



**BALKAN
ECONOMIC
FORUM**
FOR A BRIGHTER FUTURE

BALKAN ECONOMIC FORUM CONFERENCE 17.11.2023

KEY TAKEAWAYS

Introduction

Having a purpose of creating a more sustainable impact on the promotion of economic growth, regional collaboration, peace and security throughout the Balkan countries, the Balkan Economic Forum 2023 is a larger-scale conference that took place on the 17th of November at Maritim Plaza Hotel in Tirana, Albania. The Conference was organized under the Auspices of the Central European Initiative.

BEF 2023 engaged leaders from the Balkans and around the globe, academics, students, media and other respectable figures from the public and private sector about the biggest economic challenges requiring to be addressed and overcome. Conference panelists and participants took part in meaningful conversations, where all opposing views were heard and respected as this is the only way for real change to come, through new, innovative strategies emerging from this dialogue.

The main goal of the conference was to utilise all information and ideas derived from the conference and share them with those in charge of making decisions to influence real changes needed to happen in the Balkan region.

With our Advisory Board members from all the Balkan countries and BEF Ambassadors in most of the Balkan countries, the Association for regional development Balkan Economic Forum focus is on the development and implementation of innovative strategies and creative solutions to the current economic challenges facing the Balkan countries to stimulate economic growth which, in turn, strengthens regional cooperation, peace and security.

Our ultimate goal is the Balkan Economic Forum to become a regional platform where leaders from the Balkans and around the globe, respectable figures from the public and private sector, academics, students, media and others share ideas and suggestions about the biggest economic challenges requiring to be addressed and overcome in the Balkan region.

Balkan Economic Forum members and supporters dream “*envisions a Balkan Peninsula with good governance, responsible economic growth, sustainable employment, environmentally sustainable development, regional cooperation and widening educational opportunities. To achieve these goals, the pathway to the future is sustainable development for our region. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen accountability*”.

**Panel 1 (Economic Chamber of North Macedonia):
Sustainable financing in the Balkans: where are we with the ESG agenda?**

Moderator:

Ms. Adeliada Mehmetaj, Ph.D., Co-Founder, ConsciESG, Albania

Key speaker:

Ms. Laureta Qorlazja, Country Representative, International Finance Corporation, Albania

Panelists:

1. Ms. Vesselina Haralampieva, Senior Counsel – Energy and Climate Change, Legal Transition Team, Office of the General Counsel, EBRD
2. Mr. Metodija Minoski, Team Leader in Group Environmental Management, ProCredit Holding, Frankfurt, Germany
3. Ms. Lidija Nanus, Standing Expert group member in ISAR UN on Sustainability reporting and ESG implementation, UNCTAD
4. Mr. Kastriot Arifi, Senior Business Analyst, ESG Task Force member, Tikveš Winery, North Macedonia

The concept of ESG can be viewed as a set of standards that encompass the most critical issues in the implementation of sustainable development principles, such as respecting the criteria that companies use to enhance the ethicality of their operations. National and international regulatory bodies have begun assessing and implementing a range of practices related to sustainable financing, primarily focusing on potential ESG approaches and marketing for investors.

Given the vast and diverse nature of the topic, it is natural that different interests among companies and governments worldwide follow different agendas and, of course, pose challenges to overall efforts. Variations among countries globally will make it difficult for global companies to set their own ESG agenda while complying with different local regulations in the countries where they operate.

Key points:

- ESG is a sustainable and responsible approach to private sector activity that integrates environmental, social and corporate governance considerations into business decisions and operations.
- Good ESG practices not only manage risks to business, communities and the environment, but also create value in terms of reputation, cost reduction and revenue opportunity.
- Private sector companies have grown increasingly aware that successful management of ESG risks is more than just the right thing to do; it is a requisite for business success.
- Lenders and investors are increasingly adopting ESG risk-management practices and are becoming aware of the potential of strong ESG performance to deliver better returns.
- While emerging markets have progressed significantly, and most companies disclose using IFRS standards or equivalent, many of them struggle to go beyond financial reporting.
- In addition to multiple standards and norms that exist, the varying degree of ESG issues among sectors and among firms within a sector, the rapid evolution of the ESG landscape has added to the complexity.
- To report on ESG, firms will need to adopt the essential good ESG practices, and for that, they need capacity and resources, systems, and the necessary tools.
- The overall objective of implementing ESG is to reorient capital flows to: a) long-term value creation, b) achieve sustainable and inclusive growth, c) manage financial risks stemming from climate change; resource depletion and social issues; and d) foster transparency.
- ESG disclosure and materiality must be everyone's top priority agenda right now, since after 2026 it will be too late for the region, since lacking such an agenda will most certainly leave a company out of more competitive capital markets.

