ECONOMIC DEVELOPMENT AND DEMOCRATIZATION IN THE WESTERN BALKANS

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In cooperation with:

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Federal Foreign Office

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This publication includes conference papers and proceedings of Aspen Germany's Western Balkans conferences in 2019.

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TABLE OF CONTENTS

TABLE OF CONTENTS

FOREWORD

2019 was a very challenging year for the Western Balkans. Recent events, namely the failure of the EU to take a decision on opening accession negotiations with Albania and North Macedonia in October, have instigated a discussion on the strategic importance of the Western Balkans for the European Union. There cannot be any doubt: Negative and positive developments in this region – which is entirely surrounded by EU countries – have a direct impact on the Union. The challenges and security risks of today's world are highly globalized and do not stop at borders. Countering phenomena like organized crime and corruption, coping with the challenges of irregular migration and checking adverse influences from third actors requires a strong EU-Western Balkans partnership for effective and resilient justice systems, administrations and economies.

The right framework for bringing about the reforms that ensure a positive development in Western Balkan countries is the EU accession process. It is this perspective which mobilizes the necessary political will to undergo difficult reforms or even overcome longstanding bilateral disputes. North Macedonia has shown this with the Prespa Agreement with Greece.

While EU Member States still have to find a common position on enlargement, the Western Balkan countries must accelerate their reform efforts. Good governance, the strengthening of the rule of law, the effective fight against organized crime and corruption – all these are areas where much remains to be done. Regional cooperation and the solution of bilateral issues must be brought forward. This is first and foremost in the interest of the Western Balkans countries, which are in need of economic growth and must give a perspective to their citizens, if they want to keep them from emigrating.

The sustainability and quality of reforms also depends on the inclusiveness of the reform process. It is a process which needs the support of the societies in the countries concerned. It is therefore of key importance that Parliaments and civil society develop ownership and contribute to shaping the necessary legislation.

I am very grateful to the Aspen Institute for having provided an excellent forum for in-depth discussions on the role of parliaments in reform processes and the manifold reasons for the phenomenon of mass emigration with last year's conferences. The meetings strengthened the dialogue between Germany, the EU and our Western Balkan partners. They contributed to better understanding of the issues and the various positions. Respectful dialogue leads to better understanding, which is needed to jointly tackle common challenges.

I would like to thank the Aspen Institute Germany for its important work and am looking forward to new inspiring meetings and discussions.

Ambassador Susanne Schütz
Director for South-Eastern Europe, Turkey and the EFTA States
German Federal Foreign Office

INTRODUCTION

Dear friends of the Aspen Institute Germany,

The European Union and its member states have been confronted with major challenges this year. While undergoing European Parliament elections and slowly transitioning to a new Commission under Commission President Ursula von der Leyen, Europe's neighborhood has been increasingly troubled and geopolitical challenges have been on the rise. There are no lasting solutions in sight for the wars in Ukraine, Libya, Yemen and Syria, the situation in Iraq and Afghanistan, and relations with Iran have been anything but stable. In addition, the difficult relationship with Russia and the continued rise of China as an economic, technological, intelligence, and security power are posing further challenges to the EU.

While these challenges call for unified Euro-Atlantic responses, the US-European relationship has seen better days as well. Even NATO's role as the key transatlantic organization has divided EU actors against the backdrop of Turkey's intervention in Syria and a European debate about more strategic autonomy. Internally, the EU will have to weather the consequences of Brexit and deep divisions over common values and standards, a joint refugee policy, future priorities, and a new multi-annual financial framework that will provide the EU with sufficient funds for its policies and accounts for the loss of the United Kingdom.

Where does all of this leave the Western Balkans?

Ever since the Thessaloniki EU Summit in 2003, the countries of the Western Balkans have had a clear perspective of joining the European Union. At the same time, the region has been less and less a political priority in EU capitals, opening the door for some Western Balkans governments' geopolitical maneuvering between the EU accession process and Russia's and China's engagements. The failure of the October 2019 European Council to agree to the opening of accession negotiations with Albania and North Macedonia despite substantial progress in both countries has come as a deep shock to the Western Balkans, leading to the questioning of the credibility of the region's membership perspective and the EU's overall commitment to the region. In this context, France's demands for a reform of the accession process and the questioning of enlargement before substantial EU reforms further undermined this credibility.

On the other hand, however, all 28 member states have explicitly reaffirmed the membership perspective for all countries of the region and both Commission President Ursula von der Leyen and EU High Representative Josep Borrell consider the Western Balkans among their key priorities. The European Commission is now preparing a reform of its accession methodology and is hoping to be able to open accession negotiations with both Albania and North Macedonia in the first half of this year. Given that the Western Balkans are geographically already located within the European Union, the EU and in particular its member states need to urgently re-commit themselves politically and find encompassing responses to the challenges the region is faced with.

The same is true for countries in the region. Years of stagnating rule of law reforms, increasing political polarization culminating in Parliament and election boycotts across the region, and democratic backsliding have seriously undermined the faith of EU member states in the reform processes. The 2019 EU Enlargement Strategy refers to "elements of state capture" in all six countries that urgently need to be addressed for them to move closer towards EU membership. At the same time, the entire region suffers from dramatic emigration, in particular of young people. According to Eurostat in 2018 alone, 230,000 people left the Western Balkans – a region of around 20 million inhabitants.

The picture, however, is not entirely bleak. The government of North Macedonia has signed a friendship agreement with Bulgaria addressing disputes between the two countries and it has signed the Prespa Agreement with its southern neighbor Greece, settling a 27-year old dispute over the country's name which has blocked its progress in EU and NATO integration for over a decade. Having demonstrated its willingness to negotiate genuine compromises, a positive example of how to address disputes for the entire region and beyond, North Macedonia's government has also started addressing the country's rule of law shortcomings, as recognized by the European Commission in its recommendation to finally open accession negotiations with North Macedonia. Albania has undergone a substantial justice reform and is waiting to join Montenegro and Serbia, who are already in the process of accession negotiations with the EU, as well. Kosovo has fulfilled the conditions for visa liberalization, waiting for a positive decision by the European Council, and Bosnia and Herzegovina has worked towards being granted the official status of a candidate for EU membership.

The EU accession process is based on the principle of conditionality. Conditionality is the key tool the EU has to incentivize reforms in the region and ensure a sustainable transformation of those countries until they are well-prepared to become EU members one day. If, however, the European Council continues to fail to agree on rewarding progress made by countries like North Macedonia, Albania, and Kosovo, it will seriously undermine not only its own conditionality but its influence and credibility in the Western Balkans as a whole. It is therefore time for the EU to reward those who have made progress while holding those accountable who fail to do so.

Against this background, the Aspen Institute Germany continued its efforts to actively contribute to a regular constructive high-level regional dialog in 2019. It has been committed to providing a confidential and neutral platform for debate. In a closed and protected environment, off-the-record meetings are organized to allow for in-depth discussions that respect different points of views. Since 2008, Leaders of the Western Balkan countries have embraced this opportunity and have come together at the Aspen Institute Germany's conferences to discuss regional challenges and current issues their countries are facing. Aspen Germany has provided a neutral platform for eight Southeast Europe Foreign Ministers' conferences and more than 30 sub-cabinet level meetings. These conferences facilitate in-depth discussions regionally, including German, European, and U.S. decision-makers and experts, as well as representatives from the EU and international organizations. The aim of these conferences is to find common ground with regard to regional challenges and to develop concrete policy recommendations and mutually beneficial solutions. Over the past years, the Aspen Institute Germany has fostered dialog and debate on issues like trust, reconciliation, identity and ethnicity, EU and NATO integration, bilateral security roles, organized crime, energy security, economic development, rule of law, public administration reform, democratic governance, the role of Parliament, and regional cooperation. International experts from academia and civil society organizations provide valuable input to these meetings with papers and insights they contribute to the discussions. These conferences have therefore not only served as an opportunity for a productive exchange of opinions and the development of mutually acceptable ideas for solutions, but have also developed a sustainable regional and international network of decision-makers and experts, politicians and members of the civil society, which contributes to establishing trust and closer contact between formerly conflicting countries.

We would like to express our gratitude to the German Federal Foreign Office, whose financial support through the means of the Stability Pact for Southeast Europe made this project possible. We would also like to thank the Ministry of Foreign Affairs of Montenegro, which co-hosted a conference with us in 2019. Moreover, we would like to thank all participants over the past years, who have so actively contributed to the success of the project, and, in particular, all authors of conference papers for providing substantial contributions and expertise for discussion and suggesting constructive solutions. Finally, we would like to thank Sandra Schwalen, Kate Beukenkamp, Katherine D. Wilkins, and Rasmus Bellmer for their contributions to the editing process of this publication.

We hope you enjoy reading this compilation of conference papers, reports, and recommendations that were developed during the conferences in 2019, as we look forward to continuing our commitment to the Western Balkans.

Rüdiger Lentz
Executive Director

Valeska Esch
Program Director

SUMMARY AND RECOMMENDATIONS

In 2019, the Aspen Institute Germany held three sub-cabinet level meetings in Berlin and Budva with high-level decision-makers and experts from the Western Balkan countries, Germany, and the EU. During these meetings, discussions focused on economic development and emigration and on how to strengthen Parliaments and their role in the Western Balkans. This publication contains conference papers and proceedings of these meetings that provide an overview of the topics discussed and the constructive suggestions and recommendations that were made. All meetings followed the Chatham House Rule, which is reflected in the reports.

The 2019 conferences were characterized by one main aspect: the credibility of the EU Enlargement perspective including the failure of the European Council to agree on opening accession negotiations with North Macedonia and Albania in June and October. The non-decision was a deep shock for the entire region. The credibility of the EU membership perspective has been questioned and the accession process is damaged. Further major debates across all three conferences concerned the rule of law, the fight against corruption, good governance, and strong independent institutions in the Western Balkan countries. While independent Parliaments are a prerequisite for a democracy and independent institutions, these issues also have major effects on economic development and on finding responses to emigration. During the discussions a series of policy recommendations were identified, for decision-makers in the region as well as the EU and its member states.

The reform priorities relating to the topics discussed in 2019 on the **national level** were linked to governments' responsibilities to respect and strengthen the Parliaments' independence, to enhance economic development and to address emigration. In particular decision-makers in the region were called upon to:

- Take seriously the assessments and recommendations by EU institutions and implement them without any delays. Parliaments can play an important role in pushing for the implementation of EU conditionalities and measure governments' successes accordingly.

- Improve consensus-building across party lines. Ruling parties need to improve consensus-building while opposition parties should work on concrete proposals, and not just criticize everything ruling parties propose.

- Strengthen internal party democracy to enable MPs to work in the electorates' interest and improve accountability towards their voters.

- Improve political party laws to require information sharing on all candidates, including information on criminal charges, corruption allegations, or any other criminal activities which should ban them from running.

- Increase transparency and professionalize regulations of party funding.

- Improve Parliaments' transparency, including the publication of speeches, proposals, attendance to Parliamentary sessions, reporting on secondary incomes, and voting records of MPs.

- Strengthen parliamentary capacities, including Parliaments' budgets to allow for sufficient funding to professionalize parliamentary work.

- Strengthen capacities of the Committees on European Affairs across the region by appointing MPs with expertise on the EU integration process.

- Focus on policy-driven decision-making rather than politically-driven decisions. Policies should be evidence-based.

- Improve empirical data on economic issues, including on human capital, emigration, education, and business needs.

- Connect with young people to understand the reasons and processes of emigration and design genuine policy responses accordingly to address the burning issue of emigration.

- Create economic opportunities beyond party loyalties by strengthening merit-based hiring and fighting the politicization of hiring practices.

- Invest more in professional and independent institutions. The best strategies cannot be implemented without strong institutions.

- Fight corruption and improve legal security in order to improve the business climate and respond better to the demands of the EU accession process.

- Increase transparency and availability of data in the field of public procurement.

- Show willingness and improve capacity to cooperate and integrate regionally, e.g. implement regional agreements (CEFTA, Regional Economic Area etc.).

- Strengthen the vision of a common future for the region by working together and identifying joint solutions.

A number of recommendations were also developed **for the European Union and its member states**. In order to better support the region and strengthen its European perspective they should:

- Urgently open accession negotiations with Albania and North Macedonia and decide positively on visa liberalization for Kosovo to deliver on the promises made as past of the reform conditionality and restore credibility of the process.

- Back up the new, revised methodology, which should have a strong focus on strict but fair conditionality, with additional funds by increasing the IPA funds and widening the scope of their potential use, including for example for approved infrastructure or economic development projects. Condition those funds on further progress in relevant reform areas.

- Clearly express unease about the reform progress, in particular in the fields of democratization and rule of law. The EU should use clearer language and not shy away from naming and shaming those responsible for slow reform processes clearly and publicly, as populations need to be enabled to hold their governments accountable.

- Publish short assessments of countries' progresses in the respective countries' languages to help populations understand better the required reform processes.

- Strengthen the focus on democracy and the overall functioning of the state, including by insisting on the strengthening of Parliaments according to the recommendations listed above.

- Curtail corrupt practices, including the fast-tracking of legislation by passing "urgent" measures without parliamentary debate; disregard reforms that are not passed with proper democratic procedures as progress in the accession process.

- Commission independent analyses of the mechanisms that endanger democracy and lead to the capturing of public institutions for political purposes in all countries in the region (like the Priebe report by the European Commission for North Macedonia).

- Improve Parliaments' and civil societies' access to all documents related to the implementation of the EU reform agenda by national governments, including non-papers and other informal assessments.

- Support WB governments in improving empirical data in order to improve evidence-based decision-making.

- Create more funds and opportunities for "traditional" entrepreneurs; currently, funding too often focusses on the digital economy.

- Promote vocational and more general education on the basis of empirical data and business requirements as a means to increase the quality of education and calibrate skills of graduates in better accordance with the labor market demand.

- Promote Smart Specialization Policies (SSP) and connect them better to EU policies and Foreign Direct Investments (FDI) as well as to local businesses and suppliers.

- Consider cutting funding for non-transparent institutions.

- Increase monitoring of parliamentary oversight over security structures, as there have been many incidents of misuse of special investigative measures (illegal surveillance, misuse of police forces) across the region.

- Improve the use of the influence of party families between political parties in the EU and the region on democratization and strengthening the independence of Parliaments.

- Strengthen the focus on the independence of media across the region. Democracy requires independent media and access to information for the wider public to enable them to make an informed and fact-based decision.

These recommendations were developed in the conference papers and the discussions during the meetings. On the following pages, you can find further and more detailed recommendations and summaries of the discussions and the conference papers that contributed to the meetings.

SYNOPSIS OF THE ASPEN WESTERN BALKANS REGIONAL DIALOGUE 2019

The following pages provide a synopsis of the points that were discussed at the two conferences "Strengthening Parliaments and Their Role in The Western Balkans Processes" in May and "The Western Balkans Between Economic Development and Emigration" in October 2019.

Please note that the following summary will only provide an overview of the points raised by participants. They do not reflect the Aspen Institute Germany's position on the issues addressed.

Conditionality in the Western Balkans – Is the EU's Approach Still Delivering?

- The failure of this October's European Council to agree to the opening of accession negotiations with Albania and North Macedonia has severely weakened the conditionality principle of the EU accession process.

- Despite the reaffirmation of all 28 member states of the membership perspective for all Western Balkan countries, these reaffirmations lack concrete policy steps on the side of the EU, i.e. opening of accession negotiations after conditions have been fulfilled.

- There is present skepticism, especially around the sincerity of the French position, and around whether reform proposals for the accession process merely serve as a means of delaying the process further.

Recommendations

- If there is unease in the EU about the reform progress, in particular in the fields of democratization and rule of law, the EU should use clearer language, "call things by their name", and not shy away from naming and shaming those responsible for slow reform progress publicly, as populations need to be enabled to hold their governments accountable for the lack of progress in the accession process.

- The European Commission should work to close the gap between the Western Balkans and the EU through concrete roadmaps and through strict and fair assessments of the progress of countries in adoption of norms and implementation of EU conditionalities.

- On the one hand, the EU should prioritize already existing initiatives towards these objectives, such as the development of roadmaps for rule of law for all countries regardless of their stage in the formal accession process, or sending of expert missions to the countries to credibly assess the situation ("Priebe Reports" for all countries).

- On the other hand, Parliamentarians, civil society and the media across the Western Balkans should use these assessments and push for the race in adoption of norms and implementation of EU conditionalities to dominate public debates and become a measure of governments' success.

- The Western Balkan Six (WB6) should demonstrate their willingness and capacity to cooperate and integrate regionally, e.g. implement regional agreements (CEFTA, Regional Economic Area, support for RYCO, etc.). This can serve as important preparation for the EU integration.

The Role of the Parliaments in the Western Balkans Reform Processes

Political Polarization, the Role of Opposition, Party Politics, Party Financing

- In the Western Balkans, political polarization has had a long tradition and has led to political crises in most of the countries.

- Party politics in the region often leads to a stalemate or lack of constructive debate in Parliaments, which consequently struggle to fulfil their roles.

- Origins of polarization: political parties which have become more interest-based than ideological; leaders who have misused their powers to silence the opposition, for instance through the media or parliamentary procedures; lack of prioritization of the country's over party interest.

- Confrontations and lack of compromise between ruling and the opposition parties have led to weaker, dysfunctional Parliaments. This dysfunction, along with growing clientelism among political parties, has led to a low level of citizen trust in Parliaments.

- Transparent party financing and a fair electoral law have great impact on citizen trust in the Parliament and the general attitude and political climate of the region.

- Lack of internal party democracy leads to a strong dependency of individual MPs on party leadership; accountability towards voters is weakened.

- At the moment, most countries in the Western Balkans do not enforce any strict laws on campaign or party financing. The ruling party is often able to use state funds for their campaigns, giving the incumbent an unfair advantage.

Recommendations

- Ruling parties need to improve consensus-building and the opposition needs to work on concrete proposals, and not just criticize everything the ruling party proposes.

- Internal party democracy should be strengthened to enable MPs to prioritize the electorate's interest and improve accountability towards voters.

- Minority voices should be brought to the table in order to show citizens that Parliaments represent their interests and not just those of the political leader.

- Parliaments should not wait for external help but fix their problems themselves. Regional cooperation should be improved.

- Political party laws should be updated to require information sharing on all candidates; candidates facing criminal charges for committing fraud, corruption or any other criminal activities should be banned from running. Civil society organizations can play an important role here because they can share information on accused candidates running for Parliament.

- Electoral codes need to be reformed to punish electoral fraud and block oligarchs from paying to put themselves on voter lists.

- Transparency could be improved through increased civil participation in the form of law proposals, working groups, and public hearings. The Parliaments should also publish speeches and proposals, attendance to parliamentary sessions and voting records of the parliamentarians to increase transparency.

Strengthening Parliamentary Oversight

- Political polarization, lack of political dialog, and the excessive use of urgent parliamentary procedures continue to undermine the capacities of Parliaments in the Western Balkans to exercise their core legislative and in particular oversight functions.

- The executive branches in the Western Balkans often see the Parliaments as working for them, rather than acting as a check for their power.

- In many cases the Parliaments are purposely undermined and are designed to be weak with little actual oversight.

- Political parties tend to be focused more on short-term goals and serving themselves, rather than solving systemic problems in the democratic institutions and serving their constituencies.

- Lack of parliamentary oversight also stems from leader-centric organized parties, whose leaders have a tendency and interest to create weak Parliaments who will do their bidding.

- Without independent parliamentary oversight, the security sector can be used to tighten the grip of state capture on other political and democratic processes including elections, media freedom, and civic space.

Recommendations

- Data on parliamentary resources and capacities across the Western Balkans should be compiled in order to create a scoreboard, modeled after the EU Justice Scoreboard.

- The EU Parliament's and member states' Parliaments expertise could be used to enhance capacity-building in the region, e.g. through visits and regular exchange with their colleagues in the Balkans.

- Corrupt practices should be curtailed, including the EU looking the other way when regional Parliaments quickly pass "urgent" measures without parliamentary debate; reforms not passed with proper parliamentary debate/democratic procedures should be disregarded as reform progress in the accession process.

- Independent analysis of the mechanisms that endanger democracy and lead to the capturing of public institutions for political purposes should be promoted (like the Priebe report by European Commission for North Macedonia).

- New regulatory and institutional systems in Parliaments should be created to encourage meaningful debates on key issues of security policy, and to ensure proactive scrutiny of high-risk areas for state capture in the security sector (e.g. surveillance, anti-corruption, intelligence services, human resources, and selection of leadership).

- Transparency of parliamentary work should be strengthened: this would enable civil society organizations to collect evidence on parliamentary performance, which could be used as a scorecard for regional comparison.

- The capacity of the Committees on European Affairs needs to be strengthened by appointing MPs with expertise who are willing to do the difficult work required, ideally younger MPs who have studied in Europe and have better understanding of the integration process.

- Parliaments should be enabled to better oversee the proper implementation of the EU reform agenda by regional governments rather than just passing laws to transfer the EU *acquis* into national law.

- The budgets of Parliaments need to be strengthened to allow for sufficient funding to professionalize parliamentary work.

Economic Development and Emigration in the Western Balkans

Emigration

- The economic situation in the Western Balkan countries has slowly been improving over the past years. Nonetheless, the region is still confronted with high unemployment and low acceleration of competitiveness.

- According to the 2018 Balkan Public Barometer, the economic situation is seen as the most important problem in the region. As a consequence, many citizens seek perspectives abroad. In Gallup's latest worldwide survey all WB6 countries rank high on the "brain drain" index, with 25% to up to 42% of young, highly educated people wanting to leave the country with no intention to return.

- In 2018 alone, according to Eurostat, 230,000 people emigrated from the region. The greatest numbers were from Kosovo and Bosnia and Herzegovina.

- The WB6 will most likely remain an exporter of smart, educated people for years to come and the EU accession would not necessarily end the "brain drain", but could even exacerbate it, as it has continued to be a challenge for Bulgaria, Romania, and Croatia.

Recommendations

- Reliable data is the basis for good evidence-based policy. Quality and quantity of data on emigration from the WB6 should be increased. Eurostat could get more engaged.

- Instead of focusing on remittances (direct financial assets), the focus should be put on knowledge transfer, which can be a financial asset in the future.

- Institutions should connect with young people already during their university education to understand the reasons and processes of emigration and design policy responses accordingly.

- Language and images are important: Paint a more comprehensive, realistic picture of emigration. Not every person who left their country is successful abroad. It needs to be talked about difficulties and failures, too. Renounce the word "brain drain" as it implies that those who leave have a brain and those that stay do not.

- Consider the multiplying effect of a success stories of emigrants abroad. One needs to find these kind of success stories of people who have stayed.

- Circular migration shows a pattern of movement that presents an opportunity for the region and, in the short run, promises to deliver positive results.

- In the long run, immigration should be considered as a tool to tackle the negative effects of emigration. Immigration should be understood as a potential source of skills that the Western Balkan region needs and has not yet tapped into.

- An honest acknowledgement in the narrative that emigration will not be solved by EU membership (e.g. Croatia has lost 200,000 individuals) is needed.

- People should be more involved in decision-making, especially at the local level, as it will strengthen a sense of ownership and could influence their decision to leave or stay.

- Support independent educational institutions that offer opportunities and improve education for all citizens.

- Fight the politicization of hiring practices to create more economic opportunities beyond party loyalties (strengthen merit-based hiring).

- Governments need to focus more on addressing the reasons why people are leaving to provide a perspective at home.

Economic Development and Job Creation, Entrepreneurship

- Despite some acceleration of growth, the Western Balkan countries are still lagging behind in modernizing their economies. All six countries still face high unemployment rates, in particular among youth, large skills mismatches, persistent informal economy, unfriendly business environments, and low levels of innovation.

- Entrepreneurship and start-ups in the region have the potential to drive economic growth and harness the dynamic of the region's youth. However, entrepreneurs with new ideas face challenges to obtain loans or investments and are highly exposed to market volatilities.

- The level of exports from the region continues to be low. A majority of businesses are not cooperating with universities, which has a direct impact on innovation and commercialization of innovation.

- Informal government networks and political party favors cause trouble and create roadblocks (corruption) and have a negative impact on making full use of talent and expertise within the region.

- Data is missing to measure the effectiveness of programs designed to support entrepreneurship and start-ups.

Recommendations

- Policy priorities regarding economic development have to be developed and implemented. If everything is a priority, nothing is a priority.

- More funds and opportunities for "traditional" entrepreneurs need to be created. Currently, funding (incubators and risk capital) too often focusses on the digital economy.

- Consider the idea of self-employment grants in order to promote entrepreneurial spirit and individual initiative.

- Vocational and more general education should be promoted as a means to increase the quality of education: vocational education to calibrate skills of graduates in better accordance with the labor market demand, and general education to promote basic learning skills that can be used for lifelong learning.

- Improve research and innovation rather than the labor market.

- Consider education as essential in driving outcomes. Most of what influences an individual's labor market outcome is determined by the age of 15. It is therefore essential to invest in education systems starting from basic school education.

- Apply the World Bank country strategy.

- Focus on horizontal industrial policy because it works with long-term planning. Vertical does not have as much relevance because it is too hard to say what industries/sectors will be best in 30 years.

- Invest in strong institutions. Strong institutions are needed to implement strategies; the best strategies cannot be implemented without strong institutions.

- Connect Smart Specialization Policies (SSP) to EU policies, connect SSP to Foreign Direct Investments (FDI) and to local businesses and then to local suppliers.

- Governments are the least transparent players in the region. Yet, the governments still get loans/monetary support. Non-transparent institutions should not be supported any longer.

- Entrepreneurship is a way of thinking, not a technique. This requires a change in thinking for most of the region, education and government.

- Reduce the over-emphasis on "high tech", there are lots of other areas and opportunities. Create policies that both support and avoid failure as failure is part of entrepreneurship.

- Development would be accelerated in the region if corruption and "cheating" mentality changed in the Western Balkans.

Critical Infrastructure and Public Procurement

- Cross border transport, energy and communication networks play an important role with regard to regional economic development. At the same time, public procurement for critical infrastructure projects stays an area particularly prone to corruption.

- Regional governments are investing more than other countries but often in companies that produce profit losses.

Recommendations

- There should not just be a focus on modern digitalized infrastructure, as the basic infrastructure is in such bad state that its improvement should be a priority as well.

- EU recommendations should be tailor-made for the WB6. Good ideas within the EU can become hard to implement and ill-fitting for the WB6.

- The point should be to reform the country for the citizens and collective benefit, not just to be able to join the EU. This attitude should change.

