

5th MEETING OF THE WBIF STRATEGIC BOARD

Minutes of Meeting

8 December 2023

Venue: Hotel Renaissance, Brussels, hosted by the European Commission

Participants: list of participating institutions annexed

I. Introductory remarks by the WBIF Co-Chairs

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

- Gert Jan Koopman, Director-General DG NEAR, European Commission, and
- Anders Eide, Ambassador of Norway to the EU, in representation of the WBIF Bilateral Donors.

EC NEAR Director-General informed participants about the ongoing efforts pertaining to the enlargement packages and the good progress achieved in drafting the respective reform agendas together with the Western Balkan partners and outlined the next steps in this process. **Norway** referred to multiple challenges facing the region caused by the Russian war of aggression in Ukraine, which should be addressed by a coordinated and accelerated implementation of projects financed under the Western Balkans Investment Framework (WBIF). The European Union and WBIF's proven rapid response capabilities will be put to the test once more under the 2023 enlargement package.

II. Adoption of the agenda and the minutes

The 5th WBIF Strategic Board members adopted, by consensus, the agenda of the meeting and the minutes of the 4th WBIF Strategic Board (Oslo, 29 June 2023), both previously shared as background documents.

III. The Growth Plan for Western Balkans

EC NEAR presented the Growth Plan for the Western Balkans, adopted by the European Commission on 8 November 2023. The Growth Plan consists of 4 *pillars*:

Pillar 1: Bringing the Western Balkans closer to the European Union's single market, focusing on 7 priority areas. Access to the single market will be conditional upon the Western Balkan Partners opening their domestic markets to their regional neighbours.

Pillar 2: Deepening the Regional Economic Integration within the Western Balkans, focusing on the development of an integrated Common Regional Market, as a precondition to access to the single market. Non-performing partners will be excluded.

Pillar 3: Accelerating Reforms: The Western Balkan Partners are preparing Reform Agendas outlining their individual reform plans; the draft preliminary proposals were shared with EC on 6 December, while the comprehensive Reform Agendas are to be submitted to the European Commission by the end of Q1/2024.

Pillar 4: Increased financial assistance: The Reform Agendas are built on and replace the Economic and Reform Programmes. This process will be supported through increased financial assistance with the Reform and Growth Facility (RGF) for the Western Balkans, with a funding volume of €6 billion. The RGF will be implemented in part through WBIF. The financial support will consist of €2 billion in grants and €4 billion in

concessional loans. Of these, €3 billion will be allocated to investments to be delivered through WBIF and €3 billion will directly support the national budgets of the Western Balkan Partners.

The existing WBIF governance and decision-making processes will apply. For the RGF, there will be individual envelopes per Western Balkan Partner. Payments will be subject to pre-conditions being met.

The activation of the RGF is still subject to processing. Notably, the multi-annual financial framework (MFF) negotiations are ongoing and fully-fledged Reform Agendas need to be agreed upon. The RGF is expected to come into force in the 1st quarter of 2024.

Intervention by WBIF Stakeholders and Discussion

The **European Parliament** (EP), represented by Željana Zovko, welcomed the deepening of EU integration of the Western Balkans and emphasised the importance of reforms. The Common Regional Market must be realised without delay, and bilateral tensions should not hold the entire Western Balkans hostage. Tonino Picula (EP) welcomed the inclusiveness of the planned reforms under the Growth Plan, firmly aligned with EU values.

The **EU Presidency Spain** welcomed the rollout of the RGF through WBIF, which will accelerate socio-economic development in the Western Balkans. It further announced that Spain is contemplating contributing to the Joint Fund (and thus becoming a Bilateral Donor).

Financial Partner Organisations:

- **EIB** emphasised the importance of complementarity of investments and reform and, in parallel, the planned market integration of the Western Balkan Partners.
- **EBRD** welcomed the progress in drafting the reform agendas and mentioned the importance of appropriate benchmarks for payments under the RGF.
- **IFC** specifically welcomed the broadening of the spectrum of assistance under WBIF and stressed the importance of the private sector for the convergence of local economies to EU levels.
- **CEB** highlighted the priority areas for CEB, social housing and rule of law, and welcomed the delineation of RGF and IPA III funds.
- **WBG** welcomed the common objectives and joint priorities under the RGF and the respective investment priorities.
- **KfW** informed about KfW's policy of reform-based lending and welcomed the opportunities arising from the RGF for the Western Balkan Partners.

EU Member States

- **France** expressed full support for the RGF and stressed the importance of fulfilment with fundamentals.
- **The Netherlands** highlighted the importance of socio-economic reform as a stabilising factor and the importance of deepening regional market integration.
- **Sweden** expressed general support for the RGF.
- **Germany** underlined the negotiations taking place on the MFF and expressed support for the RGF.