How to proceed?

- In the dynamic landscape of the Western Balkans, the spotlight is on the business community's resilience against the dual challenges of physical and transitional climate risks. The region needs to engage immediately so it's prepared in the face of these environmental shifts and becomes more competitive on the global markets.
- Starting from January 2024, the EU Corporate Sustainability Reporting Directive will require EU firms to report on their ESG practices.
- While the European companies are already conducting sustainability reporting, the Directive extends the scope for mandatory non-financial reporting and introduces more detailed reporting requirements, which poses a challenge for many EU companies.
- As of 2028, the Directive will be covering supply chains as well, which are usually beyond one single country and involve more than one country, meaning that it will significantly impact non-EU firms that are part of the European value chain.

- Following the merging of existing standard setters on climate and sustainability and the creation of the International Sustainability Standards Board (ISSB), two new standards are issued: S1 on sustainability- related risk disclosures, and S2 on climate related disclosures. Both standards are effective as of January 2024.
- The importance of ESG performance has already been proven. Measuring it is key. And that requires usable and standardized ESG data, indicators and metrics to assess impact and its link with business performance. It also requires robust sustainability and climate reporting and monitoring frameworks in order to improve transparency and strengthen trust in the private sector.
- There are many other organizations and companies that are active in this space and are working toward the same goal of providing the much-needed support to advance the ESG agenda. The key is implementing a partnership approach and an aligned methodology.
- As the quest for sustainable partnerships intensifies, companies are confronted with a pivotal decision – choosing a partner bank that aligns with their aspirations for decarbonization, green transition, and fortified climate resilience. This decision-making process involves careful consideration of various factors that extend beyond traditional banking services, reflecting a broader commitment to environmental responsibility and future-forward business strategies. The symbiotic relationship between companies and their chosen banking partners emerges as a cornerstone in pushing the collective journey toward a greener, more resilient future.

Panel 2 (EOS-Matrix, North Macedonia):

Finance talks - Balkan perspectives: importance of deep and liquid secondary markets for NPL transactions

Moderator:

Ms. Milena Perchinkova, M.Sc.Econ, Executive Secretary, MBA of North Macedonia

Key speaker:

Ms. Katerina Bosevska, PhD, Managing Director, EOS in North Macedonia and EOS Kosovo (EOS Group)

Panelists:

1. Ms. Lidja Schiavo, policy expert, Reporting and Transparency Unit, European Banking Authority (online)
2. Mr. David Gyori, CEO at Banking Reports, Top 10 Global Thought Leader in FinTech
3. Ms. Herjola Spahiu, Board Member of European Microfinance Network (EMN), Board Member of IFJB NOA sh.a Kosove, CEO of NOA sha.
4. Prof. Elvin Meka, PhD, Dean of the Faculty of Business Administration, Tirana Business University College
5. Mr. Petrit Balija, CEO, Kosovo Banking Association

Non-performing loans (NPLs) present one of the most controversial issues in both developed and developing countries. Exploring the determinants of credit risk has gained importance in the aftermath of the global financial crisis, which caused a sharp increase in non-performing loans (NPLs) in Central, East and Southeast Europe. Boosting NPL secondary markets increases the protection of secured creditors from business borrowers' default. Deep and sound secondary markets for distressed assets are important for banks, as they more easily, and at more competitive conditions, can reduce their NPLs by selling them to third parties. This is equally important for the entire EU financial sector, as its shock resilience is thereby increased. If banks are better able to off-load non-performing assets from their balance sheet via secondary markets, this helps them focus on their lending activities, free up space in their balance sheets for new lending and therefore enable them to fund the economic recovery.

