

## 6<sup>th</sup> MEETING OF THE WBIF STRATEGIC BOARD

### Minutes of Meeting (draft)

1 July 2024

**Venue:** EBRD Headquarters, Canary Wharf, London

**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:

- Mark Bowman, Vice President for Policy and Partnerships, EBRD; and
- Valentina Superti, Director Western Balkans, European Commission Directorate General for Neighbourhood and Enlargement Negotiations.

**The EBRD Vice President** welcomed participants and informed about the EBRD's commitment to the Western Balkans, with over €18 billion invested across the region, and mentioned the importance of reform progress accompanying this financing. The **DG NEAR Director** recalled that the €6 billion Reform and Growth Facility (the "RGF") was adopted in record time and entered into force on 24 May 2024, only six months after the Commission had proposed the regulation. Now all stakeholders, including the Western Balkan partners, need to step up efforts and focus on successfully implementing the *Growth Plan for the Western Balkans*.

#### **II. Adoption of the agenda and the minutes**

The 6<sup>th</sup> WBIF Strategic Board members adopted, by consensus, the agenda of the meeting and the minutes of the 5<sup>th</sup> WBIF Strategic Board (Brussels, 8 December 2023).

#### **III. Intervention by WBIF Stakeholders and Discussion**

For the **European Parliament** (EP), Željana Zovko, MEP, welcomed the progress made specifically with Bosnia and Herzegovina and emphasised that EU membership accession is a merit-based process, further technical assistance and capacity building efforts are needed at Western Balkans partner levels. Tonino Picula, MEP mentioned the importance of socio-economic integration of the Western Balkans partners into the single market, and specific focus should be paid to the rule of law. Additionally, local visibility should be improved so that citizens can better understand the role of the European Union.

The **EU Presidency** presented Hungary's Presidency priorities, including strengthening competitiveness, promoting enlargement, energy interconnection and exploitation of green energy potential.

The **WBIF Co-chair Norway**, representing the Bilateral Donors, reiterated the Bilateral Donors' support of the WBIF as the main instrument to facilitate investments and reforms in the Western Balkans. The new Growth Plan's ex-ante reform-based conditionalities are fully supported. In addition, Norway informed that the Bilateral Donor community welcomes a new member, the Netherlands, and that its tenure as WBIF Co-chair will come to an end with these Strategic and Operational Board meetings.

**AFD on behalf of the Financial Partner Organisations** mentioned the importance of a smooth and fast roll-out of the RGF, the need for flexibility and the importance of using existing tools. All stakeholders should join forces and rise to the occasion towards the common goal of EU accession.

**The Netherlands** announced that formalities regarding a pledge to the WBIF have almost been completed.

The **WBIF Co-chair EC NEAR** called for a vote to accept the Netherlands as a Bilateral Donor. Following unanimous acceptance, the WBIF Co-chair EC NEAR announced that the Netherlands is forthwith a Bilateral Donor and Annex 2 of the Rules of Procedure will be updated. **Germany** welcomed the Netherlands as an additional Bilateral Donor.

#### **IV. WBIF 15 Years of investments in support of the Western Balkan convergence toward the EU**

**DG NEAR's Commissioner Oliver Varhelyi** delivered a video message emphasising key achievements of the past 15 years, with 60 flagship projects<sup>1</sup> already actively implemented on the ground. Since 2020, over €9 billion has been invested, delivering concrete benefits to the region's people, new markets and job opportunities. WBIF's role in advancing the Western Balkans into the EU is essential, the new Reform and Growth Facility entered into force to boost the region's socio-economic convergence with the EU and increase the pace of accession. WBIF, as the key implementation platform, will channel 3 billion euros of grants and loans to support priority investments in key areas. Commissioner Varhelyi concluded by thanking the Western Balkan partners for their proactive assistance in identifying the most relevant socio-economic reforms that will rapidly unlock the region's growth potential.

**EC NEAR** presented the evolution of WBIF's 15 years, from its launch in 2009, delivering mainly technical assistance to the Western Balkans, to the investment platform WBIF has become today, with €1 billion grant funding during the Connectivity Agenda period (2015-2020), another €5 billion funds commitment under the Economic and Investment Plan (2021-2027), and the most recent €3 billion package under the Growth Plan (2024-2027). Concrete results and achievements, together with relevant flagship projects, were also presented.

#### **V. Western Balkans Economic Outlook**

**EBRD** presented the ***"Western Balkans economic outlook: How can the region converge faster towards EU living standards"*** and stated that growth across the region is slower if compared to other middle-income countries. At present growth rates, it might take 7 decades to reach the EU average, and low productivity was identified as a fundamental problem. A shift from consumption to investment-based economies is needed and a three-pronged approach recommended, consisting of measures addressing better governance standards, enhanced openness to make economies more competitive and going green in an effort to improve resilience to shocks and deliver faster growth.