Observers (regional organisations)

- The **Regional Cooperation Council** stressed the importance of implementing the common regional market and that further progress needs to be realised in the digital transition.
- The **Energy Community Secretariat** underlined the importance of sound governance for the green energy transition.

- The **Transport Community Secretariat** welcomed the reform and funding opportunities provided under the RGF and urged the Western Balkan Partners to commit to these fully.

EC NEAR concluded by highlighting the main aspects of the discussion. Funds under the RGF are complementary to IPA III funds. The delivery mechanism through WBIF remains in place, but the disbursement of funds will be at pre-defined intervals, conditional upon the progress achieved in implementing reforms.

IV. Intervention by the Beneficiary Partner representatives on the Growth Plan and the Reform and Growth Facility for the Western Balkans

Albania highlighted the progress achieved in drafting the Reform Agenda. The approach in Albania is firmly based on two principles, implementation of reforms aimed at market integration and the complementarity of the planned and existing reforms, aligned with EU reform priorities. Albania also emphasised the importance of preparing of a pipeline of mature projects.

Bosnia and Herzegovina mentioned its successful track record in public blending investment projects and ensured their commitment to also implement projects under the RGF effectively. The reform priorities in Bosnia and Herzegovina are aligned with the EU priorities, and the Council of Ministers has appointed an ad-hoc working group charged with the delivery and implementation of the listed priorities and conditionalities.

Kosovo* welcomed the RGF and stressed the importance of a fair and even mechanism for all Western Balkan Partners to access funding under the RGF. Kosovo further mentioned the disparity between actual and potential delivery of projects and has thus a significant potential to realise under the RGF. Fundamental reforms must be accompanied by a sound rule of law system and a judiciary able to fight corruption and violence.

Montenegro expressed appreciation for the RGF and its full support for the deepening of economic integration. Key reforms must be accelerated, and the government of Montenegro has formulated reform measures aligned with priorities under the four pillars of the Growth Plan. The accession process objectives are fully reflected in the draft Reform Agenda and include the rule of law and measures to increase trust in the judiciary.

North Macedonia identified the Reform Agenda under the Growth Plan as a game-changer and will accelerate reforms accordingly. In addition to reform priorities, like a full reflection of the rule of law, North Macedonia also identified the educational sector as a priority to address an existing skills mismatch and establishing a favourable business environment. Projects proposed for funding under the RGF must be mature for rapid implementation.

Serbia stressed the importance of the RGF for EU integration and emphasised the need for reforms to stimulate socio-economic growth. Both public and private sector reforms are essential to attract and allow for additional investments. The reforms must fully reflect the rule of law and thus establish modern business environments, focusing on start-ups, labour market reforms, and inclusion of so-far neglected groups.

V. Statement by the Representatives of Bilateral Donors

Norway reflected on the updated WBIF governance, with the Rules of Procedure and the General Conditions in place, now enabling WBIF to be fully functional and prepared to implement the Growth Plan; the ex-ante conditionalities were explicitly welcomed. The Bilateral Donors will continue contributing to the Joint Fund and look forward to co-financing more small-scale / high-impact projects in the future. The Bilateral Donors

*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.

expressed concern about the frequency of written procedures and requested adherence of all Western Balkan Partners to EU values. The production of Bilateral Donor-related communication and visibility products (factsheet, brochure) is appreciated and should be continued, especially given the increased and much-welcomed interest by EU Member States to become Bilateral Donors.

Hungary announced a €500,000 pledge to the Joint Fund and therefore looks forward to reinstatement as a Bilateral Donor.

VI. Statement by the representative of partner financial organisations

EIB referred to the present conflicts (Ukraine, Middle East) and the stagnating or slowing economic growth further reducing already limited budget resources. Against this background, and in another effort of unrivalled solidarity of the European Union with the Western Balkans, President Ursula von der Leyen announced the new Growth Plan at the recent Tirana summit. The Growth Plan is a new tool to accelerate integration and economic convergence to the EU common market, as well as boost regional integration and implementation of the Common Regional Market. The Growth Plan will provide considerable financial support to incentivise the region on the delivery of the set objectives. The combined effects of the EIP, Green Agenda and the new Growth Plan are a toolbox to set the foundations for a more competitive and resilient region. The partner financial organisations specifically welcomed the efforts to ensure complementarity and greater synergies across political and policy dialogue, support to essential reforms, and investment priorities.

EIB announced that AFD will take over as PFG co-chair in 2024.

VII. Update on the Economic and Investment Plan for Western Balkan implementation

EC NEAR informed participants about the milestone review meetings taking place ahead of the PFGs. In these meetings, the progress of investment projects is reviewed with the Western Balkan Partners and the Partner Financial Institutions; implementation dates for major milestones are fixed for the next 12 months, for example, start of construction and completion of works. An overview of projects where construction will start in 2024 was presented for each Western Balkan Partner. Rigorous progress monitoring was announced, and partners will be encouraged to enter immediately into a dialogue with DG NEAR and IFIs when delays are observed to identify remediating measures.