Key points:

- Current monetary policy tightening: prolonged tightening since 2021 due to persistent inflation, with a shift in the main causes to local market pricing, wage growth, and businesses' profit margins.
- Inflation statistics: eurozone inflation peaked at 10.6% (October 2022), easing to 5.5% (June 2023). Core inflation remains persistent.
- Banking challenges: rising interest rates to control inflation pose risks to banks, leading to a tightening of lending conditions and a potential decline in borrowing appetite in the second half of 2023.
- Financial stability concerns: History shows financial system flaws after such actions; policymakers need to adjust monetary policy to support stability amidst a forecasted 2.7% global GDP growth in 2023.
- NPL progress: over the last decade, NPL levels in the Western Balkans were twice as high as in advanced EU economies. Recent improvements (2021) show reduced NPL levels (Albania 5.4%, North Macedonia 3.1%, Montenegro 6.8%, BiH 5.8%), but the correlation with increased private sector financing is lacking.
- NPL predictions: ongoing stress on asset quality may increase Non-Performing Loans (NPLs), especially in the context of a hazy prognosis for the corporate sector and potential rising default rates.
- ECB recommendations: the European Central Bank calls for more thorough bank assessments, improved risk management, and early detection of borrower distress.
- NPL market dynamics: despite ECB's push for a stable secondary market for NPLs, barriers to entry persist due to information asymmetries, resulting in an oligopolistic market.
- EU Guidelines: the European Commission issues guidelines for the sale of NPLs, emphasizing data templates and information consistency to reduce bid-ask spreads.
- EBA draft ITS: European Banking Authority (EBA) develops draft Implementing Technical Standards (ITS) for NPL data templates, considering proportionality and industry feedback.

- Regional application: The aim is to apply EU models and guidelines regionally to stimulate secondary markets, encourage best practices, and improve banking processes in Balkan countries.
- Panelists emphasized the collaborative relationship between market players and regulators in the rapidly evolving financial landscape. They highlighted the emergence of new credit risks tied to technology-driven lending, particularly in crowdfunding, P2P lending, and Buy Now Pay Later (BNPL) schemes, cautioning that technology doesn't eliminate but rather enables credit risks.
- The European Banking Authority (EBA) has introduced standardized information to enhance the efficiency of secondary markets for the sale of Non-Performing Loans (NPLs) and reduce entry barriers for smaller banks and investors. The EBA Implementing Technical Standards (ITS), adopted by the EU Commission through Regulation (EU) 2023-2083 on September 26, 2023, apply to EU banks selling or transferring loans originated on or after July 1, 2018, and becoming non-performing after December 28, 2021.

How to proceed?

- Development of early warning systems to monitor the risks of credit portfolio deterioration and anticipate the build-up of future NPL problems.
- Better frameworks for bad loan resolution in some countries, especially in relation to corporates, where in some cases NPLs still remain high long after the crisis.
- Looking forward, the GACS scheme, proven successful in Italy, is suggested for the Western Balkans. This scheme utilizes asset-backed securities, asset management, securitization, and capital markets to handle NPLs. While the capital market approach may seem aspirational for the Western Balkans, aligning with the EU integration vision is crucial, urging Balkan regulators to consider innovative solutions for better risk management and market value.
- Fostering a supportive environment for deep and liquid secondary markets in the Balkans becomes paramount for the successful implementation of schemes like GACS, ensuring effective handling of NPLs and adding value to the entire market.
- The challenges in SME financing, including collateral issues and business-related constraints, emphasize the necessity for innovative approaches. Establishing deep and liquid secondary markets becomes paramount in this context. Such markets would facilitate the efficient transfer of NPLs, allowing financial institutions to offload distressed assets and redirect resources toward productive lending. A well-functioning secondary market, coupled with advisory services and accessible guarantee schemes, can contribute to a more robust financial ecosystem.
- The Balkans is moving in the right direction, but we need to work faster, as the capital adequacy requirements are increasing very fast and we don't know what lies around the corner when talking about pressure points. A secondary market for transactions with non-performing loans would help inject capital quickly into the banking sector in situations where rapid intervention is needed to preserve capital adequacy.

- Panelists anticipated a narrative dominated by the crowding-out effect between public and private debt, creating opportunities for well-managed banks and signaling a crucial moment for the credit market. The forthcoming period will widen the gap between good and bad lenders and borrowers, setting the stage for mature and beneficial NPL markets across various levels.
- The European Banking Association's standardized information approach through the ITS seeks to streamline NPL transactions, making them more accessible and efficient, particularly for smaller banks and investors. The templates, marked by their adaptability and proportionality, provide a comprehensive framework for transaction data, fostering market discipline without imposing rigid enforcement mechanisms. This move aligns with the broader objective of enhancing transparency and efficiency in NPL transactions within the EU banking sector.