- Countries should open-up investment in biomass, solar, as well as hydro technologies, improve existing hydro and increase the share of private investments.

- These projects have to be considered development projects, not political projects. Keep politics and politicians out. Take away infrastructure development from government decision-making process. It should be a professional business decision. There is no sense of ownership when state money is being spent, but there is if it is private money.

- The region will need a massive amount of investment in a short time to really advance.

- Compliance with environmental and technical standards needs to be ensured to make investments in critical infrastructure sustainable.

- Increase transparency and release of data, in particular in the field of public procurement. At the moment, there is no transparency for citizens.

Regional Cooperation

- Regional economic integration has been identified as a key to economic development for the Western Balkans.

- One of the aims of the Berlin Process has been to enhance regional economic cooperation and prepare the ground for sustainable growth. At the Trieste Summit in 2017, the Regional Economic Area (REA) has therefore been introduced as a joint approach to furthering economic cooperation in the region.

- The economies in the WB6 are more competitive than complementary. This makes regional trade difficult.

- Given the need for each WB country to employ resources in the regional process as well as dilemmas related to the connectivity of both processes, national and regional, regional integration is likely to be hindered by WB countries' primary focus on each state's individual EU accession.

- The Western Balkans have not been a primary market for Western Balkans businesses: 70-80% of trade is with the EU.

- Regional cooperation (CEFTA and REA) is not a substitute for EU enlargement but should run in parallel.

Recommendations

- Regional agreements such as CEFTA or REA need to be fully implemented.

- If regional oligopolies are created, there should be regulation on the regional level. The national level is not sufficient in that case.

- Examine the drivers and outcomes of a politically-driven process versus a policy-driven process. This is an important distinction.

- Western Balkans need to do better at agreeing to sit around a table and make decisions that benefit the collective future. The vision to create a common future is lacking. The WB should be talking together about strategies.

STRENGTHENING PARLIAMENTS AND THEIR ROLES IN THE WESTERN BALKANS REFORM PROCESSES

May 07 – 10, 2019 I Berlin

In cooperation with:

AGENDA

Tuesday, May 7, 2019

Arrival of Participants during the Day

20:00   **Meeting at the Hotel Lobby (Walk to Restaurant)**

20:15   **Welcome Dinner**
Venue: Reinhard's am Kurfürstendamm, Kurfürstendamm 27, 10719 Berlin

Wednesday, May 8, 2019

09:00 – 10:00   **Welcoming Remarks and Discussion on German Policy Priorities in the Western Balkans**
Rüdiger Lentz, *Executive Director, Aspen Institute Germany*
Ambassador Dr. Christian Hellbach, *Director for South-Eastern Europe, Turkey and the EFTA States, German Federal Foreign Office*

10:00 – 11:15   **Session I:**
Conditionality in the Western Balkans – Is the EU's Approach Still Delivering?
Conditionality has been considered a successful EU tool to initiate and accompany reform processes in countries looking to join the European Union. In the EU accession process the *quid pro quo* principle of conditionality is supposed to serve as a reform engine: after fulfilling certain criteria or the achievement of certain EU standards, the promised 'reward' follows – a process that in theory is strict but transparent and fair. However, skepticisms on this principle is rising, as some Western Balkan countries fear that they are deprived of certain promised rewards and EU member states are increasingly losing faith in the seriousness and sustainability of reforms. Is the conditionality approach still delivering? What are its strengths and weaknesses? How can it be used more efficiently? What can governments in the region do to strengthen the process? How can arliaments play a bigger role in encouraging the reform processes?

Introduction:	Adnan Ćerimagić, *Magic Potion, Heroes and Villains: Boosting EU Attractiveness*
Comment:	Gunther Krichbaum, Chairman of the Committee on the Affairs of the European Union, German Bundestag
Moderation:	Valeska Esch

11:15 – 11:45   Coffee Break

11:45 – 13:15	**Session II:**
	Political Polarization, Party Politics, Radicalization, and the Role of Opposition

A growing polarization of political dialog is a phenomenon that has occurred throughout Europe. Especially in the Western Balkans, political polarization has had a long tradition and has led to political crises in most of the countries. However, constructive dialog across the political spectrum is essential for the functioning of democratic institutions and in particular Parliaments. In reality, party politics in the region often lead to a stalemate or lack of constructive debate in Parliaments, which consequently struggle to fulfil their roles. How can political polarization be contained? Why is political debate becoming more and more polarized? How can opposition parties be strengthened in a constructive way? How can a more constructive work of both governing and opposition parties in Parliament be achieved? Which role does the organizational structure of political parties play in party politics and how can it be improved?

Introduction:	Dr. Vedran Džihić, *Nationalist Polarization in the Western Balkans and Its Institutional Consequences. A Fate That Can Be Changed?*
	Shpend Emini, *Polarization of Party Politics in the Western Balkans: Limping Towards Stability*
Moderation:	Prof. Dr. Valbona Zeneli

13:15 – 14:15	Lunch
14:15	**Departure to Meetings in Bundestag**
15:00 – 16:00	**Meeting with Prof. Dr. Patrick Sensburg, Member of the Parliamentary Oversight Panel for the Intelligence Services**
16:30 – 17:30	**Meeting with State Secretary Prof. Dr. Horst Risse, Director of the German Bundestag**
17:30 – 18:30	**Guided Tour through the German Bundestag**
19:00	**Reception and Dinner with Members of the German Bundestag**
	Venue: Altes Zollhaus, Carl-Herz-Ufer 30, 10961 Berlin

Thursday, May 9, 2019

09:00 – 10:30

Session III:
Strengthening Parliamentary Oversight
The oversight function is one of three core roles of Parliaments in the political systems of parliamentary democracies. However, "in the Western Balkans, the capacity of the national Parliaments to exercise core legislative and oversight function is undermined by the lack of political dialogue, the excessive use of urgent parliamentary procedures and the absence of constructive engagement by all parties" (European Commission 2018 Communication on EU Enlargement Policy). Particularly the oversight function over the executive and independent institutions is seriously undermined. How can the independence of Parliaments and parliamentarians be strengthened to enable them to fulfil their role? Which other measures could help to strengthen the oversight function of Parliament over the executive? Can Parliaments act as EU allies in the reform processes? How can the Parliaments' role as oversight body be better included in the reform processes?

Introduction:	Dr. Alexander Strelkov, *National Parliaments and the Reform Process in the Western Balkans: Is there Room for Cautious Optimism?*
	Jeta Krasniqi, *A New Approach for the EU Reform Process in the Western Balkans: Strengthening the Role of Parliaments*
Moderation:	Valeska Esch

10:30 – 11:00

Coffee Break

11:00 – 12:00

Session IV:
Electoral Law and Party Financing
The foundation of an independent Parliament is transparency and accountability of MPs, both when it comes to financing, but also in the election process itself. Only with transparency, citizens can find out whether politicians are acting in the interests of the public and hold them accountable if they do not. What is the situation like in the Western Balkans? How can party financing become more transparent? How do the electoral laws have to be reformed to help provide transparency and strengthen accountability? How can MPs from governing parties become more independent of the executive? How can genuine representative democracies be developed in which elected MPs are accountable to their constituencies rather than party leadership?

Introduction:	Vukosava Crnjanski, *The Sources of Party Loyalty as Obstacles to Parliamentary Accountability in Serbia*
Moderation:	Dani Ilazi

12:00 – 13:00

Discussion with Léa Briand, Spokesperson of abgeordnetenwatch.de

13:00 – 14:00

Lunch

14:00 – 15:00	**Session V:**

Parliamentary Oversight over Intelligence and Military

Parliamentary oversight over military and intelligence in Western democracies varies in size, powers and forms. However, civilian oversight over security structures is essential for their democratic accountability. What is the situation like in the Western Balkan countries? What are the major shortcomings? What are the most urgent reform needs vis a vis parliamentary oversight? How can such crucial civilian oversight bodies be established in the region and oversight be ensured?

Introduction: Sonja Stojanović Gajić

Moderation: Sonja Licht

15:00 – 16:30   **Discussion with Reinhold Robbe, Former Parliamentary Commissioner for the Armed Forces**

16:30 – 17:00   Coffee Break

17:00 – 18:00   **Session VI:**

The Role of the Committees on European Integration in the Western Balkans Parliaments

The role of the Committees on European Integration in the Parliaments of the WB6 is to review all bills and general acts from the standpoint of their harmonization with the regulations of the European Union. This gives Parliaments a crucial role in the EU accession processes of their countries and can be a way to ensure their engagement in the process. What are the concrete rights of the committee within the Western Balkans countries? How is this mandate carried out across the region in practice? Should this committee be strengthened and if so, how can this be achieved? Can these committees be involved in the reform processes more actively?

Introduction: Vlora Rechica, *The Committees on European Integration and the Questionable Separation of Power in the Western Balkans*

Moderation: Srđan Majstorović

19:00   **Farewell Dinner**
Venue: Schleusenkrug, Müller-Breslau-Straße 14b, 10623 Berlin

Friday, May 10, 2019

Departure of Participants

LIST OF PARTICIPANTS

Dritan Abazović

Branislav Borenović

Chrstian Böttcher

Josip Brkić

Lirak Çelaj

Adnan Ćerimagić

Gordana Čomić

Vukosava Crnjanski

Ilir Deda

Sokol Dedja

Aleksandar Drljević

Vedran Džihić

Stelian Dumitrache

Shpend Emini

Christian Gayoso

Klajda Gjosha

Peter Grk

Thomas Hacker

Christian Hagemann

Metin Hakverdi

Edith Harxhi

Christian Hellbach

Christiane Hullmann

Dani Ilazi

Alexander Jung

Amer Kapetanović

Jeta Krasniqi

Gunther Krichbaum

Alexander Kulitz

Sonja Licht

Matthias Lüttenberg

Srđan Majstorović

Bojan Marichikj

Damir Mašić

Pauline Menthonnex Gacaferri

Tanja Miščević

Thomas Motak

Dietmar Nietan

Vjosa Osmani

Miroslav Papa

Nikola Poposki

Vlora Rechica

Philipp Reszat

Konstantin Samofalov

Manuel Sarrazin

Christian Schmidt

Korab Sejdiu

Sabine Stöhr

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Alexander Strelkov

Helge Tolksdorf

Ivana Tufegdzik

Milena Turk

Bodo Weber

Ivan Vujović

Valbona Zeneli

The Aspen Institute Germany

Tina Bories
Junior Program Officer

Valeska Esch
Program Director

Rüdiger Lentz
Executive Director

Olga van Zijverden
Program Officer

Sandra Schwalen
Rapporteur

CONFERENCE REPORT: STRENGTHENING PARLIAMENTS AND THEIR ROLES IN THE WESTERN BALKANS REFORM PROCESSES

Sandra Schwalen
Rapporteur

The Southeast Europe Program's first conference of 2019 "Strengthening Parliaments and Their Role in the Western Balkan Reform Processes" took place in Berlin on May 7-9, organized by the Aspen Institute Germany and funded by the German Federal Foreign Office. The aim of the conference was to discuss different roles of Parliaments in the Western Balkans, identify some common weaknesses and downfalls, and how to strengthen these in order to further reforms in the region. All sessions took place under Chatham House Rule. Participants represented a variety of nationalities from across the region and Europe and arrived with a diverse set of backgrounds in politics, public administration, civil society, and academia.

This summary provides a brief account of the presentations made in each session, followed by an overview of the subsequent general discussion. It then concludes by briefly highlighting topics and debates which emerged as common threads across each of the sessions.

Opening

The conference began with opening remarks from Aspen Germany Director Rüdiger Lentz and an introduction on German policy priorities in the Western Balkans by Ambassador Dr. Christian Hellbach, Director for South-Eastern Europe, Turkey, and the EFTA States at the German Federal Foreign Office. Christian Hellbach underlined the importance of strong institutions in the Western Balkans for German security interests, and identified several causes of weak institutions, such as lack of parliamentary independence and party polarization. In the ensuing discussion, participants brought up further challenges for strengthening Parliaments in the region, including state capture, sacrificing state affairs for party interest, and lack of regional cooperation. It was also mentioned that the 'narrative of Europe' has changed in the region, and the pervasive feeling that the EU has failed to deliver has led to a lack of confidence and the rise of populism in the region. There was overall consensus that enlargement is the best tool for parliamentary reform; however, a combination of regional conflicts, increased politicization of enlargement, lack of reform progress, and diverging messaging from EU member states make this difficult.

Session I: Conditionality in the Western Balkans – Is the EU's Approach Still Delivering?

This session opened with a presentation by Adnan Ćerimagić on the changing perspective of the European Union in the Western Balkans, which enjoyed great support in the early 2000s when it seemed like a promising means to bring about reforms and economic prosperity in the region. In the last two decades however, support for the EU has dwindled to lukewarm as accession talks take longer

and longer, and as influence from other states and nationalist leaders increases. It was recommended that the EU Commission should work to close the gap between the Western Balkans and the EU through concrete roadmaps and through strict and fair assessments of the progress of countries in adoption of norms and implementation of EU conditionalities.

Adnan Ćerimagić argued that on one hand the EU should prioritize already existing initiatives towards these objectives, such as the development of roadmaps for rule of law for all countries regardless of their stage in the formal accession process, or sending of expert missions to the countries to credibly assess the situation. On the other hand, Parliamentarians, civil society, and the media across the Western Balkans should use these assessments and push for the race in adoption of norms and implementation of EU conditionality to dominate public debates and become a measure of governments' success.

Gunther Krichbaum, the Chairman of the Committee on the Affairs of the European Union in the German Bundestag then commented on the presentation, also highlighting German interest in stabilizing the region. He underlined the importance of increasing the rule of law in order to attract foreign investors as well as strengthening civil society, so that when negotiations are started, they can be completed quickly. He maintained that the starting date of the negotiations was not as important as the quality; short and structured negotiations were the best method.

In the ensuing discussion, participants questioned some of these points. Several people contended that the date of beginning accession talks is important, as this is how it is communicated to the public that progress is being made. There was also frustration over the lack of consistency and self-criticism on the part of the EU. Particularly, it was pointed out that some autocratic leaders are being tolerated despite the goal of democracy, and that countries like North Macedonia and Kosovo, which have solved conflicts and fulfilled conditions, still do not see tangible results. In conclusion, it was agreed upon that in order to improve the story being told of the EU in the Western Balkans, the EU should use clearer language, "call things by their name", and not shy away from naming and shaming those responsible for slow reform progress publicly, as populations need to be enabled to hold their governments accountable for lack of progress in the accession process.

Session II: Political Polarization, Party Politics, Radicalization, and the Role of Opposition

Session II opened with a presentation outlining the decline of democracy and political institutions in the Western Balkans, which has gone hand in hand with a rise in nationalism, party politics, and intense political polarization. Dr. Vedran Džihić argued that a nationalist moral hierarchy has emerged which legitimizes the ruling party to rule largely unconstrained by norms and institutions, which in turn has reduced the power of Parliaments in political life. He

defined nationalism as the ultimate challenge to strong institutions and argued that a European enlargement plan could counter this. This plan must aim to improve on the rule of law and instill fundamental European values including freedom of the media and freedom of institutions.

Along similar lines, Shpend Emini presented a paper on the danger of polarization of party politics for civil society and the political culture as well as for Parliaments in the Western Balkans. He explained that confrontations and lack of compromise between ruling and opposition parties were leading to weaker, dysfunctional Parliaments. This disfunction, along with growing clientelism among political parties, has led to a low level of citizen trust in Parliaments. Emini recommended that ruling parties need to improve consensus-building and that the opposition needs to work on concrete proposals, and not just criticize everything the ruling party proposes.

The ensuing discussion considered how this polarization had occurred and what parliamentarians could do to improve the political climate. Some key causes of polarization that were identified included political parties which had become more interest based than ideological, and leaders who misused their powers to silence the opposition, such as through the media. Albania was mentioned as an example where the political polarization had gotten especially out of hand, and opposition parliamentarians had resigned in protest of the ensuing constitutional crisis. Some participants, however, pointed out that vocal opposition and active participation were not polarization and, in fact, key in avoiding generalization among politicians in a democracy.

Participants debated what the best strategy would be to solve political polarization and help stabilize Parliaments. Some participants discouraged the Western Balkans from waiting for external support to solve all their problems. Instead, emphasis was put on the importance of regional cooperation, taking ideas from the EU such as the single market, but not expecting foreigners to fix everything. It was also pointed out that democracy is a process, and that other democracies in the West were having similar problems. Other participants seemed more skeptical that Parliaments could be strengthened and polarization decreased without external help, stating that the EU Commission's roadmap already exists, and if the problems could have been solved on their own, they would have been.

Conference participants also mentioned the importance of solving regional conflicts, such as the conflict between Kosovo and Serbia. A key difficulty in solving this crisis is the intense political polarization and state capture facilitated at least in part by the countries' autocratic leaders. An example therefore is the statement by the Serbian president who said he would recognize Kosovo "over his dead body". Frustration was expressed at autocratic leaders as such, who weaken institutions and make resolving disputes difficult. In order to strengthen Parliaments and decrease polarization, it was recommended to improve regional cooperation and bring minority voices to the table, to show

citizens that Parliaments represent their interests, and not just those of the political leader.

Meeting with Prof. Dr. Patrick Sensburg, Member of the Parliamentary Oversight Panel for the Intelligence Services

In the meeting on the Parliamentary Oversight Panel for Intelligence Services, Dr. Patrick Sensburg outlined the structure and functioning of German intelligence services and how the committee oversees them. Sensburg explained that the Parliamentary Oversight Panel is responsible for ensuring that the three intelligence agencies are working in accordance with the German Basic Law and that they have proper funding and staffing. Conference participants were then able to ask questions and discuss aspects of parliamentary oversight and intelligence services with Sensburg. Participants were especially interested in discussing the view of the German security services on the Balkans, on topics such as enlargement and non-EU influence in the region. The role of the intelligence community in German national security was also discussed, and while Sensburg underlined the importance of separation of police and national intelligence in Germany, he also maintained that in light of new threats (i.e. cyber), internal affairs and defense do work hand in hand. In this context, NATO and national defense spending were also discussed, underlining the political difficulty of supporting military spending in Germany. Conference participants were also interested in how a parliamentary committee is able to exercise quality control on the intelligence institutions. Sensburg explained that there are unclassified documents that report on public opinion and comment on specific topics, as well as annual public hearings with the heads of all intelligence agencies that are broadcasted online, during which the parliamentary oversight panel can ask questions.

Meeting with State Secretary Prof. Dr. Horst Risse, Director of the German Bundestag

Conference participants also met with Bundestag Managing Director State Secretary Prof. Dr. Horst Risse who gave a detailed presentation of the administrative organization of the German Bundestag. The Bundestag is managed by a staff of about 3,000 who are responsible for all 709 members of Parliament, the office of Bundestag President Wolfgang Schäuble, the press office, the parliamentary committees, and parliamentary records and notetaking. In addition, the German Bundestag Administration oversees parliamentary research services, several international exchange programs, public events, petitions and submissions from the public, and manages the third-largest library in the world.

Session III: Strengthening Parliamentary Oversight

This session opened with two presentations by Dr. Alexander Strelkov and Jeta Kransiqi on parliamentary reform processes in the Western Balkans, focusing particularly on parliamentary oversight and the Parliaments' role in EU reforms. State capture, lack of civilian trust in Parliaments and ineffective capacity-building programs were identified as main problem areas. In order to resolve some of these issues, it was recommended to compile data on parliamentary resources and capacities across the Western Balkans in order to create a scoreboard, modeled after the EU Justice Scoreboard. Further, the EU Parliament's opportunities could be used to enhance capacity-building in the region. It was also pointed out that the promotion of EU enlargement in the Balkans in politics and academia could be enhanced by EU member states' Parliaments through visits and regular exchange with their colleagues in the Balkans. Regarding Balkan Parliaments' role in the accession progress, regional Parliaments can act as intermediaries between their countries in order to increase trust on both sides and make the enlargement process more transparent. However, there must be curtailing of corrupt practices, such as the EU looking the other way when regional Parliaments quickly pass "urgent" measures without parliamentary debate in order to make it look like they are complying with EU reform measures.

The discussion that followed focused largely on executive control of Parliaments (state capture), why this is detrimental to young democracies, and how to stop it. Participants explained that often the executive branches in the Western Balkans see the Parliaments as working for them, rather than acting as a check for their power. The Parliament is often the primary target of state capture, because it defines the "rules of the game" so to speak. In many cases the Parliaments are purposely undermined and are designed to be weak with little oversight function. The executive then just follows some parliamentary procedures to "check the boxes", when in reality there is very little parliamentary oversight and the executive more or less controls them. The example given was of certain urgent laws, where there is pressure to pass them quickly, resulting in window-dressing and box-checking, without actually following procedures. It became clear in the discussion that many blame the general lack of political will and indifferent attitudes of parliamentarians for the state capture and lack of oversight.

The political culture in the Balkans (or lack thereof) was also deemed to be the cause of the polarizing party politics which were discussed in depth in the previous session. Political parties tend to be focused more on short-term goals and serving themselves, rather than solving systemic problems in the democratic institutions and serving their constituencies. Lack of parliamentary oversight also stems from leader-centric organized parties, whose populist leaders have a tendency and interest to create weak Parliaments who will do their bidding. Participants argued that political culture could be shifted gradually through regulatory frameworks, which would in turn raise national consciousness and increase public debate.

The other concern voiced in the discussion was the number of parliamentarians and political leaders which have been accused of corruption, yet continue to be up for reelection simply because voters do not have full information on the

candidates. To solve this problem, it was recommended that political party laws should be updated to require information sharing on candidates and blacklists which expose those candidates accused of fraud, corruption, or of war crimes. Civil society organizations can play an important role here because they can share information on accused candidates running for Parliament. Electoral codes also need to be reformed to punish electoral fraud and block oligarchs from paying to put themselves on voter lists.

Another challenge brought up in the discussion was that pressure from the EU to meet certain requirements or pass certain reforms then led to Parliaments to be rushed to pass laws. In these cases, this means that there is little democratic debate or efforts to enact concrete change, rather making Parliaments rubber stamping institutions. The concern was that well-intentioned EU measures to promote democracy in the region have in fact been having the opposite effect due to lack of parliamentary oversight and lack of political culture. The recommendation here was that the EU cannot sacrifice democratic processes for the sake of checking boxes in the accession checklist. Western donors such as the EU must be firm with their expectations and conditions to ensure that Balkan Parliaments are actually complying and not just window-dressing.

Session IV: Electoral Law and Party Financing

This session focused on transparency and accountability of members of Parliament in both the electoral process as well as party financing. Both of these factors have great impact on citizens' trust in the Parliament and the general attitude and political climate in the region. The session looked at how electoral laws could be reformed to allow for more transparency, how to ensure that MPs from the governing party remain independent from the executive, and how to hold parliamentarians accountable to their constituencies rather than their party leaders.

The example from Serbia presented by Vukosava Crnjanski gave insights into the situation in the Western Balkan region in general. The current electoral system allows political parties to propose a list of candidates that are voted in through a mandate depending on what percentage the party receives in elections. This creates a disconnect between voters and their representatives as people do not really know who they are voting for. This system is a less transparent, less democratic way to elect MPs as many citizens do not feel they have a direct say in who represents them in Parliament. The other issue with this electoral system is that MPs must go through parties to enter government and therefore feel more loyalty to the party they owe their position to, instead of the voters they are meant to represent. This leads to the general feeling that MPs adhere more to their party's interests rather than the voters. If the electoral system was to be reformed and citizens elect their representatives directly, there would be more accountability as MPs would try to fulfill their voters' demands, rather than their parties to ensure reelection.

Further isolating Parliaments from their electorates is the lack of transparency once Parliaments are elected. Citizens do not have the feeling they can contact their representatives with issues important to them. On top of that, there are very few ways the public can see what is going on in Parliament and hold MPs accountable. Transparency could be improved through increased civil participation in the form of law proposals, working groups, and public hearings. The Parliaments should also publish speeches and proposals, attendance to parliamentary sessions and voting records of the parliamentarians to increase transparency.

Party financing is also in serious need of reform to ensure a democratic and transparent electoral system. At the moment, most countries in the Western Balkans do not enforce any strict laws on campaign or party financing. Many participants reported a lack of transparency of finance sources as well. In the current system, political parties accept funding from oligarchs or other corrupt sources but are not held accountable. Moreover, the ruling party is often able to use state funds on their campaigns, giving the incumbent an unfair advantage. This lack of transparency and enforceable campaign finance laws also contributes to state capture, as it helps the ruling party stay in power instead of letting newer, critical voices be heard. Further ideas on how to increase parliamentary transparency and accountability were discussed in the next session with Léa Briand of abgeordnetenwatch.de.

Discussion with Léa Briand, Spokesperson of abgeordnetenwatch.de

Léa Briand of the German NGO abgeordnetenwatch.de spoke to the conference participants on the organization's programs and goals to make the German government more transparent. Abgeordnetenwatch was founded to increase citizens' trust and engagement with their elected representatives and to increase parliamentarians' accountability to their constituencies. Through abgeordnetenwatch.de's online question forum, citizens can ask their representatives questions directly, the answers to which are posted online for all to read. To increase transparency, voters can also find out more about their representatives and candidates on the website, including voting records and sources of campaign funding. Abgeordnetenwatch.de also aims to better educate citizens on how the Parliament functions, how the electoral system works, and how they can hold their elected officials accountable. Further, the NGO aims to make the activities of political lobbyists more transparent, publishing names of individuals and companies who fund political lobby groups.

Conference participants were very interested to hear of the NGO's efforts to make parliamentary activities more transparent and hold elected representatives accountable to their constituencies. Furthermore, it was discussed to which extend tools and activities by abgeordnetenwatch.de could be transferred to other legislative frameworks outside of Germany.

Session V: Parliamentary Oversight over Intelligence and Military

The fifth session opened with a presentation on the dangerous effects of executive control of the Parliament on intelligence and defense sectors in the Western Balkans. In previous sessions, it was discussed how the Parliament is often a tool of state capture because of its legislative functions; however, here it was explained, the Parliament is also target for control of its oversight function such as over the security sector. Parliamentary oversight over the military and intelligence agencies is particularly important as these institutions have significant federal budgets as well as unique powers of surveillance and coercion, which if used unethically, such as for personal or party purposes, endanger human rights. The security sector is also responsible for combatting crime and investigating corruption, including at top levels, which can be thwarted by influence of the ruling party. Perhaps most importantly, without independent parliamentary oversight, the security sector can be used to tighten the grip of state capture on other political and democratic processes including elections, media freedom and civic space.