**World Bank** presented its ***"Escaping the middle-income trap"*** analysis showcasing findings of the World Bank's "World Development Report 2024", with Poland as a case study, having grown 10-fold in the past 30 years and transitioned from a middle-income to a high-income country. The Polish key drivers for this success included policy consistency towards EU accession, institutional reform, openness to trade and investment, human capital development and firm domestic competition policy. Weaknesses for the Western Balkans include low levels of entrepreneurial innovation, significant presence of "businesses of the state", and human capital gaps. A framework for policy action for the transition from middle to high-income was presented, consisting of measures for investment, infusion and innovation.

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<sup>1</sup> Please note, this video message was given at the Strategic Board (1 July), the Operational Board (2 July) approved additional flagships, the total number to date is 68.

**Regional Cooperation Council** reported on the relative progress made in realising the common regional market. While internal trade has doubled in the past 5 years, only 12% of companies have solid regional links. Main challenges include labour shortages, most young people, given the chance, would consider leaving the Balkans in favour of better opportunities. Some progress was achieved in the recognition of diplomas and certificates. Overall, there are still improvements to be made, for example, in the regional free movement of workers, which could partially address the demographic challenges.

## VI. Update on the Reform and Growth Facility

**EC NEAR** presented the progress and current state of play of the RGF. The RGF consists of capital investments with €2 billion in grants and €4 billion in concessional loans. Minimum 50% of overall funding available are channelled to priority investment projects via the WBIF and remaining contributions to the national budgets. Main priority reform areas under Beneficiary Reform Agendas are: (1) Rule of Law and Fundamentals, (2) Energy and Green Transition, (3) Governance, Public Administration Reform (PAR), Public Financial Management (PFM), (4) Digitalisation, (5) Human Capital, (6) Private Sector development and business environment. Financial allocations per economy and the methodology of assignment of financial values were presented, together with the estimated disbursement schedule. The RGF's priority areas for infrastructure investments, reinforcing the EIP, are sustainable transport, clean energy, digital, and human capital development. All Beneficiaries will receive envelopes, and funds will be released against progress in seven instalments. Funds available under IPA III will continue to finance environmental and private sector projects.

**Serbia** presented high-priority projects under sustainable transport, clean energy, digital and human capital development and announced that governmental endorsement could be expected soon. **North Macedonia** reported on their indicative list under the RGF and the new Government's effort in finalising the related Reform Agenda. **Montenegro** reported on the state of play of the priority projects developed by the Public Investment Council, including efforts for rural broadband development. **Kosovo\*** informed participants about their indicative list of RGF projects being in finalisation by the governmental bodies. **Bosnia and Herzegovina** reported that their list is partially still indicative, and digital projects are being matured. **Albania** announced that their strategic pipeline of projects will be adopted later in July.

**EBRD** emphasised the importance of the flexibility of the WBIF governance in rolling out the RGF. The **Transport Community Secretariat** informed that the introduction of "green lanes" under the COVID-19 measures has saved about 20 years of waiting times at border crossings. Important will be the financing of also smaller, high-impact projects, realising reforms and addressing capacity shortages to implement projects. **IFC** recommended new approaches, in particular the use of hybrid PPP projects. The **World Bank** emphasised the importance of complementarity of various tools under WBIF. **KfW** stressed the importance of pragmatic efficiency and flexibility to fully use IFIs' experience in implementing investments. **EIB** seconded EBRD's and KfW's views on flexibility. **CEB** recommended that TA not be restricted to two segments of human capital development but to include others such as social housing and healthcare, and recalled, given its 15<sup>th</sup> anniversary, that the original intent of WBIF was blanket support for TA in all segments of the social sector – an issue which should be revisited going forward. **France** and **Germany** welcomed the reform-related conditionalities for financing. **Croatia** and **Germany** questioned the funding allocation methodology, specifically why some countries show a high percentage of "mid ambition" and why not all countries have "Governance, Public Administration Reform and Public Financial Management" included in their Reform Agenda.

**EC NEAR** concluded by reassuring participants that the reform agendas are ambitious yet realistic and that all stakeholders' flexibility will be key in the RGF implementation. The distribution of funds over high to low

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\*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.

ambition levels depends on the beneficiaries' views and progress. The priorities apply to all beneficiaries and are partly covered by national programmes.

## **VII. The EFSD+ Sovereign & non-commercial sub-sovereign window**

**EIB** presented the progress achieved in the operationalisation of the EFSD+ sovereign investment window 1. Across the Western Balkans, to date, EIB has signed 16 projects delivering on key EU priorities for over €1.4 billion in total. Market failures are addressed and other financiers are crowded-in, in an effort to deliver the EIP, the Growth Plan and support an eventual EU accession. The synergies and complementarities of flagship projects under the EIP and contributions under the Growth Plan were demonstrated for key sectors and priorities, including sustainable transport, energy transition, human capital and digital transition.

## **EFSD+ Open Architecture guarantee for Western Balkans**

EC NEAR presented the state of play of the Western Balkan Guarantee Facility, the open architecture guarantee, both for the private and public sectors. Altogether, 21 guarantees were endorsed, amounting to €936.8 million in guarantee coverage and €47.7 million in technical assistance. Most guarantees concern access to finance for MSMEs, followed by the other priority areas. At present, 1/3 of the maximum guarantee value for the Western Balkans has been signed into force, with the remainder expected to be signed by the end of the year.