**Panel 3 (European Business Association, North Macedonia):
Corporate policy development - a precondition for smooth integration of the region in the European markets**

Moderator:

Prof. Agim Mamuti, PhD, BEF Ambassador to Albania

Key speaker:

Mr. Lek G. Kadeli, Associate Chief Financial Officer, United States Environmental Protection Agency

Panelists:

1. Ms. Ledia Muço, PhD, Economic and Trade Advisor, EU Delegation in Albania
2. Ms. Antje Wandelt, Director of AHK North Macedonia and Delegate of German Industry for North Macedonia, Kosovo and Albania
3. Ms. Bilgen Aldan, CEO of BKT Pay, Chair of International Chamber of Commerce Albania
4. Mr. Viktor Mizo, Managing Director of Kostal North Macedonia and Vice President for Governmental Affairs at Kostal Group
5. Mr. Sanel Kusturica, CEO, Sparkasse Bank, North Macedonia

Corporate governance involves regulatory and market mechanisms, and the roles and relationships between a company's management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed. Lately, corporate governance has been comprehensively defined as "a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers".

Key points:

- In the Western Balkans there are many opportunities where a collaborative and creative spirit to address common challenges are calling
- Corporate policy analysis should not only address companies, but also should refer to the governments in the region
- Achieving common goals in the face of socioeconomic and environmental issues such as economic disparities, climate change, air quality, need for greater economic development, and others that reach beyond state and regional borders
- Companies, organizations, and agencies are using ESG principles and reporting to achieve sustainability
- It is becoming an imperative to incorporate ESGs standards because of their importance for enabling participation in the EU and international economies
- Strengthening regional integration provides greater opportunities for these countries to benefit from working more closely together as a system (as the examples above demonstrated)
- Integrating corporate policies into the European Union (EU) involves considerations related to EU laws, cultural diversity across member states, and compliance with the EU regulations

How to proceed?

- As the EU has grown over the last three decades, there are varying examples of what and where integration has been successful
- The Balkan region faces the following challenges: a) small and fragmented markets impacting ability to attract foreign investments, b) resources, c) strength of institutions (social and governmental), d) ability to participate in Global Value Chains, e) domestic Political Conditions
- Conditions for great success in the Balkan region require meeting these challenges: a) EU investment and support, b) countries strengthening governmental and private sector institutions, c) pursuing strategies that leverage competitive advantages and build upon where possible, d) deep integration vs. shallow integration strategies
- Main challenges for the corporate sector: a) understanding EU Regulatory framework, b) compliance, d) data protection and privacy, e) employee engagement, f) diversity, g) social responsibility, h) corporate governance
- Main challenges for the governments: a) have a clear and continuous communication strategy with the corporate sector, b) enhance economic diplomacy, c) engage corporate stakeholders

Panel 4:
Agrotech - an opportunity and challenges ahead

Moderator:

Mr. Ilir Pilku, MSc., Regional Senior Agriculture Expert, Albania

Key speaker:

Mr. Raimund Jehle, FAO Representative in Albania and Regional Programme Leader

Panelists:

1. Mr. Enio Civici, Vice Minister of Agriculture and Rural Development, Government of Albania
2. Ms. Daniela Di Gianantonio, Digital Agriculture Team Leader, FAO
3. Ms. Milda Kraužlis, RIS Program Manager, European Institute of Innovation & Technology (EIT) Food
4. Ms. Marija Tanasoska, Deputy Regional Team Leader, USAID CATALYZE Western Balkan Engines of Growth
5. Mr. Marco Brini, Digital Agriculture Expert
6. Mr. Blagoja Mukanov, MSc. Founder, AgFutura, Skopje, North Macedonia

The adaptation and modernization of agriculture in the Balkans is directed by national decision-makers, who use pre-accession instruments, make changes in legislation, institution-building and agricultural policy reforms to promote the development of the agricultural sector and rural areas. In order to achieve many of these objectives, investments in skills building, the digitalization of rural business and areas, diversification of activities, provision of basic services in rural areas and upgrading of rural infrastructure are necessary.

