

2ND MEETING OF THE WESTERN BALKAN INVESTMENT FRAMEWORK (WBIF) STRATEGIC BOARD

MINUTES OF THE MEETING

21 June 2022 / 09:30 - 17:30

Venue: Conference Centre, Parco dei Principi Grand Hotel, Rome, Italy, hosted by the Italian Ministry of Economy and Finance, as WBIF Co-chair in representation of the WBIF Bilateral Donors.

Participants, the list of participants includes in-person and virtual participants.

I. Introductory remarks by the WBIF Co-Chairs

The meeting opened with introductory remarks by the WBIF Co-chairs:

- Katarína Mathernová, Deputy Director-General DG NEAR, European Commission, and
- Francesca Utili, Director-General, International Financial Relations Directorate, Department of the Treasury, Ministry of Economy and Finance, Italy in representation of the WBIF Bilateral Donors.

Italy opened the meeting, welcomed all members and observers, spoke of the impact of Russia's war of aggression in Ukraine on the Western Balkans economies (increase in prices, energy), highlighted that the WBIF has the appropriate structure, governance and operational means to implement the agenda ahead and called for acceleration and rapid deployment of the tools available through WBIF.

EC-NEAR welcomed participants and thanked the Italian Co-chair for hosting the meeting and emphasised the importance of making the Western Balkans economies more resilient to repeated shocks and of including the most vulnerable into these efforts. The Economic and Investment Plan (EIP) is in full swing, first results are visible on the ground and are already making a difference; in February 2022, 21 flagship investment projects were launched, for a total grant of €1.1 billion and an estimated investment value of €3.2 billion. Yet, more needs to be done. The implementation of the EIP must be accelerated, and the green and digital transition firmly embedded into all actions, such as the energy transition and transport connections.

II. Adoption of the agenda and the minutes

The 2nd Strategic Board representatives adopted, by consensus, the Agenda of the meeting and the minutes of the 1st WBIF Strategic Board.

III. Opening interventions of WBIF stakeholders

The **EU Council Presidency, France**, expressed satisfaction with the level of WBIF integration into the EFSD+ architecture and stressed the importance of a pro-active approach in assisting the Western Balkans Partners in their energy transition.

The **European Parliament MEPs**¹ reiterated the importance of WBIF as main financial vehicle for the implementation of the EIP for the Western Balkans, stressing the importance of social infrastructure

¹ Željana Zovko and Tonino Picula.

investments in the region and emphasising the importance of good neighbourly relations and the rule of law.

The **Western Balkans partners** reported on concrete acceleration steps on the implementation of key priority projects, associated reforms and strategic planning; however highlighting the impact of price increase in construction materials on EIP implementation.

Italy, representing the **Bilateral Donors**, recalled the Bilateral Donors contribution to the WBIF transition to the new WBIF governance and the cooperative and inclusive methods of work as an asset of the WBIF. The guarantee instrument was welcomed as a complementary tool to public and private blending and reconfirmed the support of the Western Balkans via financing high-impact smaller scale projects. Italy further mentioned the importance of further enhancing the support to social infrastructure projects and, underlined the cooperative and inclusive WBIF working methods.

The **EIB**, presenting a joint IFI statement, informed participants of the EIB becoming the PFG co-chair. EIB emphasised the importance of WBIF implementing the Economic and Investment Plan for Western Balkans, the IFIs support and the Team Europe approach in addressing, in partnership, the many challenges of the region including budgetary constraints, the need to modernise and *green* infrastructure, accelerate the energy transition, and the competitiveness of the private sector. EIB also stressed the importance of the rapid conclusion of the revised WBIF governance to ensure the timely implementation of the recently approved grants.

IV. Update on political developments in the Western Balkans

Michela Matuella, Acting Director EC-NEAR, European Commission, updated participants on the recent developments across the EU, in particular the impact of the Russia's war of aggression in Ukraine, triggering the increase of the cost of living and the energy crisis. She emphasised inclusion of the Western Balkans to the EU crisis response as demonstrated by the common purchasing platform for gas. She briefed on the upcoming EU-Western Balkans leaders meeting planned for 23 June, and informed of the applications of Ukraine, Moldova and Georgia for accelerated EU membership.

V. Western Balkans Economic Outlook – Presentation of “Business resilience in the Western Balkans, at times of repeated shocks”

The speakers from IMF and EIB presented the main conclusions of the study, highlighting the slowing down of the post-pandemic recovery due to commodity price hikes and inflation pressures. While fiscal policy measures can support vulnerable households and firms to mitigate the impact of crisis, monetary policy should manage inflation and structural policies should address both old (governance, productivity, etc.) and new challenges. The study shows how some SMEs become more resilient through access to finance and being part of a global value chain (GVC), source of growth, innovation and trade. Both speakers highlighted the importance of the energy security as an opportunity to accelerate the green transition.

