b~~**Beneficiaries'** National Energy and Climate Plans, their Nationally Determined Contribution and ambition to reach climate neutrality by 2050. The Facility should contribute to the mitigation ~~action of~~ **climate change** and to the ability to adapt to ~~the its~~ adverse effects of ~~climate change~~, and foster climate resilience.

(13) The implementation of this Regulation should be guided by the principles of equality and non-discrimination, as elaborated in the Union of Equality strategies. It should promote gender equality and the empowerment of women and girls, and seek to **prevent and combat violence against women, gender-based violence and domestic violence and to protect and promote women's and girls' rights, taking into consideration in line with the relevant** EU Gender Action Plans and relevant Council conclusions and international conventions. The implementation of the Facility should be in line with the United Nations Convention on the Rights of Persons with Disabilities and ensure accessibility in its investments and technical assistance.

- (14) This Regulation should promote the Green Agenda for the Western Balkans⁸ **included in the Commission Communication of 6 October 2020, entitled ‘An Economic and Investment Plan for the Western Balkans’**, by reinforcing environmental protection, contributing to the mitigation of climate change and increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.
- (15) Reflecting the European Green Deal as Europe’s sustainable growth strategy and the importance of tackling climate and biodiversity objectives in line with the commitments of the Interinstitutional Agreement, the Facility should contribute to the achievement of ~~an~~^{the} overall target of 30% of Union budget expenditure supporting climate objectives and 7.5% in 2024 and 10% in 2026 and 2027 to biodiversity objectives. At least 37% of the non-repayable financial support channelled through the **Western Balkan Investment Framework (WBIF)** should account to climate objectives. The Facility should support activities that fully respect the climate and environmental standards and priorities of the Union and the principle of ‘do no significant harm’ within the meaning of Article 17 of Regulation (EU) 2020/852⁹.

⁸ ~~SWD(2020)223 final, 6.10.2020.~~

⁹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13.

- (16) The Commission, in cooperation with the Member States and the ~~b~~Beneficiaries, should contribute to increased transparency and accountability in the delivery of assistance, including by implementing appropriate internal control systems and anti-fraud policies. The support under the Facility should be made available under the preconditions that each of the ~~b~~Beneficiaries ~~continues to~~ respects and upholds effective democratic mechanisms and institutions, including a multi-party parliamentary system **and free and fair elections, and the rule of law, including an independent and functioning judiciary as well as fundamental rights, including freedom of expression, media freedom** and ~~to guarantee~~ respect for human rights, including the rights of persons belonging to minorities **and persons in vulnerable situations and promote their economic inclusivity in the overall economic convergence pursued by the beneficiary.** Another pre-condition should be that Serbia and Kosovo engage constructively in the normalisation of their relations with a view to fully implementing all their respective obligations stemming from the Agreement on the Path to Normalisation and its Implementation Annex as well as all past Dialogue Agreements and engage in negotiations on the Comprehensive Agreement on normalisation of relations. **In accordance with Council Decision 2010/427/EU¹⁰, the Commission should take into account the role of the EEAS, where appropriate, in particular when monitoring the fulfilment of the preconditions for Union support.**
- (17) 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 **the form of** 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.

¹⁰ Council Decision of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

- (18) This Regulation lays down a financial envelope for the entire duration of ~~this Instrument~~ **the Facility**, which is to constitute the prime reference amount, within the meaning of point 18 of the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources, for the European Parliament and the Council during the annual budgetary procedure.
- (19) The financial liability from loans under ~~the~~ **Facility** should not be supported by the External Action Guarantee, by way of derogation from Article 31(3), second sentence of Regulation (EU) 2021/947¹¹. ~~Loans-type of s~~ **Support in the form of loans** under this Facility should constitute financial assistance within the meaning of Article 220(1) of Regulation (EU, Euratom) 2018/1046¹². An indicative amount of financing for each ~~b~~ **Beneficiary** should be calculated ~~based on the basis of the latest available EUROSTAT data and the~~ formula laid down in Annex I, combining the population share of a Beneficiary over the overall population of the Western Balkans region and the average GDP per capita for the Western Balkans region over the GDP per capita of the respective ~~b~~ **Beneficiary, with a weighing the two factors of** ~~with~~ 60% and 40% respectively. If the payment conditions for the release of funds are not met, the Commission may **make a proposal for a Council implementing decision to** redistribute part of or the entire amount ~~among~~ **to** other ~~b~~ **Beneficiaries**.

¹¹ **Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/947/oj>).**

¹² **Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/20 (OJ L 193, 30.7.2018, p. 1, ELI: <http://data.europa.eu/eli/reg/2018/1046/oj>).**

- (20) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 **of the Treaty on the Functioning of the European Union** (TFEU) should apply to this Regulation. Those rules are laid down in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council¹³ and determine in particular the procedure for establishing and implementing the budget through grants, procurement, indirect management, financial assistance, blending operations and the reimbursement of external experts, and provide for checks on the responsibility of financial actors.
- (21) Restrictions ~~on~~ eligibility in award procedures under the Facility should be allowed on account of the specific nature of the activity or when the activity affects security or public order.
- (22) In order to ensure ~~the an~~ efficient implementation of the Facility, including the facilitation of the ~~Western Balkans b~~ Beneficiaries' integration in European value chains, all supplies and materials financed and procured under this Facility should originate from Member States, ~~b~~ Beneficiaries, **candidate countries and** contracting parties to the Agreement on the European Economic Area ~~and countries covered by Annex I to Regulation (EU) 2021/947 of the European Parliament and of the Council¹⁴ and Annex I to Regulation (EU) 2021/1529~~ and countries **which provide a level of support to beneficiaries comparable to the one provided by the Union, taking into account the size of their economy, and** for which reciprocal access to external assistance in ~~b~~ Beneficiaries is established by the Commission, unless the supplies and materials cannot be sourced ~~under~~ at reasonable conditions in any of those countries.

¹³ ~~Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/20 (OJ L 193, 30.7.2018, p. 1, ELI: <http://data.europa.eu/eli/reg/2018/1046/oj>).~~

¹⁴ Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/947/oj>).

- (23) While respecting the principle that the Union budget is set annually, the possibility to apply the flexibilities in accordance with Regulation (EU, Euratom) 2018/1046 for other policies should be ensured, including for carry overs and re-commitments of funds, to ensure efficient use of the Union funds, thus maximising the Union funds available under the Facility.
- (24) The implementation of the Facility for ~~Western Balkans~~ should be underpinned by a coherent and prioritised set of targeted **EU-related** reforms and investment priorities in each ~~Western Balkans~~ **Beneficiary** (thea ‘Reform Agenda’), providing a framework for boosting socio-economic growth, clearly articulated and aligned with Union accession requirements **and the fundamentals of the enlargement process**. The Reform Agenda will serve as an overarching framework to achieve the objectives of theis Facility.
- (24bis) Union support under the Facility aims to support the Western Balkans in their reform efforts. The implementation of the Facility will have important consequences for the delivery of EU-related reforms which constitute an integral part of the enlargement process. Taking into account the central role that the Council plays in the enlargement process, it is necessary to ensure that it is entrusted with the responsibility to take decisions for the implementation of the Facility. For these reasons, implementing powers should be exceptionally conferred on the Council in the cases identified by this Regulation.**
- (25) Disbursement of Union support should be conditional on compliance with the payment conditions and on measurable progress in the implementation of reforms set out in the Reform Agendas assessed and formally approved by the ~~Commission~~ **Council by means of an implementing decision**. The release of funds should be structured accordingly, reflecting the objectives of the Facility.

- (26) The Reform Agendas should include targeted reform measures and priority investment areas, along with payment conditions in the form of qualitative and quantitative steps that indicate satisfactory progress or completion of those measures, and an indicative timetable for the implementation of those measures. Those steps should be planned for no later than 31 August 2027, although the overall completion of the measures to which such steps refer may extend beyond 2027 but not later than 31 December 2028.
- (27) The Reform Agendas should include an explanation of the ~~b~~Beneficiary's system to effectively prevent, detect and correct irregularities, corruption, fraud and conflicts of interests, when using the funds provided under the Facility, and the arrangements that aim to avoid double funding from the Facility and other Union programmes as well as other donors.
- (28) Measures under the Reform Agendas should, where appropriate, contribute to improving an efficient public finance management and control system, fight against corruption, fraud and organised crime, and to an effective system of State aid control, **with the aim of**~~aiming at~~ ensuring fair conditions for all undertakings. Such measures should be implemented by the ~~b~~Beneficiary by an indicative date which could be set, **as** appropriate for each measure, in the early stage of implementation of the Facility.
- (28bis) Funds under the Facility should not support activities or measures which could compromise the sovereignty, unity and territorial integrity of Bosnia and Herzegovina.**

- (29) The Commission should assess each Reform Agenda based on the list of criteria set out in this Regulation. **Where the Commission makes a positive assessment of a Reform Agenda, the Commission should submit to the Council a proposal for the approval of the Reform Agenda by means of a Council implementing decision.** ~~In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission to approve those Reform Agendas. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council¹⁵. The Commission will duly take into account Council decision 2010/427/EU and the role of the EEAS where appropriate, and in particular when monitoring the fulfilment of the precondition for Union support.~~
- (30) ~~The Commission~~ **Council** implementing decision referred to in this Regulation should at the same time constitute a work programme within the meaning of Article 110(2) of the Financial Regulation **(EU, Euratom) 2018/1046** in respect of the amount of non-repayable financial support under this Regulation.
- (31) Given the need for flexibility in the implementation of the Facility, it should be possible for a ~~b~~**B**eneficiary to make a reasoned request to the Commission **to submit a proposal** to amend **all or part of** the **Council** implementing decision, where the Reform Agenda, including relevant payment conditions, is no longer achievable, either partially or totally, because of objective circumstances. A Beneficiary should be able to make a reasoned request to amend the Reform Agenda, including by proposing addenda where relevant.
- (32) The Commission should ~~be able to~~ **propose to** amend the **Council** implementing decision, in particular to take into account a change of the amounts available.