## **VIII. Communication and Visibility**

**EC NEAR** presented C&V achievements in the past year, including new and updated C&V materials, the outreach via the website and social media, the main events and the annual survey. New and updated C&V materials include additional sector and corridor factsheets and material on Bilateral Donor contributions, all available on the WBIF website; in addition, a new section on the private sector on the WBIF website was presented. A WBIF 15-year celebration campaign is being rolled out, with a 15 projects photo exhibition and a dedicated video [\[link here\]](#). The annual C&V survey showed, on the one hand, that overall satisfaction trend with WBIF's C&V activities and products remains. Areas for future improvement relate to more targeted outreach via Bilateral Donors, coordination for events planning and promotion, and activating local partnerships to promote WBIF at other relevant events.

**END OF THE MEETING**

**6<sup>TH</sup> MEETING OF THE WBIF STRATEGIC BOARD**  
**OPERATIONAL CONCLUSIONS, SUMMARY**  
**1 July 2024**

1. Adoption of the Agenda for the meeting and of the Minutes of the 5<sup>th</sup> Strategic Board meeting of 8 December 2023, by consensus.
2. Decision of accepting the Netherlands as a Bilateral Donor, by consensus.
3. Adoption of the updated WBIF Rules of Procedure concerning Annex 2, adding the Netherlands to the list of Bilateral Donors, by consensus; see draft below.

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**Draft “Annex 2, Rules of Procedure”**

WBIF – Bilateral Donors<sup>1</sup>

Austria  
Croatia  
France  
Germany  
Hungary  
Italy  
Luxembourg  
Norway  
Poland  
Slovenia  
Spain  
Sweden  
**The Netherlands**

Footnote 1: Contributors to the European Western Balkans Joint Fund (EWBJF) during the past and the current EU Multiannual Financial Framework, i.e from 2014 onwards under IPA II and IPA III, and on a seven year rolling basis thereafter.

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## ANNEXES

### Annex 1: List of Participating Institutions

No.	Stakeholder Group	Organisation
<b>In Person</b>		
1.	EU institutions	European Commission, WBIF Secretariat
2.	Bilateral Donors (first) and EU Member States	Austria, Belgium, Croatia, France, Hungary, Germany, Italy, Netherlands, Norway and EU MS: Romania
3.	IFIs	AFD, CEB, EBRD, EIB, EIF, KfW, World Bank, CDP, IFC
4.	Western Balkans Partners (Observers)	Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia
5.	WBIF Strategic Board Observers	RCC, TCS, ECS
<b>Online (others than in person)</b>		
6.	EU institutions	EUD Albania, EUD Bosnia and Herzegovina, EUO Kosovo, EUD Montenegro, EUD North Macedonia, EUD Serbia
7.	Bilateral Donors (first) and EU Member States	Luxembourg Spain, Sweden, and EU MS: Czechia, Denmark, Finland
8.	Western Balkans Partners (Observers)	Montenegro, North Macedonia
9.	WBIF Strategic Board Observers	European Parliament, CIF

## Annex 2: Adopted Agenda

### 6th MEETING OF THE WBIF STRATEGIC BOARD

#### AGENDA (draft)

*1 July 2024, London*

*EBRD Head Quarter, 5 Bank Street, London, E14 4BG  
Please note London time (GMT)*

- 08:30 - 09:00 Registration**
- 09:00 - 10:00 Opening addresses**
- Mark Bowman, Vice President Policy and Partnership, EBRD
  - Valentina Superti, Director Western Balkans, European Commission Directorate General for Neighbourhood and Enlargement Negotiations
- 10:00 - 10:05 Adoption of the Agenda**
- Adoption of the minutes from the previous Strategic Board meeting**
- 10:05 - 10:45 Statement by representatives of:**
- European Parliament
  - Hungarian Presidency of the European Council
  - Norway for the WBIF Bilateral Donors
  - AFD for the partner financial organisations
- 10:45 - 11:15 WBIF 15 years of investments in support of the Western Balkans convergence towards the EU**
- Video message from Commissioner Varhelyi
  - WBIF 15 years supporting the Western Balkans region, EC NEAR
- 11:15 - 12:20 Western Balkans Economic Outlook**
- EBRD
  - World Bank
  - Regional Cooperation Council
- 12:30-14:00 Group picture followed by lunch**
- 14:00 - 15:15 Update on the Reform and Growth Facility**
- EC NEAR
- WBIF Investment priorities: transport, energy, digital, human capital development**
- Presentation by Beneficiary Partners (4 minutes each)
- Discussion*
- 15:15 - 16:15 The EFSD+ Sovereign & non-commercial sub-sovereign window**
- EIB
- EFSD+ Open Architecture guarantees for Western Balkans**
- EC NEAR
- 16:15 - 16:30 Communication and Visibility**
- EC NEAR
- Video on WBIF's main achievements
- 16:30 - 16:45 AoB**