

THE UNDECLARED:

POLITICAL, ECONOMIC AND
SUSTAINABLE FUTURE OF
WESTERN BALKANS

2024

CONFERENCE REPORT

Geopolitics: The End of EU's Normative Power?!

How can EU Enhance the Effectiveness of Democracies in the Western Balkans?

This panel discussed what is the biggest challenge and biggest potential for regional integration and the EU enlargement process of the WB6 in the EU. Twenty years of after the biggest EU enlargement, when the EU enlarged for 10 new member states, the process has been stalled regarding the Western Balkans. EU is losing its normative power and corruption is increasing, the convergence is decreasing and so does the effectiveness of democracies. It is urgent that the EU adapt its strategy of engagement with the region. This should include a more balanced and nuanced approach in which to prioritize promotion of democratic principles, rule of law and democratic institutions, together with security matters. EU should introduce tangible incentives for progress while maintaining clear drawbacks for any backsliding should be part of the conditionality principle implementation: credible, clear and assertive in relation with rule of law and democratic institutions. The EU growth plan being a priority at the moment might be an offering of the best of both worlds which is the EEA or the 'Norway model' for Western Balkans.

Key points:

Ruslan Stefanov, argued that with the current lack of EU accession prospects for the Western Balkans and the expansion of BRICS in the same time, the later emerges as an alternative foreign policy strategy despite the political elites not have this as a priority. He presented key findings from Center for the Study of Democracy's (CSD) latest research, revealing how Russia and China are using illicit financial flows to bolster their state and media capture operations in the Balkans. This covert financial influence aims to destabilize the region's democratic institutions and processes.



PANEL 1

THE END OF EU'S NORMATIVE POWER?!

Chair: Zhidas Daskalovski

Speakers:

Ruth Ferrero, University of Madrid

Ruslan Stefanov, CSD Bulgaria

Sokol Zeneli, Regional Action Lab Kosovo

Haakon Blankenborg, Special representative,
Norway

Discussant: Zoran Nechev

Geopolitics: The End of EU's Normative Power?!

How can EU Enhance the Effectiveness of Democracies in the Western Balkans?

Prof. Ruth Ferrero from the University of Madrid, emphasized that in the two decades since the big bang accession, the economies of Poland and Malta have each more than doubled, while Slovakia's has expanded by 80%. While there is an unmistakable economic case to be made for current candidate countries and the accession impact on democracy in the ten countries has mainly been positive, with improvements in judicial reforms, anti-corruption measures, and civil society development, it has not always been a guarantor of change. She advocated for a balanced and nuanced approach to the Western Balkans that prioritizes the promotion of democratic principles, the rule of law, and robust democratic institutions alongside security concerns.

Sokol Zeneli from the Kosovo Regional Action Lab noted that the new EU Growth Plan (GP) as an enlargement instrument aiming to “accelerate much needed socio-economic convergence” between the WB6 and EU members by committing 6 billion euros in grants and loans, would increase by 40% the carrot for EU integration for the region. but will it be enough attractive. He argued that the reform agendas of the WB6 are now available, but if we look deeper into the process the completion does not guarantee EU membership; and without resolving the bilateral issues the EU Growth Plan is not a potent instrument for transformation.

Norway's Special Representative for the Western Balkans, Ambassador **Haakon Blankenborg**, warned of the risks posed by authoritarian powers. He highlighted that these regimes often sway political processes in the region with promises of a brighter future, bypassing necessary reforms that ensure the rule of law.

In the discussion, **Zoran Nechev** commented how EU conditionality is the primary way through which the EU attempts to influence accession countries: the EU provides benefits to accession countries when they comply with the adoption of EU rules and values. State capture affects the effectiveness and credibility of this strategy, both from a top-down and a bottom-up perspective. Goran Georgiev from CSD, underscored the critical importance of countering information manipulation in the region. He stressed that strengthening public support for anti-corruption reforms is vital to fortifying democratic governance in the Balkans. Speakers at the panel agreed that the complex geopolitical dynamics at play in the Western Balkans necessitate urgent and coordinated international efforts to safeguard democratic integrity and promote sustainable development in the region.

Economy of the future: Can the social, educational, health systems be sustained with the current economic model and the needs and perspectives of Generation Z?

The panel, chaired by Mr. Kristijan Trajkovski, provided a comprehensive examination of the complex issues affecting the Western Balkans region. He introduced the discussion by emphasizing the significant demographic shifts that pose serious challenges for each economy. The population in the region is aging, natality rates are dropping, and many citizens endure challenging living conditions. Amidst these shifts, Generation Z is emerging with distinct needs, values, and perspectives that differ significantly from those of previous generations.