¹⁵ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: <http://data.europa.eu/eli/reg/2011/182/oj>).

- (33) In ~~case of the event that~~ redistribution of support under this Facility ~~which would~~ leads to a **beneficiary receiving** additional support ~~to a Beneficiary, this bBeneficiary concerned~~ should submit a revised Reform Agenda with additional measures to be achieved.
- (34) A Facility Agreement should be concluded with each **bBeneficiary** to set up the principles of the financial cooperation between the Union and the **bBeneficiary**, and to specify the necessary mechanisms related to control, supervision, monitoring, evaluation, reporting and audit of Union funding under the Facility, rules on taxes, duties and charges and measures to prevent, detect, investigate and correct irregularities, fraud, corruption and conflicts of interest. Consequently, a loan agreement should also be concluded with each **bBeneficiary** setting out specific provisions for the management and implementation of funding provided in the forms of loans.
- (35) Financial support for the Reform Agendas should be possible in the form of a loan. In the context of ~~Western Balkans~~ **the beneficiaries'** financing needs, it is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 220a of Regulation (EU, Euratom) 2018/1046 and established as a single funding method therein, which is expected to enhance the liquidity of Union bonds and the attractiveness and cost-effectiveness of Union issuance.
- (36) It is appropriate to provide loans to the **Bbeneficiaries** on highly concessional terms with a maximum duration of 40 years and to not start the repayment of the principal before 2034. It is also appropriate to derogate from Article 220(4), of Regulation (EU, Euratom) 2018/1046.
- (37) Considering that the financial risks associated with the support to the **bBeneficiaries** in the form of loans under ~~this Instrument~~ **the Facility** is comparable to the financial risks associated with lending operations under Regulation (EU) 2021/947, provisioning for the financial liability from loans under this Regulation should be constituted at the rate of 9%, in line with Article 211 of Regulation (EU, Euratom) 2018/1046 and the funding of the provisioning should be sourced from EUR 2 billion envelope under ~~this F~~ **facility**.

- (38) In order to ensure that the provisioning rate remains adequate to the financial risks, the power to adopt acts in accordance with Article 290 TFEU ~~of the Treaty on the Functioning of the European Union~~ should be delegated to the Commission in respect of amending the provisioning rate. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016¹⁶. In particular, to ensure equal participation in the preparation of the delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (39) In order to maximise the leverage of of Union financial support to attract additional investment, and to ensure ~~Union~~EU control over the expenditure, the infrastructure investments supporting the Reform Agendas should be implemented through the WBIF. Individual projects or programmes should be submitted to the WBIF Operational Board for its opinion only upon completion of ~~the~~ relevant payment conditions ~~set out defined~~ in the Reform Agendas. In ~~the~~ case of non-fulfilment of relevant payment conditions for investments within one year, the Commission may redistribute the investment funding under the WBIF among the ~~remaining other b~~Beneficiaries.
- (40) In order to ensure that the ~~b~~Beneficiaries dispose of start-up funding for the implementation of the first reforms, each ~~b~~Beneficiary should have access to up to 7% of the total amount ~~foreseen under~~ **provided for in** this Facility ~~as~~ financial assistance in the form of a pre-financing, subject to availability of funding and to the respect of the preconditions for ~~the~~ support under the Facility.

¹⁶ ~~OJ L123, 12.5.2016, p.1.~~

- (41) It is important to guarantee both flexibility and programmability in providing Union support to the ~~Western Balkans~~ **bB**eneficiaries. For that purpose, funds under the Facility should be released according to a fixed semi-annual schedule, subject to availability of funding, ~~based on the basis of~~ a request for the release of funds submitted by the **bB**eneficiaries and following verification by the Commission of the satisfactory fulfilment of both the general conditions related to macro-financial stability, sound public financial management, transparency and oversight of the budget and the relevant payment conditions, **as well as the adoption of the Council implementing decision**. Where a payment condition is not fulfilled ~~as per in accordance with~~ the indicative timeline set in the decision approving the Reform Agenda, the Commission could withhold **in whole or in part** ~~or whole~~ **the disbursement** of the funds corresponding to that condition. The disbursement of the corresponding withheld funds could take place during the next window for the release of funds and up to twelve months after the original deadline set out in the indicative timeline, provided **that** the payment conditions have been fulfilled. In the first year of implementation, ~~this~~ **that** deadline should be extended to 24 months from the initial negative assessment.
- (42) By way of derogation from Article 116(2) and (5) of Regulation (EU, Euratom) 2018/1046, it is appropriate to set the payment deadline for contributions to state budgets starting from the date of the communication of the decision authorising the disbursement to the **bB**eneficiary and to exclude the payment of default interest by the Commission to the **bB**eneficiary.
- (43) In the framework of the Union's restrictive measures, adopted on the basis of Article 29 ~~of the Treaty on European Union (TEU)~~ and 215(2) ~~of the Treaty on the Functioning of the European Union (TFEU)~~, no funds or economic resources may be made available, directly or indirectly, to or for the benefit of designated legal persons, entities or bodies. Such designated entities, and entities owned or controlled by them, therefore ~~cannot~~ **should not** be supported by the Facility.

- (44) In accordance with Regulation (EU, Euratom) 2018/1046, Regulation (EU, Euratom) 883/2013 of the European Parliament and of the Council¹⁷ and Council Regulations (EC, Euratom) No 2988/95¹⁸, (Euratom, EC) No 2185/96¹⁹ and (EU) 2017/1939²⁰, the financial interests of the Union are to be protected by means of proportionate measures, including measures relating to the prevention, detection, correction and investigation of irregularities, fraud, corruption, conflict of interest, double funding, to the recovery of funds lost, wrongly paid or incorrectly used.
- (45) In particular, in accordance with Regulations (Euratom, EC) No 2185/96 and (EU, Euratom) No 883/2013, the European Anti-Fraud Office (OLAF) should be in a position to carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union.
- (46) In accordance with Article 129 of Regulation (EU, Euratom) 2018/1046, the necessary rights and access should be granted to the Commission OLAF, the European Court of Auditors and, where applicable the EPPO, including by third parties involved in the implementation of Union funds.

¹⁷ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/883/oj>).

¹⁸ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1, ELI: <http://data.europa.eu/eli/reg/1995/2988/oj>).

¹⁹ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2, ELI: <http://data.europa.eu/eli/reg/1996/2185/oj>).

²⁰ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1, ELI: <http://data.europa.eu/eli/reg/2017/1939/oj>).

- (47) The Commission should ensure that the financial interests of the Union are effectively protected under the Facility. ~~At the same time, given~~ **Considering** the long track record of financial assistance provided to the ~~Western Balkans B~~ beneficiaries also under indirect management and taking into account their gradual alignment with the Unions internal control standards and practices, the Commission may rely to a great extent on the operation of the national internal control and fraud prevention systems. In particular, the Commission and OLAF should be informed of all suspected cases of irregularities, fraud, corruption and conflict of interests affecting the implementation of funds under the Facility without delay.
- (48) Furthermore, the beneficiaries should report the irregularities including fraud which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and keep ~~the latter~~ **it** informed of the progress of administrative and legal proceedings. With the objective of alignment to good practices in Member States, this reporting should be done by electronic means, using the Irregularity Management System, established by the Commission.
- (49) Each ~~B~~ beneficiary should establish a monitoring system feeding into an semi-annual report **on the** ~~of~~ fulfilment of its **Reform** Agenda's payment conditions accompanying the semi-annual request for the release of funds. **The b** beneficiaries should collect and provide access to data and information allowing the prevention, detection and correction of irregularities, fraud, corruption and conflicts of interests, in relation to the measures supported by the Facility.

