



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENLARGEMENT AND EASTERN
NEIGHBOURHOOD

Background document for the
2nd Dialogue on the
Reform and Growth Facility for the Western Balkans
12 May 2025

The Growth Plan for the Western Balkans

The Growth Plan for the Western Balkans was adopted by the European Commission on 7 November 2023. The plan is based on four pillars:

1. To enhance **economic integration with the European Union's single market**.
2. To boost **economic integration within the Western Balkans** through the Common Regional Market.
3. To accelerate **fundamental reforms**, improving economic growth and strengthening regional stability.
4. This process will be supported through **increased financial assistance** with a new performance-based financing instrument: the EUR 6 billion **Reform and Growth Facility** for the Western Balkans, complementary to the existing Instrument for Pre-accession Assistance (IPA III).

The region's leaders have recognised and embraced the impetus that the Growth Plan has provided. Through this, it has contributed to rebuilding trust in the accession process.

Reform and Growth Facility for the Western Balkans

The main aim of the Facility is to support Western Balkan partners' alignment with the EU's values, laws, rules, standards, policies and practices, with a view to future EU membership, as well as their progressive integration into the EU single market and socio-economic convergence with the EU.

To receive support under the Facility, Albania, Kosovo*, Montenegro, North Macedonia and Serbia have adopted **Reform Agendas**, which set out the reforms the countries plan to undertake in order to achieve the Facility's objectives. The Western Balkan partners also need to reflect on how the measures included in the Reform Agendas are expected to contribute to progressive and continuous alignment with the EU's Common Foreign and Security Policy.

Bosnia and Herzegovina has not yet submitted a final Reform Agenda to the European Commission. The Commission has been engaging closely with Bosnia and Herzegovina and encouraged them to join all partners from the region and formally submit its Reform Agenda without further delays, overcoming disagreements for the benefit of all citizens. The Commission will continue supporting the authorities in finalising the work as needed.

Legal Basis

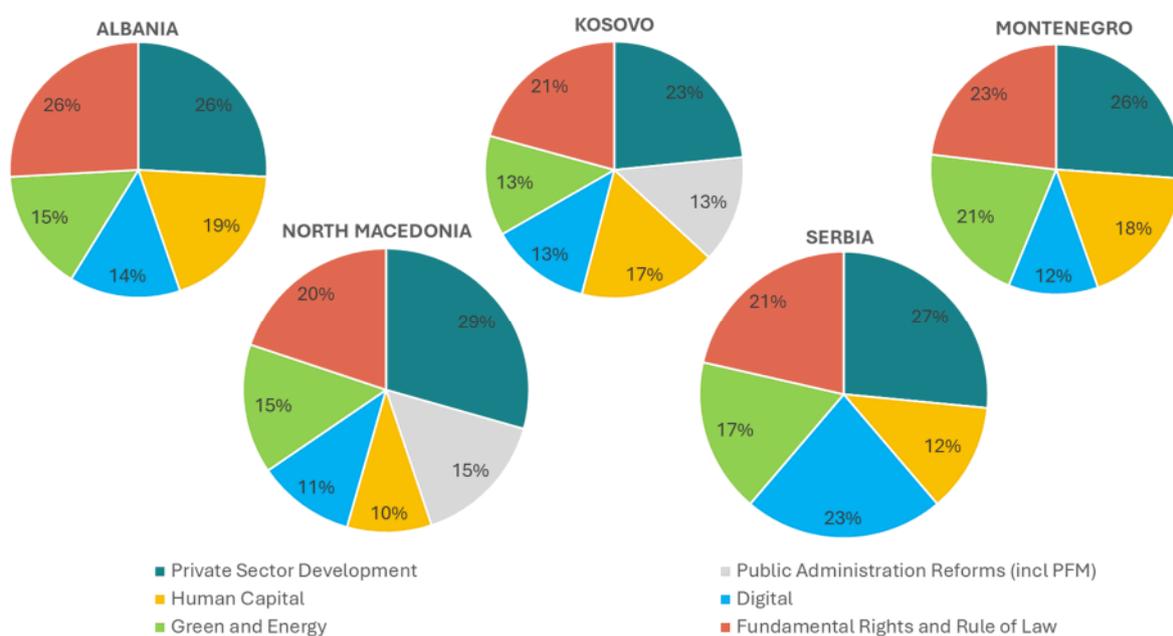
- **Regulation 2024/1449** establishing the Reform and Growth Facility (14 May 2024)
- Commission Implementing Decision **approving** the Reform Agendas for Albania, Kosovo, Montenegro, North Macedonia and Serbia (23 October 2024)
- **Facility and Loan Agreements** concluded between the European Union and each beneficiary