The primary focus of the panel was to assess the current state of affairs in the Western Balkan economies and the sustainability of our social, educational, and health systems. Kristijan led the speakers to explore whether our existing economic and social frameworks can adapt to meet the needs of future generations or if it is time to rethink and reform these systems to ensure a prosperous and equitable future for all.

Ms. Zofia Polakiewicz opened the discussion as the first speaker, focusing her presentation on the latest data from the OECD's Competitiveness Report for 2024. In the Western Balkans, labour productivity is only 37% of the EU average, necessitating investments in education and innovation. Aligning employment and training systems with EU standards is critical for improving competitiveness and market integration. Despite moderate economic growth, the region struggles with deficits in competitiveness, infrastructure, and innovation, leading to low job creation and high unemployment.



PANEL 2

ECONOMY OF THE FUTURE

Chair: Kristijan Trajkovski

Speakers:

Vladimir Petronijevic, Migration expert, Serbia
Kiril Minoski, Consultant / Former Minister of
Finance

Zofia Polakiewicz, OECD

Stephen Ezell, Information Technology and
Innovation Foundation, USA

Discussant: **Ana Mickovska Raleva**

Economy of the future: Can the social, educational, health systems be sustained with the current economic model and the needs and perspectives of Generation Z?

Mr. Kiril Minoski continued the discussion by addressing the standards set by the OECD for good governance and institutional management. He mentioned the need for change and strategic planning to overcome the looming problem of the sustainability of the pension insurance system, which is based on generational solidarity. The public administration should follow a set of rules (standards) which will not affect their productivity due to change of government. Change of course with new government after every election is expensive and leads to slow adaptation to the emerging problems. He continued explaining that young people, including Gen Z do not see value in the money they contribute to the system and are reluctant to pay taxes or other fees, thereby not contributing to its sustainability. Increasingly, young people are paid through platforms that the state finds difficult to monitor. The population is aging, and new solutions need to be considered. Better services would motivate young people to contribute to the system and increase their trust in institutions. Migration, which he discussed at length with Vladimir Petronijevic, remains a significant issue.

Mr. Vladimir Petronijevic highlighted that migration is a significant challenge for Western Balkan labour markets. The emigration of a qualified workforce, particularly the youth, potentially leads to long-term labour shortages, negatively impacting the region's economic strength and growth. Yet, there are some initiatives that might pose an opportunity to maintain the economic growth of the region. Serbia, as the largest economy in the region, might enjoy most of the benefits of the Open Balkan initiative, which foresees easier shifts of workforce in the labour markets between Serbia, Albania, and Macedonia. A more economically developed neighbor can bring positive change for all countries in the region. Additionally, Mr. Petronijevic focused on the need to integrate new labour forces from less developed countries (Philippines, Pakistan, India, etc.). These workers find it harder to integrate into society due to language and cultural barriers, which could pose a challenge in the future.

Mr. Stephen Ezell focused his speech on the potential for economic growth by filling the labour gap with technologically advanced solutions that can create better goods and services and high-value jobs. Although there are risks, such as job destruction, the positive outcomes outweigh the negatives. AI and technological advancements can increase productivity and create new well-paid jobs. The workforce needs to navigate and adapt to these changes in the labour market. The region should consider regulating the new AI and use of technological advancements since some innovations require safety measures for citizens, such as auto-drives and medical solutions for disease detection. However, AI co-pilots should be applied in everyday jobs to increase overall productivity of the labour force.

Towards a **Just Circular Economy** Transition

This panel provided a platform to discuss the tackling challenges on just transition through policy solutions and exchange of best practices in the field of circular economy solutions, introducing innovation in waste management, new technologies and effective and barrier-free circular economy supply chain measures and possibilities. It also served for informing the audience of the waste to energy possibilities, regenerative production practices in businesses, and how should the we support young entrepreneurs in creating circular solutions. The panel highlighted a regional know-how exchange to promote a shift towards a just circular economy transition and sustainable use of natural resources. In sectors as diverse as plastics, bio waste, food, or textiles and with the strong engagement of both public and business sectors.

Key points:

As a circular economy expert, **prof. Henning** discussed about the EU's current policies on circular economy and the legal framework in EU and at national level in Germany, stating that currently, there is no Circular Economy Strategy in Germany, making the existing legal framework not sufficient for full implementation of circular economy.

Prof. Henning highlighted the environmental as well as economic necessity for increased circularity practices and the impact circularity has on decarbonization and climate neutrality, as 15% of GHG are linked with the way we use the raw materials. Becoming circular is economic necessity as the linear model doesn't pay off anymore. If there are mandatory recycling regulations, prevention targets for packaging and mandatory plastic reduction, we will change the business modeling in EU. The lessons that could be learned from Germany are drawn from the number success practices like the landfill ban and governmental investments in waste management. On the other hand, the government is lacking in circular economy investments and in creating enabling environment for circular economy business.