- (50) The Commission should ensure that clear monitoring and evaluation mechanisms are in place in order to provide effective accountability and transparency in implementing the Union budget, and to ensure effective assessment of progress towards the achievement of ~~this Regulation's~~ **the objectives of this Regulation.**
- (51) The Commission should provide an annual report on the progress ~~with~~ **of** the implementation of the Regulation and the Facility to the European Parliament and to the Council ~~Committee referred to in this Regulation.~~ **The Commission should also report bi-annually to the Council and the European Parliament on the progress on payments made.**
- (52) The Commission should carry out an evaluation of the Facility upon its completion.
- (53) The communication capacities of the ~~b~~ **B**eneficiaries should be **significantly** enhanced in order to ensure strong and free pluralistic media and public support for and understanding of Union values and the benefits and obligations of potential Union membership, while ~~addressing disinformation and information manipulation~~ **undertaking decisive actions in terms of tackling Foreign Information Manipulation and Interference (FIMI). They should also ensure pro-active, clear and consistent public communication, including on the Union support.** ~~Visibility of the Union funding should also be ensured.~~
- (54) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States but can **rather** be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (55) Given the ambitious general objectives of this Facility within a short implementation period, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

General provisions

Article 1 *Subject matter*

1. This Regulation establishes the Reform and Growth Facility for the Western Balkans (the ‘Facility’).

It lays down the objectives of the Facility, its financing, the budget for the period **from** 2024-**to** 2027, the forms of Union funding under it and the rules for providing such funding.

2. The Facility shall provide assistance to the Western Balkans for the delivery of **EU-related reforms, in particular on socio-economic issues and fundamentals** ~~socio-economic reforms and~~, **as well as** investments to implement their respective Reform Agendas, as set out in Chapter III.

Article 2 *Definitions*

For the purposes of this Regulation, the following definitions apply:

1. ‘~~b~~**Beneficiary**’ means any of the following: Albania, Bosnia and Herzegovina, Kosovo^{*}, Montenegro, North Macedonia and Serbia.

^{*} — 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. ~~‘Enlargement Package’ means the annual Communication on EU Enlargement policy and accompanying staff working documents.~~ **‘enlargement policy framework’ means the overall policy framework for the implementation of this Regulation as defined by the European Council and the Council, and includes the revised enlargement methodology, agreements that establish a legally binding relationship with the beneficiaries, the negotiating frameworks governing accession negotiations with candidates, where applicable, as well as relevant communications from the Commission and joint communications from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy.**
3. ~~‘Facility aAgreement’ means an arrangement concluded between the Commission and the bBeneficiary laying down the principles foref the financial cooperation between the bBeneficiary and the Commission under this Regulation. This arrangement constitutes a financing agreement within the meaning of Article 114(2) of Regulation (EU, Euratom) 2018/1046 as regards Funds under Article 6(2) point a;-~~
4. ~~‘Loan agreement’ means an arrangement concluded between the Commission and the aBeneficiary laying down the conditions applicable to the support of the Facility;-~~
5. **‘Reform Agendas’ means a comprehensive package of a-coherent and prioritised set of EU-related targeted reforms and priority investment areas in each bBeneficiary, including payment conditions that indicate satisfactory progress or completion of those measures, and an indicative timetable for the implementation of those measures;-**
6. ~~‘mMeasures’ means reforms and investments under as set out in the Reform Agendas pursuant to under Chapter III;-~~
7. **‘pPayment cConditions’ means conditions for the release of funds that taking the form of observable and measurable qualitative or quantitative steps to be implemented by the bBeneficiaries, as set out in the Reform Agendas pursuant to under Chapter III as conditions for the release of funds;**

8. **‘blending operation’** means an operation supported by the Union budget that combines non-repayable forms of support, from the Union budget with repayable forms of support from development or other public financial institutions, **including export credit agencies**, or from commercial finance institutions and investors.

Article 3
Objectives of the Facility

1. The general objectives of the Facility shall be to:
- (a) **support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices (‘acquis’) with a view to future Union membership;**
 - (ba) accelerate regional economic integration and progressive integration **into** with the Union single market;
 - (cb) accelerate the socio-economic convergence of **the b**Beneficiaries’ economies with the Union;
 - ~~(c) — accelerate alignment with Union values, laws, rules, standards, policies and practices with a view to Union membership~~
 - (d) **foster regional cooperation, good neighbourly relations, reconciliation and the settlement of disputes in the Western Balkans.**

2. The specific objectives of the Facility shall ~~be include~~ to:
- (a) **further strengthen the fundamentals of the enlargement process, including the rule of law and fundamental rights, the functioning of democratic institutions, including de-polarisation, public administration and economic criteria;**
 - (b) **promote an independent judiciary;**
 - (c) **reinforce security and stability in the region;**
 - (d) **move towards full alignment of the beneficiaries with the ~~EU~~ Union Common Foreign and Security Policy (CFSP), including restrictive measures;**
 - (e) **fight disinformation and Foreign Information Manipulation and Interference (FIMI) against the ~~EU~~ Union and its values;**
 - (f) **strengthen the fight against fraud, corruption, organised crime and money laundering as well as terrorism financing, tax evasion and tax fraud;**
 - (g) **increase compliance with international law;**
 - (h) **strengthen freedom of the media and academic freedom;**
 - (i) **enable an environment for civil society and foster social dialogue;**
 - (j) **promote gender equality, non-discrimination and tolerance with a view to ensuring and strengthening respect for the rights of persons belonging to minorities and persons in vulnerable situations, and promoting their economic inclusivity in the overall economic convergence pursued by the beneficiaries;**
 - (k) **reinforce the effectiveness of public administration, including through tailor-made and targeted technical assistance linked to the Reform Agendas, and support transparency, structural reforms and good governance at all levels, including in the areas of public financial management and public procurement and State aid control;**

- (l) **support initiatives and bodies involved in supporting and enforcing international justice in the ~~Western Balkans~~ beneficiaries;**
- (ma) accelerate the transition of the ~~b~~Beneficiaries to sustainable, and inclusive economies; **that are** capable of withstanding competitive market pressures of the Union single market, and to a stable investment environment;
- (nb) boost regional economic integration in particular through progress in the establishment of the Common Regional Market;
- (oe) ~~foster~~**boost** economic integration of the Beneficiaries with the Union single market, **notably in particular through increased trade and investment flows;**
- (pe) support regional economic integration and enhanced integration with the EU single market through improved connectivity in the region in line with ~~t~~Trans-e**E**uropean ~~n~~Networks;
- (qe) accelerate green transition in line with the 2020 Green Agenda for the Western Balkans and covering all economic sectors, particularly energy, including the transition towards **a** de-carbonised, climate-neutral, climate-resilient and circular economy;
- (rf) promote the digital transformation as an enabler ~~for~~**of** sustainable development and inclusive growth;
- (sg) boost innovation, **in** particular~~y~~ for SMEs and in support of the green and digital transitions;
- (th) boost quality education, training, reskilling and upskilling, and employment policies;

- (i) ~~further strengthen the fundamentals of the enlargement process, including the rule of law, democracy, the respect of human rights and fundamental freedoms, through promoting an independent judiciary, reinforced security, the fight against fraud, corruption, organised crime and money laundering and terrorism financing, tax evasion and tax fraud; compliance with international law; strengthen freedom of media and academic freedom and an enabling environment for civil society; foster social dialogue; promote gender equality, non-discrimination and tolerance, to ensure and strengthen respect for the rights of persons belonging to minorities;~~
- (j) ~~reinforce the effectiveness of public administration and support transparency, structural reforms and good governance at all levels, including in the areas of public financial management and public procurement and State aid control; support initiatives and bodies involved in supporting and enforcing international justice in the Western Balkans~~
- Beneficiaries

Article 4
General principles

1. Cooperation under the Facility shall be based on and shall promote the development effectiveness principles, across all modalities, namely ownership of development priorities by the ~~b~~Beneficiaries, a focus on results, inclusive partnerships, transparency and mutual accountability. ~~That~~e cooperation shall be based on effective and efficient **allocation and use of resources** ~~allocation and use~~.

1bis. The provision of macro-financial assistance shall not fall within the scope of this Facility.

2. Support from the Facility shall be additional **and complementary** to the support provided under other Union programmes and instruments. Activities eligible for funding under this Regulation may receive support from other Union programmes and instruments provided that such support does not cover the same cost.

3. In order to promote the complementarity and efficiency of their action, the Commission and ~~the~~ Member States shall cooperate and shall strive to avoid duplication **and ensure synergies** between assistance under this Regulation and other **forms of** assistance, **including integrated financial packages composed of both export and development financing** provided by the Union, ~~the~~ Member States, third countries, multilateral and regional organisations and entities, such as international organisations and the relevant international financial institutions, agencies and non-Union donors, in line with the established principles for strengthening operational coordination in the field of external assistance, including through enhanced coordination with Member States at local level. **Such coordination with Member States shall involve regular and timely consultations, frequent exchanges of information during the different phases of implementation, and meetings for the purpose of coordinating assistance including at local level.**
4. Activities under the Facility shall mainstream **and promote democracy, human rights, gender equality**, climate change mitigation and adaptation, biodiversity and environmental protection, ~~human rights, democracy, gender equality~~ and, where relevant, disaster risk reduction, and shall support progress towards the Sustainable Development Goals, promoting integrated actions that can create co-benefits and meet multiple objectives in a coherent way. They shall avoid stranded assets, and shall be guided by the principles of ‘do no harm’ and of ‘leaving no one behind’, as well as by the sustainability mainstreaming approach underpinning the European Green Deal.