Overall envelope for 2024-2027, bearing in mind that Bosnia and Herzegovina has not yet submitted a Reform Agenda:

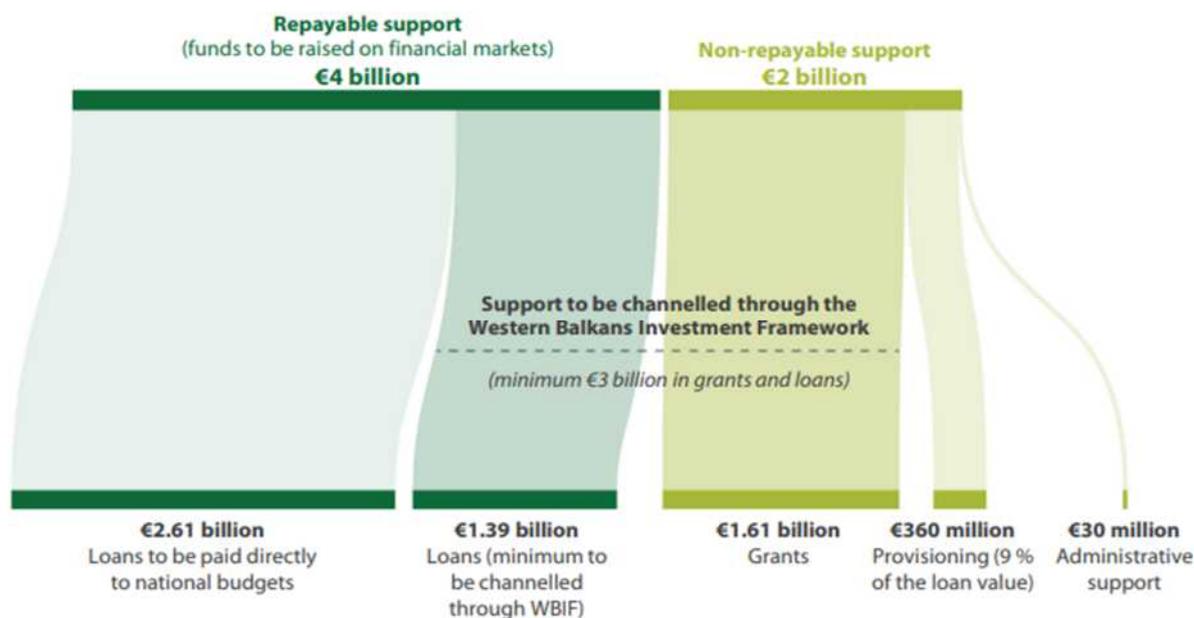
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

	Indicative allocation percentual	Indicative absolute allocation (MEUR)
Albania	16.4%	922.1
Bosnia and Herzegovina	19.3%	1085.1
Kosovo*	15.7%	882.6
Montenegro	6.8%	383.5
North Macedonia	13.4%	750.4
Serbia	28.3%	1586.4

Financial allocation (%) of Reform Agenda steps by policy area presented below:



Overview of split between grants and loans:



		WBIF			
	Loan to treasuries	Loan	Grant	Total indicative	Provisioning for loans
Albania	429.0	228.5	264.6	992.1	59.2
Bosnia and Herzegovina	504.8	268.9	311.4	1085.1	69.6
Kosovo*	410.6	218.7	253.3	882.6	56.6
Montenegro	178.4	95.0	110.1	383.5	24.6
North Macedonia	349.1	185.9	215.3	750.4	48.2
Serbia	738.0	393.1	455.3	1586.4	101.8
Total	2610.0	1390.0	1610.0	5610	360

Capital investments via the Western Balkans Investment Framework (WBIF): **at least EUR 3 billion** (EUR 1.6 billion in non-refundable grants + EUR 1.4 billion in concessional loans)

- WBIF has well-established financial control systems and provides a singular cooperation framework.
- Targets sectors that are key multipliers for socio-economic development: connectivity, including transport, energy, green and digital transitions, education and skills development.

