



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

on the **Western Balkans Investment
Framework**

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 265 of the [Financial Regulation](#). These replies are to be published by the European Court of Auditors together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

The Western Balkans Investment Framework (WBIF) is the EU's main financial vehicle to address the region's extensive infrastructure needs. By blending EU grants with bilateral donor contributions, loans from international financial institutions and national contributions, the WBIF supports strategic investments in six intervention areas: sustainable transport, clean energy, environment and climate, the digital future, competitiveness of the private sector, and human capital development.

According to the Economic and Investment Plan for the Western Balkans, significant investment should be directed towards sustainable transport infrastructure in the region. Measures related to transport also feature in the New Growth Plan and in the Reform Agendas, as contributors to the integration of the Western Balkan economies into the EU single market. For this, it is crucial to achieve fast, efficient and sustainable transport links within the region and with the neighbouring EU Member States.

The WBIF is therefore instrumental in financing the investments needed to achieve these objectives by speeding up the completion of the indicative extension of the trans-European transport (TEN-T) network to the Western Balkans and accelerating full alignment with the EU acquis in the field of transport.

The Commission welcomes the overall conclusion presented in the Special Report issued by the European Court of Auditors (ECA) that the WBIF contributes to extending the core European transport network to the Western Balkans region, as the EU-funded projects audited by the ECA are consistent with the connectivity priorities of both the Western Balkans and the EU.

The Commission concurs with the ECA on the challenges in the selection, supervision and monitoring of the 12 sampled projects supported by the WBIF in the field of transport. The Commission acknowledges the delays in implementing the projects. The Commission accepts the recommendations of the ECA to improve the effectiveness of the WBIF by selecting mature projects, followed by effective supervision and monitoring, and by ensuring the sustainability of the investments and visibility of the EU support.

Some of the challenges identified in the Special Report have already been or are being addressed by the Commission. The methodology for assessing the maturity of projects was improved in 2020 and 2022, as acknowledged in the Special Report. On supervision and monitoring, the Commission is working to improve the overall monitoring system of the WBIF, including through more regular and updated reporting on progress and on assessment of risks by international financial institutions, as well as through closer engagement with beneficiaries, project developers and EU Delegations to address implementation challenges.

II. REPLIES TO THE RECOMMENDATIONS

Recommendation 1

Select only mature projects

The Commission should select projects only when project developers can demonstrate that the preparatory work is complete and up to date, allowing projects to start in a timely manner after the grant has been approved.

Target implementation date: 2027

The Commission **accepts** recommendation 1.

Recommendation 2

Obtain evidence from financial institutions of their assessments and mitigation of implementation risks

The Commission should ensure that the lead financial institutions provide evidence of:

- (a) their assessment of implementation risks (e.g. insufficient project developer capacity, conflict of interest, or lack of beneficiary and national ownership) and proposed mitigating measures when an application is submitted; and*
- (b) mitigating measures being implemented when annual reporting takes place.*

Target implementation date: 2027

The Commission **accepts** recommendation 2.

Recommendation 3

Improve the monitoring of project implementation

To improve its monitoring, the Commission should:

- (a) receive up-to-date and pertinent information on financial and physical progress, reasons for delays and address reported delays and problems effectively;*
- (b) require financial institutions to report updated total incurred costs and grant amounts paid to the beneficiary at least twice a year, and ensure that payments are aligned with the financial and physical progress of projects; and*
- (c) enhance reporting by including indicators that measure the degree of completeness and compliance with EU standards in relation to the European transport network.*

Target implementation date: 2027

The Commission **accepts** recommendation 3.

Recommendation 4

Enhance the sustainability of project results and EU visibility

The Commission should ensure that Western Balkans Investment Framework funded grant applications:

- (a) include adequate sustainability measures (e.g. maintenance arrangements and funding); and**
- (b) contain specific visibility activities promoting the contribution by EU grants.**

Target implementation date: 2027

The Commission **accepts** recommendation 4.

III. REPLIES TO OBSERVATIONS

1. Justification of WBIF grants

The ECA report¹ states that in three of the twelve sampled projects, other funding sources, such as loans and national contributions, were sufficient at the time of the grant applications to cover the projects' investment costs, further concluding that *'this created a deadweight effect, as the investments would have gone ahead even without the grant'*.

In all three cases, as noted in the ECA report², the additionality of the EU grant is justified by its role in covering the existing funding gap. Moreover, by supporting a portion of these investments, the EU funding helps mitigate the risk of excessive debt levels that would otherwise be required to finance the large-scale investments necessary for the beneficiaries to comply with EU accession criteria and achieve the necessary economic and social convergence with the EU.

As a result, the Commission considers that the above-mentioned WBIF grants contributed to creating financial space to support additional critical transport projects that could not have materialised otherwise. This contributed to the achievement of the overall objective of the TEN-T policy in the Western Balkans.