5. Beneficiaries and the Commission shall ensure that **gender** equality, ~~between men and women~~, gender mainstreaming and the integration of a gender ~~perspective~~ are taken into account and promoted throughout the preparation of the Reform Agendas and the implementation of the Facility. Beneficiaries and the Commission shall take appropriate steps to prevent any discrimination based upon gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The Commission ~~will~~**shall** report on these measures in the context of its regular reporting under the Gender Action Plans.
6. The Facility shall not support activities or measures which are incompatible with the ~~B~~beneficiaries' National Energy and Climate Plans, their Nationally Determined Contribution under the Paris Agreement, and ~~the~~ ambition to reach climate-neutrality by 2050, or that promote investments in fossil fuels; or that cause significant adverse effects on the environment or the climate.
7. The Commission, in cooperation with the Member States and the ~~B~~beneficiaries, shall contribute to the implementation of Union commitments to increased transparency and accountability in the delivery of assistance, including by promoting the implementation and reinforcement of internal control systems and anti-fraud policies, and by making information on the volume and allocation of assistance available through web-based databases, and shall ensure that data ~~are~~**is** comparable and can be easily accessed, shared and published.

Article 5
Preconditions for Union support

1. Preconditions for ~~the~~ support under the Facility shall be that:
 - a) the ~~B~~beneficiaries ~~continue to~~ uphold and respect effective democratic mechanisms, including a multi-party parliamentary system **and free and fair elections**, ~~and~~ the rule of law, **including an independent and functioning judiciary as well as fundamental rights, including freedom of expression, media freedom** and ~~guarantee~~ respect for all human rights obligations, including the rights of persons belonging to minorities;-

- b) ~~Another pre-condition shall be that~~ Serbia and Kosovo engage constructively in the normalisation of their relations with a view to fully implementing all their respective obligations stemming from the Agreement on the Path to Normalisation and its Implementation Annex as well as all past Dialogue Agreements and engage in negotiations on the Comprehensive Agreement on normalisation of relations.
2. The Commission, **together with the EEAS where relevant**, shall monitor the fulfilment of the preconditions set out in paragraph 1 before funds are released to ~~B~~beneficiaries under the Facility and throughout the period of the support provided under the Facility taking duly into account the **enlargement policy framework** ~~latest Enlargement Package~~. **The Commission shall inform the Council of the fulfilment of the preconditions set out in paragraph 1 before funds are released.**

Where the Commission finds that a precondition is not fulfilled or no longer fulfilled, it shall submit to the Council a proposal for an implementing decision suspending the payments referred to in Article 16(3), ~~The Commission may adopt a decision concluding that some of these preconditions are not met, and in particular, withhold the release of funds referred to in Article 21,~~ irrespective of the fulfilment of payment conditions referred to in Article 16(3).

Where, at the request of beneficiaries or on its own initiative, the Commission considers that a precondition is met again, it shall submit to the Council a proposal for an implementing decision lifting the suspension. In the cases referred to in this paragraph, the Council shall act, as a rule, within one month of receiving the Commission's proposal.

CHAPTER II

Financing and implementation

Article 6 Budget

1. The resources to be made available through the Facility, pursuant to paragraphs 2 and 3, shall not exceed EUR 6 000 000 000 for the period from 2024 to 2027.
2. The financial envelope for the implementation of the Facility shall be EUR 2 000 000 000 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 ~~B~~beneficiaries for the implementation of the Reform Agendas;
 - (b) 1.5% for expenditure pursuant to paragraph 6.
3. ~~The s~~Support in the form of ~~a~~loans, shall be available for an amount of up to EUR 4 000 000 000 for the period from 1 January 2024 to 31 December 2027. That amount shall not constitute part of the amount of the External Action Guarantee within the meaning of Article 31(4) of Regulation No 2021/947.
4. The Commission shall set out the initial indicative amount of financing available for each ~~B~~beneficiary, in accordance with the methodology set out in Annex I, in the corresponding implementing decision referred to in Article 15, calculated ~~based on~~ **the basis of** the latest available data on the day of the entry into force of this Regulation in ~~accordance with~~ **accordance** with Article 29. Indicative amounts may change during **the implementation of the Facility** in accordance with the principles laid out in Article 21.

5. Pursuant to Article 19 **of this Regulation**, the amount of funds made available under the Western Balkans Investment Framework (WBIF) referred to in Article 12 of Regulation (EU) 2021/1529²¹ shall be at least 50% of the overall amount **set out** in paragraph 1 **of this Article**. That contribution shall include the entire amount of non-repayable financial support as referred to in paragraph 2 point (a) of this Article after deducting the amount of provisioning.
6. The resources referred to in paragraph 2, point (b), may be used for technical and administrative assistance for the implementation of the Facility, such as preparatory actions, monitoring, control, audit and evaluation activities, which are required for the management of the Facility and the achievement of its objectives, in particular studies, meetings of experts, trainings, consultations with the ~~Beneficiary~~ **beneficiaries'** authorities, conferences, consultation of stakeholders, information and communication actions, including inclusive outreach actions, and corporate communication of the political priorities of the Union, insofar as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate information technology tools, as well as all other expenditure at headquarters and Union delegations for the administrative and coordination support ~~needed~~ **required** for the Facility. Finally, expenses may also cover the costs of other supporting activities such as quality control and monitoring of projects or programmes on the ground and the costs of peer counselling and experts for the assessment and implementation of reforms and investments.

Article 7 *Implementation and forms of Union funding*

1. The Facility shall be implemented in accordance with Regulation (EU, Euratom) 2018/1046, either ~~in-under~~ **in** direct management or ~~in-under~~ **in** indirect management with any of the entities referred to in Article 62(1), first subparagraph, point (c), of ~~that Regulation (EU, Euratom)~~ 2018/1046.

²¹ Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III), OJ L330, 20.09.2021.

2. Union funding may be provided in any of the forms laid down in Regulation (EU, Euratom) 2018/1046, in particular financial assistance, grants, procurement and blending operations.
3. Depending on the required operational and financial capacity, the entrusted entity implementing blending operations may be the European Investment Bank **Group** ~~or the European Investment Fund~~, multilateral **European** ~~international~~ financial institutions, such as the European Bank for Reconstruction and Development, or bilateral European finance institutions, such as development banks, **or the World Bank Group. Where** ~~Whenever~~ possible, **other non-European multilateral finance institutions may participate in the Facility through joint operations with European financial institutions. The** implementation of blending operations under the Facility shall be complemented by additional forms of financial support, from ~~either~~ Member States or third parties.

Article 8

Rules on eligibility of persons and entities, origin of supply and materials and restriction under the Facility

1. Participation in procurement and grant award procedures for activities financed under the Facility shall be open to international and regional organisations and to all natural persons who are nationals of, and to legal persons which are effectively established in:
 - (a) Member States, ~~B~~beneficiaries, **candidate countries and** contracting parties to the Agreement on the European Economic Area ~~and countries covered by Annex I to Regulation (EU) 2021/947 and Annex I to Regulation (EU) 2021/1529;~~
 - (b) countries **which provide a level of support to beneficiaries comparable to the one provided by the Union, taking into account the size of their economy, and** for which reciprocal access to external assistance in ~~the B~~beneficiaries is established by the Commission.

2. The reciprocal access referred to in paragraph 1, point (b), may be granted for a limited period of at least one year, ~~whenever~~**where** a country grants eligibility on equal terms to entities from the Union and from countries eligible under the Facility.

The Commission shall decide on the reciprocal access **in accordance with the examination procedure referred to in Article 27(2)** after consulting the ~~concerned~~**B**beneficiary **concerned**.

3. All supplies and materials financed and procured under this Facility shall originate from any country referred to **in** paragraph 1, points (a) and ~~point~~(b), unless ~~if~~ the supplies and materials cannot be sourced ~~at~~**under** reasonable conditions in any of those countries. In addition, the rules on restrictions **laid down** in paragraph 6 **shall** apply.
4. The eligibility rules under this Article shall not apply to, and shall not create nationality restrictions for, natural persons employed or otherwise legally contracted by an eligible contractor or, where applicable, subcontractor except where the nationality restrictions are based on the rules provided for in paragraph 6.
5. For actions jointly co-financed by an entity or implemented in direct management or indirect management with entities as referred to in Article 62(1), point (c) of Regulation (EU, Euratom) 2018/1046, the rules **applicable to**~~of~~ those entities shall also apply. This is without prejudice to the restrictions ~~established~~ under paragraph 6, which shall be duly reflected in the agreements concluded with those entities.