The remaining funds (**EUR 2.6 billion**) will be **concessional loans as direct support** to the national budgets of the Western Balkan partners.

Pre-financing

Pre-financing can be disbursed to the beneficiaries after the entry into force of both the Facility Agreement (FA) and Loan Agreement (LA) and the positive assessment by the Commission of the pre-conditions and general conditions.

The Commission has very swiftly progressed with the necessary actions to facilitate the release of 7% pre-financing of the Reform and Growth Facility.

So far, the loan component of the pre-financing has been disbursed to the treasuries of Albania and North Macedonia, while it is expected in the following weeks for Montenegro and Serbia. Kosovo still has to ratify the FA and sign the LA. Bosnia and Herzegovina has not yet submitted a Reform Agenda and is thus not entitled to any pre-financing.

In parallel to the finalisation and entry into force of the Agreements, a Commission Implementing Decision (CID) for the release of the grant part of the pre-financing was adopted on 29 April 2025.

Making the grant component of pre-financing available will make it possible to fund investments that will be channelled through the Western Balkans Investment Framework (WBIF). These will support projects in infrastructure and connectivity, including transport, energy, the digital transition and human capital.

Details on the *pre-financing* split (WBIF vs treasury) in million EUR:

<u>Country</u>	<u>Total value</u>	<u>Loans - treasury</u>	<u>Loans - WBIF</u>	<u>Grants - WBIF</u>
<u>AL</u>	<u>64.5</u>	<u>30.0</u>	<u>16.0</u>	<u>18.5</u>
<u>KS</u>	<u>61.8</u>	<u>28.7</u>	<u>15.3</u>	<u>17.7</u>
<u>MN</u>	<u>26.8</u>	<u>12.5</u>	<u>6.7</u>	<u>7.7</u>
<u>MK</u>	<u>52.5</u>	<u>24.4</u>	<u>13.0</u>	<u>15.1</u>
<u>SR</u>	<u>111.0</u>	<u>51.7</u>	<u>27.5</u>	<u>31.9</u>

First payment requests

The Western Balkan beneficiaries encountered operational challenges in setting up the structures and in the steps needed for the legal agreements of the Reform and Growth Facility. At the same time, there were additional delays on the side of the Commission due to the overall complexity involved in establishing a new instrument. With this in mind, DG ENEST decided to allow the Western Balkan beneficiaries to report on the first set of steps under their Reform Agendas by 15 March 2025 (instead of by 15 January 2025), taking into account implementation progress achieved by 28 February 2025 (instead of by 31 December 2024). This meant that the grace period was triggered for all steps due in December 2024 with an exceptional reporting opportunity in March.

