

New Growth Plan for the Western Balkans

Boosting the Western Balkans' socio-economic convergence with the EU & accelerating EU reforms



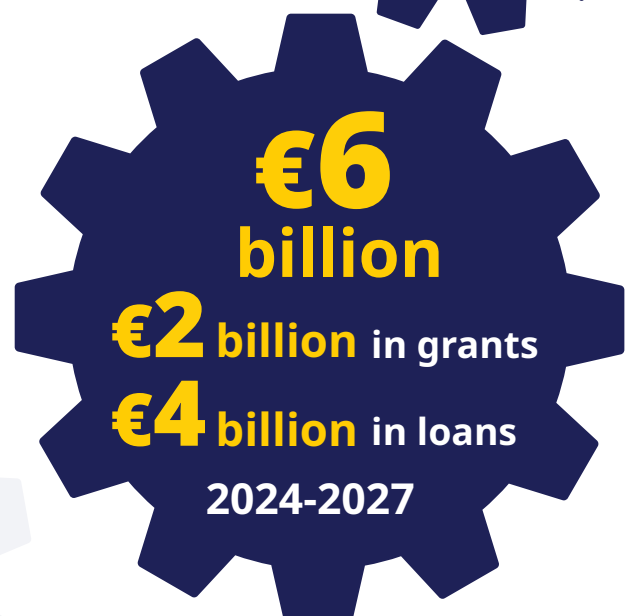
MAY 2024

#WesternBalkans
#EUEnlargement
#GrowthPlan

THE GROWTH PLAN FOR THE WESTERN BALKANS IS BASED ON 4 PILLARS

- 1** Enhancing economic integration with the **European Union's Single Market**
- 2** Boosting economic integration within the **Western Balkans through the Common Regional Market**, which could add 10% to their economies
- 3** Accelerating fundamental reforms
- 4** Increased financial assistance

The Growth Plan will be implemented through a new financing instrument: **The proposed €6 billion Reform and Growth Facility for the Western Balkans.**



Pillar 1

BRINGING THE WESTERN BALKANS CLOSER TO THE EU SINGLE MARKET

The EU will open certain areas of the EU Single Market to the Western Balkan partners prior to accession bringing tangible benefits to its citizens. The Western Balkans partners will need to undertake fundamental reforms, align with the *acquis* and fulfill their obligations under the Common Regional Market.

The focus will be on the following seven initial priority areas:

-  Free movement of goods
-  Free movement of services and workers
-  Access to the Single Euro Payments Area
-  Facilitation of Road transport
-  Integration and de-carbonisation of Energy Markets
-  Digital Single Market
-  Integration into industrial supply chains



Pillar 2

DEEPENING THE REGIONAL ECONOMIC INTEGRATION WITHIN THE WESTERN BALKANS

Developing a Common Regional Market is essential for two reasons:

- to unlock the economic potential of the region, create opportunities for business and workers and make the Western Balkans a more attractive place for European investors. A Common Regional Market would add 10% regional GDP*, to the Western Balkan economies over time.
- based on the adoption and implementation of EU standards, it is a stepping stone to the EU Single Market.



Pillar 3

ACCELERATING FUNDAMENTAL REFORMS

To increase socio-economic convergence the Western Balkan partners will need to make reforms in the area of the fundamentals.

Each Western Balkan partner will prepare a Reform Agenda with a set of priority reforms broken down into milestones, so-called “payment conditions”. Their completion will trigger the release of funds from the new Growth Plan.

Accelerating the reforms will:

- Improve economic growth including through attracting foreign investments and strengthening regional stability;
- Help the Western Balkans partners move ahead towards EU membership



*Source: *The Economic Effects of Market Integration in the Western Balkans (English)*.

World Bank Group: <http://documents.worldbank.org/curated/en/099544006202322289/IDU062c50b5106fe8046d1080530898bbe45d6fa>

Pillar 4

INCREASED FINANCIAL ASSISTANCE

The EU is proposing a new financing instrument: a €6 billion Reform and Growth Facility for the Western Balkans, combining grants and concessional loans. This new instrument will complement the current financial assistance under the Instrument for Pre-accession Assistance (IPA III).

The Facility will provide a maximum total financial support of €6 billion for 2024-2027:

- €2 billion grants as per agreement on the revision of the Multi-annual Financial Framework
- €4 billion of concessional loans



HOW WILL THE NEW FACILITY WORK?

A minimum of **€3 billion** (€2 billion in grants and €1 billion in favorable loans), will go to **investments through the Western Balkans Investment Framework (WBIF)**. The remaining **€3 billion in favorable loans** will benefit Governments in the Western Balkans. The disbursement of both amounts will depend on the **progress in the implementation of the measures contained in the Reform Agendas**.

Payments will be done twice a year, based on requests submitted by the Western Balkan partners and following verification by the Commission of the achievement of the relevant payment conditions, pre-conditions and general conditions, such as macro-financial stability, sound public financial management, transparency and oversight of the budget.

In case the payment conditions are not met, the Commission will suspend or deduct a corresponding amount from the payment. The Western Balkan partner will have 1-2 years to fulfill the conditions, otherwise the amount will be redistributed among the other ones in the subsequent years.