2. Contribution to Sustainable Transport

The ECA report states³ that *'until 2022 the Commission did not focus sufficiently on selecting sustainable transport projects that help to reduce greenhouse gas emissions'*.

The Commission clarifies that the degree of the contribution to the reduction of greenhouse gas emissions is linked not only to the choice of certain modes of transport (e.g. railways vs other modes), but also to the implementation of specific measures, such as digitalisation, that help achieve increased sustainability and safety.

¹ Paragraph 30

² Paragraph 29

³ Paragraph 7

Through the European Green Deal, the EU aims to achieve a 90% reduction in transport-related greenhouse gas emissions by 2050 by developing efficient, safe and environmentally friendly transport. The TEN-T Regulation⁴, referring to the sustainable and smart mobility strategy of the EU sets out key objectives for the transition of the European transport network to sustainable, smart and resilient mobility. In this context, road investments to be funded through EU grants are supposed to provide clear added value, notably cross-border links, last-mile connections, and territorial cohesion, rather than simply supporting national road expansion. Road investments are also justified where they serve broader strategic objectives, including improving resilience to climate change, supporting military mobility and security, and ensuring territorial cohesion.

The projects selected for WBIF support are part of the core TEN-T network, hence they are consistent with the standards and principles set by the TEN-T Regulation. For this reason, the Commission considers that the selected transport projects will help reducing greenhouse gas emissions.

3. Collection of information on the degree of completeness and compliance with EU standards of WBIF-funded corridors

The ECA report⁵ states that *'the Commission did not gather information about the degree of completeness of the corridors it was funding, or about whether they complied with EU standards. Such information would have made it possible to measure the specific effects of WBIF. The available data show slow progress overall on achieving all the core European transport network standards by 2030'*.

In subsequent sections, the ECA report⁶ further states that *'the Commission did not gather information on the completion of the core European transport network in the Western Balkans (see paragraph 17), such as the degree of completeness (e.g. the length of completed and operational sections per corridor) and compliance with the standards of the network for the supported corridors. It relies on Transport Community reports, which do not include such detailed information for each corridor. This information is available only when specifically requested and was not used by the Commission to monitor the specific effects of WBIF funding'*.

The Commission would like to clarify how the information on the degree of completeness and compliance with EU standards is collected in the Western Balkans.

The monitoring of the TEN-T network's status and progress in the Western Balkans is one of the key obligations of the Transport Community, as stipulated in the funding Treaty. Each year, the Regional Steering Committee reports to the Ministerial Council on the implementation of TEN-T network in the Western Balkans. These reports provide a detailed analysis of the region's compliance with TEN-T requirements, as set out in Regulation (EU) No 1315/2013, and in the future, reporting will be based on the revised Regulation (EU) 2024/1679. The reports also include assessments per mode of transport, as well as a summary of ongoing TEN-T projects and their expected impact on the network's development and quality, including Key Performance Indicators.

Additionally, the new TEN-T regulatory framework (Regulation (EU) 2024/1679) provides the Commission with significantly strengthened powers to oversee the implementation and completion

⁴ Regulation (EU) 2024/1679 of the European Parliament and of the Council of 13 June 2024 on Union guidelines for the development of the trans-European transport network, amending Regulations (EU) 2021/1153 and (EU) No 913/2010 and repealing Regulation (EU) No 1315/2013

⁵ Paragraph 11

⁶ Paragraph 63

of the TEN-T network. It empowers the Commission to conclude high-level agreements with neighbouring countries to ensure a coordinated and synchronised approach to the implementation of European Transport Corridors and cross-cutting priorities, ensuring that the Western Balkans' infrastructure evolves in full alignment with EU standards.

4. Monitoring and control of projects

The Commission clarifies that the control strategy of DG ENEST includes monitoring, on-the-spot checks and expenditure verifications during the implementation of EU funded projects, as well as controls before the closure of the contracts and after their closure (annual Residual error rate study, an agreed-upon procedure).

The agreements with IFIs are part of the population from which DG ENEST samples the contracts to be controlled. It is important to highlight that these agreements are implemented under indirect management: this means that the Commission relies on the management and control systems of the contracted organisations, which have been pre-assessed as providing a level of protection of the EU financial interests at least equal to the level of protection ensured by the Commission's systems.

Based on the existing arrangements, the Commission relies on the IFIs to ensure that the grants are disbursed based on eligible costs. These costs are validated by the IFIs and reported to the Commission. Until the above-mentioned controls take place, the Commission has limited means to detect potential cases of errors or misuse of EU funds, because it relies on the controls carried out by IFIs and on their financial reports, supported by management declarations. However, the Commission can take corrective measures based on the results of the above-mentioned controls.