6. The eligibility rules and origin of supplies and materials referred to in paragraphs 1 and 3 and the nationality of the natural persons referred to in paragraph 4 may be restricted with regard to the nationality, geographical location or nature of the legal entities participating ~~to~~**in** award procedures, as well as with regard to the geographical origin of supplies and materials, ~~in the following cases~~ **where**:
- (a) ~~where~~ such restrictions are required on account of the specific nature ~~and/or~~ objectives of the ~~activity~~**action** or specific award procedure ~~and/or~~ where ~~these~~**those** restrictions are necessary for the action's effective implementation;
 - (b) ~~where~~ the action or specific award procedures affect security or public order, in particular concerning strategic assets and interests of the Union, ~~its~~**of** Member States, or **of** any of the ~~b~~**B**eneficiaries, including the security, resilience and protection of integrity of digital infrastructure (including 5G network infrastructure), communication and information systems, and related supply chains.
7. Tender applicants and candidates from non-eligible countries may be accepted as eligible in the case of urgency or where services are unavailable in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of an action impossible or exceedingly difficult.

Article 9

Facility Agreement

1. The Commission shall conclude a Facility Agreement with each ~~b~~**B**eneficiary for the implementation of the Facility setting out the obligations and payment conditions of the ~~b~~**B**eneficiaries for the disbursement of Facility funding.
2. The Facility Agreement shall be complemented by loan agreements ~~in accordance with~~ **pursuant to** Article 17, setting out specific provisions for the management and implementation of funding provided in the forms of loans.

3. Funding shall only be granted to the **b**Beneficiaries after the respective Facility Agreements and the applicable loan agreements have entered into force.
4. The Facility Agreement and the loan agreements concluded with each of the **b**Beneficiaries, and agreements concluded with person or entities receiving Union funds, shall ensure that the obligations set out in Article 129 of Regulation (EU, Euratom) 2018/1046 are fulfilled.
5. The Facility Agreement shall lay down the necessary detailed provisions concerning:
 - (a) the commitment of the **b**Beneficiary to progress towards more efficient and effective control systems, and to strengthen the fight against money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion;
 - (b) the rules on the release, withholding, reduction and redistribution of funds in accordance with Article 21;-
 - (c) ~~the~~ activities related to management, control, supervision, monitoring, evaluation, reporting and audit under the Facility, as well as system reviews, investigations, anti-fraud measures and cooperation;
 - (d) the rules on reporting to the Commission on whether and how the payment conditions referred to in Article 12 are fulfilled;
 - (e) the rules on taxes, duties and charges in accordance with Article 27(9) and (10) of Regulation (EU) 2021/947;
 - (f) the measures to prevent, detect, investigate and correct irregularities, fraud, corruption and conflicts of interest, and the obligation to notify the Commission and OLAF without delay of suspected or actual cases of irregularities, fraud, corruption and conflict of interests and their follow-up;
 - (g) the obligations referred to in Articles 22 and 23, including precise rules **on**, and **the** timeframe **for**, ~~on~~ collection of data by the **b**Beneficiary and access **to those data** ~~for~~ **by** the Commission, ~~and~~ OLAF **and the European Court of Auditors**;

- (h) a procedure to ensure that disbursement requests for ~~the~~ loan support fall within the available loan amount, ~~taking into consideration~~ **in accordance with** Article 6(3);
- (i) the right of the Commission to reduce proportionately the support provided under the Facility and **to** recover any amount spent to achieve the objectives of the Facility or to ask for early repayment of the loan, in cases of irregularities, fraud, corruption and conflicts of interests affecting the financial interests of the Union that have not been corrected by the ~~b~~**B**eneficiary, or of a serious breach of an obligation ~~resulting~~ **provided for in** ~~from~~ the Facility Agreement;
- (j) rules and modalities for the ~~b~~**B**eneficiaries to report for the purpose of monitoring the implementation of the Facility and ~~assessing~~ **the** achievements of the objectives set out in Article 3.

Article 10

Carry-overs, annual instalments, commitment appropriations

1. By way of derogation from Article 12(4) of Regulation (EU, Euratom) 2018/1046, unused commitment and payment appropriations under the Facility shall be automatically carried over and may be committed and used, respectively, up to 31 December of the following financial year. The amount carried over shall be used first in the following financial year.
2. The Commission shall inform the European Parliament and the Council of commitment appropriations carried over in accordance with Article 12(6) of Regulation (EU, Euratom) 2018/1046.
3. ~~By way of derogation from~~ **In addition to the rules laid down in** Article 15 of Regulation (EU, Euratom) 2018/1046 on making appropriations available again, commitment appropriations corresponding to the amount of decommitments made as a result of total or partial non-implementation of an action under the Facility shall be made available again to the benefit of the budget line of origin.

4. Budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments, in accordance with Article 112(2) of Regulation (EU, Euratom) 2018/1046.

CHAPTER III

Reform Agendas

Article 11 *Submission of Reform Agendas*

1. In order to receive any support under the Facility, each ~~b~~Beneficiary shall submit to the Commission a Reform Agenda for the duration of the Facility, ~~building~~ **based** on the structural reforms part of the latest Economic Reform Programme and the related Joint Policy Guidance agreed at the Economic and Financial Dialogue in May 2023, its national growth strategy where applicable, ~~the revised enlargement methodology, the most recent Enlargement Package~~ **the enlargement policy framework** and the Economic and Investment Plan for the Western Balkans. **Upon receipt, the Commission shall provide the Reform Agendas to the Council.**
2. The Reform Agendas shall set out the reforms to be undertaken by the ~~b~~Beneficiary, as well as investment areas, towards the achievement of the general and specific objectives set out in Article 3. The Reform Agendas shall comprise measures for the implementation of reforms through a comprehensive and coherent package. In the areas of fundamentals, including the rule of law, the fight against corruption, fundamental rights and ~~the~~ freedom of expression, the Reform Agendas shall reflect the ~~assessments in the~~ **enlargement policy framework** ~~most recent Enlargement Package~~.

3. The Reform Agendas shall be consistent with the latest macroeconomic and fiscal policy framework submitted to the Commission in the context of the Economic and Financial Dialogue with the ~~EU~~Union.
4. The Reform Agendas shall be consistent with and support the reform priorities identified in the context of the ~~b~~Beneficiary's accession path, and ~~in~~ other relevant documents, such as the Stabilisation and Association Agreement, the National Energy and Climate Plan, the Nationally Determined Contribution under the Paris Agreement and the ambition to reach climate neutrality by 2050.
5. The Reform Agendas shall respect the general principles set out in Article 4.
6. **The Reform Agendas shall be prepared in an inclusive and transparent manner, in consultation with social partners and civil society organisations.**
- ~~76.~~ The Commission shall invite the ~~b~~Beneficiaries to submit **their respective Reform Agendas** within three months ~~from~~**of** the entry into force of this Regulation ~~their respective Reform Agendas~~.
- ~~87.~~ In ~~case the event that~~of a redistribution of support under the Facility ~~leading~~**leads** to a ~~b~~Beneficiary receiving additional support, the Commission shall invite ~~the~~**that b**Beneficiary to submit **an amended revised Reform Agenda for the remaining duration of the Facility** within three months ~~a revised Reform Agenda for the remaining duration of the Facility~~.

Article 12
Principles for financing under the Reform Agendas

1. The Facility shall **provide incentives for** ~~incentivise~~ the implementation of the Reform Agenda of each ~~b~~Beneficiary by **setting** ~~putting~~ payment conditions on the release of funds. ~~These~~ **Those** payment conditions shall apply to funds under Article 6(2) point (a) and Article 6(3) and shall take the form of qualitative or quantitative steps. Such steps shall reflect progress on specific socio-economic reforms, ~~including on~~ and **on the** fundamentals of the enlargement process ~~and rule of law~~, linked to the achievement of the ~~different~~ objectives of the Facility, set out in Article 3, consistent with the **enlargement policy framework** ~~latest Enlargement Package~~.

The fulfilment of ~~the~~**those** payment conditions shall trigger full or partial release of funds, depending on the degree of their completion.

2. In respect of financing implemented through the fund referred to in Article 19, the fulfilment of the payment conditions referred to in paragraph 1 **of this Article** shall constitute a preliminary validation. The funds shall be paid following receipt of a payment request from the 'fund managers of the joint fund established under the WBIF for receiving donors' contributions.
3. Macro financial stability, sound public financial management, transparency and oversight of the budget are general conditions for payments that have to be fulfilled for any release of funds.
4. **Funds under the Facility shall not support activities or measures which could compromise the sovereignty, unity and territorial integrity of Bosnia and Herzegovina.**

Article 13
Content of the Reform Agendas

1. The Reform Agendas shall in particular set out the following elements, which shall be reasoned and substantiated:
 - (a) measures constituting a coherent, comprehensive and adequately balanced response to the objectives set out in Article 3, including structural reforms, investments, and measures to ensure compliance with preconditions ~~if~~**where** appropriate;
 - (b) an explanation of how the measures are consistent with the principles, strategies, plans and programmes referred to in Article 11;
 - (c) **an explanation of how the measures are expected to further strengthen the fundamentals of the enlargement process as defined in Article 3(2) point (a);**
 - (de) an explanation of the extent to which the measures are expected to contribute to climate and environmental objectives;
 - (ed) for the reforms and investments, an indicative timetable, and the envisaged payment conditions for **the** release of funds in the form of qualitative and quantitative steps to be implemented by 31 August 2027 at the latest;
 - (f) **an explanation of how the measures are expected to contribute to a progressive and continuous alignment with the Union Common Foreign and Security Policy;**
 - (ge) the arrangements for the effective monitoring, reporting and evaluation of the Reform Agenda by the ~~b~~**B**eneficiary, including the relevant indicators set out in paragraph 2 **of this Article;**
 - (hf) an explanation of the ~~b~~**B**eneficiary's system to effectively prevent, detect and correct irregularities, fraud, corruption and conflicts of interests and to enforce State aid control rules;

(i) **a communication plan on the Reform Agendas for the local audiences of the beneficiaries.**

(jg) any other relevant information.