VI. WBIF main developments: advancing on the implementation of the Economic and Investment Plan for Western Balkans

EC-NEAR presented progress in the implementation of the EIP, notably the 1st investment package of 21 projects totalling €1.1 billion in EU grants² and an investment volume of €3.2 billion. The package covers the following EIP priority sectors: (1) **Sustainable transport**, (2) **Clean energy**, (3) **Environment & climate**, (4) **Digital**, and (5) **Human capital development**. DG NEAR also reported the positive opinion of the EFSD+ Operational Board of 6 April 2022 on 3 carry-forward guarantees worth up to

² Two projects of this 1st investment package were financed by Bilateral Donors for a total amount of € 4.2 million.

€145 million and informed on the status of pre-notifications for WBIF Blending Investment Round 7, with a pipeline of 39 applications (Digital Future 2, Clean Energy 13, Environment and Climate 10 and Sustainable Transport 14) for a total request for EU grant of €1.9 billion.

A Video “EIP from plan to action” was presented ([link here](#)) and Group Photos were taken ([link here](#)).

VII. The energy transition in the Western Balkans

The speakers from the **Energy Community Secretariat** and the **World Bank** introduced the **RePower** strategy for the Western Balkans, following the example of the EU in accelerating the energy transition and expediting permitting processes for renewable energy generation and energy efficiency projects. They presented the **impact of the energy crisis in the Western Balkans**, as well as the short- and long-term measures to address the crisis.

To achieve net zero target by 2050, the region would have to invest around €100 billion only on energy efficiency, entailing 50% energy savings. The **EBRD and KFW** jointly presented the **WBIF Regional Energy Efficiency Programme (REEP)**. REEP, a strategic instrument for the clean energy transition, contributes to this goal by promoting a market for energy efficiency in the Western Balkans. The programme recently benefitted from replenishment of €100.5 million to focus on: (i) sustainable heating and cooling, (ii) innovation and smart solutions, (iii) direct finance to residential and (iv) credit line supporting highly performing residential buildings. The Green Economy Finance Facility³ should be scaled-up and support construction of new green buildings and residential sector outreach, support EE investments in public buildings and launch a pilot commercial scheme for residential buildings renovation. Moreover, a stronger focus on sustainable district heating and cooling is recommended together with national strategies and pilots for nearly-zero energy buildings.

Representatives from the Western Balkans partners reported on their short-term measures to address the energy crisis and on their efforts in securing additional storage and diversification of energy supplies. The additional production capacity through conventional and renewable energy generation including the necessary legal framework is a priority. Decarbonisation, implementing the Green Agenda for Western Balkans and addressing climate change are political priorities. Establishment of attractive conditions for investment in renewable energy generation is an important pre-requisite for the envisaged acceleration.

Discussion

EU MS appreciated the efforts deployed by the Western Balkans economies towards more energy resilience and recommended an integrated approach, for example for energy and digital transition. Moreover, through WBIF, important connections should be advanced. A more diversified energy supply is a key tool and WBIF is an instrument that can support the necessary infrastructure development. **EC-NEAR** reiterated the priorities of the EIP, which address the current energy crisis head-on and recalled the current diverse portfolios of project applications under INV Round 7. Investments and policy reform must go hand in hand and investment portfolios must be prioritised.

VIII. Amendments to the Rules of Procedure

EC-NEAR presented the amendments of the WBIF Rules of Procedure, now also catering for the EFSD+ Guarantee Instrument for Western Balkans.

The Strategic Board **adopted, by consensus**, the amended WBIF Rules of Procedures.

IX. AoB & concluding remarks

³ Launched by EBRD across 26 countries with a financing volume of €4 billion.



The **WBIF Co-chair Italy** thanked all WBIF participants for the valuable inputs to the session and announced that they would continue to represent the WBIF Bilateral Donors until the 3rd WBIF Strategic Board meeting in December 2022.

EC-NEAR announced the launch of WBIF social media channels, such as Twitter, Facebook, LinkedIn, Youtube, and invited participants to visit the websites webalkans.eu and wbif.eu.

END OF THE MEETING



2ND MEETING OF THE WBIF STRATEGIC BOARD OPERATIONAL CONCLUSIONS, SUMMARY

21 June 2022

1. Adoption of Agenda and Minutes of 1st Strategic Board meeting of 16 December 2021, by consensus.
2. Adoption of the amended to Rules of Procedure for the Western Balkan Investment Framework, by consensus.



ANNEXES

Annex 1: Adopted Agenda
(separate document)