Today, in the boom of the technological revolution, producers have been shifting to a much more mechanized system of operations and almost all the limitations of the past have been effectively eliminated. Agrotech is now the foundation of modern farming practices allowing the agricultural sector to also evolve to take advantage of the efficiencies that are beginning to manifest themselves.

Key points:

- We do not see digital agriculture as a process, rather we see it as a momentum or as a hardware tool
- Agriculture and food systems in the Western Balkans are undergoing a process of structural transformation, BUT there is a lag in competitiveness. One needs reforms that enhance productivity, like regional integration and improved market competition, to sustain this momentum.
- There is significant impact of external shocks: a) inflation, b) energy prices, c) slow job growth
- The gap with agricultural labor productivity is growing with the EU

- Smart farming: use of digital tools (drones, satellite imagery, and sensors) can lead to precision farming
- Digital agri-marketplaces: e-commerce and online marketplaces facilitate market access, both locally by shortening value chains, and internationally
- Digital advisory services: providing farmers with real-time guidance and data-driven insights through digital applications leading to informed decision-making
- Supply chain management: digital platforms can connect farmers directly with consumers, bypassing middlemen, leading to better prices while helping farmers decide when and where to sell their produce
- Digital financial services: Enhance efficiency, streamline access to credit and financing, and develop superior digital insurance platforms to safeguard farmers against weather-related risks.
- With the high level of rural connectivity (almost at the EU level), the Western Balkan countries have great potential to transition from traditional to modern and digital farming practices.
- Digitalization brings a key opportunity for agricultural transformation in the WB
- Digital agriculture can play an important accelerator role in the transformation process
- Digital agriculture: a) boosts yields through precise input application, b) lowers operational costs by optimizing resource use, c) enhances decision-making with data analysis, d) reduces environmental impact, e) improves crop health and yield with targeted interventions, f) positively impacts local food security.
- As agricultural production transforms into more integrated and complex market chains, value chain financing takes on particular importance, helping to connect farmers to the rest of the chain

How to proceed?

- Stronger data policies and mechanisms to support investments in AgTech
- Reinforce eGov infrastructure and digitalize public services (in a farmer-centric way!).
- Invest in awareness and capacity development at all levels.
- Robust network foundations: accessible and affordable network access in all rural areas
- Increase digital adoption: raise awareness and develop capacities in farmers to increase their adoption
- Solid policy frameworks: design policies and strategies for: a) data, b) incentives, c) financial support, d) education
- Solid government systems and services: build solid e-Government, data infrastructure and deliver farmer-centric digital public services in agriculture in alignment with EU standards
- Promote R&D in agrotech: fostering agrotech entrepreneurship and research through dedicated support programs and funding
- More structured approach is needed, consisting of four main components:

- a) Everyone that is important needs to cluster her/himself with the rest of the interested groups and start defining, preparing and implementing a strategy for digitalization of agriculture
- b) Capacity building, continuous process that should include all the relevant stakeholders
- c) How farmers learn the best – supporting research and development through applicative science laboratories and education
- d) Acceleration, through access to finance for co-financing the development of digital agriculture activities developments (shared responsibility for future development)

INSTEAD OF CONCLUSION

Balkan Economic Forum 2023 brought us a lot of knowledge and transferred lessons from some of the most important economic leaders in Europe. The impulse that will last the longest is of course the new friendships and the great atmosphere filled with very, very positive energy!

An old African proverb says “if you want to go fast, go alone ... but if you want to go far, go together.”

Our organization offers the opportunity to build bridges of cooperation as together we uncover the riches of our region and are strengthened by our differences as well as what binds us together as a people in one of the most diverse regions of Europe. Our strength lies in our diversity and in our determination to be part of the European family of democratic nations.

Association for regional development Balkan Economic Forum do believe that **TOGETHER we can build a brighter future for the Balkan region!**

BEF 2022 conference links:

1. <https://www.balkaneconomicforum.org/initiatives/events/balkan-economic-forum-2023/>
2. https://www.youtube.com/watch?v=VC5c61l2T_g
3. www.youtube.com/watch?v=sejdBjKs2uk



KNOWLEDGE AND SCIENCE PARTNERS



SUPPORTERS



SPONSORS