2. The Reform Agendas shall be results-based and include indicators for assessing progress towards the achievement of the general and specific objectives set out in **Article 3**. ~~These~~ **Those** indicators shall be based, where appropriate and relevant, on internationally agreed indicators and those already available related to ~~the b~~**B**eneficiaries' policies. Indicators shall also be coherent to the extent possible, with the key corporate indicators included in the Instrument for Pre-Accession assistance (IPA III) Results Framework, in the EFSD+ Results Measurement Framework and in the WBIF.

Article 14

Commission assessment of the Reform Agendas

1. The Commission ~~and EEAS where relevant~~ shall assess the relevance, comprehensiveness and appropriateness of each ~~b~~**B**eneficiary's Reform Agenda or, where applicable, any amendment to that Agenda, without undue delay. When carrying out its assessment, the Commission shall act in close cooperation with the ~~b~~**B**eneficiary concerned, and may make observations, ~~or seek additional information~~ **or request that the beneficiary modifies its Reform Agenda.**
2. When assessing the Reform Agendas, the Commission shall take into account relevant available analytical information ~~on~~**about** the ~~b~~**B**eneficiary, **including its macroeconomic situation and debt sustainability**, the justification and the elements provided by the ~~b~~**B**eneficiary as referred to in Article 13, as well as any other relevant information such as the information listed in Article 11.

3. In its assessment, the Commission **and EEAS where relevant** shall consider, in particular, the following criteria:
- (a) whether the Reform Agenda represents a relevant, comprehensive, coherent and adequately balanced response to the objectives set out in Article 3 **and elements set out in Article 13**;
 - (b) whether the Reform Agenda can be expected to accelerate progress towards bridging the socio-economic gap between the ~~b~~Beneficiary and the Union, and thereby enhances their economic, social and environmental development and supports the convergence towards the Union's standards;
 - (c) **whether the Reform Agenda can be expected to further strengthen the fundamentals of the enlargement process as defined in Article 3(2) point (i)**;
 - (~~d~~e) whether the Reform Agenda can be expected to accelerate the transition of the ~~b~~Beneficiaries towards sustainable, climate-neutral and climate resilient and inclusive economies by improving regional connectivity, making progress on the twin transition of green and digital, including biodiversity, and boosting innovation, education and skills and the wider labour market;
 - (~~d~~) ~~whether the Reform Agenda can be expected to further strengthen the fundamentals of the enlargement process as defined in Article 3(2) point (i)~~;
 - (e) whether the Reform Agenda appropriately addresses potential risks ~~in~~**related to the** compliance with preconditions and payment conditions;
 - (f) whether the payment conditions proposed by the Beneficiary are appropriate and ambitious, consistent with the ~~assessment from the~~ **enlargement policy framework latest Enlargement Package**, as well as sufficiently meaningful and clear to allow for the corresponding release of funds in case of their fulfilment and whether the proposed reporting indicators are appropriate and sufficient to monitor and report on the progress made towards the overall objectives;

(g) whether the arrangements proposed by the ~~bB~~Beneficiary are expected to effectively prevent, detect and correct irregularities, fraud, corruption and conflicts of interests, when using the funds provided under the Facility, and ensure that there is no double funding from the Facility and other Union programmes as well as other donors ~~from the Facility and other Union programmes as well as other donors~~.

4. For the purpose of the assessment of the Reform Agendas submitted by the ~~bB~~Beneficiaries, the Commission may be assisted by experts, **including from Member States**.

Article 15
*~~Commission~~ **Council** implementing decision*

1. ~~In case of a~~**Where the Commission makes a positive assessment of the Reform Agenda submitted by the beneficiary, in accordance with Article 14 or, where applicable, of its amendment submitted in accordance with Article 16, the Commission shall submit, without delay, a proposal to the Council for** ~~, the Commission shall approve by means of an implementing decision the Reform Agenda submitted by the Beneficiary, in accordance with Article 14 or, where applicable, of its amendment submitted in accordance with Article 16. That implementing decision shall be adopted in accordance with the examination procedure referred to in Article 27(2).~~ **The Council shall act, as a rule, within one month of receiving the Commission proposal. The Council, acting by qualified majority, may amend the Commission proposal and adopt the amended text by means of an implementing decision.**
2. The Commission **proposal for a Council** implementing decision shall set out the reforms to be implemented by the ~~bB~~Beneficiary, the investment areas to be supported and the payment conditions stemming from the Reform Agenda, including the indicative timetable.

3. The ~~Council Commission~~ implementing decision shall ~~also~~ lay down:
- (a) the indicative amount of overall funds available to the ~~b~~Beneficiary, and the scheduled instalments to be released including pre-financing, structured in accordance with Article 13, once the ~~b~~Beneficiary has achieved satisfactory fulfilment of the relevant payment conditions in the form of qualitative and quantitative steps identified in relation to the implementation of the Reform Agenda;
 - (b) the breakdown by instalment of financing between loan support and non-repayable support;
 - (c) the time limit by which the final payment conditions for the reforms must be completed;
 - (d) the arrangements and timetable for monitoring, reporting and ~~implementation~~ **implementing** of the Reform Agenda including, where relevant, measures necessary for complying with Article 24;
 - (e) the indicators referred to in Article 13(2) for assessing progress towards the achievement of the general and specific objectives **set out** in Article 3;

Article 16
Amendments to the Reform Agendas

1. Where the Reform Agenda, including relevant payment conditions, is no longer achievable by the ~~b~~Beneficiary, either partially or totally, because of objective circumstances, the ~~b~~Beneficiary may propose an amended Reform Agenda. In that case, the Beneficiary may ~~make-submit~~ a reasoned request to the Commission to **make a proposal to amend all or part of the Council** ~~amend~~ its implementing decision referred to in Article 15(1).

2. The Commission may **submit a proposal to amend the Council** ~~amend the~~ implementing decision **referred to in Article 15(1)**, in particular to take into account **changes in the circumstances allowing for an increase in ambition, or to take into account** a change of the amounts available in line with the principles under Article 21. **The Council may request the Commission to assess whether the conditions set out in this paragraph are met and to submit, where appropriate, the relevant proposal.**
3. Where the Commission considers that the reasons put forward by the ~~b~~Beneficiary justify an amendment to the Reform Agenda, the Commission shall assess the amended **Reform** Agenda in accordance with Article 14 and may **submit a proposal** to amend the **Council** implementing decision referred to in Article 15(1) without undue delay. **The Council shall act, as a rule, within one month of receiving the Commission proposal. The Council, acting by qualified majority, may amend the Commission proposal and adopt the amended text by means of an implementing decision.**
4. In ~~a~~ **proposed** amendment, the Commission may accept timelines for payment conditions extending into 2028. This does not affect the final deadline set in Article 21(8).

Article 17
Loan agreement, borrowing and lending operations

1. In order to finance the support under the Facility in the form of loans, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 220a of Regulation (EU, Euratom) 2018/1046.
2. By way of derogation from Article 220(4) of the Financial Regulation the disbursements of the loan may be implemented through the WBIF on behalf of the ~~b~~Beneficiary. Recovered amounts shall be transferred to the ~~b~~Beneficiary.
3. The Commission shall enter into a loan agreement with the ~~b~~Beneficiary. The loan agreement shall lay down the maximum loan amount, the availability period and the detailed terms and conditions of the support under the Facility in the form of loans. The loans shall have maximum duration of 40 years from the date ~~as~~ of the signature of the loan agreement.

In addition to and by way of derogation from Article 220(5) of Regulation (EU, Euratom) 2018/1046, the loan agreement shall contain the amount of pre-financing and rules on clearing of pre-financing.

In respect of loan amounts implemented through the WBIF, the loan agreement shall also:

- (a) provide that the ~~b~~Beneficiary irrevocably and unconditionally authorises the Commission to pay disbursements to the entity implementing the fund upon request by that entity, and that the Commission is acquitted of its payment obligations towards the ~~b~~Beneficiary by making the payment to that entity;
- (b) provide for the obligation of the ~~b~~Beneficiary to bear the costs of implementation and any fees due in respect of the implementation of the fund in accordance with the conditions agreed between the Commission and the entity implementing the fund.