Further, it was discussed that the European Union enables state capture of Parliaments and the subsequent lack of oversight over the security sector. Although parliamentary oversight over armed forces is a criterion for EU accession, it was pointed out that this is rarely monitored. Several participants brought up the many incidents of misuse of special investigative measures (especially wiretapping) for party purposes and not for public security, which has occurred in all countries in the region. With the exception of the wiretapping scandal in North Macedonia in 2015, in which it was revealed that North Macedonia's counterintelligence service was involved in massive abuse of human rights and personal freedoms of Macedonian citizens, participants felt that the EU has not yet addressed these issues in a proactive way. Additionally, participants felt that the EU enlargement policy's approach to oversight over the security sector assumes that there is a societal consensus on threats and basic values to be protected, as well as a genuine political will for transformation in the interest of society. As addressed in previous sessions on the causes and effects of state capture, one of the main hinderances to long-term change as seen by participants is attitude and political culture.

In terms of recommendations to improve parliamentary oversight of the intelligence and military sectors in the Western Balkans, the Priebe Report, which many considered helpful to resolve the crisis in North Macedonia, was brought up several times. The report, produced by a group of independent experts commissioned by the European Commission, proved to be extremely relevant, precisely outlining "the diagnosis" of intelligence misconduct and urging a systematic approach for change. This diagnosis looked at the broader context of state capture, linking the dysfunctionalities of democracy with pathologies of parliamentary functions and rule of law in the region. A number of civil society organizations have called for the EU to

commission a further independent analysis of the mechanisms that endanger democracy and lead to the capturing of public institutions for political purposes, that could monitor the security sector specifically. It was also recommended to create new regulatory and institutional systems in Parliament, to encourage meaningful debates on key issues of security policy, and to ensure proactive scrutiny of high-risk areas for state capture in the security sector (e.g. surveillance, anti-corruption, intelligence services, human resources and selection of leadership). Increased involvement of civil society organizations in order to collect evidence on parliamentary performance, which could be used as scorecard for regional comparison, was also recommended.

Discussion with Reinhold Robbe, Former Parliamentary Commissioner for the Armed Forces

In conjecture with the previous conference session, Reinhold Robbe, a former German Parliamentary Commissioner for the Armed Forces, joined the group to discuss parliamentary oversight of the military and intelligence sectors. Robbe went over the background of how parliamentary oversight institutions became anchored into the German constitution, after it became clear following the Second World War that the Parliament must have control over the military. Further, he explained the role of the Commissioner to act as an independent point of contact outside of the military to which soldiers could bring any issues. Participants were interested to know how Germany's history impacted the modern German military, especially given rising concerns over right-wing extremism in the Bundeswehr.

Session VI: The Role of the Committees on European Integration in the Western Balkans Parliaments

The final session of the conference opened with a presentation of the roles of Committees on European Integration (CEIs) within national Parliaments in the Western Balkans. Vlora Rechica of the Institute for Democracy explained that although polls show that in all WB6 countries over fifty percent of citizens support EU accession, Parliaments tend to support party interests rather than the interests of their constituencies, i.e. ensuring the quality of the accession processes. Due to state capture of national Parliaments, the CEIs often do not have the positive effect on the EU *acquis* as might be assumed, or else enable Parliaments to pass laws that apparently follow EU criteria but in reality are "empty shells." For example, there have been accounts of national Parliaments finding loopholes that compromise the EU accession process, such as by bypassing the CEI and passing laws that are in harmony with EU law on paper but were never reviewed by the Committee.

As Vlora Rechica and other participants reported, although all six Western Balkan countries have established Committees on European Integration that have formally consented to follow EU mandated rules, there is a definite gap

between the EU *acquis* and political culture in the region. The severe lack of implementation of EU standards is due in large part to the politicization of public administration institutions. Many participants mentioned phenomena such as corruption and clientelism in the institutions, including the CEIs which are leading to a lack of competent professional staff and financial resources. Some described the Committees for European Integration as quite popular among MPs, because they sound impressive and the job includes travel; this leads to incompetent committee members, many of whom have little EU expertise and some who cannot speak English.

The combination of lack of capacity and corruption has led to inefficiencies in the process of EU harmonization and negotiation. For one thing, while governments claim to follow soft law (declarations, progress reports, and other international contracts), most of them tend to deviate from EU directions, proposing laws that are clearly in line with party agendas and without EU character. It also came up several times in the discussion how Parliaments often misuse EU procedures to urgently pass laws without parliamentary debate or that they put the EU symbol on laws that clearly do not fall in line with harmonization. Participants lamented that this behavior will further alienate citizens from their governments and cause people in the Balkans to be skeptical of the EU accession process.

The discussion arrived at some recommendations and proposals to make the Committees for European Integration in Western Balkan Parliaments more effective. The capacity of the Committees needs to be strengthened by appointing people with expertise who are willing to do the difficult work required, ideally younger MPs who have studied in Europe and have better understanding of the integration process. Many participants also called for increased interregional cooperation and information sharing between the CEIs to ensure accountability and that everyone is on the same page. It was also recommended that the CEIs introduce reverse correspondence tables to the Secretariat for European Affairs, so that the Secretariat is able to follow harmonization throughout the process and give some external oversight. The biggest obstacle standing in the way of the Committees on European Integration, however, is the lack of good governance and abuse of power by the executive that hinders Parliaments from acting independently.

MAGIC POTION, HEROES AND VILLAINS: BOOSTING EU ATTRACTIVENESS

Adnan Ćerimagić
Analyst
European Stability Initiative

Has the Magic Disappeared?

Stories have power, writes the author Janet Litherland, as "they delight, enchant, touch, teach, recall, inspire, motivate, challenge. They help us understand. They imprint a picture on our minds." The story of the 2004 enlargement of the European Union (EU) is one such story. It is told in the following order.

Back in the 1990s, the EU had an offer that leaders and societies in the countries devastated by decades of communism and failed socio-economic policies believed in and wanted. It was an offer of a more prosperous future with stronger and more stable democracies based on a market economy, and respect for human and minority rights. It inspired political leaders like Vaclav Havel, the first President of the Czech Republic who served until 2003, to believe that their countries should meet conditions set by the EU, to copy its practices, and to adopt its norms. So powerful was the offer, that citizens and pro-European political forces defeated all those who tried to block or slow it down, like the first Prime Minister of Slovakia Vladimir Mečiar, who served until 1998 and was considered to be "a dangerous and ruthless populist presiding over a thuggish and corrupt regime."[1]

From the launch of the 1999 Stability Pact in Sarajevo to the 2003 Thessaloniki Summit, the EU decided to use its appeal and extend its offer of a more prosperous future to Albania and the countries emerging from the breakup of Yugoslavia. The allure of the EU worked.

Despite very strong domestic opposition, governments in the region handed over dozens of indicted war criminals to the International Criminal Tribunal for former Yugoslavia over the years. In 2001, the EU offer brought North Macedonia back from a brink of an inter-ethnic conflict. In 2006, EU efforts enabled the peaceful dissolution of Serbia and Montenegro. In 2008, the EU conditionality on minority rights brought about the inclusion of Serbs in Croatia's government. In 2010, fear of being left behind led the Serbian government to accept the EU's facilitation of the process of normalization of relations with Kosovo.

Almost two decades after the Balkan wars ended, countries in the region seem like an island of stability and prosperity, geographically surrounded by and to certain extent already well integrated with the EU – especially when compared to the rest of the EU's immediate neighborhood, from Ukraine to Libya. Nevertheless, today many are nervous about the future of the Western Balkans. The Presidents of Serbia and Kosovo, Aleksandar Vučić and Hashim Thaçi, brought back policies that led the Balkans to war in the 1990s when they expressed willingness to redraw borders

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[1] The Guardian, "Europe's black sheep returns to the fold", April 28, 2004: https://www.theguardian.com/world/2004/apr/28/eu.politics2, Accessed on January 24, 2020.

along ethnic lines last summer,[2] thus giving credibility to warnings about the possibility of renewed conflicts.[3] The EU Commissioner for enlargement, Johannes Hahn, recently issued another warning, against growing influence of third actors.[4] In the region itself, civil society has been warning about captured states, dire state of democracy, decreasing media freedom, and increased violation of human and minority rights for years.[5]

In the Western Balkans, the story of the 2004 enlargement is still told by some. Nowadays, however, it sounds more and more like a fairytale. One with heroic and moral politicians, who, after taking a magic potion filled with EU offers, win the hearts and minds of their own people and then despite struggles, defeat the villains. And in the end, they take their societies to the promised land: the European Union.

Arguably, in a region which has seen so many states collapse, wars, mass expulsions and genocide, the story of the 2004 enlargement always had a bit of a fairytale touch. But it was one that the majority believed in. Some warn that if their faith in the power of magic potion is lost completely, it could spell the end of the EU allure across the whole region and banish the Václav Havels out of the Western Balkans forever. The aim of this article is to try to scratch the surface and look at what is left of that magic potion and what could be done with it.

When the Logic Is Gone

This year will mark a decade since the start of Serbia's journey on the EU path. Serbia applied for EU membership in December 2009 and has been engaged in accession talks since January 2014. If Serbia concluded its accession talks in the same amount of time as the most recent EU member, Croatia, then it would finish talks later this year. But Serbia is not even halfway through the talks; so far it has opened 16 out of 35 negotiating chapters and closed only two.[6]

When the European Commission suggested in February 2018 that Serbia "could potentially be ready for membership in a 2025 perspective," some member states rebelled.[7] Ahead of the Sofia Summit in May 2018, where EU and

Western Balkans leaders met, French president Emmanuel Macron expressed his doubts not only about whether the EU should (ever) be larger, but also whether the 2004 enlargement was beneficial for the EU:

> "What we've seen over the past 15 years is a path that has weakened Europe every time we think of enlarging it. And I don't think we do a service to the candidate countries or ourselves by having a mechanism that in a way no longer has rules and keeps moving toward more enlargement. I am not in favor of moving toward enlargement before … having made a real reform to allow a deepening and better functioning of the European Union."[8]

Politico Europe, a Brussels-based news portal, called Macron's statement a pouring of "cold water on Balkan EU membership hopes."[9] Three weeks earlier, while speaking to the members of the European Parliament in Strasbourg, Macron also said:

> "I am in favor of the Western Balkan countries having a reinforced strategic dialogue and a perspective, that we follow the reforms that are undertaken and that we encourage them – but without being lax or hypocritical."[10]

In a September 2018 interview with Reuters, Serbian President Aleksandar Vučić had an offer for the EU: "if we ever reach an agreement (with Kosovo), Serbia would need to get clear guarantees that it would become an EU member state in 2025."[11] For him that might have sounded like a fair trade: a solution for a long-standing European conflict regularly discussed at the UN level in return for guarantees that Serbia would join the EU sixteen years after it applied for membership. But the offer was bound to fall on deaf ears and no public reaction came from the EU. At the Belgrade Security Forum, five weeks later, Vučić sounded an alarm:

> "Do you really think when we speak about Serbia that if you are going to say 'Now we are going to open two chapters, or three chapters,' look, even my ministers in the room are laughing but it is not funny, do you really think that someone cares about it? Do you really think

[2] European Forum Alpbach, "New perspectives on EU enlargement", 25 August 2018: https://www.facebook.com/forumalpbach/videos/57468 2706268252/; Politico Europe, "Redrawing borders would be a fatal mistake", 28 August 2018: https://www.politico.eu/article/balkans-re-drawing-borders-would-be-a-fatal-mistake/, both Accessed on January 24, 2020.

[3] Euractive, "Juncker raises spectre of new Balkans war", 5 October 2018: https://www.euractiv.com/section/enlargement/news/juncker-rai ses-spectre-of-new-balkans-war/, Accessed on January 24, 2020.

[4] Financial Times, "Brussels says EU has 'underestimated' China's reach in Balkans", March 5, 2019: https://www.ft.com/content/4b a18efa-377b-11e9-b72b-2c7f526ca5d0, Accessed on January 24, 2020.

[5] Biepag, "The Crisis of Democracy in the Western Balkans. Authoritarianism and EU Stabilitocracy", March 2017: http://www.biepag.eu/wp-content/uploads/2017/03/BIEPAG-The-Crisis-of-Democracy-in-the-Western-Balkans.-Authoritarianism-and-EU-Stabilitocracy-web.pdf, Accessed on January 24, 2020.

[6] Council of the EU, "Serbia – Status of Negotiations", April 22, 2019: https://www.consilium.europa.eu/en/policies/enlargement/serbia/, Accessed on January 24, 2020.

[7] European Commission, "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans", February 6, 2018: https://ec.europa.eu/commission/sites/beta-political/files/comm unication-credible-enlargement-perspective-western-balkans_en.pdf, Accessed on January 24, 2020.

[8] Politico Europe, "Macron pours cold water on Balkan EU membership hopes", May 17, 2018: https://www.politico.eu/article/emmanuel-mac ron-pours-cold-water-balkans-eu-membership-enlargement/, Accessed on January 24, 2020.

[9] Ibid.

[10] Ibid.

[11] Reuters, "Serbia seeks EU membership guarantees in any Kosovo deal-Vucic", September 13, 2018: https://uk.reuters.com/article/uk-eu-bal kans-serbia/serbia-seeks-eu-membership-guarantees-in-any-kosovo-d eal-vucic-idUKKCN1LT2FY, Accessed on January 24, 2020.

it is going to be news for people here? No, it is not. It is because nobody knows what will happen after that. We need something tangible."[12]

The logic behind the accession process is that countries want to become members of the EU because it offers a more prosperous future with stronger and more stable democracies, based on a market economy, and respect for human and minority rights. To achieve this, countries wanting to join must meet conditions set by the EU, emulate EU practices and adopt EU norms. This then improves the situation in the countries, and in return the EU rewards them with progress in the accession process, by granting them candidate status, opening accession talks, or opening and closing chapters. If they fail to make progress, citizens will take note, political alternatives will emerge, and eventually the reforms will continue and lead to the EU membership.

But what happens if the logic behind the process is broken and politicians and societies, for example, start to believe that the offer of EU membership is no longer there? One worrying scenario is already emerging.

On April 19, 2019, the Foreign Minister of one EU member state went to Belgrade to address tens of thousands of Serbian citizens who gathered to hear the government's plans for the future of their country. Introduced as "a great friend and supporter of EU membership for the Western Balkans" the Foreign Minister said:

> "You deserve to become member of the European Union as soon as possible. If it was up to us you would be member of the European Union already tomorrow … With your membership the EU will be stronger."[13]

Foreign Minister of Hungary since 2014, the year that Serbia opened accession talks, Péter Szijjártó's words matter. He has, after all, followed the state of reforms in Serbia. As Foreign Minister of an EU member state, he also knows how the EU makes decisions about Serbia's accession talks. This is why the explanation he offered to citizens of Serbia for why their country's membership in the EU will take time should matter as well. He said that some member states "artificially slow down (Serbia's) accession negotiations." And warned against their attempts to "lecture Serbia" which is "a proper and proud European nation, something you have proved many times before."[14]

Szijjártó's message was clear: when it comes to meeting conditions set by the EU, emulating EU practices and adopting EU norms, Serbia has seized the EU's offer of a more prosperous future with stronger and stable democracies based on market economy and respect for human and minority rights. It is ready for full membership, but this is not happening because some EU member states do not want that.

The author Janet Litherland is right when she notes that "stories have power." But sometimes their power can work against the reader's own interests, in particular when they further misunderstandings, provoke unfounded disappointments, and have a demotivating effect. The story told by the Hungarian foreign minister in Belgrade is one such story. While the membership perspective of the Western Balkans in the EU is being increasingly questioned, the reality of Serbia, as described by Szijjártó, and other Western Balkan states could not be more different.

Keeping the Magic

A key challenge for the next European Commission will be to restore the EU's credibility and attractiveness in the Western Balkans. This is the only way for the next Commission to be able to increase EU influence in the Western Balkans.

The Commission will have a weak starting point. Politicians and the public in the region are mostly focused on the race for achieving the next steps in the formal accession process: get candidate status, open accession talks, open and close chapters. These decisions, however, are taken by EU member states and are political, very often unfair, as the June 2017 decision not to start talks with North Macedonia and Albania showed. Decisions on Western Balkans' EU integration in the Council could become even more difficult to make since there is an increasing number of EU member states that are skeptical of enlargement; in fact in more than half of the member states, popular support for EU enlargement is less than fifty percent, including in Germany, France, the Netherlands, and Austria.

One avenue to address these challenges would be to shift the focus to the race that so far was left in the background due to false impressions that progress in formal steps of the accession process reflects progress in the adoption of EU norms and the fulfillment of EU conditions.

This would also be beneficial for the citizens of the Western Balkans. When President Vučić spoke about disillusionment with opening of chapters at the Belgrade Security Forum in October 2018, he also described the mood around the accession process in general, saying that "we need something tangible. We need something that people … will see with their own eyes or will feel … I think that is missing."[15] President Vučić is right; citizens in the region expect visible changes in their everyday lives that the fulfillment of EU conditions and the adoption of EU norms should bring. The public therefore deserves to be informed

[12] Belgrade Security Forum, "Grand Opening and Panel Western Balkans and the EU", October 18, 2018: https://www.youtube.com/watch?V=3Xx2g7E1g98, Accessed on January 24, 2020.

[13] Szabad Magyar Szo, "Szijjarto: Dragi moji prijatyeli (video)", April 19, 2019: https://szabadmagyarszo.com/2019/04/20/szijjarto-dragi-moji-p rijetyeli-video/, Accessed on January 24, 2020.

[14] Ibid.

[15] Belgrade Security Forum, "Grand Opening and Panel Western Balkans and the EU", October 18, 2018: https://www.youtube.com/watch?v=3Xx2g7E1g98, Accessed on January 24, 2020.

when conditions are not fulfilled, or norms not adopted. That way the EU could inspire citizens to demand more from their politicians, or from alternative political forces.

In the world where one EU member state talks about the readiness of some Western Balkan countries to join tomorrow, and others are not willing to accept any new members for internal reasons, the region needs the European Commission to accurately describe the reality of the gap between the EU and the Western Balkans. And offer support for bridging that gap in as many areas as possible.

At the moment, the race that matters the most is the one related to candidate status, opening of negotiations and chapters, so the public in Montenegro and Serbia are convinced that their countries are frontrunners. They are told that being front-runners means that their countries are more advanced and closer to the EU average. According to the European Commission's own assessments, this is not the case. In the race to adopt EU norms and implement EU conditions, Montenegro and North Macedonia are equal and frontrunners, while Serbia and Albania are behind. Opening chapters did not necessarily lead to progress; in fact, in some areas the situation became worse.

Let us look at two couples, first being the two countries that are negotiating EU membership: Serbia since January 2014 and Montenegro since June 2012; and the other couple two countries rightfully hoping to open accession talks in June 2019: North Macedonia and Albania.

The European Commission published its latest assessment of the Western Balkan countries in April 2018. When assessing the state of reforms and progress made, the Commission uses a uniform grading system in all areas, thus making comparison among countries possible. The assessment showed that, on average, when it comes to priority areas – public administration, rule of law and economy – frontrunners are Montenegro and North Macedonia, while Serbia and Albania are left behind.

Table 1: European Commission's assessment of the state of play in priority areas (April 2018)[16]

Priority reform areas	Montenegro	North Macedonia	Serbia	Albania
Public administration reform	3	3	3	3
Functioning of judiciary	3	4	4	4
Fight against corruption	4	4	4	4
Fight against organized crime	4	4	4	4
Freedom of expression	4	4	4	3
Existence of functioning market economy	3	2	3	3
Capacity to cope with competitive pressure and market forces in the EU	3	3	3	4
Average	**3.4**	**3.4**	**3.6**	**3.6**

Table 2: European Commission's assessment of the state of play in 33 chapters (April 2018, average)[17]

	Monte-negro	Serbia	North Mace-donia	Albania
33 chapters	3.0	3.0	3.0	3.6

Across the 33 chapters, it is Montenegro, Serbia and North Macedonia that have the exact same average. Surprising results emerge also when looking more closely at areas where Montenegro and Serbia have opened chapters. When the European Commission published its assessment of the state of public procurement and progress in Serbia in November 2016, it noted that Serbia was 'moderately prepared' and that it has made 'some progress' since the previous report published in November 2015.[18] One month later, in December 2016, Serbia opened the chapter on public procurement.[19] By the next report in April 2018, sixteen months after the chapter on public procurement was opened, the Commission noted that Serbia continued to be 'moderately prepared,' but also that it had made 'no progress.'[20] Public procurement in North Macedonia and Montenegro was at

16 European Commission, "Montenegro 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-monte-negro-report.pdf, "Serbia 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-serbia-report.pdf, "The Former Yugoslav Republic of Macedonia 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf, "Albania 2018 Report", April 17, 2018: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-albania-report.pdf. The scale used by the Commission for state of play is as follows: Well advanced: 1, Good level of preparation: 2, Moderately prepared: 3, Some level of preparation: 4, Early stage: 5. All Accessed on January 24, 2020.

17 European Commission, "Serbia 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-serbia-report.pdf, "The Former Yugoslav Republic of Macedonia 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf,

"Albania 2018 Report": https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-albania-report.pdf, April 17, 2018. The scale used by the Commission for state of play is as follows: Well advanced: 1, Good level of preparation: 2, Moderately prepared: 3, Some level of preparation: 4, Early stage: 5. All Accessed on January 24, 2020.

18 European Commission, "Serbia 2016 Report", 9 November 2016: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf, Accessed on January 24, 2020.

19 Council of the EU, "Fourth meeting of the Accession Conference with Serbia", December 13, 2016: https://www.consilium.europa.eu/en/press/press-releases/2016/12/13/accession-conference-serbia/, Accessed on January 24, 2020.

20 European Commission, "Serbia 2018 Report", April 17, 2018: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-serbia-report.pdf, Accessed on January 24, 2020.

the same level as in Serbia: 'moderately prepared.' But compared to Serbia, North Macedonia, which did not even open accession talks, made 'some progress,' while Montenegro, negotiating public procurement since December 2013, was even 'backsliding.'

The story about results of this race, however, is not told in the Western Balkans. At least not yet. It is not discussed in Parliaments across the Western Balkans or public, it is not brought up at press conferences during visits by the EU commissioner for enlargement, by members of the European Parliament, or by member states' officials. Thus, their potential power to inspire politicians, civil servants, civil society, and citizens remains unfilled. This should no longer be the case.

Instead of a Conclusion: Recommendations

At the time when the story about the EU's promise of a prosperous future in the Western Balkans sounds increasingly like a fairytale, when there is a visible rise of Vladimir Mečiars across the region and in the EU, the next European Commission has a difficult task to regain credibility, to support and strengthen the Václav Havels and their vision for Europe.

The Commission should use its existing capacities to understand the reality in the Western Balkans, and to explain the gap between the Western Balkans and the EU.

The Commission should further strengthen this capacity and more credibly describe the reality in the Western Balkans, the existing gap between the EU and the Western Balkans, as well as gaps between the countries of the region.

The Commission should work on developing concrete ideas for roadmaps on how to bridge those gaps (from road safety and public procurement to quality of education).

The Commission should then strictly and fairly assess the progress (and lack thereof) and communicate clearly to the public of the respective country.

Many initiatives like this are already part of the February 2018 Commission paper, such as development of roadmaps for rule of law for all countries regardless of their stage in the formal accession process, or sending of expert missions to the countries to assess credibly the situation. But these need to be prioritized by the next Commission.

Parliamentarians, civil society and the media across the Western Balkans should use these assessments and push for the race in adoption of norms and implementation of EU conditionality to dominate public debates and become a measure of governments' success.

NATIONALIST POLARIZATION IN THE WESTERN BALKANS AND ITS INSTITUTIONAL CONSEQUENCES. A FATE THAT CAN BE CHANGED?

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In Southeastern Europe, the process of democratization and Europeanization since the beginning of the 2000s has been seen as a major paradigm shift and made the international community and the EU believe that time of wars and nationalist excesses was in the past. It seemed a sure sign that all countries of the region were set to reach the membership in the European Union soon.

In terms of Europeanization and democratization, we can argue that the second decade of the 21st century has brought no substantial progress in Southeastern Europe. Rather, it has seen the region on the path of constant decline of democracy. The latest reports of Nations in Transit, the Bertelsmann Transformation Index, and other serious academic research prove the continuous trend of de-democratization in the region, with scores either falling or stagnating.[1] Weak democratic institutions often resemble empty facades. Lack of rule of law is evident, the principle has perverted into the rule by law of dominant political parties able to control the judiciary. We see huge deficits in terms of fundamental rights and values including media freedom. Just in April 2019, Reporters Without Borders published their newest ranking on the freedom of media, listing Serbia as one of the countries in Europe in which the media freedom deteriorated the most.[2]

Elections are held but are dominated by dominant parties and are not able to generate genuine political changes. All in all, we see a mounting democratic deficit before democracy has even had the chance to become "the only game in town." On top of everything else – with the exception of North Macedonia – comes a rhetorical democratic and EU-integration mimicry from governing elites, who are also engaged in maintaining or establishing illiberal or semi-authoritarian power structures. Citizens are either disillusioned with the type of governance in their countries or generally frustrated, which results in political disengagement or the wish to emigrate. One part of the citizenry long ago adjusted to the structures and circumstances, learning to obey or to profit from the clientelist structures. Either way the spaces for political engagement and active participation have been shrinking.

Nationalist Resurgence and its Institutional Consequences

The downward spiral of democratic development (again with the exception of North Macedonia) came hand in hand with a new rise of nationalism. Even though the nationalist polarization from the conflicts of the past has never left the region (look at ethno-politics in Bosnia and Herzegovina), we can argue that recent years have seen a dramatic rise of nationalist polarization. The so-called "refugee crisis" of

[1] Freedom House (2018) Nations in Transit, accessed on January 24, 2020 at: https://freedomhouse.org/report/nations-transit/nations-transit-2018. See also: Florian Bieber (2018) Patterns of competitive authoritarianism in the Western Balkans, East European Politics, 34:3, 337-354.

[2] Reporters without Borders (2019) World Press Freedom Index. Accessed at: https://rsf.org/en.

2015 re-opened and re-fueled old identity conflicts, thus contributing to an increase in nationalist rhetoric between Serbia and Croatia. Ever since the summer of 2015, the relationship between Serbia and Croatia has remained tense and rather hostile. The tensions and nationalist rhetoric that emerged in the fall of 2015 continued and even escalated after the final verdict (and acquittal) of Vojislav Šešelj at The Hague Tribunal in March 2016.