In addition, EC NEAR presented the progress under Private Sector Blending and Guarantees. PS Rounds 1 and 2 are under implementation, and the contracts with IFIs for the projects under PS Round 2 are expected to be signed by the end of 2023 or Q1 2024.

VIII. General Conditions, information point

EC NEAR informed participants that the General Conditions of the Joint Fund were adopted on 6 September 2023. By 17 November 2023, all but one related IFI adherence agreements were signed. The process of updating WBIF governance has therefore been completed.

IX. Rules of Procedures update, for adoption

EC NEAR presented the updates to the WBIF Rules of Procedure concerning Annex 2, footnote 8 (as disseminated in the background document). Following Hungary's announcement during the meeting of a renewed pledge with the transfer of the first tranche to the Joint Fund, Hungary would be added to the list of Bilateral Donors, also in Annex 2.

The 5th WBIF Strategic Board members adopted, by consensus, the changes to WBIF Rules of Procedure concerning Annex 2 footnote 8 and adding Hungary to the list of Bilateral Donors.



X. WBIF Annual Progress Report 2022, for approval

EC NEAR presented the WBIF Annual Progress Report 2022 for approval (Art. 8.2.1 RoP), disseminated as background paper.

The 5th WBIF Strategic Board members approved, by consensus, the WBIF Annual Progress Report 2022.

END OF THE MEETING

5TH MEETING OF THE WBIF STRATEGIC BOARD
OPERATIONAL CONCLUSIONS, SUMMARY
8 December 2023

1. Adoption of the Agenda for the meeting and of the Minutes of the 4th Strategic Board meeting of 29 June 2023, by consensus.
2. Adoption of the updated WBIF Rules of Procedure concerning Annex 2 footnote 8 and adding Hungary to the list of Bilateral Donors, by consensus.
3. Approval of the WBIF Annual Progress Report 2022, by consensus.

ANNEXES

Annex 1: List of Participating Institutions

N.	Stakeholder Group	Organisation
In Person		
1.	EU institutions	European Commission, WBIF Head of Secretariat, European Parliament
2.	Bilateral Donors	Austria, Croatia, France, Italy, Netherlands, Norway
3.	IFIs	AFD, CEB, EBRD, EIB, EIF, KfW, World Bank, IFC
4.	Western Balkans Partners	Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia
5.	WBIF Strategic Board Observers	CIF
Online		
6.	EU institutions	European Commission, European Parliament EUD Bosnia and Herzegovina, EUO Kosovo* EUD Montenegro, EUD North Macedonia, EUD Serbia
7.	Bilateral Donors	Austria, Belgium, Bulgaria, Czechia, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Poland, Romania, Spain, Sweden
8.	IFIs	AFD, CEB, EBRD, EIB, EIF, KfW, World Bank, IFC, CDP
9.	Western Balkans Partners	Albania, Bosnia and Herzegovina, Kosovo*, North Macedonia, Serbia
10.	WBIF Strategic Board Observers	ECS, TC, RCC, CIF

Annex 2: Adopted Agenda

5th MEETING OF THE WBIF STRATEGIC BOARD

AGENDA (draft)

8 December 2023, Brussels

Hotel Renaissance, Rue du Parnasse 19, 1050 Bruxelles, Belgium (hybrid)

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|-------|---|-------|--|
| 08:30 | - | 09:00 | Registration |
| 09:00 | - | 09:10 | Welcome statements by the Co-chairs <ul style="list-style-type: none">• Gert Jan Koopman, Director-General DG NEAR, European Commission• Anders Eide, Ambassador of Norway to the EU |
| 09:10 | - | 9:15 | Adoption of the Agenda
Adoption of the minutes from the previous Strategic Board meeting |
| 09:15 | - | 10:45 | The Growth Plan for Western Balkans
Gert Jan Koopman, Director-General DG NEAR, European Commission
<i>Discussion moderated by Gert Jan Koopman, Director-General DG NEAR, European Commission</i> |
| 10:45 | - | 11:15 | Intervention by the Beneficiary Partners' representatives on the Growth Plan and the Reform and Growth Facility for the Western Balkans (5 minutes each) |
| 11:15 | - | 12:00 | Group Photo -- Coffee Break |
| 12:00 | - | 12:15 | Statement by the representatives of Bilateral Donors
Statement by the representative of Partner Financial Organisations |
| 12:15 | - | 12:30 | Update on the Economic and Investment Plan for Western Balkan implementation
EC NEAR |
| 12:30 | - | 12:45 | General Conditions, for information
Rules of Procedures update, for approval
WBIF Annual Progress Report, for approval
EC NEAR |
| 12:45 | - | 13:00 | AoB |
| 13:00 | - | 14:30 | Lunch |