PANEL 3 TOWARDS A JUST CIRCULAR ECONOMY TRANSITION

Chair: Fiona Imami

Speakers:

Henning Wilts, Wuppertal Institute, Germany

Bojana Stanojevska Pecurovska, Center for Climate Change, Macedonia

Karolina Zubel, Case Poland

Amar Causevic, Morningstar Sustainability

Discussant: Bálint Lukács

Towards a **Just Circular Economy** Transition

Ms. Stanojevska, as an expert dealing with climate change and waste management, involved in the data collecting for the Visegrad and WB countries on waste management pointed that WB countries still have to put some efforts and to work on behavior changes, and the best way to do that is with incentives as a trigger. Transition in all WB is very low, no selection or little waste selection, no or limited waste management systems and little or no awareness of environmental impact of the waste. Statistics shows that only 15% of the packing waste is collected and recycled in Macedonia

Visegrad countries, comparing to WB countries, are much more developed, for example Poland has doubled the GDP per capita in the last 20 years, but yet circular economy is not very popular concept. Politicians need to understand that they must boost, promote and support circular economy, as that will have direct impact on the economies and environment and on the quality of life in general.

There is very low awareness about ecology in general, recycling and waste reduction, circular models of functioning seem distant to average people. One of the main problems is that, WB countries often face financial barriers to investing in new technologies and business models required for circular practices. Also, in WB countries there are inconsistent regulations and lack of supportive policies can hinder the adoption of circular practices.

Circular economy is a crucial element of the European Green Deal, and it is of paramount importance to implement the principles of circular economy in the countries aspiring to be EU members. It's important to bring all stakeholders at one place and approach them together how we can scale up the circular economy regionally.

Ms. Zubel, as an expert involved in projects that support integrating the citizens, creating workplaces, propagating environment-friendly behaviors in the cities and developing a collaborative approach to local decarbonisation, highlights that cities are well-positioned to experiment with eco-innovations to bring forward the multiple benefits of green infrastructure.

She points that we can produce our own food in the urban context as well, mentioning the Polish town of Wroclaw there is a good example of aquaponics. We should introduce innovative solutions to make a maximum use of the water, including rain water to produce food in urban context

The concept of participatory urbanism is a transformative approach to designing cities and sharing platforms for best practices and participatory democracy are also key to boost circular economy at local level.

Mr. Čaušević, as a co-author of the study Analyzing the development finance flows in the Western Balkans' energy sector, pointed that the total amount of disbursed energy (i.e., renewable and non-renewable) development finance ranged between 0.15 and 0.62% of the average GDP for the Western Balkan countries during 2008–2020.

He highlights that around one-third of the disbursed development finance was invested in projects for energy supply using non-renewable sources.

WB countries should be looking up to the countries from Central Europe (Poland, Slovakia, Hungary, Estonia etc.) who are moving towards circular economy models, but are close enough to WB and not advanced as Sweden or Germany.

In the climate finance it is evident that there is no special attention paid to gender, they are rather gender-blind.

Stability And Security Does No War Mean Peace?

The panel chaired by **Mr. Erol Shakiri** provided a comprehensive examination of the multifaceted security challenges facing the Western Balkans, emphasizing the intricate interplay between global geopolitical dynamics and regional stability. Secretary-General António Guterres's assessment of the heightened and complex global security threats served as a backdrop, highlighting the paralysis and divided stances within the UN Security Council on crucial human rights and security issues.

Ambassador **Ivica Bocevski** opened the discussion by addressing the Ukraine conflict's significant threat to European security, emphasizing its potential to involve other countries on the continent. He explored the conflict's immediate and long-term impacts on the region, underscoring the urgent need for strategic responses to mitigate its influence.

Mr. Stefan Vladislavljev from BFPE expanded the discussion to the global political chessboard, focusing on the US-China rivalry and its implications for the Western Balkans. He highlighted how external players like China, Russia, and the Gulf States influence the region's security through economic and political interests. He argued that while cooperation with these actors can be beneficial, it also exposes vulnerabilities within national systems that need to be addressed through resilient institution-building as part of European integration.

Mr. Sandro Knezovic of IMO provided an incisive analysis of internal security issues, citing recent events in Bosnia and Kosovo and their ripple effects on regional stability, particularly in Croatia. He stressed that internal instability often generates more significant security threats than external factors. Knezovic also touched on the critical nature of Serbian-Croatian relations, especially given Serbia's recent military acquisitions, suggesting that these dynamics could destabilize the region further.



PANEL 4

STABILITY AND SECURITY DOES NO WAR MEANS PEACE IN THE WESTERN BALKANS?