Kosovo-Serbian relations in the last few years are another example of new tensions and nationalist rhetoric. The stalemate in the dialogue is largely self-produced by political leadership in both countries. The spiral of artificially created crisis serves internal political agendas. It would be a long list to name all the recent events that have contributed to escalation of the relationship between Prishtina and Belgrade. Some examples include the "train affair" in January 2017, the events around Marko Đurić in Mitrovica and Prishtina in March 2018, and recent clashes over the 100% tax on Serbian products introduced by the Kosovar government in late 2018. All these events create a huge amount of negative nationalist energy used internally for political purposes and contributes to further polarization.

Another telling case of nationalist re-awakening that offers good insight into the mechanics of nationalist mobilization are the politics of former Macedonian Prime Minister Nikola Gruevski. Under his reinvention of a new and specifically framed Macedonian national identity, he reconstructed the center of the capital under the project "Skopje 2014." This has been an open expression of new and outspoken ethno-nationalism. The use of Skopje 2014 as a symbol of a new ethnically Macedonian nationalist narrative was divisive and contested among large parts of the Macedonian population (particularly among ethnic Albanians), yet it managed to address feelings of national pride among supporters of VMRO-DPMNE within a significant part of Macedonian Slavs. In this case, nationalism at the cost of ethnic polarization served as a unifying source within the party's power base. The new government of North Macedonia under Prime Minister Zoran Zaev is setting a new tone, but has a long way to go to get rid of the nationalist ghosts purposely re-awakened by Nikola Gruevski.

Much has been published on nationalism and the ethnopolitical paradigm in Bosnia, but not much has changed in terms of the virulence of ethnopolitics recently. Purposeful deepening of differences, maintaining tensions and utilizing 'ethnicity' for political purposes remains one of the crucial features of ethno-politics. This was on display again both during the 2018 electoral campaign as well as afterwards in the ongoing debate about a new government. Bosnian ethnopolitics refer to a system where political elites use fear as a political principle to maximize their power and put aside the interests of citizens, thereby deepening polarization of the society.

Looking at these trends in the region, we can come to some general conclusions about the phenomenon of nationalism in the region and its consequences for the state and institutions. It seems that the nationalist resurgence has strengthened fear as an important element of people's collective psychology. The nationalist rhetoric in the region builds up on the self-created political landscape of fear. It constructs a new populist, "moral" common sense for "our people" by introducing a difference between "real", meaning "our people" or people that support a particular political option, and the "wrong people", meaning opposition parties and individuals that question the dominant rule and criticize the nationalist politics. This moral hierarchy within the nation gives leaders the authority to define who belongs to the moral community and who does not. Hence, belonging to the "real people" is a political award, enabling easier access to state resources and government support. This new construction of a moral national community has helped to reshuffle society and politics. The normative power of this morally charged communitarianism has provided elites with a very powerful legitimizing tool, which operates and navigates through the political power game. I argue that this nationalist moral hierarchy also legitimizes the ruling structures and strong men to rule largely unconstrained by norms and institutions. This automatically reduces the role of Parliaments in the political life; nationalism should be understood as an ultimate challenge to institutions.

Towards More Democratic Institutions in the Western Balkans – An Incremental Change

As argued above, the widespread nationalist discourses and fear-based policies are directly translated into limited space for institutions and the lack of functionality of Parliaments in the Western Balkans. This means any EU-tailored approach to increase the functionality and the relevance of political institutions has to be accompanied by policies to (re-)establish democratic standards in the region based on intrinsic European values as spelled in the Article 2 of the EU Treaties. This must first of all include a rigorous EU-enlargement approach that transcends the "Stabilocracy"-approach and insists on the rule of law and fundamental European values including freedom of the media and freedom of institutions. Drawing red lines in cases of violations of democratic standards, communicating them clearly and offensively and tailoring further policies based on those read lines would need to be an integral part of this new enlargement package.

Secondly, in order to address the strong nationalist narratives spread by dominant political structures and leaders to deliberately produce tensions and fears, a strategy of unhiding the politics of mimicking democracy and pro-European stances would be needed. For such a new strategy to become politically relevant and powerful, new alliances and stakeholders in the region will be needed. Despite internal controversies and some problematic features, the recent wave of popular protests on the streets of Bosnia and Herzegovina, Serbia, Montenegro, and Albania do contain a powerful message: cronyism, corruption and clientelism will not be tolerated anymore. These protests send the message that citizens still believe in democratic and free

societies, rule of law, and fundamental freedoms. Citizen engagement presents an opportunity for potential renewal of institutions and new forms of leadership. The EU should embrace this engagement by accompanying and supporting the progressive and pro-European forces on their journey. An integral part of such a policy should also be to involve civil society actors and media in order to create a more meaningful and relevant public debate on the importance of deliberation, controversial yet consensus-oriented politics and a vivid parliamentary life.

Thirdly, when addressing institutional challenges, the focus should be on the Parliaments as the most important and symbolic embodiment of the will of the people and their independence. This could be achieved by simple prioritization, e.g. paying more attention to the work of the Parliaments and shaping policies and programs around this new priority. This is not to say that the focus on local governance or rule of law institutions should be substituted, rather it should be supplemented by policies underlying the real and symbolic power of Parliaments in any democratic society. More concretely, this would include things like visits to Parliaments by EU delegations, new exchange programs, common activities undertaken by Parliaments from the region with the EU Parliaments, etc.

Fourthly, both the EU and local actors should rely on the evidence provided by independent research institutions and draw from previous experiences in order to design new policies as well as introduce measures to strengthen Parliaments as pillars of democracy. For example, the independent research Institute CRTA in Serbia has been running a program scheme on the Serbian Parliament (Otvoreni parlament – Open Parliament) that includes research activities, conferences, workshops etc., where an enormous amount of relevant data and insights have been gathered.[3] The results were presented in Brussels and distributed to many other European capitals with seemingly no effect on the state of affairs in Skupština. Some of the findings will most probably be reflected in the new report of the EU Commission on enlargement, but they still need to find their way into concretely designed policies of the EU. Another important project initiated and supported for several years by the Erste Foundation in Vienna and now taken over by the OSCE is the *Demokratiewerkstatt* (democracy laboratory).[4] The *Demokratiewerkstatt* has worked with the Parliament in Montenegro and more recently in Kosovo. Over the course of a few years, huge knowledge-transfer and exchange has taken place in the form of debates which gave younger generations an opportunity to learn about the Parliaments from inside. Here again, the knowledge produced in the framework of the project and lessons learned provide many incentives in the policy formulation and implementation processes both by the EU as well as in the Western Balkans.

To conclude, there is no magic formula to prevent the region from slipping into a new crisis and further spirals of de-democratization. There is also no crystal ball to show the perfect steps that would integrate the region into the EU, as there is also no ultimate recipe for making Parliaments and institutions what they need to be in a fully functioning liberal democracy.

But, as indicated above, they are fundamental policy decisions to be made by the EU, lessons to be learned, smaller steps and actions to be taken. In the end, stopping nationalist energy from spreading over the region, and reclaiming democratic values embodied by democratic institutions and exercised freely in the societies, remains the ultimate task not only for the region but also for Europe and its peace project in the Balkans. It requires a common effort of the EU and its member states and progressive and democratic forces in the region that will challenge the rather bleak situation of democracy in the region. It is time for the EU to embrace the opportunity, break out of its technocratic and stability-oriented slump, and forge new alliances in a troubled but still truly European region of Southeastern Europe.

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[3]   See: www.crta.rs and https://otvoreniparlament.rs.

[4]   See: http://www.demokratielandschaft.at/.

POLARIZATION OF PARTY POLITICS IN THE WESTERN BALKANS: LIMPING TOWARDS STABILITY

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Introduction

Polarization refers to divergences that manifest not only among elites, but also within the society as a whole, which might be of political as well as ideological character. Opinions and policy positions are characterized by strict adherence to party lines. Polarization also reflects high levels of social and political conflict, stemming from varying underlying causes such as income inequality, programmatic discrepancies or discrimination against the opposition.

This briefing paper describes the current political context in six Western Balkan countries, all of which are permanently struggling to reach political stability. Efforts towards integration into the European Union are processes on paper, while the region remains far from economic and democratic standards achieved in the rest of the continent. Confrontational political culture, corrupt elites, and absence of rule of law are only some of the many obstacles standing in the way of citizens of the Western Balkans from enjoying levels of prosperity comparable to those experienced elsewhere in Europe. Some other factors that have influenced the rise of political polarization in the Western Balkans are related to the lack of democratic culture. Today, none of the countries in the region are considered free, democratic regimes. Political parties display a lack of willingness to lead constructive dialogue with their opponents in order to find compromise. Parties are rigid in their political stances and are unwilling to tolerate differing positions. This mainly has to do with the personal interests of political elites rather than the public interests. Further, influence of incumbent political parties over election processes remains high. Abuse of state resources and clientelism are the main avenues for amassing votes, which has led to the contestation of the legitimacy of electoral results. Political parties are seldomly following internal democratic standards; the undemocratic practices extend into the governance of state institutions. Opposition political parties are weak in exercising their government oversight role. Disregard for the stances of the opposition has resulted in their growing frustration and unwillingness to cooperate with political parties in power.

These characteristics make the Western Balkans an interesting case study for an in-depth analysis of the root causes of political polarization. This is a region that has experienced six conflicts caused by ethnic divisions between 1991 and 2001, and where transformation from a one-party communist system into multi-party systems has not led to the emergence of full-fledged democratic regimes.

This paper highlights some of the key challenges faced by political parties in the region. While there are many similarities among the countries of the Western Balkans, this analysis strives to draw out some of the distinguishing features of each individual country. Policy-making processes

and the degree of internal democracy of political parties have been analyzed, followed by the role of the opposition and measures they have taken to operationalize checks and balances on the government.

Political Context

For many years, Western Balkan countries have been struggling with soaring levels of corruption,[1] high unemployment rates (especially amongst the youth, leading to emigration surges towards Western Europe), semi-democratic regimes and threats to freedom of the media.[2] The Freedom House report for 2019 has ranked all countries of the Western Balkans as partly-free, listing consolidation of power, limiting freedom of expression and association, and the rule of law as reasons for the given status.[3] Cross-party dialogue is limited and opposition parties are too weak to conduct proper government oversight. This has led the opposition forces to adopt more aggressive measures such as parliamentary boycotts and violent protests.

In February 2019, opposition MPs in **Albania** resigned from their parliamentary posts. They accused the Prime Minister Edi Rama and the ruling Socialist Party of manipulating the results of the 2017 elections, as well as corruption and criminal affairs.[4] The resignation comes at the pinnacle of several weeks of political turmoil.

Twenty-four years after the signing of the Dayton Peace Accord (the agreement that put an end to the civil war that raged from 1992 to 1995) **Bosnia and Herzegovina** still finds itself in a dire political, social and economic deadlock. Its political institutions are dysfunctional and economic growth remains anemic. Social cohesion and inter-ethnic reconciliation are also victims of propaganda and political opportunism.[5]

Since 2011, **Kosovo** politics are fractionalized by the ongoing dialogue on the normalization of relations with Serbia. President Thaçi's idea of a "border correction", which would practically amount to a land swap between the two countries based on the existing ethnic lines, has further deepened the fragmentation.

It seems that political instability in **North Macedonia** has ended after the new government was formed in 2017. Ethnic rights and relations with neighboring countries have improved. North Macedonia's Parliament has adopted the Law on the use of Albanian language across the country,[6] which is an advancement of the rights of Albanians as an ethnic minority in North Macedonia. Twenty-seven years of dispute with Greece over the country's name was resolved with an agreement ratified by the Parliaments of both countries. In return, Greece agreed to lift its veto against North Macedonia's membership in NATO and the European Union.[7] This was considered a watershed moment that should serve as inspiration for other countries to set aside historical antagonisms.

The political environment in **Montenegro** is characterized by deep polarization, political boycotts and absence of any constructive political dialogue. In this regard, it is not uncommon for an EU delegation to mediate internal dialogue between the opposition parties and the government during a political crisis.[8] Furthermore, in October 2016, the day before Montenegro's legislative elections, the country experienced a failed coup attempt. Authorities in Podgorica blamed Moscow for trying to prevent Montenegro from joining NATO with this coup.[9]

Serbia is currently facing mass protests. The weekly anti-government marches in Belgrade started after a November 2018 assault on an opposition leader. In March 2019, protesters entered the building of Serbia's public radio and television broadcaster, RTS, which they see as the government's mouthpiece.[10] In response, President Vučić announced a pro-government rally to demonstrate that he garners more support than the opposition parties. He has repeatedly labelled the opposition politicians as thieves and fascists.[11]

Political Polarization

The main focus of political parties in the Western Balkans is to oppose each other's initiatives, even in cases where they are in the national interest. A clear example of this is in **Kosovo**, during the time when the current Prime

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[1] Transparency International, 'Corruption Perception Index for 2018,' Acceded on: https://www.transparency.org/cpi2018.

[2] Reporters Without Borders, Accessed on January 24, 2020 at: https://rsf.org/en/ranking#.

[3] Freedom House, "Democracy in Retreat: Freedom in the World 2019", Accessed on January 24, 2020 at https://freedomhouse.org/report/freedom-world/freedom-world-2019/democracy-in-retreat.

[4] Euroactiv, 'Albania's opposition MPs to resign in protest', Accessed on January 24, 2020 at: https://www.euractiv.com/section/enlargement/news/albanias-opposition-mps-to-resign-in-protest/.

[5] Ker-Lindsay, J., 'The hollow threat of secession in Bosnia and Herzegovina: legal and political impediments to a unilateral declaration of independence by Republika Srpska', London: LSEE – Research on South Eastern Europe. 2016.

[6] Balkan Insight, 'Macedonia Passes Albanian Language Law', January 11, 2018, Accessed on January 24, 2020 at: https://balkaninsight.com/2018/01/11/macedonia-passes-al banian-language-law-01-11-2018/.

[7] Al Jazeera, 'Greek parliament set for historic Macedonia name vote', January 24, 2019, Accessed on January 24, 2020 at: https://www.al

jazeera.com/news/2019/01/greek-parliament-set-historic-macedonia-vote-190123201805469.html.

[8] Balkan Insight, 'EU Fails to Sway Montenegro Opposition Over Boycott', September 21, 2017, Accessed on January 24, 2020 at: https://balkaninsight.com/2017/09/21/maintaining-boycott-montenegrin-opposition-pushes-for-snap-polls-09-20-2017/ .

[9] Balkan Insight, 'Montenegro 'Coup' Trial to Hear 'Russian Plot' Evidence', September 6, 2017, Accessed on January 24, 2020 at: https://balkaninsight.com/2017/09/06/russians-face-trial-over-coup-plot-in-montenegro-09-05-2017/.

[10] Radio Free Europe, 'Serbian Anti-government Protesters March A Week After Storming Public TV', March 24, 2019, Accessed on January 24, 2020 at: https://www.rferl.org/ a/serbian-antigovernment-protesters-march-a-week-after-storming-pu blic-tv/29839219.html.

[11] IBNA, 'Vucic announces he will defeat the opposition with Starbucks', April 11, 2019, Accessed on January 24, 2020 at: https://balkaneu.com/vucic-announces-he-will-defeat-th e-opposition-with-starbucks/?fbclid=IwAR0AbStKzUfRoN9S7VTZOY4avLVKnyGtrcnG NFzhrCEKN9jdjGgEynEBc.

Minister's party, AAK (Alliance for the Future of Kosovo/Aleanca për Ardhmërinë e Kosovës), was in opposition. AAK along with the Self-Determination Movement (Lëvizja Vetëvendosje) used teargas in Kosovo's Parliament and organized protests to oppose the border demarcation deal with neighboring Montenegro, which was one of the remaining conditions Kosovo needed to fulfil to receive visa liberalization with the EU. They managed to block the ratification of the agreement, but when they came into power, the AAK voted in favor of the very same agreement. This was one of most polarizing cases in Kosovo's short history of statehood, during which the word "traitors" was a common parlance used to threaten those MPs who dared to vote in favor of the agreement. With the benefit of hindsight, it seems to have been an artificial tumult that dominated the Kosovan political scene for many months.

The Albanian political system is marked by permanent political confrontation and harmful polarization. It is constructed on and around a deep and conflict-laden antagonism between the two opposing political leaders that extends into a confrontational relationship between Albania's two major parties, (PS and PD).[12] Opposition parties have not played a constructive role in the Parliament, which has manifested itself in boycotts and handover of parliamentary mandates, such as in 2019 when all (PD and LSI) MPs officially handed in their resignations.

The polarized political environment in **Bosnia and Herzegovina** is a permanent feature of the country's complex political system. What distinguishes BiH from other countries is that fissures occur not only between the coalition and the opposition but also among the governing coalition partners. The latter have clashed on several issues.

Most of the highly polarized political discourse originates from insufficient political dialogue and lack of willingness to compromise. Political tensions become even worse when disagreements stem from ethnic issues. Balkan countries are still undergoing a transition towards learning to live in a multiethnic society. The political scene in **North Macedonia** had been divided along ethnic lines, between Macedonians and Albanians. However, in the last parliamentary elections SDSM gained the support of the Albanian voters. After the elections, VMRO-DPMNE supporters stormed the Parliament building and injured some 100 people in an unsuccessful attempt to prevent the election of the first Albanian speaker of the Parliament.[13]

Abuse of state resources by political parties in power in order to ensure better electoral results is a widely spread practice across the Western Balkan countries. This has led to the contestation of legitimacy of government and raised demands for electoral reforms in order to create preconditions for fair elections. In **Montenegro,** this is exemplified by two notorious cases. During a case known as "the audio recordings affair," transcripts and audio recordings documented high-ranking officials of DPS employing their party members and abusing state resources were released on the eve of 2012 parliamentary elections. Since then, there were no new developments in the political and judicial follow-up of the alleged misuse of public funds for party purposes.[14] The second affair, commonly referred to as "the Envelope," emerged in 2019 revealing more illegal financing of the DPS electoral campaign and provoking a new cycle of protests and boycotts of the Parliament by the opposition parties. The political scene remains fragmented, polarized and marked by absence of political dialogue.

The current convocation of the **Serbian** Parliament is experiencing severe confrontation between political parties in power and those in opposition. In September 2018, nine opposition parties and organizations founded the Alliance for Serbia,[15] demanding preconditions for fair elections, prevention of abuse of state recourses by political parties in power, as well as complete media freedom and ending corruption. Protests have been held on every Saturday since then and have gradually spread across different cities in Serbia.

Party Politics and the Role of the Opposition

Multi-party democracy in the Western Balkans was introduced after the fall of communism, almost thirty years ago. Intra-party democracy is very limited, which has led to numerous splits and the emergence of new political parties. Moreover, leaders of political parties have accumulated a lot of power and have centralized the decision-making process. They control the list of candidates nominated to run in elections. This has affected the behavior of voters who vote for or against political leaders rather than on the merits of their party's political program.[16] The ground for compromise is thus extremely limited as voters focus on leaders (where preferences are mutually exclusive) rather than on policies (where compromise could be achieved).

Opposition parties are more likely to use scrutiny (monitoring and critique of government actions) and less likely to use policy-making (participating in or directly influencing legislative production) as parliamentary tools. There are three main reasons for this type of behavior: i) lack of internal capacities to formulate policies and to present them as alternatives to governmental plans; ii) rise of populist parties and confrontational opposition; and iii) continued

[12] Krasniqi, Afrim. 'The Presidentialisation of Political Parties in Western Balkan', CEMI, 2017.

[13] Balkan Insight. , 'Macedonia Ruling Party 'Coordinated' Parliament ViolenceViolence', Trial Hears, December 6, 2018, Accessed on January 24, 2020 at: https://balkaninsight.co m/2018/12/06/parliament-violence-coordinated-by-vmro-dpmne-defe dant-says-12-06-2018/.

[14] European Commission. , 'Key findings of the 2018 Report on MontenegroMontenegro', April 17, 2018, Accessed on January 24, 2020 at: http://europa.eu/rapid/press-release_ MEMO-18-3409_en.htm.

[15] Serbian Monitor. , 'Alliance for Serbia foundersfounders', September 03, 2018, Accessed on January 24, 2020 at: https://www.serbianmonitor.com/en/alliance-for-serbia-founded/.

[16] Krasniqi, Afrim. 'The Presidentialisation of Political Parties in Western Balkan', CEMI, 2017.

attempts to prevent opposition influence on the Parliament's agenda and management of parliamentary business.

Even though political parties in **Albania** are ideologically defined, polarization has increasingly taken a political, rather than ideological, character. Parties have a deficit of democratic culture and lack clear programs. Party politics in Albania are shaped by party leaders who have great followings. Whoever disagrees with their policies runs a risk of being expelled from the party.[17]

Political parties in **Bosnia and Hercegovina** have control over many segments of the political system, known as state capture. This is mainly done through privatization of selected sectors which has enabled illegal extraction of capital.[18] State capture is also achieved by the control of recruitment processes in public administration, through which a clientelist relationship is established with the electorate. Opposition parties are excluded from decision-making processes; the most important decisions are made behind closed doors, and then formalized in Parliament which merely acts as a "rubber stamp".

Governing coalitions in **Kosovo** are typically formed based on the distribution of ministerial positions rather than on party programs. Until recently, political parties had not presented any political platform to voters during election campaigns, relying solely on election promises. The Parliament does not serve as a forum for constructive political dialogue and representation, nor does it guarantee checks and balances.[19] In many cases, opposition parties have displayed obstructive behavior which has hindered the work of the Parliament. MPs of the governing coalition do not exercise, or exercise only superficially, their oversight mandate.

In **North Macedonia,** power is concentrated in the hands of party leaders. Candidates for prime minister are usually party presidents who lead the electoral campaign and are on party lists.[20] There is strong political polarization between parliamentary groups, and culture of cooperation is very low.[21] The Parliament's work has been marked by filibusters and interruption of parliamentary activities by the main opposition party.[22]

Political party leaders in **Montenegro** are drawing significant power from informal methods of influence, by excluding other members from the decision-making processes. The political scene is polarized on issues such as the EU integration or NATO membership, which overshadow

major internal problems. The opposition landscape is constantly changing; new parties emerge, and existing parties disappear within a single election cycle.[23]

Political parties in **Serbia** are most often recognized by the names of their leaders rather than the party names or programs. Serbian political parties and main political cleavages do not represent deeply rooted interests of the citizens, merely the projects of political elites.[24]

Conclusion

Many political parties in the Western Balkans have been leading their countries since the fall of communism. Their leaders are seen as arrogant politicians who are unwilling to listen to opposition voices. High levels of corruption, impunity of politicians who have gained wealth illegally, and social inequality have all contributed to a polarized political environment. Opposition parties accuse those in power of misuses of public resources and employment of party militants in public administration. This has damaged the political competition as a result of the creation of clientelist schemes among other things. Cross-party initiatives are very limited and political parties gather around ethnic lines. In several cases inter-ethnic divisions have led to highly polarized debates and use of violence in Parliament.

MPs who are elected to represent citizens in the Parliament do not exercise their mandate free of party influences. They are thankful to party bosses for their posts, instead of the voters. This is because party leaders have control over the list of candidates and rankings (which significantly increases chances of getting elected) through which they exercise influence over the voters' electoral choices. In addition, they control the distribution of finances as well as the treatment of candidates in political debates, rallies and in the media. In order to achieve more constructive work of governing and opposition parties, there is need of immediate improvement of intra-party democracy and decentralization of decision-making. Parties need to be more inclusive and provide more space for their members during the formulation of policies. In this way, political parties in general and MPs in particular will not serve the interests of the party leaders but of the public interest.

Parliaments in the Western Balkans are not immune to challenges faced by other European countries. Recommendations made by the European Conference of Presidents of Parliament are also valid for the Western Balkan

[17] Lexo, 'Majlinda Bregu: Nuk kam dalë nga PD, më përzunë! Ja e vëreta e takimit me eurodeputetë (I did not leave PD, they expelled me)', March 20, 2019, Accessed on January 24, 2020 at: http://lexo.com.al/majlinda-bregu-nuk-kam-dale-nga-pd-me-perzu neja-e-vereta-e-takimit-me-eurodepute/.

[18] Transparency International BiH, 'State Capture in extractive industry based on the case study of Birach', March 2018, Assessed on January 24, 2020 at: https:// ti-bih.org/wp-content/uploads/2018/05/State-Capture-BH_Ext Industr y_Birach.pdf.

[19] European Commission, 'Kosovo 2018 Report', April 17, 2018, Accessed on January 24, 2020 at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/2018 0417-kosovo-report.pdf.

[20] Ibid.

[21] Ibid.

[22] European Commission, 'FYRO Macedonia 2018 Report', April 17, 2018, Accessed on January 24, 2020 at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/2 0180417-the-former-yugoslav-republic-of-macedonia-report.pdf.

[23] Krasniqi, Afrim. 'The Presidentialisation of Political Parties in Western BalkanBalkan', CEMI, 2017.

[24] Agh, Attila. "The Hungarian party system and party theory in the transition of Central Europe." Journal of Theoretical Politics 6.2 (1994): 217-238.

countries.[25] In order to improve the effectiveness of governing and opposition parties in the Parliament, the following recommendations should be followed:

- Opposition parties should not limit themselves to criticizing the government, but formulate alternative proposals and policies, in order to prepare themselves for taking up governmental responsibilities.

- The government should seek to establish a process of consensus-building, in particular when matters of national interest are at stake.

Parties supporting the government and those opposing it share a joint responsibility for consolidating the citizens' trust in the political system and democratic institutions, ensuring these functions well, and for offering the public an informed choice.

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[25] European Conference of Presidents of Parliaments, 'Majority and opposition – striking a balance in Democracy', September 11-12, 2014, Accessed on January 24, 2020 at: http://website-pace.net/documents/ 10643/1166760/Theme_3.pdf/df02875d-f8b1-4002-a2ad-f8a12a1192 55.

NATIONAL PARLIAMENTS AND THE REFORM PROCESS IN THE WESTERN BALKANS: IS THERE ROOM FOR CAUTIOUS OPTIMISM?

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The European Commission's new approach to Balkan enlargement, focusing on greater involvement of civil society, strengthening parliamentary oversight and greater attention to the rule of law domain, provides a new setting for political actors in the Balkans. Greater attention of the EU to the practice of parliamentary oversight in potential candidate states is very much welcome. Yet the optimism and belief in comprehensive democratic transformation in the region that this new approach triggers are conditional on three issues, namely state capture, connection to civil society and parliamentary capacity-building. In addition, it is also important to consider the motivation of members of candidate states' national parliaments to get involved in EU affairs.