Article 18
Provisioning

1. Pursuant to Article 211(1) of Regulation (EU, Euratom) 2018/1046, a provisioning for the loans under this Regulation shall be constituted at the rate of 9 % upon making available any funds falling under Article 6(3) of this Regulation. The provisioning shall be constituted from the envelope referred to in Article 6(2) point (a) **of this Regulation**.

Budgetary commitments for the provisioning shall be made by 31 December 2027. By way of derogation from Article 211(2), last sentence, of Regulation (EU, Euratom) 2018/1046, the provisioning shall be paid progressively and fully constituted at the latest when the loans are fully disbursed.

2. The provisioning shall be paid to the common provisioning fund. ~~It may also cover loans for macrofinancial assistance in accordance with Article 31(5) of Regulation (EU) 2021/947.~~ The provisioning rate shall be reviewed at least every three years from the entry into force of this Regulation.
3. The Commission is empowered to adopt a delegated act in accordance with Article 26 to amend the provisioning rate while applying the criteria set out in Article 211(2) of ~~the~~ Regulation (EU, Euratom) 2018/1046.

Article 19
Implementation of investment projects and programmes under the Western Balkans Investment Framework

1. In order to benefit from the leverage of ~~EU~~ **Union** financial support to attract additional investment, infrastructure investments supporting the Reform Agendas shall be implemented through the WBIF.
2. The **Council** ~~Commission~~ implementing decision referred to in Article 15 shall lay down the amount of funds to be made available for use under the WBIF.

3. The Commission shall submit relevant investment project or programme proposals for the opinion of the WBIF Operational Board referred to in Article 35(8) of Regulation (EU) 2021/947 after **the** adoption of the decision referred to in Article 21(3) **of the present Regulation**.
4. At least 37% of the non-repayable financial support channelled through the WBIF shall account to climate objectives.
5. Financing under the Facility provided from the financial envelope referred to in Article 6(2) point (a), after deduction of the amount of provisioning, shall be implemented in indirect management taking into account a pipeline of investments and **shall be** gradually provided through contributions paid into the joint fund established under the WBIF for receiving donors contributions.
6. This financing shall not be made available for investments to ~~the~~**be** supported by the joint fund until the decision referred to in Article 21(3) has been adopted.
7. Financing under the Facility provided from the loans as referred to in Article 6(5), shall be made available through the WBIF under the loan agreement between the Commission and the ~~b~~Beneficiaries in accordance with Article 17(2). Combined for all loan agreements, there shall be maximum twelve requests for disbursements per year from the fund managers of the joint fund referred to in Article 12(2) to the Commission. Investment projects and programmes may receive support from two financing sources, **as** referred to in paragraphs **2 and 3 of Article 6**,~~+~~ as well as from other Union programmes and instruments, subject to that such support from different sources, programmes and instruments provides for additionality and does not cover the same cost.

Article 20
Pre-financing

1. **Subject to the adoption by the Council of the implementing decision referred to in Article 15(1),** ~~Following the submission of the Reform Agenda to the Commission,~~ the ~~bB~~Beneficiary may request the release of a pre-financing of up to 7% of the total amount foreseen under this Facility in accordance with Article 6(4).
2. The Commission may release the requested pre-financing after the adoption of ~~its~~ **the Council** implementing decision referred to in Article 15 and the entry into force of the Facility Agreement and of the loan agreement referred to. The funds shall be released in accordance with Article 21(3) first sentence, and subject to the respect of the preconditions set out in Article 5.
3. The Commission shall decide on the timeframe for the disbursement of the pre-financing, which may be disbursed in one or more tranches.

Article 21

Assessment of the fulfilment of payment conditions, withholding, reduction and redistribution of funds, rules on payments

1. Twice per year, the ~~bB~~Beneficiary shall submit a duly justified request for the release of funds in respect of fulfilled payment conditions related to the quantitative and qualitative steps.
2. The Commission shall assess without undue delay whether the ~~bB~~Beneficiary has **met the preconditions outlined in Article 5 and** achieved satisfactory fulfilment of the payment conditions set out in the ~~Commission-Council~~ implementing decision referred to in Article 15(1) **and the principles for financing set out in Article 12.** The satisfactory fulfilment of ~~these~~ **those** payment conditions shall presuppose that measures related to the same reforms for which the ~~bB~~Beneficiary had achieved satisfactory fulfilment in prior decisions have not been reversed by the ~~bB~~Beneficiary. The Commission may be assisted by experts, **including from Member States.**

3. Where the Commission makes a positive assessment of the satisfactory fulfilment of all applicable conditions, it shall ~~adopt~~**submit to the Council** without undue delay **a proposal for a Council implementing decision establishing the satisfactory fulfilment of the conditions for payments referred to in paragraph 2. The Council shall act, as a rule, within three weeks of receiving the Commission's proposal. The Council, acting by qualified majority, may amend the Commission's proposal and adopt the amended text by means of an implementing decision. On the basis of the Council implementing decision, the Commission shall adopt** a decision authorising the release of funds corresponding to these conditions. That decision shall, in accordance with the split established in Article 6(4), set the amount of funds to be made available as financial assistance, channelled directly to the national budget and the amount to be made available through the WBIF. In respect of those amounts, the decision shall constitute the condition referred to in Article 12 for the amount of funds to be made available as financial assistance channelled directly to the national budget and the preliminary validation referred to in Article 12 for the amount to be made available through the WBIF.
4. Where the Commission makes a negative assessment of the fulfilment of any conditions as per the indicative timetable, **it shall inform the Council without delay and** the release of funds ~~corresponding to such conditions~~ shall be withheld. The withheld amounts ~~shall~~**may** only be released, **in accordance with paragraph 3**, when the ~~b~~**B**eneficiary has duly justified, as part of the subsequent request for release of funds, that it has taken the necessary measures to ensure satisfactory fulfilment of the corresponding conditions.

5. Where the Commission ~~considers~~ ~~concludes~~ that the Beneficiary has not taken the necessary measures within a period of 12 months from the initial negative assessment referred to in paragraph 6, the Commission shall **submit to the Council a proposal for a Council implementing decision** to reduce the amount of the non-repayable financial support and of the loan proportionately to the part corresponding to the relevant payment conditions. During the first year of implementation, a deadline of 24 months shall apply, calculated from the initial negative assessment referred to in paragraph 6. The ~~b~~Beneficiary may present its observations within two months from the communication to them of the Commission's ~~considerations~~ ~~conclusions~~. **The Council shall act, as a rule, within one month of receiving the Commission's proposal. The Council, acting by qualified majority, may amend the Commission's proposal and adopt the amended text by means of an implementing decision.**
6. Any amount corresponding to payment conditions that have not been fulfilled by 31 December 2028 shall not be due to the ~~b~~Beneficiaries and shall be decommitted, or cancelled from the available amount of loan support, as appropriate.
7. The Commission may reduce the amount of the non-repayable financial support, including by offsetting in line with Article 102 of Regulation (EU, Euratom) 2018/1046, or of the loan, in the event of identified cases of, or serious concerns in relation to, irregularities, fraud, corruption and conflicts of interests affecting the financial interests of the Union that have not been corrected by the ~~b~~Beneficiary, or a serious breach of an obligation resulting from the Facility Agreements or from the Loan Agreements, including on the basis of information provided by OLAF **or of the European Court of Auditors' reports.**
8. The Commission may decide to redistribute any amount reduced pursuant to paragraph 6 or 7 among other ~~b~~Beneficiaries of the Facility by **submitting a proposal to the Council to amend** ~~amending~~ **the Council** implementing decisions referred to in Article 15(1).

9. For the part of the Facility funding paid as financial assistance, channelled directly to the **b**Beneficiaries' national budgets, by way of derogation from Article 116(2) of Regulation (EU, Euratom) 2018/1046, the payment deadline as referred to in Article 116 (1) point (a), of Regulation (EU, Euratom) 2018/1046 shall start running from the date of the communication of the decision authorising the disbursement to the **b**Beneficiary pursuant to paragraph 4 of this Article.
10. Article 116(5) of Regulation (EU, Euratom) 2018/1046 shall not apply to payments made as financial assistance, channelled directly to the **b**Beneficiaries' national budgets pursuant to this Article and to Article 22 of this Regulation.
11. Payment of funds under this Facility shall be made subject to the available funding. Funds shall be paid in instalments. An instalment may be paid in one or more tranches.
12. The amount made available as financial assistance, channelled directly to the national budget, shall be paid following the decision referred to in paragraph 3 in accordance with the loan agreement.
13. Payment of any amount of the support in the form of **a**-loans, whether channelled directly to the national budget or through the WBIF, shall be subject to the submission by the **b**Beneficiary of a request for payment in the form set out in the loan agreement.
14. The amount made available through the WBIF shall be paid following the decision referred to in paragraph 3, following the request for payment referred to in paragraph 13 and following receipt of a payment request from the fund managers of the joint fund established under the WBIF for receiving donors' contributions.

