

Financial assistance to the Western Balkans – Donor cooperation¹

The EU supports financially the reform process and the overall development of the Western Balkans and Turkey from the Instrument for Pre-Accession Assistance (IPA), from EIB loans, and by means of better coordination with the International Financial Institutions (IFIs), and other donors.

Community support from the Instrument for Pre-accession Assistance (IPA)

As of 2007 EU financial support for the Western Balkans (and Turkey) is provided under the Instrument for Pre-accession Assistance (IPA). It replaces previous pre-accession instruments (Phare, ISPA, SAPARD and the former instruments for Turkey), and CARDS which covered assistance to the Western Balkans.

The average annual allocation for the Western Balkans under IPA for the period 2007-2011 is approximately €800 million². This is by far the highest per capita amount provided by the EC to any region in the world (around €30 annually).

IPA offers support through its five components:

- Transition Assistance and Institution Building
- Cross-Border Cooperation (CBC)
- Regional Development
- Human Resources Development
- Rural Development

The last three components are reserved to candidate countries (currently Croatia, the former Yugoslav Republic of Macedonia and Turkey), as they aim to prepare for the management of structural and cohesion funds and rural development after accession. However, the other Western Balkan countries can benefit from similar measures under the first component.

Current IPA support is focused on the priorities identified in the 2007 Commission enlargement strategy paper: state-building, rule of law, reconciliation, administrative and judicial reform, the fight against corruption and organised crime, as well as strengthening support for economic reforms and civil society development. IPA attaches particular importance to the beneficiary countries' ownership of implementation.

Cross-border cooperation among the beneficiary countries, as well as between them and the neighbouring EU Member States facilitates people-to-people contacts and joint activities by the border regions, and contributes to good neighbourly relations and reconciliation. Support for such cooperation has been increased.

¹ Fact sheet for the Commission Communication: "Western Balkans: enhancing the European perspective" See IP 378

² To the annual allocations per country in the table below a large part of the €145.6 million average annual allocation for regional and horizontal programmes should be added (this amount is covering both the Western Balkans and Turkey).

EU Financial Assistance under the Instrument for Pre-Accession Assistance (IPA) for the countries of the Western Balkans

Pre-acc. Assistance envelopes, in € Million	2007	2008	2009	2010	2011	Total 2007-2011
Croatia	141.2	146.0	151.2	154.2	157.2	749.8
Former Yugoslav Rep. of Macedonia	58.5	70.2	81.8	92.3	98.7	401.5
Albania	61.0	70.7	81.2	93.2	95.0	401.1
Bosnia and Herzegovina	62.1	74.8	89.1	106.0	108.1	440.1
Montenegro	31.4	32.6	33.3	34.0	34.7	166.0
Serbia	189.7	190.9	194.8	198.7	202.7	976.8
Kosovo	68.3	124.7	66.1	67.3	68.7	395.1
Total	612.2	709.9	697.5	745.7	765.1	3530.4

Support from the European Investment Bank (EIB)

The EIB will increase its lending to the Western Balkans from a total of €1.9 billion for 2005-2007, to an estimated €2.8 billion for the period 2008-2010. The EIB lending activities in the Western Balkans focus primarily on projects in the areas of transport, energy, small and medium-sized enterprises, environment, municipal infrastructure, education and health.

Donor coordination

The Commission is redoubling its efforts to coordinate with the international financial institutions and bilateral donors. The aim is to leverage the maximum amount of support possible for the region's main modernisation and development needs, bringing together grants and loans.

In 2006, the Commission signed a Memorandum of Understanding with several IFIs³ on coordination and cooperation in supporting the candidate and potential candidate countries. In December 2007, the Commission met major bilateral donors and the IFIs to establish a framework for closer cooperation in provision of assistance to the region. In June 2008, the Commission will organise a high-level follow-up meeting.

Cooperation between the Commission and the IFIs focuses in particular on three areas: micro- and small and medium sized enterprises, energy efficiency and infrastructure in the field of transport, energy, environment, and in the social field.

The *European Fund for South-East Europe (EFSE)* provides commercial banks and non-bank financial institutions with loan facilities in order to support development of micro-enterprises and households. Over the past two years, the EFSE has provided micro-credit to more than 65,000 small enterprises in the region. The Fund has also succeeded in attracting private capital for micro-lending. The Commission has been

³ The EIB, the EBRD, the IBRD and IFC, the Nordic Investment Bank, the Nordic Environment Finance Corporation, the Council of Europe Development Bank and the Black Sea Trade and Development Bank.

participating in the EFSE since 2006. Approximately € 10 m were made available for EFSE in 2007.

The *Energy Efficiency Facility* started in 2006 for the then candidate countries; Bulgaria, Romania, Turkey and Croatia. In 2007, 34.7 M€ were committed to roll out the facility also in the Western Balkan by leveraging grants and loans in joint management agreements between the Commission, EIB, EBRD and the Council of Europe Development Bank. Further funds will be provided in the future. The facility will support investment in energy efficiency for Industry and Buildings, and will also develop the financial market in this respect.

The *Infrastructure Projects Facility* for the Western Balkans will help preparing investment projects to be financed from grants and loans in the areas of transport, energy, environment and social infrastructures. The Facility is being launched following an agreement in November 2007 between the Commission and the EIB, the EBRD and the Council of Europe Development Bank. At a start-up phase, the Commission will provide 16 M€ for Technical Assistance.