The first issue is 'state capture' in the Balkans – which the European Union has talked openly about since 2016 – and the role that Parliaments can play in semi-democratic (or semi-authoritarian) political regimes. In such environments, Parliaments are not focused on representing interests of various social groups and channeling their competition for public office. Rather they are 'markets' where various groups of political elites exchange services, venues for formalizing deals and coordinating amongst members of the ruling coalition, and instruments for gathering information about potential discontent and coopting members of the opposition.[1] The key argument is that 'state capture' does not make Parliaments irrelevant: they can still affect public policy and shape accession-related reforms, yet they will not necessarily function according to a democratic template. In cases in which the whole public administration of a particular Balkan country is affected by state capture, it is naïve to assume that Parliaments are automatically the center of democratic opposition. Both assessments of potential candidate states by the EU as well as expert reports have highlighted a number of common parliamentary tools for undermining both initiation and implementation of reforms. These include submitting an overwhelming amount of amendments, removing parliamentary questioning from the agenda or infrequent use of parliamentary questions, obstructing and voting down initiatives of launching parliamentary investigation committees, use of urgency procedures to pass legislation, and lack of consultations with national audit authorities.[2]

More worrisome still is the use of urgency procedures under the pretext of harmonizing national legislation with the EU *acquis*, effectively side-lining Parliaments (and civil

[1] Bonvecchi A., Simison E. (2017), Legislative institutions and performance in authoritarian regimes, Comparative Politics, 49:4, 521-544; Brancati D. (2014), Democratic authoritarianism: origins and effects, American Review of Political Science, 17, 313-326; Krol G. (2017), Legislative performance of the Russian State Duma: the role of parliament in an authoritarian regime, East European Politics, 33:4, 450-471; Router O., Roberston G. (2015), Legislatures, cooperation and social protest in contemporary authoritarian regimes, The Journal of Politics, 77:1, 235-248; Malesky E., Schuler P. (2010), Nodding or needling:

analyzing delegate responsiveness in an authoritarian parliament, American Political Science Review, 104:3, 482-502; Schuler P., Malesky E. (2014), Authoritarian legislatures, in Martin S., Saalfeld T., Strøm K. (eds). Oxford handbook of legislative studies. Oxford: Oxford University Press, 676-696.

[2] Burazer N., Hackaj K., Shehaj A., Stefanovski I. (2017), Democracy in progress. Shadow report on political Copenhagen criteria in Western Balkans EU candidate states. Belgrade: Center for Contemporary Politics; COM (2018) 450 final.

society organizations).[3] Such practices are a reflection of the broader political context; hence the EU must be aware of the complex realities of parliamentary practice in the Balkans. Even if representatives of EU institutions insinuate that Parliaments have become more involved in the accession process, they also stress that the increase of formal competences in this domain is not necessarily matched by practice and does not automatically lead to better democratic quality. For example, even if Parliaments of some candidate states have access to relevant accession-related information, it remains unclear how and if it actually feeds into their work.[4] The EU should not lapse into the old habit of not considering Parliaments as allies in the reform process – otherwise it will to repeat the old practice of supporting 'pro-EU reform-minded elites' even if they turn autocratic and focus on enhancing government capacity without supporting commensurate oversight functions.[5] Overall, the formal rights of Balkan Parliaments (including the format of their involvement in EU affairs) has improved, yet they have been more focused on transposition of the EU *acquis* than on providing oversight – this has to do exactly with the logic of party competition and state capture.

The second issue related to understanding the role of Parliaments in contemporary Balkans is their connection to social mobilization, civil society, and protests in the region. To put it bluntly, a lot of politics is happening outside of the parliamentary arena. For example, boycotts of Parliaments by opposition parties have become a frequent feature across the region, highlighting the fact that parliamentary institutions cannot establish an open dialogue between various political forces on their own. Several practitioners have stressed that the "core of the business" in Balkan countries is located not in Parliaments but rather in political parties which run the former in a very "top-down" manner, hindering both oversight and accountability.[6] It is important to highlight that it is civil society organizations and not Parliaments which demand transparent access to information on membership negotiations or highlight inconsistencies in implementation reports dealing with rule of law issues,[7] the crucial policy field related to prospective Balkan enlargement. This is quite worrying given the fact that some reports refer to a diminishing access of civil society organizations to Parliaments and government institutions

across the region,[8] one of the examples being Montenegro.[9] For instance, academic experts also stress that procedural involvement of Serbian and Montenegrin civil society in accession-related matters does not seem to have led to a substantive increase of their influence on the policy process.[10] Regardless of the pressure posed by EU accession, "state bureaucracies appear to have sufficient capacities to act as gatekeepers for civil society access."[11] Another issue is that Parliaments do not necessarily report back on how civil society feedback has been integrated into the review of draft laws.[12] It is essential to focus on the link between civil society and representative bodies: it seems that only large-scale societal mobilization can help redress state capture or force the EU to act on the findings such as the Priebe Report. Even if Parliaments cannot forestall the use of electoral violence, an issue that has remained a challenge in the region,[13] without effective representative institutions the reform potential of mass social movements simply fizzles out or becomes controlled by political elites[14].

The third issue is the resources of Balkan Parliaments and the impact of various capacity-building programs. Providing trainings for parliamentary staff, enhancing information and communication technology (ICT) equipment and sharing best practices related to scrutiny of EU affairs, such as integrating standing sectoral committees into EU-related affairs, are a necessary condition for securing oversight. However, capacity-building cannot automatically turn Parliaments into effective oversight structures. A striking example is a capacity-building project related to ICT in which a negotiation party in one of the Balkan Parliaments and an EU advisor disagreed on the allocation of funds. The Balkan negotiators pushed for a financially expensive solution, while the EU advisor argued that such a move was not cost-effective and voiced suspicion about rent-seeking behavior.[15] As some authors put it,

> "the failure of EU funding to differentiate between the formal status of such institutions as a mechanism of checks and balances and their de facto working as politically controlled entities, whose strings are pulled by the very elites they are supposed to check, may have the opposite effects of empowering mechanisms that serve political resistance."[16]

3 Richter, S., & Wunsch, N. (2020), Money, power, glory: the linkages between EU conditionality and state capture in the Western Balkans. Journal of European Public Policy, 27:1, 41-62.

4 Strelkov A. (2016),The EU and rule of law promotion in Western Balkans – a new role for candidate states' parliaments, East European Politics, 32:4, 505-524.

5 Bieber F. (2018), Patterns of competitive authoritarianism in the Western Balkans, East European Politics, 34:3, 337-354; Fouere E. (2019), The EU's re-engagement with the Western Balkans: A new chapter long overdue. CEPS Policy Brief №1/2019.

6 Interviews with representatives of EU institutions and policy advisors, winter-summer 2015.

7 Pejić J., Stojanovic Gajić S. (2018), Why do we need the Priebe report as well? How to reverse the trend of state capture in the Western Balkans, Belgrade Centre for Security Policy.

8 House of Lords (2017). The UK and the future of the Western Balkans. Select Committee on International Relations, Accessed on January 24, 2020 at: https://publications.parliament.uk/pa/ld201719/ldselect/ldintrel/53/5302.htm; Action See (2018), Regional roadmap on good governance for the Western Balkans. Sarajevo

9 European Commission (2018), 450 final, 17.4.2018.

10 Wunsch N. (2019), Transnational learning and civil society empowerment in the EU enlargement process, Journal of Common Market Studies, 57:2, 406-423.

11 Fagan A., Wunsch N. (2018), Fostering institutionalization? The impact of the EU accession process on state-civil society relations in Serbia, Acta Politica, advance online publication.

12 Marić S., Subotić S. (2018), Evidence-based and inclusive policy-making in the Western Balkans. What role for the think-tanks and other policy-orientated CSOs. European Policy Centre.

13 Mochtak M. (2019), Electoral violence under different contexts. Evidence from the Western Balkans, Nations and Nationalism, early view.

14 Hasić, J., & Karabegović, D. (2018), Elite responses to contentious politics on the subnational level: the 2014 Bosnian protests. Southeast European and Black Sea Studies, 18:3, 367-380.

15 Personal talk with an EU official, Brussels, Fall 2018.

16 Albasani A., Sabic S. (2018), Rule of law, corruption and democratic accountability in the course of EU enlargement, Journal of European Public Policy, 25:9, p.1321.

This is not to say that capacity-building is unnecessary: dedicated support staff and access to modern ICT and information services are essential for Parliaments to carry out their functions effectively, especially if governments have access to wider and better expertise. Many of such capacity-building programs in the region have a certain "executive bias" focusing primarily on the capacities of national governments. For example, since 2008 the European Fund for the Balkans has provided training for 200 civil servants from national executives of Western Balkan countries, however a similar trial project was launched for parliamentary staff in 2019.[17] The European Parliament also provides trainings for parliamentary administrators from the region, yet these are arguably relatively small-scale. Parliamentary staff in the Balkans have suffered from the same challenges that have plagued Balkan public administration in general: few training opportunities, vague appraisal as well as hiring and firing criteria,[18] and intertwined career tracks of politicians and staff – which only invite politicization and corruption[19]. Some measures have been taken to combat these challenges, for example the creation of the Regional School for Public Administrations in Montenegro, yet it offers trainings to predominantly governmental staff. It is important to grasp that on its own capacity-building projects neither an incentive to engage in effective oversight, nor trigger development of effective democratic institutions, as illustrated, for example, by the challenges facing Kosovo[20].

Surprisingly, one of the only policy studies of parliamentary capacity-building programs, which was conducted by SIGMA in 2018,[21] only provides an overview of the programs launched across the Western Balkans, but arguably says little about their effectiveness and impact on the routine of parliamentary business. A plethora of international donors have been involved including the OSCE, UNDP, EU and its member states, USAID and German political party foundations. However, little has been done in terms of understanding the synergy of these donor projects and their leverage beyond reporting allocated funds and the number of staff who attended training sessions. This challenge is somewhat similar to those faced by various inter-parliamentary platforms in the region: although acting as a venue for socializing and an additional diplomatic channel, their visibility is low and risk of duplication is high[22].

In the broader context of parliamentary involvement in the accession process, it is important to recall the incentives of members of Parliament to get involved with EU affairs. Even in the context of member states' involvement in EU affairs – implying comprehensive policy focus rather than

taking ideological stances and capitalizing on anti-EU sentiments – is not necessarily a way to secure re-election. For example, members of the European Affairs Committee of the Swedish Riksdag, which is considered to have one of the most efficient EU affairs scrutiny systems, suggest that their work within the committee is not greatly enhancing their electoral prospects.[23] Such a challenge can be even more pronounced in the case of (potential) Balkan candidate states: why would an MP invest scarce time and resources in specializing in EU affairs when membership perspectives are unclear? Hence, the credibility of accession plays into the willingness of Parliaments to engage in oversight functions and secure expertise in EU issues.

Several policy recommendations can be offered in order to enhance the quality of parliamentary oversight in the Balkans.

- **Provide a scoreboard of parliamentary resources and capacities across the Western Balkans.** Inspiration can be drawn from the EU Justice Scoreboard that maps different aspects of the member states judicial systems. There is no ranking involved; the scoreboard provides a common pool of high-quality data on judicial systems' performance, highlighting best practices. A similar exercise can be done for parliamentary administrations across the region. Without such an overview, planning interventions or designing capacity-building programs may achieve suboptimal results. To my knowledge policy stakeholders from the Balkans have consulted with the European Commission about the Justice Scoreboard[24] as currently there is no good quality comparative data that can provide insights into Balkan states' judicial systems. Those involved in parliamentary capacity-building could capitalize on this experience from the rule of law domain. In addition, mapping the Balkan Parliaments' "resource bases" would require taking into account the brain drain and high turnover rate of qualified parliamentary staff, as many beneficiaries of such schemes leave for better paid jobs in government or business sectors.[25]

- **Make ample use of European Parliament's opportunities in enhancing capacity-building in the region.** If the European Commission in its yearly reports highlights that changing political culture and embedding principles of dialogue and oversight into parliamentary practice is essential, then what better way is there to do this than through Joint Parliamentary Committees,

[17] European Western Balkans, (2019), Western Balkan Public Administration – the Human Capital Factor, available at: https://european-westernbalkans.com/2019/02/12/western-balkan-public-administration-human-capital-factor/, Accessed on January 24, 2020.

[18] SIGMA (2018), Analysis of the professionalization of the senior civil service and the way forward for the Western Balkans. SIGMA Paper №55.

[19] Dahlström C., Lapuente V. (2017), Organizing Leviathan: politicians, bureaucrats and the making of good government. Cambridge: Cambridge University Press.

[20] Elbasani A. (2018), State-building or state capture? Institutional exports, local reception and hybridity of reforms in post-war Kosovo, South East European and Black Sea Studies, 18:2, 149-154.

[21] COWI (2015a). Study on parliamentary cooperation. Overview of parliamentary capacity-building in EU candidate countries and potential candidates. Brussels.

[22] COWI (2015b), Study on parliamentary cooperation. Mapping and analysis of international parliamentary institutions and parliamentary networks in the Western Balkans and South East Europe. Brussels.

[23] Strelkov A. (2015), Who controls national EU scrutiny? Parliamentary party groups, committees, administrations, West European Politics, 38:2, 355-374.

[24] Interview with a staff member of the Council General Secretariat, fall 2016.

[25] Interview with staff members of the European Parliament, summer 2015.

Delegations of EP to accession countries, and other parliamentary diplomacy formats? Results of such socialization instruments may not always be tangible, yet they at least provide an additional venue for dialogue. In terms of capacity-building, a deeper dialogue between the European Commission and the European Parliament is essential. The EP cannot and should not match the funds allocated to such projects via the Instrument for Pre-Accession Assistance (IPA) program, yet it can provide targeted advice and know-how.

- **Ensure a smooth and transparent functioning of coordination instruments on EU accession in (potential) candidate states.** If such instruments have administrative loopholes and allow for arbitrary interpretation of bureaucratic procedures, Parliaments cannot effectively oversee activities of the executive. This risk can be illustrated by Bosnia and Herzegovina, whose application for EU membership was accepted in Brussels in full knowledge that the internal Bosnia and Herzegovina coordination mechanism had not been streamlined[26] (although the Commission gives a positive opinion of how the mechanism has been functioning thus far).[27] In addition, even if Parliaments may not have the same technical capacity as governments to evaluate the implementation of public policies, at least the timely and comprehensive provision of all the necessary information is required. For example, the 2018 European Commission report on Serbia stresses that draft legislation is submitted to the Parliament without impact assessments.[28] Without access to such documents any attempt of parliamentary oversight will be handicapped.

- **Ensure that expertise and involvement in the Balkans in both policy and academia is not limited to Germany and Austria.** This relates to the idea that although enlargement is still on the agenda, amongst EU member states, it is still the usual suspects with focus on the region who keep the Balkans on the radar. Without securing support of other member states, it is difficult to convince Balkan parliaments that their genuine involvement in the oversight of government policies does matter for their respective countries' accession to the EU. If the EU is already conducting rule of law peer review missions in candidate states, it might be possible to organize systematic peer sessions among diplomatic staff of EU member states and European External Action Service for updates on the region. The challenges of doing this relate to both logistics and diplomatic information-sharing across boundaries, yet it could at least help maintain awareness of the situation in the region.

[26] Cvjetićanin T. (2016), Talking the talk and walking the "unlocked path" walk: EU, BiH and the quality of democracy. Perspectives: South Eastern Europe. Heinrich Böll Stiftung. Issue 2.

[27] COM (2018) 450 final, 17.4.2018.
[28] SWD (2018) 152 final, 17.4.2018.

A NEW APPROACH FOR THE EU REFORM PROCESSES IN THE WESTERN BALKANS: STRENGTHENING THE ROLE OF PARLIAMENTS

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Introduction

On July 01, 2013 new dawn rose over the Western Balkans. Croatia became the first country to accede to the EU. The EU's nearly forgotten promise at the Thessaloniki Summit to the Western Balkans resonated credible once again as one of the members of the club took the big leap towards full membership.

Nevertheless, the EU had learned from its latest big bang in Central and Eastern European (CEE) enlargement and transformed its policies and requirements towards the remaining aspiring countries in the Western Balkans (WB).[1] This was reflected in the new approach of the European Commission (hereafter Commission) amid a rise of scholarly discussions over 'nationalization'[2] even 'renationalization' of the enlargement process.[3]

The enlargement process is now defined by the logic of 'strict and fair' and political 'frontloading' which aims to address the growing skepticism and opposition by political parties and the general public in EU member states over EU enlargement and further widening[4]. Indeed, this new approach aimed to add legitimacy to the process and address the concerns of EU citizens. In turn, the path for EU integration for the WB countries has become a more austere, complicated and unpredictable process. The latter has become evident since the recommendations of the Commission regarding the WB are not taken by the EU member states due to their domestic politics and internal pressure[5]. At the same time, a new methodology of opening and closing benchmarks was introduced to ensure a sustainable reform process where special focus was placed on the rule of law.[6]

In a multitude of actors, namely EU member states and their supranational institutions, the Commission's power over the EU enlargement dossier has declined since the decisions taken by the Commission do not always translate into immediate decisions by EU member states[7]. Moreover, in ever-changing dynamics within EU members states where discussions over the future of the Union are present, a rise of extreme right-wing and left-wing parties is noted, the 'nationalization' of the EU reform process by the Parliaments of Western Balkans countries can serve to keep the effects of Europeanization more tangible.

1   Strelkov, A. (2016). 'The EU and rule of law promotion in Western Balkans - a new role for candidate states parliaments'. *East European Politics, 32*(4), 505-506.
2   Brennan, J. O. (2014). ''On the Slow Train to Nowhere?' The European Union, 'Enlargement Fatigue' and the Western Balkans'. *European Foreign Affairs Review*, 19(2), 226.
3   Introduction. (2015). In R. Balfour, & C. Stratulat (Eds.), *EU member states and enlargement towards the Balkans* (pp. 1-10). Brussels: European Policy Centre.
4   Ibid, p. xiv.
5   This has been the case when the Commission recommended to the Council the opening of accession negotiations for Albania and North Macedonia since April 2018, or even the granting of visa free regime for Kosovo reaffirmed by the Commission in July 2018. On the latter issue the European Parliament has voted twice in favor of visa free regime for Kosovo citizens, yet the Council still did not take a decision for neither of the cases, making the process of EU integration/path more unpredictable but also downplaying the role of the Commission in the enlargement dossier.
6   Kmezić, M. (2015). *The Western Balkans and EU Enlargement: Lessons learned, ways forward and prospects ahead* (pp. 1-12). Belgium: Directorate-General for External Policies.
7   Ibid, p. 4.

Drawing from the critiques, which argued that Parliaments played a marginal role in the accession process, apart from the formal functions of transposing the *acquis communitaire* into domestic legislation, the EU together with the Western Balkans can project a proactive role of Parliaments in reform process and EU integration.

Parliaments as "Rubber Stamp Legislative Machines" in EU Accession Process?

The integration process of CEE has had many positive results through the consolidation of democracies in these societies. Yet often times, scholars articulated their critics on the nominal role of Parliaments in the CEE accession process and their direct long-term effects on the democratic consolidation of candidate countries. The focus was placed on fast-track adoption of *acquis* rather than its implementation, often omitting meaningful parliamentary discussion over the overwhelming volume of EU laws which had to be transposed into domestic legislation. The role of the executive[8] was strengthened at the detriment of the Parliament, giving it an upper hand in the accession process, and disrupting the relation between these institutions.[9]

The adoption of the *acquis* was regarded as an administrative procedure since its content was not negotiable, yet Heather Grabbe has argued that this led to a "lack of awareness of the details of the legislation being passed on the part of parliamentarians."[10] Moreover, Parliaments lacked sufficient information from the executive and access to proper "technical expertise and specialist knowledge in order to understand the implications of the legislation."[11] The nature of negotiations was often secret, including informal negotiations, which limited the power of Parliaments over the executive.[12] It was often stressed that "EU membership is not a matter for experts in public administration to handle behind closed doors".[13]

EU integration was certainly aimed at the consolidation of democracies in CEE, yet, scholars raised the issue of the potential transfer of EU democratic deficiencies to candidate countries through the accession process.[14]

Is there a Role for Parliaments in the New Approach of the EU Enlargement Dossier?

The role of Parliaments entered the scene of the EU accession process through a change of practice in the Commission which acknowledged that the pressure exerted by the EU alone was not sufficient to push forward meaningful and sustainable reform. The Commission also found that ex-post mechanisms such as the Cooperation and Verification mechanisms (CVM), which were introduced after the accession of Romania and Bulgaria, were not able to produce the aimed results of securing rule of law.[15] On the other hand, the Lisbon Treaty guaranteed a more active role for the European Parliament in foreign affairs resulting in better communication with the Commission.[16]

This new approach was noted in the 2013 Commission enlargement progress report where democratic institutions were regarded as fragile and the role of national Parliaments was underdeveloped. The need for participatory democracy and for strong and accountable institutions "centered around national parliaments"[17], was expressed, moving towards a more pro-active and engaging role of Parliaments in the accession process. The Commission called NGOs and Parliaments to serve as legitimate "watchdogs in the conduct of accession-related reforms"[18] by exercising effective oversight. Moreover, the Commission stressed the importance of judicial reform, transparent party funding and control over the implementation of the *acquis.*[19]

This was regarded as a turn of policy: the Commission would be more willing to engage Parliaments and consider them partners in pushing forward accession reforms, strengthening local ownership, and establishing internal monitoring mechanisms, especially in the fields considered politically sensitive. At the same time, it aimed to secure greater accountability of the executive and diminish partial or fake compliance with EU demands.[20]

In 2015, the Commission went as far as to state that "national Parliaments need to be at the heart of the reform process in each of the enlargement countries to ensure

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[8] This paper does not aim to analyze the implication of this policy over the relation between the EU and the executive which needs different research.

[9] Sedelmeier, U. (2011). 'Europeanisation in new member and candidate states.' *Living Reviews in European Governance, 6*(1), 11.

[10] Grabbe, H. (2001). 'How does Europeanization Affect CEE Governance? Conditionality, Diffusion and Diversity.' *Journal of European Public Policy, 8*(6), 1017.

[11] Ibid.

[12] Sadurski, W. (2003). 'Accession's Democracy Dividend: The Impact of the EU Enlargement upon Democracy in the New Member States of Central and Eastern Europe.' *Yearbook of Polish European Studies, 7,* 48.

[13] Sadurski, W., Ziller, J., & Zurek, K. (Eds.). (2006). *Apres Enlargement: Legal and Political Responses in Central and Eastern Europe* (p. 60). Florence: European University Institute.

[14] Grabbe, H. (2001). 'How does Europeanization Affect CEE Governance? Conditionality, Diffusion and Diversity.' *Journal of European Public Policy, 8*(6), 1017.

[15] Strelkov, A. (2016). 'The EU and rule of law promotion in Western Balkans - a new role for candidate states' parliaments.' *East European Politics, 32*(4), 505-506.

[16] Ibid, p. 509.

[17] Communication from the Commission to the European Parliament and the Council. (2014). *Enlargement and Main Challenges.* p. 8. Available at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ pdf/key_documents/2013/package/strategy_paper_2013_en.pdf [Retrieved on April 15, 2019].

[18] Ibid.

[19] Ibid.

[20] Strelkov, A. (2016). 'The EU and rule of law promotion in Western Balkans - a new role for candidate states' parliaments.' *East European Politics, 32*(4), 505-506.

democratic accountability and inclusiveness, a pre-requisite not least for a successful reform process."[21]

Yet enlargement fatigue was felt across the region, and was further enforced by Jean-Claude Junker at his address to the European Parliament where he stressed that negotiations would continue. However, no new member states would join the EU under his presidency. To be fair, no Western Balkan country is ready to join anytime soon, nevertheless, his message was not well received in the region.

The 2019 Communication from the Commission "A credible enlargement perspective for an enhanced EU engagement with the Western Balkans" aimed to revive the promise of enlargement once the criteria as set in Article 49 of EU Treaty were met. The progress made since the 1990s was welcomed, yet some crucial reforms were still necessary to make progress on the EU path. This document did not give special attention to the role of Parliaments, even though a call for constructive dialogue of the political spectrum was made and an engaging role of the opposition was demanded.

Where do Western Balkan Parliaments Stand?

The Western Balkans carry a different burden upon their shoulders than the CEE countries. It has a legacy of recent conflicts which still need reconciliation. There are bilateral disputes in which relations between countries are strained and nationalist feelings are on the rise. Sustainable peace is not taken for granted here, despite the 'modern' behavior of Western Balkan leaders, which is often empty rhetoric lacking concrete actions.

Western Balkan democracies vary; yet, they are considered hybrid regimes or flawed democracies,[22] which in turn influences the position and performance of their Parliaments. Polarization and fragmentation of the political scene in the Western Balkans seem to be the norm. This type of political behavior hinders the work of Parliaments, where political

parties often voice opposition by boycotting the proceedings, using filibusters, or even interrupting parliamentary work altogether.[23] This affects the performance of Parliaments, the pace of reform processes and adoption of the reform agenda,[24] and the very quality of democracy.

Parliaments in the Western Balkans have become the arena of confrontation between political parties, even witnessing unconventional parliamentary behavior such as in Albania in 2019, where most of the opposition MPs resigned from their parliamentary mandates. There were also incidents such as in North Macedonia in 2018, where the MPs were attacked by protestors who barged into the Parliament, opposing the election of the new President of the Parliament[25], and in Kosovo in 2016 the use of tear gas over controversies regarding the border demarcation agreement with Montenegro.

Parliaments also do not exercise effective oversight and representation. Parliamentary scrutiny is often undermined by excessive use of urgent, shortened procedures for legislation, weak parliamentary committee procedures, and insufficient stakeholders or expert consultation.[26]

The accountability of the executive towards the Parliament is lacking, exhibited in a low level of executive inquiry. Ministers even fail to attend plenary sessions and answer parliamentary questions at times[27] and opposition initiatives often seem to be ignored entirely.[28] On another note, Parliaments lack the adequate capacities to effectively supervise independent agencies and institutions which directly report and answer to Parliament.[29]

Regarding the EU process, Parliaments play a marginal role in scrutinizing proposed legislation for compliance with the EU *acquis* in the case of Montenegro[30], while the commitments made by Parliaments regarding the EU are not fully implemented in the case of Albania, where a law on the role of the Parliament in the EU integration process was adopted in March 2015, yet it is not efficiently

[21] European Commission. (2015, November). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.* Retrieved from EU Enlargement Strategy: https://www.ab.gov.tr/files/5%20Ekim/strateji_belgesi_turkey_related_parts.pdf [Retrieved on January 24, 2020].