CHAPTER IV

Protection of the financial interests of the Union

Article 22

Protection of the financial interests of the Union

1. In implementing the Facility, the Commission and the ~~b~~Beneficiaries shall take all the appropriate measures to protect the financial interests of the Union, taking into account the principle of proportionality and the specific conditions under which the Facility will operate, the preconditions set out in Article 5(1) and conditions set out in the specific Facility Agreements, in particular regarding the prevention, detection and correction of fraud, corruption, conflicts of interests and irregularities. Each Beneficiary shall commit to progressing towards effective and efficient management and control systems and ensure that amounts wrongly paid or incorrectly used can be recovered.
2. The Facility Agreement shall provide for the following obligations of the ~~b~~Beneficiary:
 - (a) regularly checks that the financing provided has been used in accordance with the applicable rules, in particular regarding the prevention, detection and correction of fraud, corruption, conflicts of interests and irregularities;
 - (b) takes appropriate measures to prevent, detect and correct fraud, corruption, conflicts of interests and irregularities affecting the financial interests of the Union, to avoid double funding and to take legal actions to recover funds that have been misappropriated, including in relation to any measure for the implementation of reforms and investment projects or programmes under the Reform Agendas;

- (c) for the purpose of paragraph 1 of this Article, in particular for checks on the use of funds in relation to the implementation of reforms in the Reform Agendas, ~~to~~ ensures the collection of, and access to, adequate data on persons and entities receiving funding for the implementation of measures of the Reform Agenda under chapter III;
 - (d) expressly authorises the Commission, OLAF, the Court of Auditors and, where applicable, the EPPO to exert their rights as provided for in Article 129 of Regulation (EU, Euratom) 2018/1046. **This shall also refer to the loans.**
3. The Facility Agreement shall also provide for the right of the Commission to reduce proportionately the support provided under the Facility and recover any amount spent to achieve the objectives of the Facility or to ask for early repayment of the loan, in cases of irregularities, fraud, corruption and conflicts of interests affecting the financial interests of the Union that have not been corrected by the ~~b~~Beneficiary, or of a serious breach of an obligation resulting from such agreements. When deciding on the amount of the recovery and reduction, or the amount to be repaid early, the Commission shall respect the principle of proportionality and shall take into account the seriousness of the irregularity, fraud, corruption or conflict of interests affecting the financial interests of the Union, or of a breach of an obligation. The ~~b~~Beneficiary shall be given the opportunity to present its observations before the reduction is made or early repayment is requested.
4. Persons and entities implementing funds under the Facility shall report any suspected cases of fraud, corruption, conflict of interests and irregularities affecting financial interests of the Union without delay, to the Commission and ~~to~~ OLAF.

Article 22bis
Data on final recipients

Each beneficiary shall create an user-friendly public portal containing data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the Facility. Beneficiaries shall update those data twice a year.

Article 23
Role of the national internal systems and National Audit Authorities

1. For the part of the Facility funding paid as financial assistance, channelled directly to the ~~b~~Beneficiaries' national budgets, the Commission shall rely on existing and improved internal control systems of the ~~b~~Beneficiaries, including the National Audit Authorities and, where applicable, the Anti-Fraud Coordination Services of each Beneficiary established in the framework of the Instrument for Pre-accession Assistance.

The Reform Agendas shall prioritise in the first years of their implementation reforms related to negotiation chapter 32, particularly on public finance management and internal control, as well as on ~~the~~ fight against fraud, together with chapters 23 and 24, particularly when it comes to justice, corruption and organised crime and chapter 8, particularly on State aid control.

2. The ~~b~~Beneficiaries shall report any irregularities, including fraud, which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and shall keep the Commission informed of the progress of any administrative and legal proceedings in relation to such irregularities. Such reporting shall be done by electronic means, using the Irregularity Management System, established by the Commission.

3. The entities referred to in paragraph 2 shall maintain regular dialogue with the European Court of Auditors, OLAF and, where appropriate, the EPPO.
4. The Commission may carry out detailed systems reviews of the national budget implementation based on a risk-assessment and dialogue with National Audit Authorities, and issue recommendations for improvements in the systems.
5. The Commission may adopt recommendations to the ~~b~~Beneficiary on all cases where in its views competent authorities have not taken the necessary steps to prevent, detect and correct fraud, corruption, conflict of interests and irregularities that have affected or seriously risk affecting the sound financial management of the expenditure financed under the Facility and in all cases where it identifies weaknesses affecting the design and functioning of the control system put in place by the authorities. The concerned ~~b~~Beneficiary shall implement such recommendations or provide a justification on why it has not done so.

CHAPTER V

Monitoring, reporting and evaluation

Article 24

Monitoring and reporting

1. The Commission shall monitor the implementation of the Facility and assess the achievement of the objectives set out in Article 3. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the Facility. The indicators referred to in Article 13(2) are expected to contribute to the Commission's monitoring of the Facility.
2. The Facility Agreement referred to in Article 9 shall set out rules and modalities for the ~~b~~Beneficiaries to report to the Commission for the purpose of paragraph 1 **of this Article**.

3. The Commission shall provide an annual report to the European Parliament and the Council on progress towards the achievement of the objectives of this Regulation.

The Commission shall also report bi-annually to the Council and the European Parliament on the progress on payments made.

- ~~4. The Commission shall provide the report referred to in paragraph 3 to the Committee referred to in Article 27.~~

Article 25 *Evaluation of the Facility*

1. After 31 December 2027, but by 31 December 2031 at the latest, the Commission shall carry out an ex-post evaluation of ~~the~~ **this** Regulation. That ex-post evaluation shall assess the Union contribution to the achievement of the objectives of this Regulation.
2. This ex-post evaluation shall make use of the good practice principles of the OECD Development Assistance Committee, seeking to ascertain whether the objectives have been met and to formulate recommendations with a view to improving future actions.

The Commission shall communicate the findings and conclusions of this *ex-post* evaluation accompanied by its observations and follow-up, to the European Parliament, the Council and the Member States. This *ex-post* evaluation may be discussed at the request of Member States. The results shall feed into the preparation of future programmes and actions and resource allocation. This *ex-post* evaluation and follow-up shall be made publicly available.

The Commission shall, to an appropriate extent, associate all relevant stakeholders, including ~~b~~**B**eneficiaries, social partners, civil society organisations and local authorities in the evaluation process of the Union's funding provided under this Regulation, and may, where appropriate, seek to undertake joint evaluations with the Member States and other partners with close involvement of the ~~b~~**B**eneficiaries.

Article 25bis
Reporting by the Beneficiaries in the context of the Economic and Financial Dialogue

The Beneficiary shall report once a year in the context of the Economic and Financial Dialogue on the progress made in the achievement of the reform-related part of its Reform Agenda. To that end, the reports of the Beneficiaries shall be appropriately incorporated in the Economic and Reforms Programmes, which shall be used as a tool for reporting on the progress towards completion of the reform-related part of the Reforms Agendas.

CHAPTER VI

Final provisions

Article 26
Exercise of delegation

1. The power to adopt delegated acts shall be conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 18 shall be conferred on the Commission for an ~~indefinite~~ **period of 5 years** from the date of entry into force of this Regulation. **The Commission shall draw up a report on the delegation of power not later than nine months before the end of the 5 year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.**

3. The delegations of power referred to in Article 18 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 18 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of one month of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by one month at the initiative of the European Parliament or of the Council.

Article 27
Committee procedure

1. The Commission shall be assisted by ~~a~~ **the Committee, established by the Regulation (EU) 2021/1529 of the European Parliament and the Council**. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 28
Information, communication and publicity

1. The Commission ~~may~~ **shall** engage in communication activities to ensure the visibility of ~~the~~ Union funding for the financial support envisaged in the Reform Agendas, including through joint communication activities with the ~~b~~Beneficiaries. The Commission may, as appropriate, ensure that support under the Facility is communicated and acknowledged through a funding statement.
2. The recipients of Union funding shall acknowledge the origin and ensure the visibility of ~~the~~ Union funding, including, where applicable, by displaying the emblem of the Union and an appropriate funding statement that reads ‘funded by the European Union’, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
3. The Commission shall implement information and communication actions relating to the Facility, to actions taken pursuant to the Facility and to the results obtained. Financial resources allocated to the Facility shall also contribute to the corporate communication of the political priorities of the Union, insofar as they are related to the objectives referred to in Article 3.

Article 29
Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ~~Brussels~~,

For the European Parliament
The President

For the Council
The President

Methodology on the allocation of global resources per **bBeneficiary**

Each **bBeneficiary**'s allocation shall be calculated in accordance with the following steps based on data of the reference year:

Step 1: determination of a population allocation key based on the ratio of the **bBeneficiary**'s population ~~over to~~ the total sum of populations for the Western Balkans region;

Step 2: determination of a GDP allocation key based on the ratio of the average GDP per capita for the Western Balkans region ~~over to~~ the GDP per capita of the respective **bBeneficiary** and divided by the sum of the six ratios;

Step 3: combination of the percentage weights of each **bBeneficiary-country** for population under Step 1 and GDP per capita under Step 2 with a weighing factor of 60% population and 40% GDP per capita.