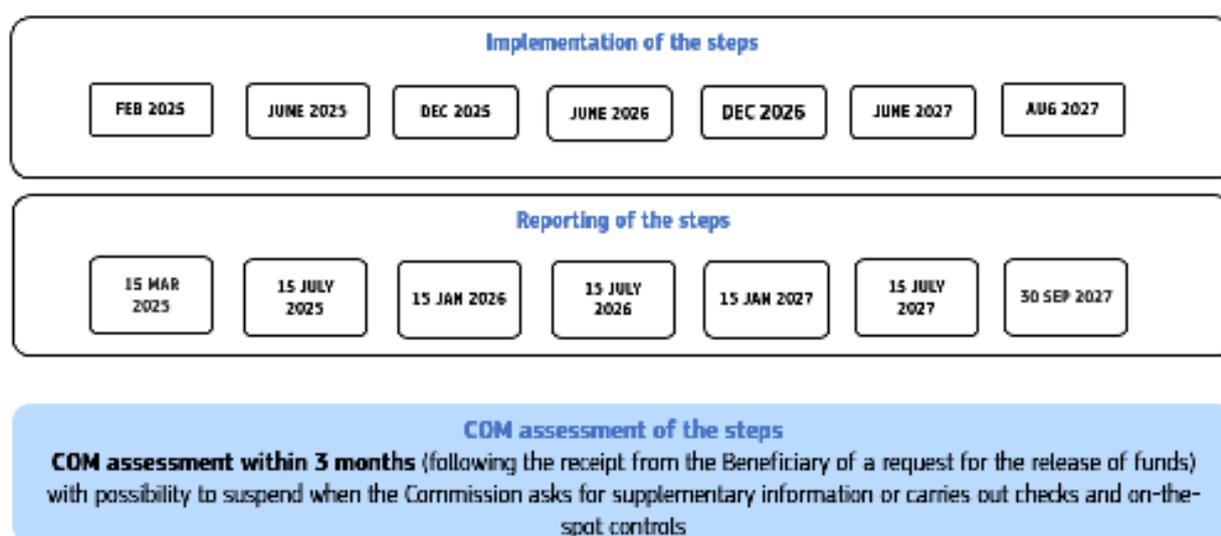
All 5 Western Balkan beneficiaries with an approved Reform Agenda submitted their first payment requests by 15 March 2025 and the Commission has started its assessment. This is a comprehensive process that includes contributions by the EU Delegations/Office and other policy DGs of the Commission.

The Commission Implementing Decisions on approving the release of funds are expected to be adopted during Q2 and Q3 2025.

Overview of the reporting and assessment schedule

Following the adoption of the Reform Agenda (RA), and the entry into force of the Facility Agreement and Loan Agreement, funds under the Facility should be released according to a fixed **semi-annual schedule composed of 7 instalments** – based on a request for the release of funds – and following the EC verification of the fulfilment of:

- preconditions (beneficiaries uphold democratic principles and human rights). For Serbia and Kosovo additional preconditions related to the Belgrade-Pristina Dialogue;
- general conditions (related to macro-financial assistance, sound public financial management, transparency and the oversight of the budget);
- and the relevant payment conditions related to the achievement of steps.



Engagement with Western Balkans authorities

In parallel with the assessment process, a smooth implementation of the RGF requires continuous dialogue and coordination between the national authorities and the Commission, at both political and technical level. Each beneficiary engages in regular discussions with DG ENEST, the EU Delegations/Office, and relevant policy DGs to assess progress in the implementation of steps as well as to address challenges.

Monitoring and reporting

The beneficiaries shall report on the implementation of the Facility on a semi-annual and an annual basis.

In the requests for the release of funds, submitted bi-annually, the beneficiaries should report on the achievement of the Reform Agenda steps. The reporting windows are 31 December-15 January and 30 June-15 July. Exceptionally, the grace period was triggered for all steps due in December 2024 with an exceptional reporting opportunity by 15 March.

The annual report should mainly focus on the contribution of the Reform Agenda (steps and investments) towards the achievement of the general and specific objectives of the RGF. Given the

limited implementation in 2024, the Commission requested the beneficiaries to submit a lighter report in 2025 covering developments in 2024. This report includes an assessment on the general conditions, key developments per policy area, the establishment of the coordination and monitoring systems and the implementation of communication and visibility plans.

In addition, as foreseen in the RGF regulation, the Commission is working on setting up a dedicated IT webtool (the “Scoreboard”) that will display the state of implementation of the Facility. This will be based on the information stemming from the Commission decisions on payment releases and the annual report submitted by the beneficiaries. It will become operational by the end of Q2 2025.

Communication and visibility

Effective communication remains a key commitment under the RGF. Communication should not be limited only to the Facility but should also extend across Pillar 1 and Pillar 2 of the Growth Plan, ensuring a coherent and integrated approach. All five Western Balkan partners with an adopted Reform Agenda have submitted their communication and visibility plans, which the Commission considers satisfactory. The Commission has encouraged the Western Balkan partners to strengthen transparency and outreach by fully implementing their plans, allocating adequate budgets to support communication activities.

Each beneficiary will also create a webpage to publish data on final recipients who receive cumulative funding exceeding the equivalence of EUR 50,000 over a four-year period for the implementation of investments financed through the WBIF. Once available, this information will also be published on the RGF Scoreboard.