[22] Balkans in Europe Policy Advisory Group. (2017). *The Crisis of Democracy in the Western Balkans - Authoritarianism and EU Stabilitocracy* (p. 5). Belgrade: Balkans in Europe Policy Advisory Group.

[23] European Commission. (2018, April). *The former Yugoslav Republic of Macedonia 2018 Report.* Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-the-former-yugoslav-republic-of-macedonia-report.pdf [Retrieved on March 04, 2019].

[24] European Commission. (2018, April). *Bosnia and Herzegovina 2018 Report.* Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-bosnia-and-herzegovina-report.pdf [Retrieved on March 04, 2019].

[25] European Commission. (2018, April). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region.* Retrieved from 2018 Communication on EU Enlargement Policy:

https://ec.europa.eu/neighbourhood-enlargement/sites/near/ files/2018 0417_strategy_paper_en.pdf [Retrieved on April 04, 2018].

[26] European Commission. (2019, March). *Strategy and Reports.* Retrieved from European Neighbourhood Policy And Enlargement Negotiations: https://ec.europa.eu/neighbourhood-enlargement/countries/ package_en?fbclid=IwAR2l3vVAbdGBCgdq1-NuShc9W_3le1MZzKU D7KfnRgP5C0LIgpVwQWI853U [Retrieved on March 09, 2019].

[27] European Commission. (2018, April). *Kosovo* 2018 Report.* Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/ files/2018 0417-kosovo-report.pdf [Retrieved on March 04, 2019].

[28] In the case of Serbia during 2018 "no draft legislative proposals tabled by the opposition were discussed, at European Commission. (2018, April). *Serbia 2018 Report.* Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-serbia-report.pdf [Retrieved on March 04, 2019].

[29] The reports of independent institutions and agencies are not discussed in the plenary sessions (i.e. in Serbia) or when discussed they are not voted due to low performance but no measures are taken (i.e. in Kosovo).

[30] European Commission. (2018, April). *Montenegro 2018 Report.* Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20180417-montenegro-report.pdf [Retrieved on January 24, 2020]

implemented[31]; or in the case of Kosovo where the Parliament adopted the European Reform Agenda yet it did not exercise a pro-active role on monitoring its implementation. Decisions which are not in line with EU standards remain a reality like in the case of Bosnia and Herzegovina.[32]

Parliaments in the Western Balkans still suffer from lack of transparency, proper inclusiveness and accountability of their expenditures. A lack of annual Parliament work plans in some countries leave Parliaments without independent agendas.

On another note, Parliaments of the region are faced with conflicts of interest and corruption, where the influence of the Parliament and the executive on the judiciary is a problem.[33] This undermines the core values of democracy: separation of powers and checks and balance between institutions, which also affects the perception of citizens towards this institution.

Figure 1: The level of transparency in 2017, table taken from ActionSEE.
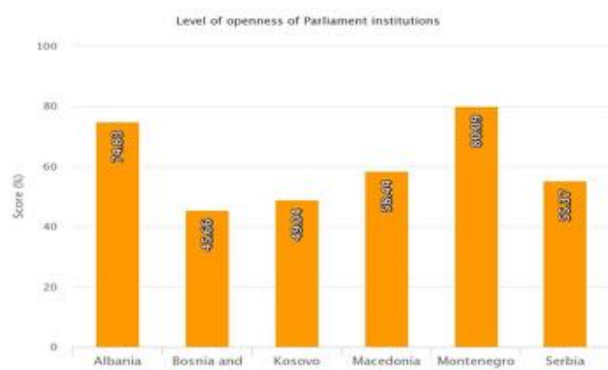
The table demonstrates the level of openness of Parliaments and engagement of citizens in parliamentary work. The idea behind parliamentary openness seeks to make Parliaments more accessible to citizens, increase their participations and improve parliamentary accountability[34]. As the report cites: "the regional index of openness measures to what extent Parliaments are open to citizens based on the following four principles: 1. transparency, 2. accessibility 3. integrity and 4. effectiveness".[35] Despite the fact that certain countries have scored better yet the Western Balkan region still needs to improve the openness of their parliaments.

How to Empower the Role of Parliaments in the Western Balkans?

Parliaments as agents of the EU reform process

In the Western Balkans, progress in EU integration has not gone hand in hand with democratization. The EU's preferred approach towards the region was leader-oriented, which often created the perception that EU integration is achieved with local autocrats who are not held accountable "as long as they deliver on the interest of member states."[36] Thus, experts called for the EU not to remain silent when confronted with evidence of a breach of democratic values and rule of law since normalization of stabilocracy in the region can lead to long term negative effects, undermining the very foundations of democracy and the influence of the EU.

Transparency of the accession negotiations should become the norm for how the EU aims to broaden its local support and incite ownership. Parliaments should be notified of the progress made by the country and have access to all documents prepared by different EU institutions regarding the EU reforms.[37]

Parliaments can act as intermediaries between their countries and the EU in order to address concerns of member states and their citizens over further EU enlargement and further widening of the EU. Thus promoting inter-parliamentary cooperation could serve the purpose of addressing the skepticism within the EU member states and establish direct communication with aspiring states.[38] Enlargement should be described as an opportunity rather than a threat to the EU members states and their citizens either by EU institutions but also by WB countries themselves who aspire to join the EU one day. Therefore, parliaments could strengthen their national position, foster support and cultivate friendships with EU member states in order to serve this purpose.[39]

Promoting more cooperation between European party families and their counterparts in the Western Balkans can serve as a way to transfer best practices, but also to add an additional layer of pressure for democratic norms and legitimacy to the accession reforms.[40] Along these lines, greater impetus should be given to regional cooperation between parliamentary committees on European integration in order to promote European values, and to exchange best

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[31] European Commission. (2018, April). *Albania 2018 Report*. Retrieved from Commission Staff Working Document: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ 2018 0417-albania-report.pdf [Retrieved on March 04, 2019].

[32] (i.e. in BH).

[33] European Commission. (2018, April). *The former Yugoslav Republic of Macedonia 2018 Report*. Retrieved from Commission Staff Working Document: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri =CELEX:52018SC0154&from=EN [Retrieved on January 24, 2020].

[34] For more information please refer to the report: Danilovska, D. & Naumovska, N. (2019). Proposals for the improvement of the current state. Openness of the parliaments in the region and in the Republic of North Macedonia: found at: https://metamorphosis.org.mk/wp-content/uploads/2019/10/sobranie_eng_2019_3.0.pdf [Retrieved on January 24, 2020].

[35] Ibid.

[36] Balkans in Europe Policy Advisory Group. (2017). The Crisis of Democracy in the Western Balkans - Authoritarianism and EU Stabilitocracy (p. 9). Belgrade.

[37] Ibid, p. 12.

[38] Strelkov, A. (2016). The EU and rule of law promotion in Western Balkans - a new role for candidate states' parliaments. *East European Politics, 32*(4), 511-512.

[39] Introduction. (2015). In R. Balfour, & C. Stratulat (Eds.), *EU member states and enlargement towards the Balkans* (p. xiv). Brussels: European Policy Centre.

[40] European Western Balkans. (2018, March). Joint Statement from the 13th COSAP Conference. Skopje, Macedonia. Retrieved from https://europeanwesternbalkans.com/2018/03/01/joint-statement-13th-cosap-conference/ [Retrieved on March 06, 2019].

practices on law harmonization with the *acquis,* and modes for strengthening the parliamentary oversight function.

By playing a proactive role, Parliaments can reduce the cost of EU accession and promote a more constructive cross-party political dialogue by inciting inter-party competition in order to promote "policy-oriented assessment of EU proposals."[41]

Building a Culture of Political Dialogue

There is an imminent need for Western Balkan democracies to build a culture of political compromise and dialogue, where Parliaments can serve as forums for political debate and in which political parties take responsibility and re-engage in constructive dialogue. The ability to constructively address inter-party relations will determine whether Western Balkan Parliaments can secure effective oversight of respective governmental policies.[42]

Install a Culture of Coordination and Consultation Between the Legislative and the Executive

The Parliament and the government should hold regular consultations on the legislative agenda proposed by the government, where the Parliament is notified, and where the priority of the reform agenda is a product of cross-institutional coordination. This might contribute to strengthening checks and balances between institutions, but also ensure the effective implementation of the legislative and reform agenda.[43]

Strengthen Scrutiny and Oversight Role of Parliaments

Parliaments should curtail the use of frequent short and urgent procedures, especially when dealing with legislation which determines the welfare of citizens or when treating crucial legislation. For example, the budget law should undergo public consultation and regular parliamentary debate.[44]

Parliaments should aim to exercise oversight through a result-based approach, ensuring sound financial management across public institutions, and establishing systems to scrutinize legislative procedures[45] and reform processes. Moreover, Parliaments should ensure quality of parliamentary debate by undertaking legal initiatives[46] and by acting as the direct representative of citizens to ensure public consultation where the participation of citizens and relevant stakeholders are included in decision making process.

At the start of every legislative period, the Code of Ethics[47] should be adopted and the Rules of Procedures should be continuously amended to ensure the highest level of accountability and to ensure the effectiveness, accountability, and credibility of the Parliament.

Strengthening Parliaments' administrative capacities is highly important, as they often time lack adequate capacities. Parliaments should have capacities to acquire, access, and analyze the information influencing the EU integration and reform process, including Parliamentary Committees and support staff.[48]

Strengthen Cooperation with Civil Society

Alongside an independent media, a strong civil society can provide further checks and balances within Parliaments by offering support in strengthening the informed decision-making of Parliaments through expertise but also by promoting greater transparency and direct accountability to the citizens. Building a culture of cooperation can help push forward needed reforms, and partnering with civil society, especially in fields where expertise is needed, can empower Parliaments, increasing their accountability, transparency, and citizen trust.

Increasing Transparency and Accountability of the Parliament

Transparency of lawmaking processes, inclusivity, and accountability towards citizens remain crucial. This includes transparency of lawmaking and public spending in the Parliament and all parliamentary institutions. Greater accountability from all independent institutions should become a standard in order to ensure overall accountability of public spending.

Anti-corruption Measures in Parliaments

Parliaments should adopt legislation that excludes criminal offenders from Parliaments in order to increase citizens' trust in their political representatives and public institutions. Moreover, in the Western Balkans, where corruption is a malaise, legislative immunity should be lifted in order to fight the culture of impunity and reduce potential influence over the judicial system.

Democracy within Political Parties

Political parties should promote internal democracy which in turn will lead to more democratic political processes and

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[41] Strelkov, A. (2016). 'The EU and rule of law promotion in Western Balkans - a new role for candidate states' parliaments.' East European Politics, 32(4), 515.

[42] Ibid.

[43] Kosova Democratic Institute. (2019). *Raport për monitorimin e punës së Kuvendit për vitin 2018* (p. 36). Pristina: Kosova Democratic Institute.

[44] Kosova Democratic Institute. (2016). *Raporti i monitorimit të Kuvendit - Sesioni pranveror 2016* (p. 34). Pristina: Kosova Democratic Institute.

[45] According to the Institute of Government, parliamentary scrutiny of government determines the practice of scrutiny, which involves: i) the

identification of which aspects of government activity should be subject to scrutiny; ii) gathering and examining evidence; iii) undertaking analysis and drawing conclusions; iv) attempting to influence government directly or indirectly.

[46] Kosova Democratic Institute. (2016). *Raporti i monitorimit të Kuvendit - Sesioni pranveror 2016* (p. 34). Pristina: Kosova Democratic Institute.

[47] Council of Europe Group of states against Corruption called for the adoption a Code of Ethics to most of the Western Balkan countries.

[48] Strelkov, A. (2016). 'The EU and rule of law promotion in Western Balkans - a new role for candidate states' parliaments. 'East European Politics, 32(4), 513.

the adoption of electoral reform to ensure greater citizen representation by making these processes inclusive. Transparency and accountability of funding of political parties and campaign financing must become a norm. These requirements will in turn empower other institutions including the Parliament, and directly affect the overall quality of democracy.

Conclusion

The future of democracy in the Western Balkans is bleak. The region is sending mixed messages regarding leadership committed to EU integration, where democratic rule in the Western Balkans is characterized by elements of autocratic and informal practices of governance such as state capture by ruling elites and control of the media.[49]

While the region has made some progress on the European path, indeed not uniformly across all countries, the level of democratic governance has not followed suit. The EU has changed since the financial crisis, Brexit, and the rise of populist and nationalist movements within its member states. Its readiness to embrace a new cohort of Western Balkan countries as its members will not come as quickly as societies within the Western Balkans would hope.

The region also still needs to address bilateral disputes related to the 1990s conflicts. While meaningful reforms remain the only way for the region to stop the decline of its democracies, the 'nationalization' of the EU integration process by the Parliaments of Western Balkan countries can help keep the effects of Europeanization more tangible.

The EU's goal of democratic states can be achieved only through power-sharing and representative institutions in which strong Parliaments stand as the cornerstone of consolidated democracies.[50]

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THE SOURCES OF PARTY LOYALTY AS OBSTACLE TO PARLIAMENTARY ACCOUNTABILITY IN SERBIA

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Introduction

The electoral environment in Serbia is not favorable to governance accountability between the elections. It is inadequately regulated through a vast number of electoral laws, reducing the transparency and integrity of elections. Moreover, the existing electoral system, which ties Members of Parliament (MPs) to their political parties rather than citizens, creates challenges for accountability of elected representatives. The many abuses of parliamentary practices and procedures in Serbia further contribute to the decline of institutional democracy and citizen trust.

This paper will provide an overview of the legal framework regarding elections for MPs, the representatives of the citizens' sovereignty at the national level. It also aims to explore the link between electoral laws and the electoral system on the one hand, and the contemporary practices in the National Assembly of Serbia (hereinafter Parliament) on the other. This is of particular importance, keeping in mind that the sovereignty of other institutions is derived from that of the Parliament.

The paper starts with an overview of the legal framework which enables the election of citizen representatives. Further on, it analyses the impact which the electoral framework has on post-election governance, and provides an in-depth case study of the performance of the current Serbian Parliament convocation. The paper also explores possibilities for improvement through changing electoral laws, which would require a long-term commitment, but also possibilities for changes which could be introduced in the short-term.

The Legal Context

Sovereignty in Serbia is vested in citizens who exercise it through referenda, people's initiatives, and freely elected representatives. No state body, political organization, group or individual may usurp the sovereignty from the citizens, nor establish government against the freely expressed will of the citizens.[1] Political parties, in that context, serve exclusively to articulate the citizens' will, and they cannot exercise power directly or submit it to their control.[2]

These overarching mandatory rules set out in the Constitution are, to some extent, put into practice through a number of laws. The Law on Election of MPs has made the whole country one electoral unit,[3] based on a proportional electoral system and a free, equal, general, and secret right to vote. Such a system was first established in 2000 to match the changes of the Serbian political system. In order to participate in parliamentary elections, political

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[1] See Article 2 of the Serbian Constitution of 2006, *Official Gazette of the Republic of Serbia No. 98/2006.*

[2] See Article 5 of the 2006 Constitution, *Official Gazette of the Republic of Serbia No. 98/2006.*

[3] Previously, Serbia was divided in 26 electoral units.

parties, party coalitions, or groups of citizens propose a list of candidates. The system itself has suffered certain changes since its introduction. For example, in its initial solution it provided that political parties should be free to appoint MPs after elections, irrespective of their order on the list of candidates. This was later changed; political parties were obliged to observe the order of the initial list in dividing mandates to MPs. However, in pursuing their mandate through political parties, MPs remain committed to the parties while performing their functions. This brings into question the necessity to introduce a personalization of the electoral system as a way to sever the strong ties that MPs maintain to their parties after elections. In addition, public opinion in Serbia shows citizens' willingness to vote for a person rather than for a political party.

Another issue which leads to decreased transparency and accountability of the elected representatives is the problem of party financing. The legislation does not require parties to make their financing transparent prior to elections, nor does it list types of expenditures acceptable in political campaigns.[4] Rather, it requires parties to submit a report on campaign financing 30 days after election results are made available.[5] Also, one of the main sources of general financing of the parties comes from the state budget. Each party has the right to a budget for financial support once they cross the 5% threshold and enter the Parliament, depending on the number of mandates they gained. Thus, the success of a party during elections determines the party's federal funding and helps sustain it for another term, motivating the MPs to remain loyal. Since incumbent parties are allowed to use the resources designated to their regular work for election campaigning, it also gives them an advantage over parties without parliamentary seats. Such provision gives them better chances to remain in the Parliament in the next term.

Citizens' Will vs. Party Interests

In the current system, political parties act as intermediaries between citizens and legislative activities. MPs are elected through lists of political parties, party coalitions, or lists proposed by the citizens. This practice creates a disconnect between voters and their representatives because people often do not know for whom they are voting during elections, or how their votes will be represented later on.

During the electoral campaign, such a context benefits small parties who would otherwise be unlikely to participate in parliamentary life, allowing them to join more dominant parties in parliamentary pre-election coalitions. In this manner, the situation gives the Parliament access to political options that would otherwise remain neglected in political life. Moreover, post-election changes in the political landscape of the Parliament are also

a common occurrence in Serbia. For example, often, a political party formed prior to elections wins mandates, however, its MPs later leave the initial party, albeit keeping their mandates. In this way, MPs continue their political life isolated from their electorate.

Entering the Parliament through party membership shapes the subsequent political landscape of the Parliament in Serbia. Citizens' political participation is decreased, since upon their election MPs continue to maintain their adherence to the party rather than to the citizens.

All of these practices, enabled by the electoral system currently in place, have created a lack of post-electoral connection between voters and their MPs. As a consequence, it generates mistrust towards the Parliament as there is a general feeling that decisions are being made in the party's best interest, not the public's.

CRTA has recorded a five year-long continuous drop in the citizens' trust in the Parliament through its poll on citizens' participation in democratic processes. In 2018, 63% of citizens believed that the MPs work in interests of their political parties and not the citizens, a ratio which has remained more or less constant over the years. The alienation from the electorate is visible in the fact that only 10% of the citizens would consider MPs available to them if contacted. Only 13% of citizens would entrust their MPs to represent their interests. The same percentage represents the citizens who would consider MPs available to resolve issues within their scope of work. The poll has also shown that most people have a poor understanding of the institution that represents their interests – 60% say that they know very little or nothing at all about the role of MPs in the Serbian Parliament[6].

Blurring the Line Between the State and the Party

The institutional and political environment in Serbia enables the political party membership to overshadow state functions. Differentiation between parties and party members on the one hand, and state institution functions on the other, is in practice blurred in the process of decision-making. This is also visible in the actual election process. For example, election observation missions from the last parliamentary elections held in Serbia in 2016 find numerous abuses of state funds in the electoral campaigns, and demonstrate a lack of distinction between the state and the party.[7]

In the post-election period, Serbia faces symptoms of state capture – which occurs when the executive centralizes power. In the current context, power centralization spreads from the party which holds the strong majority in the Parliament to the government. This paves way for

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4   See Law on financing of political activities, *Official Gazette no. 43/2011 and 123/2014.*
5   Article 29 of the Law on financing of political activities, *Official Gazette no. 43/2011 and 123/2014.*

6   Participation of citizens in democratic processes in Serbia CRTA, March 2019, available at https://link.crta.rs/demparticipation.
7   Full report on 2016 parliamentary elections documenting abuses of state funds available at: https://crta.rs/zavrsini-izvestaj-o-vanrednim-parlamentarnim-izborima-2016/.

subordination of the legislative body to the executive. It enables the executive or the ruling party to act without a substantial oversight.

In practice, this can be illustrated with the following example. The ruling party MPs only serve as a tool to pass any laws the executive proposes, as 97% of all laws adopted in the current convocation have been proposed by the government.[8] The ruling majority MPs also tend to exclude the opposition MPs by disabling the debate on laws and hindering inter-party dialogue. In such a context, both the ruling majority and opposition MPs are deprived from participating in the legislative process, to discuss laws on the parliamentary agenda, and vote according to their will. These crucial roles of MPs are being hindered by the dictate from the government, when it comes to the ruling majority MPs, or in general by a political dictate of their respective parties.

The lack of oversight over the executive has led to the ruling party monopolizing decision-making in Serbia, frequently without consulting any other institutions. Lack of oversight enables the ruling party to hold the public in constant expectation of early elections[9], then call early elections[10], permanently run political campaign using state funds,[11] and reshuffle government ministers. All of these are done at unilateral will of the ruling political party embodied in the executive, therefore disrupting the legally mandated control of the executive by the legislative.

Subordination of the Parliament to Party Interests

The lack of MPs' accountability and their party-oriented activities could be further explored through parliamentary procedures. The quality of how MPs' exercise their political mandate is evident in practices of conducting parliamentary debates, passing laws and in the overall work and transparency of the representative body.

In the context of availability of the Parliament's work to the citizens, there are two aspects to take in consideration. The first one is demonstrated in an extent of formal criteria fulfilment of making Parliament's work available to the public. It is accomplished through making its sessions

available to the public, accessibility of law proposals, holding meaningful debates, etc. The second aspect is enabled through substantial participation of citizens in the work of the Parliament through their access to the Parliament and contact with the MPs.

1. Parliamentary Practices: at the Edge of Legality

The lack of accountability in the Parliament spans from the low-quality parliamentary debate and oversight to breaching of procedures. These have included suspension of legislative activities during presidential elections in 2017, while the current Prime Minister was running for president; hindering of the Parliament's work with respect to the independent institutions' reports; calling a session using signatures of former MPs;[12] and filibustering activities by the ruling majority MPs throughout the entire 2018. The Parliament of Serbia has started to suffer from serious democratic deficit. These practices aimed at preventing opposition MPs to participate in the debate caused 55 opposition MPs to start a boycott in February 2019.[13]

The day to day work of the Parliament is predominantly marked with the lack of meaningful debates and cross-party dialogue. Substantial debates are prevented through majority's filibustering by submission of vast numbers of amendments to laws or consolidating sessions' agendas with a large number of laws which share nothing in common.[14] The ruling party orchestrated the submission of amendments from the government they appointed to their own law proposals – a clear indicator of party dominance. The MPs rarely vote differently from the position of their political party despite the legal provision to vote according to their personal convictions.[15]

Parliament's transparency is diminished by increased abuse of urgent legislative procedures. By the end of 2018 an analysis revealed that more than 70% of new laws, amendments and supplements to laws were adopted through urgent procedures.[16] With reference to this, in its Fourth Evaluation Round, the Group of States Against Corruption – GRECO expressed concern that law proposals are frequently published on the Parliament's website as late as 24 hours before a plenary session, due to

[8] The Government became almost exclusive proposer of the laws adopted by the Parliament - it proposed 344 out of 354 laws adopted in the 11th legislature of the National Assembly by the end of 2018. The remaining 10 adopted laws were proposed by the MPs from the ruling party and the National Bank of Serbia. The most striking example in the Budget Law adopted in December 2018, alongside 39 other laws on the agenda, by means of the consolidated procedure, within a 61-item agenda and 2000 submitted amendments, see: https://insajder.net/sr/sajt/ vazno/12792/ and https://link.crta.rs/session271118, Accessed on January 24, 2020.

[9] Webiste of the ruling SNS party where Miloš Vučević, one of the members of the party, otherwise the mayor of Novi Sad, explains that the party itself has not decided whether there will be elections and when http://www.sns.org.rs/lat/video/vucevic-jos-nismo-odlucili-kada-ce-i-da-li-ce-biti-izbora, Accessed on April 17, 2019.

[10] Pursuant to electoral win at 2012 parliamentary elections, the ruling party in Serbia (SNS) called for early parliamentary elections in 2014, 2016, and has announced possible early elections in 2019.

[11] Most recent example – President's campaign „Future of Serbia" which includes participation of ruling party members and public officials in a campaign of a non-determined purpose, aim or sources of financing.

[12] Serbian media *Insider* citing news agencies regarding a claim of an MP saying: *It is my mistake that the session was called using signatures of former MPs* https://insajder.net/sr/sajt/vazno/13460/, Accessed on April 17, 2019.

[13] Serbian media *Istinomer* on boycott of the parliament https://www.istinomer.rs/clanak/2762/Bojkot-parlamenta-i-sta-posle, Accessed on April 17, 2019.

[14] Year 2018 by far holds a record for the overall number of submitted amendments – 16,891, Available on the website of the Serbian Parliament https://link.crta.rs/numbamend, Accessed on April 17, 2019.

[15] Article 37 of the Law on the National Assembly, *Official Gazette no. 9/2010.*

[16] Tepavac, T. *Working Paper National Assembly of the Republic of Serbia: Temple or facade of Democracy?* (2018) Page 10.

government's request for urgent procedure.[17] Although meant to be an exception, the urgent procedure has become a common practice, significantly weakening transparency, which is why GRECO calls for its revision. In the most recent Compliance report, GRECO has stated that it still cannot conclude that this procedure is applied as an exception.[18] In order to increase transparency and regain the citizens' trust in legislative activities and the work of MPs, the urgent procedure should be used only in an extraordinary measure.

Even though some of these practices fall within the sphere of legality, their intention is clearly a misuse of procedures and exercising political dominance. This abuse of procedures additionally demonstrates the absence of the accountability of MPs.

2. Avoiding the Public Eye

Apart from availability of parliamentary procedures, there are other tangible ways to ensure citizens participate actively in legislative activities and hold their representatives accountable. These can include civic participation in law proposals, working groups, and public hearings. Public hearings serve to connect the citizens to the legislative processes, as well as to shed light on matters that divide the public.[19] Public hearings were introduced in 2010, and the year 2013 holds the record of 28 organized public hearings. Their number has been dropping ever since. Only one hearing was organized per year in the past two years, thereby further alienating MPs and the Parliament from the citizens. This was recognized by GRECO, which recommended further development of the existing rules of both public hearings and public debates, and ensuring their implementation, as did the Serbian Anti-Corruption Strategy and its Action Plan.[20]

There is no opportunity for citizens to directly contact their MPs. Although the website of the Parliament provides certain information regarding the MPs (e.g. membership to a political party, parliamentary committees and boards), it does not provide their attendance to sessions, speeches, submitted amendments or casted votes. MPs also rarely appear in the media to explain their proposals, amendments, positions or reasons for voting for or against a certain proposal.[21] Citizens' access to their representatives through civil society organizations (CVOs) is not any more transparent either. CSOs have also witnessed situations in which their participation in working groups serves to meet formal criteria of participation, while their substantial contribution is ignored. This often results

in law proposals that do not correspond to public interest or needs.