Chair: Erol Shakiri

Speakers:

Stefan Vladislavljev, BFPE Serbia
Sandro Knezovic, IRMO Croatia
Leon Malazogu, Consultant, Kosovo
Ivica Bocevski, Former Ambassador

Discussant: Ljupka Trajanovska

Stability And Security Does No War Mean Peace?

Mr. Leon Malazogu, a consultant, emphasized that unresolved internal conflicts within the Western Balkan countries hinder EU integration and economic convergence. He focused on the central role of Serbia-Kosovo relations, questioning whether the current state of 'no war' equates to genuine peace. Malazogu also speculated on the potential changes in US foreign policy with a possible Trump re-election, expressing concerns about the weakening of global mechanisms and its impact on regional security.

Lastly, Ms. Ljupka Trajanovska raised critical social issues, particularly the impact of historical and ongoing conflicts on mental health and youth behavior. She highlighted the alarming rise in violence among young people in the region and the pressing need for targeted interventions to protect and engage youth and women, preventing the perpetuation of violence and creating a more peaceful future.

In conclusion, the panel underscored the complexity of security challenges facing the Western Balkans, influenced by both global geopolitical dynamics and internal regional issues. The discussions highlighted the critical need for resilient institutions, robust international cooperation, and strategic interventions to address these multifaceted threats. Emphasizing the importance of resolving internal conflicts, promoting social stability, and safeguarding vulnerable populations, the panelists called for a comprehensive approach that integrates political, economic, and social strategies. By fostering collaboration among regional and global actors, the Western Balkans can navigate these security challenges and work towards lasting peace and stability.

CSO and Donor Synchronization

Introduction

Civil Society Organizations (CSOs) are crucial actors in the Western Balkans (WB), and their role has been expanding over the years. They have been instrumental in testing innovative solutions, fostering collaboration across various societal levels, and addressing emerging challenges with scientific and professional approaches.

Key Challenges Faced by CSOs in the Western Balkans

1. Sustainability Beyond Project Phases:
 - CSOs find it challenging to sustain solutions beyond the project phase due to limited long-term funding.
2. Access to Competent Networks:
 - Despite 77% of organizations being network members, effective regional cooperation remains a challenge for over 63% of CSOs. Establishing connections with reliable partners continues to be difficult.
3. Knowledge of Funding Sources:
 - There is a significant lack of awareness about suitable and available funding sources among CSOs.
4. Strategic Communication:
 - CSOs struggle with long-term strategic communication, which is crucial for aligning project ideas with funding opportunities.

Fundraising and Growth Challenges

1. Fundraising Issues:
 - Limited funding opportunities, complex application processes, and difficulties in obtaining information about open calls highlight a core function development gap in fundraising.
2. Growth Barriers:
 - Major obstacles to CSO growth include financing gaps, staff turnover, and the need for diversified funding sources.

Key Discussion Points

1. Cooperation and Network Efficiency:
 - A key question raised was why cooperation remains a challenge despite high network membership. This indicates potential inefficiencies within existing networks.
2. Fundraising Context:
 - The meeting explored whether fundraising challenges are due to core functional issues within CSOs or broader regional contexts. Both factors were considered significant.

CSO and Donor Synchronization

- Strategic and Long-term Work:
- Emphasis was placed on the necessity of strategic and long-term planning for CSOs to achieve sustainable impact.

Recommendations

- Youth Engagement:
- To raise the profile of CSOs, it is crucial to engage with youth and address misconceptions about their work and societal value.
- Special Support for Small Local Organizations:
- Donors should create specific guidelines to support small local CSOs working in adverse conditions, particularly those addressing issues like gender and feminism.
- Municipal Involvement:
- Municipalities should develop proper funding budgets, offer spaces for CSOs, and use gender-responsive budgeting tools to improve budget allocations.
- Donor Coordination and Communication:
- National-level donor coordination meetings are essential. Enhanced communication between donors and CSOs on the ground is crucial for effective support and implementation.

Donor Strategies and Support

Open Society Foundation (OSF):

- OSF plans to focus on long-term support for CSOs, recognizing the need highlighted by CRPM's research.

National Endowment for Democracy:

- This donor aims to fill gaps left by other donors, focusing on local needs over their own strategic interests.

Annual Meetings:

Donors expressed interest in annual meetings with CSOs, organized by the CSOs themselves, to foster better coordination and support.

Conclusion

The synchronization meeting underscored the need for strengthened cooperation between CSOs and donors. Addressing challenges such as fundraising, strategic communication, and network efficiency is crucial for the sustained growth and impact of CSOs in the Western Balkans. Enhanced donor support and coordination, along with municipal involvement and youth engagement, will be vital in overcoming these challenges.

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