The Parliament makes sessions, committee meetings and public hearings as well as law proposals and adopted laws available on its website. However, the public does not have access to proposed amendments to laws, which constitutes a violation of the Parliamentary Rules of Procedure.[22] The amendments are available exclusively through e-Parliament, which is accessible only to MPs and Parliament staff. It is worth mentioning that CRTA, through its initiative Open Parliament,[23] used to have an agreement on cooperation with the Parliament. This agreement was unilaterally cancelled by the Parliament in response to CRTA's protest against the 2018 budget which was adopted without any debate. This further excluded public insight into parliamentary processes. By excluding the civil society organizations which made parliamentary procedures more available to the citizens, the Parliament furthered its lack of transparency and cast a shadow over parliamentary democracy in Serbia.

Room for Improvement

As demonstrated above, the framework set by the electoral system and the electoral laws allow political parties to have an overly dominant role in governance. For a candidate, parties represent an entrance to state institutions, which in return would require accountability to voters. However, once they become MPs, they owe their mandate to the party,[24] and as long as they demonstrate their loyalty to the party, their accountability to the citizens is of second importance. As long as the existing regulations' violations continue unsanctioned, and as long as laws are not implemented properly, this practice will allow that MPs' remain unaccountable. In order to strengthen the sovereignty of Parliament and improve democratic processes, these practices have to be halted or reversed.

The before-mentioned alienation requires mechanisms to repair the relationship between the MPs and the citizens and improve accountability. Such mechanisms would then enable the restoration of citizens' trust in the Parliament, institutions, and democracy in general. They will have to make public all aspects of the electoral process, from electoral campaign to election day, but also the manner in which public functions are exercised in-between the elections. Mechanisms would need to include clearly defined rules for all parts of the processes and effective implementation of sanctions for their violation. Only such

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[17] GRECO Fourth Evaluation Round Greco Eval IV Rep (2014) 8E of June 19, 2015, available at https://rm.coe.int/16806ca35d 31, Accessed on January 24, 2020.

[18] GRECO Fourth Evaluation Round, Interim Compliance Report - Serbia GrecoRC4(2019)5 of 22 March 2019, available at https://rm.coe.int/grecorc4-2019-5-fourth-evaluation-round-corruption-prevention-in-respe/168093bc55, Accessed on January 24, 2020.

[19] Pajvancic, M. *Public debate - a form of direct citizen participation in the legislative process (organization and conduct)* (2013).

[20] It is worth mentioning that The Anti-Corruption Strategy was passed for the period 2013-2018 and there is no information on drafting a

follow-up Strategy up to date. The Strategy 2013-2018 is available at https://link.crta.rs/corrupstrat, Accessed on January 24, 2020.

[21] Orlovic, S., Loncar, J., Spasojevic, D., Radojevic, D. *Improving the democratic performance of the National Assembly of the Republic of Serbia - Recommendations* (2012) page 7.1.

[22] Article 206 of the Parliamentary Rules of Procedure, *Official Gazette of RS No 20/2012.*

[23] Website of the initiative Open Parliament http://otvoreniparlament.rs/.

[24] Article 102 of the Constitution of Serbia.

comprehensive changes will restore trust of citizens in their elected representatives.

In order to make sure that the changes to regulations are systemic, they should be introduced collectively across the political spectrum and at various levels. Serbia's next upcoming elections will be taking place in spring 2020. For this reason, CRTA has initiated a public discussion with all stakeholders to work together towards implementing the recommendations it has gathered throughout years of monitoring elections at all levels.

The improvements can only be made with joint efforts and expressed willingness of all stakeholders. The accountability of MPs to the citizens must be the main focus over political competitions.

An in-depth analysis and discussion of the Serbian electoral system is necessary considering all challenges and changes in the field since the adoption of the current system. Only such an approach would result in a proposal for the most adequate solution. Further, a far-reaching discussion on the comprehensive electoral laws should be continued. Scattering electoral matters across several different laws, including regulations that change from election to election, does not contribute to the stability of the system. A single regulation will also prevent legal gaps and pave the way to more consistent implementation.

THE COMMITTEES ON EUROPEAN INTEGRATION AND THE QUESTIONABLE SEPARATION OF POWER IN THE WESTERN BALKANS

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Separation of Power

National Parliaments of candidate countries have several formal functions in the European Union (EU) accession process, such as political support, including communication to the public; parliamentary scrutiny of the government's actions for approximation with the EU; and cooperation with the European Parliament, with other EU member states' (MS) Parliaments and parliamentary bodies. However, national Parliaments often exercise more of a 'ceremonial' role, rather than a real role. Nevertheless, it is important to ascertain whether the formal legislative and oversight role the parliaments' exercise is used to influence the harmonization and negotiation process.

Facing a period of political crisis and democratic deficiency, the past decade in Western Balkan (WB) countries has confirmed the need for separation of power as the core principle of parliamentary democracy. The 2016 report of the European Commission on now North Macedonia stated that "democracy and rule of law have been constantly challenged, in particular, due **to state capture affecting the functioning of democratic institutions** and key areas of society." One such institution often overlooked is the Parliament, which "during the reporting period, did not adequately fulfill its function of providing checks and balances".[1] In the Institute for Democracy's (IDSCS) 2017 public perception survey, of the surveyed citizens that answered that the MPs represent the interest of their political parties, more than two thirds (77%) think that MPs in the Parliament **always** represent the interests of their political parties.[2] Contrary to the public perception of the MPs representing party interests, the duty of national parliaments is to fully represent citizens' interests. In this case, keeping in mind the euro-enthusiasm among the citizens of Western Balkan countries, with the support-oppose ratio being lowest in Serbia (55-25 percent),[3] the duty of national Parliaments is to use their positions to ensure the quality of the accession process.

In a society where the role of the Parliament is fully undermined, the concept of separation of powers, which emphasizes the independence the Parliament enjoys in a democratic state, is not always exercised in practice. In fact, in protecting democracy, we have to protect the independence of the Parliaments and make the policy and decision-making as open and inclusive as possible. As representatives of all citizens, Parliaments must be

[1] Commission Staff Working Document, The former Yugoslav Republic of Macedonia 2016 Report, Accessed on January 24, 2020 at: https://ec.europa.eu/neighbourhood-enlarment/sites/near/files/pdf/key_docments/2016/20161109_report_the_former_yugoslav_republic_of_macedonia.pdf.

[2] Results from the field survey on citizens' perceptions about the work of Parliament, December 2017, available at https://bit.ly/2Zn0eFa, Accessed on January 24, 2020.

[3] "Standard Eurobarometer", November 2018, Accessed on January 24, 2020 at http://ec.europa.eu/comm frontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2215.

included in the major processes countries go through, including the EU accession processes. Although over the past few decades national Parliaments have adjusted their institutional settings according to the European integration process, including the establishment of the Committees on European Integration,[4] keeping democracy alive remains a challenge in the WB countries.

Case-in-Point: North Macedonia

The Parliament of North Macedonia has the legislative power in the field of adoptions of laws and policy, as well as in the process of oversight over the executive. In order to determine the political course of the country, the Parliament must fulfill the legislative role through consideration, discussion and adoption of laws in accordance with sound argumentation. As it is also in its competence to control and monitor the work of the executive power, in a way that limits it in making decisions that are contrary to the public interest, it must ensure effective oversight over the executive. However, the practice has shown that there are loopholes the government can exploit that pose a risk to good governance and the EU accession process. Bearing in mind the extensive competences of the executive in the EU negotiation and harmonization process, there were several instances in the past years when the government abused its position. Namely, although the 2016 yearly report of the Parliament stated there were a total of 14 laws arising from the National Programme for Adoption of the *Acquis Communautaire* (NPAA) and laws that are in harmonization with the EU law were adopted, only one was reviewed on a session of the Committee on European Integration (CEI). Although both government and Parliament refused to take responsibility, this practice was a clear breach of article 79 of the Rules of Procedure of the Parliament, which explicitly states that the Parliament cannot discuss a proposal for an EU law if it has not been previously considered by the Committee on European Integration.

Such a difference in reviewed and adopted laws was also apparent in 2014 and 2015. The annual reports of the Parliament stated that in 2015, a total of 29 laws were adopted, while only nine were considered by CEI, while in 2014 a total of eleven laws were adopted, while only six were reviewed by CEI.[5] Not all adopted laws had an EU flag,[6] a declaration of compliance or a correspondence table, although they were presented as "European" laws in the report. The General Secretariat of the Government

labels the laws as "European" or adds the European flag after the announcement by the Secretariat for European Affairs (SEA). Bypassing the role of the CEI or the Parliament as a whole is a breach of the constitution, which clearly states the legislative and oversight role of the Parliament. In another case, the Public Administration Reform Strategy 2018-2022 concluded that between 2014 and 2016 of 1070 adopted laws by the eighth Parliament of North Macedonia, only 64 (5.9%) emerged from the NPAA.[7] While political stability is a crucial factor in long-term planning, the past few years of political crisis in North Macedonia have contributed to a distorted harmonization process. For example, only a tiny fragment of the regulations published on the Unique National Electronic Registry of Regulations for which the Regulatory Impact Assessment (RIA) is made is drawn from the Work Program of the Government and the NPAA, and most result from government sessions,[8] contributing to legal instability.

In 2007 an "institutional platform and principles for conducting the approaches for the accession of the Republic of Macedonia in the European Union,"[9] prepared by the Secretariat for European Affairs, was established as a starting point on what the role of the Parliament and the Committee on European Integration should be. The platform stated that the adoption of the negotiating positions will involve the Parliament by giving an opinion of the competent Parliament body (in accordance with the existing decision on working bodies of the Parliament – Committee for European Integration) before their adoption by the government. In addition to this, regular reporting by the chief negotiator was proposed. The platform stated that considering that the proposals of the laws are submitted with statements of compliance with EU legislation and with correspondence tables, the Parliament is given full insight into the process of the adoption of EU law that is in direct correlation with the negotiations. However, this platform is an outdated document, considering the name change and new conditions. The government stated that it has been working on a new negotiations plan which is to be published by mid-May 2019. In fact, it is concerning that the negotiation plan has not been prepared or made public yet, considering that the European Council is to decide on opening negotiations mid-June 2019. The role of the Parliament cannot be constrained to the 2007 platform, which mainly gives the Parliament a tacit role.

However, while the government of North Macedonia is still deciding on the manner of inclusion of the Parliament, Slovenia, an ex-Yugoslav country, can be seen as a success

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[4] A. Maurer and W. Wessels (eds), "National Parliaments on their Ways to Europe: Losers or Latecomers?" (Nomos, 2001); P. Norton (ed.), National Parliaments and the European Union (Frank Cass, 1996), available at http://aei.pitt.edu/1476/1/National_Parliaments_Losers_or_Latecomers.pdf.

[5] "Effective Parliament oversight? Representation of the reality in the process of legal harmonization with the EU", May 2017, Accessed on January 24, 2020 at https://bit.ly/2 ZkYzA3.

[6] The EU flag, represents a symbol assigned for legal solutions deriving from the National Program for the Adoption of the *Acquis* Communautaire (NPAA) and laws that represent harmonization with EU law.

[7] Draft Public Administration Reform Strategy 2018-2022. MISA, Skopje, December 2017. Accessed on January 24, 2020 at: http://arhiva.mioa.gov.mk/files/pdf/dokumenti/Draft_PAR_STRATEGY201-2022_16122017_final_en.pdf.

[8] Challenges in the annual planning of RIA, February 2018, Accessed on January 24, 2020 at https://idscs .org.mk/wp-content/uploads/2018/11/PVR_finalmkd.pdf.

[9] "Institutional platform and principles for conducting the approaches for the accession of the Republic of Macedonia in the European Union", November 2007, Accessed on January 24, 2020 http://www.sep.gov.mk/data/file/Pregovori/Platforma (1).pdf.

story. As a candidate country, Slovenia led the process of inclusion of the Parliament, considering that it was the only candidate country whose negotiating positions also had to be formally approved by the Parliament. Although this decision seemed complex in its initial phases, it actually proved very useful, as it guaranteed transparency to the public and uniform political support for the process throughout the negotiations.[10] Furthermore, at the beginning of the process, Slovenia was the only candidate whose negotiating positions were publicly available to the media and the general public. Involving the public in the Parliament is one of the roles assigned to the Parliament in the accession process, and also helps to make a technical process, such as the EU negotiation process, more familiar to the citizens. The visibility of the process also involves different political actors, building national but also political consensus, a very important step towards a successful process. The EU negotiations and accession process is of high national importance and cooperation between the government and opposition is crucial for a successful process.

Following Slovenia's example, WB countries should strive for a more transparent process through the inclusion of all stakeholders, especially the Parliament owing to its oversight and consensus building role. The much-needed committee discussion on harmonized legislation, inclusion of stakeholders and transparency of the whole process must not be bypassed. This way, by strengthening the position of the Parliament in the accession process, the misuse of the narrative by the executive would be avoided, no matter how urgent the reforms towards the EU are stated to be.

The Gap Between the EU and the Western Balkans

Although all six WB countries have established Committees on European Integration and have formally consented to follow the rules, the formal agreement does not always correspond to the actual situation on the ground. The apparent gap that exists between EU *acquis* and the social life in the WB countries is the key research question of the regional project "INFORM". The project is laid out in all WB countries and its research focuses on the

> "interaction between formal institutions, many of which have been created or undergone change as a part of the process of EU integration, and informal institutions in the process of the institutionalization of EU rules and regulations in the Western Balkan societies."[11]

There exists a growing body of empirical evidence regarding the problem of implementation of EU rules (directives and regulations) in the newest EU member states and candidate countries, including Western Balkan countries. While laws are passed, many adopted rules tend to largely remain "empty shells" or "dead letters".[12] In fact, one of the main reasons behind the lack of implementation of the EU *acquis* is the politicization of public administration institutions. Phenomena such as corruption[13] and clientelism lead to a lack of competent professional staff and financial resources. In fact, at the beginning of April 2019, North Macedonia's Minister of Information Society and Administration stated that the country was lacking administrative capacities for a successful negotiation process and asked for support from the private sector.[14]

The combination of lack of capacities and corruption creates several loopholes in the process of harmonization and negotiation. First, while the governments of WB countries declare that they are following the EU regulations and directives, without extensive research, the transposition of the EU *acquis* creates a greater gap between the legal system and the political culture of the population itself. This practice then only feeds into a system already alienated from its citizens. Second, while governments claim to follow soft law (declarations, progress reports, and other international contracts) most of them tend to misuse EU directions, proposing laws that are clearly party politics without EU character. Third, either deliberately or because of lack of capacity, governments tend to propose national laws that contradict already adopted EU laws. In the case of North Macedonia, the government sometimes sends to the Parliament allegedly 'harmonized' national laws without any information in the correspondence tables, and only with a statement of compliance. In this instance, by using the national legal system, governments also misuse by-laws, which may be inconsistent with the laws adopted in the Parliament in accordance with the EU *acquis*. For instance, North Macedonia does not have a track record of the changes made with by-laws on the original law that passed the checks in the Committee for European Integration.

Given that there is room for the governments to circumvent parliamentary procedure, it is very important to strengthen the capacity of the legislative committee within Parliaments, but also the legislative sector in the government. In a long process like the harmonization with the EU *acquis*, inter-sectoral and inter-institutional cooperation is crucial for an all-encompassing approach. A very important step is for CEI to introduce reverse

10 "Slovenia – 10 years in the European Union", April 2014 http://www. mzz.gov.si/fileadmin/pageuploads/Dokumenti_SVREZ/publikacije/pu blikacija_10EU_ang_koncna.pdf.

11 "INFORM: Closing the gap between formal and informal institutions in the Balkans", Accessed on January 24, 2020 at https://idscs.org.mk/en/2016/04/01/inform-project- horizon-2020/

12 "How to improve implementation of EU rules in the western Balkans?", Lavrič, M., Senjković, R. & Klanjšek, R., December 2018, Accessed on January 24, 2020 at https://www.ucl.ac.uk/ssees/sites/sse es/files/inform_pb2_-_how_to_improve_implementation_of_eu_rules .pdf.

13 "The Principles of Public Administration – The former Yugoslav Republic of Macedonia", OECD-SIGMA, November 2017, Accessed on January 24, 2020 on http://www.sigmaweb.org/pu blications/Monitor ing-Report-2017-the-former-Yugoslav-Republic-of -Macedonia.pdf.

14 *"The government does not have the capacity and resources to negoti ate with the EU, Manchevski seeks assistance from the private sector",* FOKUS.mk, April 12, 2019, available at https://bit.ly/2Unc2Uo.

correspondence tables in cooperation with the Secretariat for European Affairs, in order for the Secretariat to be able to follow harmonization throughout the whole process. These tables can be used to describe the detailed changes that have taken place throughout the process of amendments, by-laws, and new legislation.

However, the most important step in the EU accession process is for national governments to always follow the logic of national lawmaking, national politics, and respect the role of the Parliament in the policy and decision-making process. In the case of WB countries, the problem might not always be the lack of competencies in the Parliament or CEI in this particular instance, but the lack of good governance and the abuse of power by the executive

THE WESTERN BALKANS BETWEEN ECONOMIC DEVELOPMENT AND EMIGRATION

October 29 – November 01, 2019 I Budva

In cooperation with:

AGENDA

Accommodation and Conference Venue:
Hotel Budva, Slovenska obala, 85310 Budva, Montenegro

Tuesday, October 29, 2019

Arrival of Participants during the Day

20:00   **Welcome Dinner**
Welcoming Remarks by Veljko Milonjić, *Director General for Multilateral Affairs, Ministry of Foreign Affairs of Montenegro*
Citadela Budva, Stari grad, 85310 Budva

Wednesday, October 30, 2019

09:00 – 10:00   **Welcoming Remarks**
Rüdiger Lentz, *Executive Director, Aspen Institute Germany*
Sabine Stöhr*, Head of Division 209 Western Balkans, Federal Foreign Office*

10:00 – 11:30   **Session I:**
Emigration: Why Are People Leaving? How Can They Be Convinced to Return?
The economic situation in the Western Balkan countries has slowly been improving over the past years. Nonetheless, the region is still confronted with high unemployment and low acceleration of competitiveness. According to the 2018 Balkan Public Barometer the economic situation is seen as the most important problem in the region. As a consequence, many seek perspectives abroad. In Gallup's latest worldwide survey all WB6 countries rank high on the "brain drain" index, with 25% to up to 42% of young, highly educated people who want to leave the country with no plan to return. The WB6 will most likely remain an exporter of smart, educated people for years to come and EU accession would not necessarily end brain drain, but could even exacerbate it, as it has continued to be a challenge for Bulgaria, Romania, and Croatia. How can economic development lead to the creation of attractive jobs? Which other factors except the economic situation play a role in people's decisions to leave the region and how can they be convinced to return? What role does the EU play and how do destination countries within the EU shape the migration dynamics in the WB6? How can the migration's enormous potential benefits (in economic, social, and human capital) lead to long-term development opportunities in the region?

Introduction: Alida Vračić, *Western Balkans Emigration and its Consequences in the Region*

Moderation: Rüdiger Lentz

11:30 – 12:00   Coffee Break

12:00 – 13:30

Session II:

Economic Development and Job Creation:

"The economies of the Western Balkans still face major challenges that do not allow them to take full advantage of their economic potential", sums up the European Commission in their 2019 Communication on enlargement. Despite some acceleration of growth, the countries are still lagging behind in modernizing their economies. All WB6 still face high unemployment rates, in particular among youth, large skills mismatches, persistent informal economy, unfriendly business environments, and low levels of innovation. How can conditions for enterprises be improved? What are other limiting factors to economic activity and growth? Are Foreign Direct Investments (FDI) a blessing or a curse? What kind of jobs are needed in the region and how can they be created? How high is the risk of the WB6 of ending in the "middle income trap" and how can this be avoided? How can the creation of high skilled jobs be promoted? Which sectors show a competitive advantage in terms of high skilled jobs? What role could and should the education sector play? How can schools, higher education and vocational training institutions (public and private) prepare young people for the labor market in a sustainable way? Are all countries in the region facing the same challenges and should joint solutions be developed?

Introduction:	Vladimir Cvijanović, A *New Industrial Policy Approach as a Way Forward in the Western Balkans*
	Ivan Žilić, *Skills, Jobs, and Education in the Western Balkans Countries*
Moderation:	Adnan Ćerimagić

13:30 – 15:00   Lunch

15:00 – 16:00

Session III:

The Role of Digitalization for the Economic Development of the Region

Digital transformation presents enormous growth potential for economies to seize the range of opportunities that technologies such as the Internet of Things, big data, advanced manufacturing, and artificial intelligence offer. At the same time, it will fundamentally change job markets. Especially those jobs with a high share of routine activities, with little complexity, and a modest level of interpersonal interaction are at risk. With its 2018 flagship initiative "Digital Agenda for the Western Balkans" the European Commission supports building digital economies and societies in the region. What role can the digital economy play for economic development in the Western Balkans? What are the risks and obstacles? What does it mean for regional cooperation? Should the region develop a joint strategy? What role can the Berlin Process play? How can competitiveness of the ICT sector be improved? How can research and development in this field be strengthened? How can the digital economy be connected to existing economic sectors? Who are the stakeholders in this process? What role can digitalization play in tackling the issue of brain drain?

Comment:	Tanja Miščević, *Deputy Secretary General, Regional Cooperation Council*
Moderation:	Edith Harxhi

16:00 – 16:30   Coffee Break

16:30 – 18:00	**Session IV**

Entrepreneurship and Start-ups: How to Unleash These Drivers of Growth?

SMEs in the Western Balkans represent the backbone of the local economy. Entrepreneurship and start-ups in the region have the potential to drive economic growth and harness the dynamic of the region's youth. However, entrepreneurs with new ideas are faced with challenges to obtain loans or investments and are highly exposed to market volatilities. How can enhanced access to funding be provided to entrepreneurs? How can a more favorable financing environment for entrepreneurs and a sustainable equity market be created in the long run? Which other aspects have to be taken into account in order to establish the necessary political framework to support entrepreneurs? What role does the EU's Western Balkans Investment Framework play? Which actors and tools can support the improvement of the investment climate for SMEs and start-ups?

Introduction:	Ivan Jovetić, *Entrepreneurship and Start-ups in the Western Balkans*
Comment:	Umur Gökçe, *Project Manager "SME Policy Index Western Balkans", OECD*
Moderation:	Srđan Majstorović

19:30	**Dinner at Majestic Budva with Music by Miran Begić and Predrag Janković** *Slovenska obala 11, Budva 85310*

Thursday, October 31, 2019

10:00 – 11:30	**Session V:**

Critical Infrastructure, Public Procurement, and Interconnectivity

Cross border transport, energy and communication networks play an important role with regard to regional economic development. At the same time, public procurement for critical infrastructure projects stays an area particularly prone to corruption. What is the current situation of these critical infrastructures in the Western Balkans? To what extend do underdeveloped transport, energy and communication networks constitute an additional obstacle to regional economic development? How can compliance with environmental and technical standards be assured to make investments in critical infrastructures sustainable? How can public procurement for infrastructure projects be made more transparent? What role does the Berlin process play? What is the role of other international actors and FDIs? What risks does long-term indebtedness via investments by third countries in critical infrastructure pose in this field?

Introduction:	Ana Đurnić, *Critical Infrastructure and Public Procurement: The Case of Montenegro, Eight years of back and forth*
	Aleksander Kovačević, *Critical Infrastructure in the Western Balkans*
Moderation:	Dani Ilazi

11:30 – 12:00	Coffee Break

12:00 – 13:30	**Session VI:**
	Regional Economic Cooperation and Interregional Mobility

Regional economic integration has been identified as a key to economic development for the Western Balkans. One of the aims of the Berlin Process has been to enhance regional economic cooperation and prepare the ground for sustainable growth. At the Trieste Summit in 2017, the Regional Economic Area (REA) has been introduced to "propose a joint approach to furthering economic cooperation in the Western Balkans". What is the role of CEFTA in the region? How can the full implementation of the CEFTA commitments be assured? How can it be further deepened in developing REA more successfully? What are the major obstacles? How can regional mobility in the fields of labor and education be improved? What role can and should the Regional Cooperation Council play? What role can interregional mobility play in convincing the young generation to stay in or return to the region?

Introduction: Silvana Mojsovska, *Regional Integration of the Western Balkans: Shift from Political to Policy Content as Precondition for Results*

Moderation: Valeska Esch

13:30 – 15:00   Lunch

15:00   **Start of Cultural Program: Departure to Tivat by Bus**
Meeting at Hotel Reception

16:00   **Tour on Navy Sailing Boat "Jadran" through the Bay of Kotor to Catovica Mlini**

18:00   **Farewell Dinner**
Konoba Ćatovića Mlini, E65, Morinj 85338

Friday, November 1, 2019

Departure of Participants

LIST OF PARTICIPANTS

Markus Aschendorf

Vladimir Ateljević

Odeta Barbullushi

Josip Brkić

Lirak Çelaj

Adnan Ćerimagić

Gordana Comić

Vladimir Cvijanović

Aleksandar Damjanović

Aleksandar Drljević

Ana Đurnić

Sascha Fuzul

Umur Gökçe

Rudina Hajdari

Plamena Halacheva

Edith Harxhi

Ramadan Ilazi

Ivan Jovetić

Martin Knapp

Aleksandar Kovačević

Memli Krasniqi

Saša Magazinović

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Veljko Milonjić

Tanja Miščević

Silvana Mojsovska

Milan Mugosa

Aivo Orav

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CONFERENCE REPORT: THE WESTERN BALKANS BETWEEN ECONOMIC DEVELOPMENT AND EMIGRATION

Kate Beukenkamp
Rapporteur

The Aspen Institute Germany Western Balkans Program's conference titled "The Western Balkans between Economic Development and Emigration" took place in Budva, Montenegro between Oct. 29 – Nov. 1, 2019. Participants represented a variety of countries from across the region and Europe, bringing a diversity of backgrounds to the table, including politics, public administration, civil society, academia, and business. Over the course of six sessions the conference covered topics such as: emigration and connection to the diaspora, economic development and technological drivers, critical energy infrastructure, public procurement administration and reform, and regional interconnectivity through trade and transport. Interwoven was the continued impact of the EU accession process, measures and methods to address corruption, and efforts to support development of the private sector.

This summary provides a brief account of the presentations made in each of the six sessions, followed by an overview of the subsequent general discussion among participants. The report concludes by highlighting topics and debates which emerged as common threads over the course of the conference. Discussion was conducted following the procedure known as Chatham House Rule, which omits individual attribution.

Introduction

The conference began with opening remarks by Aspen Germany's Executive Director Rüdiger Lentz with a welcoming message and thanks to all participants for their attendance and continued contributions to dialogue in the region. On the top of everyone's mind was the recent failure of the European Union (EU) to agree on the opening of accession negotiations for North Macedonia and Albania. Echoing statements by incoming EU Commission President, Ursula von der Leyen, and her predecessor, Jean-Claude Juncker, encouragement was offered to view the vote as only the beginning, and for the region to know the membership perspective still stands and that it is supported in continuing meaningful reforms.

Further, participants were encouraged to view the vote within the full context of the EU member states, including ongoing internal EU policy debate regarding reform of the EU and Brexit, for example. With a view to the region, there was specific mention of continued challenges around the rule of law as well as the usefulness of the Berlin Process in providing an instrument for taking concrete steps to addressing some of the underlying economic substantive requirements of EU accession. Other key themes raised, including the necessity of regional integration, cooperation and connectivity, and migration – both immigration and emigration – illustrate ongoing challenges for the Western Balkans.

Session I: Emigration – Why Are People Leaving? How Can They Be Convinced to Return?

The session opened with brief remarks pointing out that emigration, while especially pronounced in the Western Balkans, is a challenge many countries face in different ways, including Germany and other EU member states. However, the magnitude of emigration from the Western Balkans presents specific and acute challenges. The presenter joined in here to state that at a high-level emigration is still a taboo topic and remains insufficiently (if at all) discussed by politicians in the region.

Offering a brief descriptive overview, the distinction was made between emigration versus depopulation (low birth rates) versus intra-national migration. Simply described, a key feature for the Western Balkans is that everyone knows someone about to leave or that has just left – the life of every citizen in the region is touched by this issue. Each person that emigrates takes a value of approximately 20,000 EUR with them, including intellectual capital, and this figure does not account for the compounding effect of loss of wealth creation.

Next, the presentation moved into unpacking the underlying reasons why people emigrate from the Western Balkans. The obvious reason is lack of economic opportunities. However, there are several more sophisticated and subtle reasons, including the state of politics, apathy as characterized by a feeling that you cannot change or improve your life, or a feeling of inability to meaningfully create positive societal change. These nuanced reasons must be addressed to tackle emigration.

Drawing on the broader context of Europe and especially the relationship of the Western Balkans with Germany, the presenter pointed out statistics that emigration from the Western Balkans is critical primarily with regard to Germany's aging population and increased need for health care professionals. Germany's immigration policy has a greater impact on the Western Balkans than any other country, law or policy originating in the region. Using this point, the presentation segued briefly to immigration.

As the Session I policy paper points out, immigration is not being discussed. In reality, there are immigrants to the Western Balkans staying in the region long term, but governments do not want to acknowledge this or develop policies to leverage immigration as an opportunity on its own or in the face of emigration. Rather, immigration is given a one-dimensional view that, unfortunately, centers of negative narratives and views immigrants as temporary or unwanted.

Even with this limited view, the presenter offered a way forward supported by several recommendations. To begin, the Western Balkans should not view emigration as all a "sad story." Key drivers for emigrants from the Western Balkans are generally positive, for example, to seek education, gain international exposure, and build wealth. Therefore, the focus should not be on the point of departure but,

rather, on formulating flexible and holistic policies to encourage citizens to return. There are several countries that offer instructive examples and creative solutions to this issue, including Ireland, China, India, and Latvia. Therefore, changing the language of the narrative of Western Balkans emigration is central to beginning to formulate effective solutions.

Specifically, solutions should look to leverage the creation of a Western Balkans diaspora network. These structures should be relationship-based and go beyond monetary remittances. The example of Ireland and engaging the "Global Irish" was discussed. Specifically, Ireland, a country of only 6 million people, identified approximately 20 million people in the Irish diaspora. Using personal touch points and offers of inclusion in this newly conceptualized global community, Ireland was able to not only create a positive narrative around emigration, but see increases in philanthropic engagement to build institutions, for example. The speaker agreed that examples from her research offer limited instruction, but the Western Balkans must follow by first engaging in a fact-based discussion that draws from the full package of solutions used by other countries. Further, the Western Balkans must be realistic, take a top-down approach and acknowledge that any effort will take approximately 20-30 years to yield results.

In the open discussion, several key themes emerged, including looking to the local and city government as a source for effectively tackling the underlying reasons for emigration. A key point was to engage citizens at a local level in community decision-making. Direct involvement in decision-making that leads to positive impact in daily lives combats feelings of apathy and negative narratives around the impossibility of change. In turn, this can change the calculus of a person's decision to emigrate. As reflected in the speaker's proposals, surveying individuals and gaining a granular understanding of the subtle reasons motivating citizens' behavior is critical.

Other participants addressed challenges in engaging a diaspora, whether for economic investment or returning to the region to live. For example, there are pockets of industrial expertise prepared to invest in the region. However, this human and capital capacity understands it must operate "stealthily" to avoid detection and interference by corrupt governments in the region. Additionally, it was recommended that support be offered for professional organizations and associations whose members offer investment networks as well as best-practice frameworks for economic growth in the region.

Participants also pointed out that the Western Balkans feel isolated and need the support of countries like Germany as well as the EU. In a pointed remark, it was raised that Germany's immigration policies do not help ease the emigration issue. However, others countered that, while this may be true, it is beside the point as Germany and any other country, will act in its own national interest. Therefore, the recommendations offered by the presenter and participants

need to offer constructive ways forward irrespectively of this reality and this is where efforts should be focused.

Further, there were questions raised about how to maintain the EU ideal of the "freedom of movement," while tackling emigration. Other participants echoed the need for the region to embrace immigration simultaneously and questioned whether it best serves the region to take measures to engage with the diaspora as part of a solution.

In closing remarks, the presenter offered short and long-term recommendations. In the short-term, young people should be connected beginning in university, for example, by building a database that can be used to maintain contact, encourage intellectual or financial investment, or connection as a citizen to their home country. Second, the region needs to do the hard work of fact-based data collection and analysis to understand the drivers underlying individual decisions to emigrate. The reasons for emigration can be sophisticated, so participants were asked to resist the urge to over-simplify. Also, the region should remember that there are capable and motivated young people that do not emigrate – ask how policies can support them. Last, policies do not have to be single-focused on asking people to return permanently – think flexibly and holistically, governments should make offerings, there are valuable resources in place that can be leveraged under a changed emigration narrative.

Session II: Economic Development and Job Creation

Session II was introduced by two presenters. To begin, the first presenter outlined the regional narrative on economic development and job creation as comprising two ends of the spectrum: 1.) Jobs are rewarded on the basis of politics and political support, or 2.) The state should have no influence in this realm because it cannot be trusted to successfully implement well thought-out policies and concrete proposals. However, to take this approach misses the middle ground and an opportunity for productive policies. Therefore, the topic should be addressed through the lens of a new industrial policy approach, which offers a way forward for the Western Balkans.

Specifically, industrial policy should take a horizontal approach after dismantling the vertical system. The prevalence of rather linear and low business investment policies combined with low investment in research and industrial innovation is holding back economic development. The key recommendation to facilitate, or work in connection with this approach, is Smart Specialization Policy (SSP).

SSP offers a way forward for several reasons. While incorporating technology as an element, it is not focused purely on technology. At SSP's core is the Entrepreneurial Discovery Process (EDP), which is a united participatory model employed all the way through to implementation. These characteristics help break through some Western Balkans legacy barriers in economic development as success depends not only on the government, but also on

combining sources of funds. Further, this approach and market activity present an aspect consistent with the EU accession processes, while simultaneously offering a way for the Western Balkans to persevere during a lengthy EU process. Downsides of SSP include the inability to judge impact fully until much later – although research already supports a finding of an increase in trust – and that due to the participatory nature of the policy, it can take former "east" nations longer to "get it." However, while the learning curve is long, the SSP offers long-term rewards.

The second presenter focused on the connection between educational systems and labor markets. Like other presentations, the point was made that data on the Western Balkans is neither comprehensive nor complete. What is known is that the region will face the same labor challenges as the EU regarding job and wage polarization as the reduction in demand for routine labor (semi-skilled but easily automated) will impact economies. Further, the increase in "precarious" work, for instance in the seasonal tourism industry, will continue, which gives rise to social consequences, for example, in family planning.

As an overarching point, the countries of the Western Balkans have been resistant to educational and labor reforms. Active market policies offer on the job training, for example, but these programs are expensive and do not produce strong outcomes. Moreover, education is driving outcomes and most of what influences an individual's labor market outcome is more than 50% determined by the age of 15. Therefore, education is critical, but interventions must be early, including at the elementary school age. One way forward may be to look at the 21st Century Schools model.

From here, the session was opened up for discussion. There was general consensus among the participants in support of horizontal market policies, SSP, and educational interventions. As reflected throughout the conference topics, there were opinions put forth both in support of government involvement and those against government involvement. In order to bridge this gap, since corruption and lack of governmental transparency is prevalent, the opinion was that the focus should be on building strong institutions to facilitate good implementation of policy strategies. Another participant supported this position, but made the point that the political elite must be engaged to implement strategies.

The conversation moved to making sure economic and educational policies align with and facilitate EU-focused strategies. Of specific importance is continued building of regional engagement and connectivity as well as tying SSP support to EU policies. Additionally, the point was made that the EU accession process instruments can assist in guiding policy implementation as they streamline support and promote concrete indicators and ownership, and require transparency. For a brief moment, the conversation drew on emigration challenges and questioned education and job creation policies that may not create meaningful ways for people to invest in a shared future of the region.

Also raised was Foreign Direct Investment (FDI) as a tool. Several participants agreed that FDI to date has not created a sense of shared ownership or reached far into local economies to create shared wealth. Therefore, it is imperative to connect SSP to FDI, which can then be better linked to local businesses and from there to local suppliers. It was agreed that SSP has the potential to make these connections and level the playing field for local business to access aid and benefits.

Before the closing remarks, two additional elements emerged. First, that the lack of data and evidence-based policies in Western Balkans business firms cloud the image of competitiveness in the region. For example, the top 10% of US companies are twice as productive as the top 10% of companies in the Western Balkans (and seven times more productive than the top 10% of companies in North Macedonia). Second, the impact that a relatively small amount of money can have at a local level should not be overlooked as direct, local policy involving citizens can have big results. Further, listening to what people need at a local level can multiply wealth in a short time.

In closing remarks, the participants were reminded that since the fall of the former Yugoslavia, there has not really been constructive, strategic conversation about economic development. Also, the region should be wary to fall into the trap of 1000 policies even though it can be challenging to know what will have the greatest impact and where to start. Fundamentally, it remains incredibly important to continue to connect the Western Balkans, and SSP in the region should continue to be informed by what other countries are doing in their respective markets, and by tying labor markets and education together.

Session III: The Role of Digitalization for the Economic Development of the Region

As a starting high-level statement, this topic is about the transformation of an analogue world to a digital one. Digital transformation is an important part of "industry 4.0" and, therefore, a key part of economic development across the world, including the Western Balkans. Further, presenters reminded participants that digitalization should also be conceptualized in connection with the "four freedoms" of the EU single market as digitalization directly relates to the systems needed to ensure free movement of goods, capital and persons, and the freedom to establish and provide services.

The Western Balkans face a key connectivity issue as the region is exceptionally fragmented and, therefore, reflects the accomplishment of various levels of EU policy-driven digital development. As a bright spot, the region is catching-up or exceeding user goals on certain platforms and by measures of engagement. However, the region continues to lag behind regarding levels of mobile service coverage, for example. Another key area where the region falls behind is in the development of digital skills, including within the educational system. The presentation pointed out that these issues are pressing as, according to the World Economic Forum, more than 60% of the global GDP will be digital by 2022.

Having described the context for the role of digitalization, the conversation focused on specific digital efforts, issues and initiatives within the Western Balkans. The participants agreed that investing in digitalization will pay off economically both in measures of magnitude and speed for the region. The countries of the Western Balkans have only begun implementing the EU digital agenda, but "e-inspectors" from the EU have already been on the ground checking for compliance with standards and fighting against corruption.

As the session opened up for discussion, the conversation turned to recommendations in the context of the specific challenges faced by the region. Cybersecurity was raised several times as a concern. Specifically, participants discussed the wide reach of cyber-related issues, including in the context of elevated cyber risk as regional governmental corruption may inhibit implementation of sound cybersecurity policies, the assertion of influence by outside powers especially China through cyber channels, and cyber tactics as tools for the potential manipulation of people and society through digital means. Also, the difference between NATO and non-NATO member countries was pointed out when considering cybersecurity and external threats. Taking a step back, several participants pointed out that cybersecurity, as an issue imbedded in the topic of digitalization, is about the struggle for power, stating, "The question is, 'What is the next jump?'" The answer will depend on who is in control of information, digital systems and cybersecurity frameworks.

Moving back to discussing local and regional efforts both, "Smart Cities" and educational initiatives were raised. Specifically, there was agreement that cities like Singapore and Barcelona offer examples of how digitalization through the lens of a city brings together "practically everything," including infrastructure, education, energy, politics, and environmental concerns. One participant remarked that, "The Western Balkans cities must walk, run and jump to solve old problems from the 19th century, from the legacy of the wars, and address current digital demands." While not in disagreement, several participants pointed out continuing issues of corruption in political leadership as well as the expense involved to implement these strategies. Another participant pointed out that, while this challenge is overwhelming, there is already growth in applications and e-services, e-permitting, and "smart" traffic initiatives in the region. Further, another participant pointed out that not all Smart City initiatives require digital efforts as effective and improved infrastructure planning, for example, can be achieved through thoughtful engineering and design and by better leveraging existing professional skills and tools.

Looking at educational initiatives, a presenter pointed out that the Regional Cooperation Council (RCC), working in connection with the Regional Economic Area (REA) framework, established a platform to engage students and

youth in education and digital skills development. Additionally, the RCC offers channels for digitally knowledgeable people to provide governments and politicians with suggestions around the role and development of the digital economy. A majority of participants was in agreement that there must be awareness for the need for digital skills to be incorporated into educational systems. A few participants pointed out the structural challenge of incorporating digitally skilled people into the full economy as salaries in the government are significantly lower than those offered by the private sector, which inhibits the public sector from attracting and retaining digitally skilled workers. In connection with this point, it was raised that once people are educated and possess digital skills, it is necessary to support this workforce through strong institutions, including professional associations. Further, experienced professionals should be engaged in conversations around the digital economy as they impart professional knowledge and uphold frameworks of professional ethics.

In closing remarks, the conversation returned to high-level themes of the uncertainty in the scope of social and economic application and the impact digitalization will have on society globally, regionally, and locally. It cannot be ignored that managing the challenges of the digital transformation economically, politically, and strategically are critical to the Western Balkan region.

Session IV: Entrepreneurship and Start-ups – How to Unleash These Drivers of Growth?

The presenters for Session IV opened by outlining three challenges to unleashing entrepreneurial and start-up growth as economic drivers. These challenges included an absence of functioning tax administration, a lack of consistency and predictability in the rule of law, and that businesses in the Western Balkans do not feel involved in formulating business policy and decision-making.

Moving right into describing the entrepreneurial and start-up landscape and providing recommendations, the first point was that the majority of businesses in the region would benefit from increased cooperation with regional universities. This increase in cooperation and collaboration alone would unlock a tremendous potential in entrepreneurial growth and start-up creation. The second key recommendation offered by the presenters was to address, acknowledge, and change the mindset of the region. To elaborate, the participants were encouraged to view entrepreneurship as a way of thinking, not a technique. Therefore, while the session offered additional discrete discussion points and recommendations, it is critical to view policy-making in this space through this lens.

With this viewpoint established, certain key elements to unleash entrepreneurial growth were discussed in greater detail. In short, the Western Balkans must create a more favorable entrepreneurial and start-up environment. Major roadblocks were primarily articulated as tied to societal views of the role of government and government

corruption. Specifically, viewing the state a "solver of all problems" and the reality of the state as the largest purchaser of most goods and services stymies growth. An additional step requires citizens to accept the trade-off of a decreased dependence on a welfare state in exchange for the benefits of increased economic freedom.

The absence of a strong rule of law in the region was mentioned repeatedly by the presenters and the majority of participants. The participants shared a variety of points examining the contours this barrier creates. For example, one participant pointed out that would-be entrepreneurs are discouraged by the system of political favors and other corrupt actions necessary to ensure growth and avoid over taxation by "informal collectors of informal VAT." This point was countered in a way by another participant that stated that there is actually quite a bit of entrepreneurial activity taking place on the gray market, but these businesses must be incentivized and supported to join the formal economy.

Examining the need for a change in mindset to unleash entrepreneurial activity and start-up growth, the topic of reframing attitudes towards failure was infused throughout the conversation. As put by one participant, the Anglo-American approach rewards failure, whereas the Western Balkans mentality is that failure is equated as punishment. The key question is, "How can the Western Balkans support a change in attitude and environment where it is OK to fail and try again?" Another participant pointed out that those that fail will share that experience and are especially well-suited to make meaningful contributions as workers.

Related to this change in mindset, changes in attitudes towards investment and financing were raised. At a household level, people do not view investment as a path to wealth creation and economic development. Rather, the attitude is to keep money under the mattress, as one participant remarked. Another participant pointed out that the region suffers from a legacy of "brotherhood and family first" when it comes to investment and finance, which results in a closed system of patronage based on personal relationships, not strategically driven policies.

Bridging the gap between household and societal investment attitudes, and financing policy recommendations, one participant stated that capital itself is not a problem, rather it is the strategic releasing of capital for investment and the current application of financing methods that creates barriers to start-up funding. Several participants offered recommendations to improve access to capital for entrepreneurs, including moving away from traditional methods of bank financing, encouraging banks to understand how to make loans to entrepreneurs, and education for entrepreneurs to explore non-traditional capital raising methods such as crowdfunding.

It was also pointed out that while a change in mindset is key to unleashing entrepreneurial potential, a start-up in Belgrade is not going to look like a start-up in Berlin. Further, the focus does not have to be always on "high tech." There is lots of potential in SMEs to be job creators and

these businesses provide a variety of goods and services. With EU accession on everyone's mind, it is critical to keep entrepreneurial policies on the agenda for those countries seeking EU accession. Participants were also encouraged to look at a recent OECD report that lays out granular recommendations at a regional and country specific level. Many participants voiced agreement that, with an aging population, education and leveraging the energy of youth in this space is important.

Towards the end of the conversation, one participant offered a thoughtful question, "Why do we perceive the small entrepreneur as needing help? Why don't we ask them what they need most and shape policies around this information?"

Session V: Critical Infrastructure, Public Procurement, and Interconnectivity

The session opened with the statement that this topic is really about the interplay between physical and fiscal reality. The first presenter outlined the facets of a growing critical infrastructure crisis for the region, including acceleration of environmental degradation and increased pollution. Underlying these negative trends are actions by governments in the region that make increasing investments in energy infrastructure, for example, while data continues to show decreases in energy efficiency and production. In a stark statement, the presenter predicted that these forces will come to a head in 2023 producing a crisis for the entire Western Balkans region.

With the participants weighing this heavy thought, the second presenter offered background and analysis on public procurement drawing on experience in Montenegro in particular. A few themes emerged, including Montenegro acting in a way that reflects doing what is necessary to look good to the EU, but not truly tackling reforms necessary to address public corruption and rule of law issues in the long term. Mentioned repeatedly was the lack of transparency in the public procurement process and absence of publicly available data. Additionally, Montenegro has a new public procurement law that could be effective, but success will depend on careful writing of the bylaws and implementation, so as to avoid pitfalls that can make room for continued corruption and backsliding from rule of law reforms.

The discussion allowed both presenters to flesh out their topics more fully, while other participants provided examples from other countries, including Bosnia and Herzegovina and Kosovo. The conversation interwove elements of public procurement as a governmental administrative system with critical infrastructure, with particular emphasis on the energy sector. As with other session topics, tackling corruption, increasing transparency, and strengthening the rule of law featured prominently as themes. As one participant said, "public procurement is the mother of all corruption" in the region.

Translating this sentiment into recommendations, several participants expressed different ways to go about removing infrastructure development decisions from the governments of the region. One participant offered the discrete solution of supporting business and professional organizations and institutions, whose members possess not only expertise and experience but also traditionally offer a code of ethics and best practices. Other recommendations offered included opening up the process of drafting public procurement lawmaking to be a participatory model. Specifically, in the drafting of Montenegro's last public procurement law, while promising in substance, it excluded contributions from civil society and independent institutions.

A portion of discussion was also spent on the topic of infrastructure financing. As reflected in the opening remarks, the current state of inefficiency – the same infrastructure served two times a larger GDP and about the same population under the former Yugoslavia – calls for a critical look at how funds are used and who is in control of funds. But the discussion was not only about financing funds, but also about the source of potential funds, especially China's increasing presence in the region. Several participants shared concerns, and even warnings, about hasty acceptance of Chinese investment (and to a lesser extent Russian investment), arguing that the Western Balkans should consider consequences in the long term and reflect on the current absence of a long-term strategic vision by many regional governments. Drawing in public procurement processes, a participant pointed out that transparency issues are compounded by the use of bilateral contracts for infrastructure projects, often with the Chinese, that operate completely outside the public procurement laws and this should not be permissible. FDI was also addressed more generally, with participants expressing reservations and wariness, since these investors can simply walk away when the environment no longer benefits them and keeping in mind FDIs always have a choice to take the money wherever it suits them best. As a countermeasure to this dynamic, it was suggested that infrastructure investment should be awarded to private business interests in the region, who possess regional knowledge and personal risk tied to the success of these projects.

Additional recommendations came by way of an examination of local-level initiatives; returning to the idea that people are willing to invest in something they can see. Further, local projects can tackle a multitude of issues simultaneously in a tangible way. For example, a recent project to install housing insulation using subsidies produced numerous positive impacts, including on the environment, reducing gas prices and import demands, increasing the value of real estate, improved the appearance of buildings, and reduced heating costs for individual households. By rolling forward these credits, making intentional decisions with the input of the community and spending wisely, noticeable improvements were made.

Picking up a final piece, participants raised points about how critical infrastructure and public procurement tie into the EU accession process and the relationship with Europe

broadly. Several participants expressed frustration with the unwillingness of the EU to increase transparency in public procurement by making documents publicly available when examining governments for compliance with EU procedures. Also expressed was frustration with the EU holding nations to double standards regarding the acceptance of Chinese funds and contract awards by indicating this would not impact EU accession processes but then later discovering these actions were viewed as politically unfavorable in Brussels. Other participants simply expressed the necessity of EU technical assistance and funds to improve administration as well as infrastructure around wastewater treatment plants and schools, for example.

Session VI: Regional Economic Cooperation and Interregional Mobility

While the opening presentation started with coverage of the Central European Free Trade Agreement (CEFTA) and touched on continued efforts made towards the full implementation of this longstanding trade agreement as a first-step towards the creation of the Regional Economic Area (REA), the majority of the session focused on regional cooperation in relation to EU accession. As a foundation, CEFTA was created with the idea to provide the region with the possibility to trade without tariffs and embodied traditional trade liberalization policy. However, as the presenter pointed out, the results have been limited and, in relevant terms, the impact of CEFTA has actually decreased.

The presentation provided key points for understanding why the CEFTA and REA have not produced desired outcomes. As a backdrop, the EU is pushing for economic cooperation in the region, but business does not tend to follow politics and CEFTA has been cast as a political project, not a policy project. Therefore, politically CEFTA has moved the needle but in reality, there has not been significant change regarding trade.

Further, looking to the specifics of the region, traditional trade agreements offer limited utility due to political, structural and resource factors. Politically, the region continues to struggle with understanding each other and faces rule of law and corruption challenges. Structurally, the region has a shared history of a single market under the former Yugoslavia and continues to adjust ideologically to a market system. Thirdly, the region lacks an abundance of natural and other trading resources. Therefore, there are actually few goods that are worth trading among the six nations. As a result, the Western Balkans, despite the efforts of the CEFTA to create a tariff-free trading region, continues to see 70-80% of exports going to the EU.

Recommendations that emerged during the discussion fit largely into three topical themes: setting expectations, strategies for continued cooperation, and views of the continued efforts regarding the EU accession process. These themes were interwoven into the conversation and participants largely agreed on these overarching topics.

In discussing expectation setting, a participant offered that, while the goal of trade agreements is to promote regional cooperation and is well-understood from the EU single market perspective, the region must manage expectations and not expect too much in real terms. As a practical matter, the region consists of six relatively small countries with a combined GDP that is less than Romania's and has limited natural resources. Trade agreements work best to increase trade to the largest and closest neighbors, which continues to be the EU. Further, trade agreements in the region are only in theory helpful to facilitate the improvement in the political relationship among the Western Balkans because the trade environment is not competitive as there is actually not much produced in each country that is worth trading with the other five.

Regarding strategies for continued regional cooperation, one participant expressed simply that the Western Balkan countries need to do better, sit around the table, try to understand each other and remember to make decisions that benefit their collective future. Simply put, the vision to create a shared future is still lacking. This point was echoed with the point that the region fails to grasp that borders can be uniting, not dividing. The role of oligarchs and organized crime in the region and these organizations' ability to work across boarders was offered as an illustration and call for cooperation. Others added the human element, stating that the region still has work to do to overcome a difficult shared history, reconcile a legacy of war, and build mutually beneficial relationships. While the EU accession process is driving regional integration at a high level, the Western Balkans region can and should do the work of moving forward and cooperating without the help of the EU.

The discussion around the EU accession process was the most prevalent theme. The majority of participants weighed-in on the topic, resulting in some consensus points and also painting the contours of this issue. One participant offered tough critique, stating that there is a gap in cooperation among countries regarding meeting regional goals for accession. Asking the group to question, "Who is guilty of not cooperating? Who is blocking progress?" and offering the constructive point that the region needs to identify, address and hold each other accountable, but with a view of strengthening cooperation, not an eye towards punishment.

Participants also debated whether the EU accession process had changed and presented a new, multi-layered accession and multi-layered membership for individual countries versus the viewpoint that the EU will most certainly determine Western Balkans membership as a package, not a one-by-one approach as this would be too politically risky for the EU. At a higher level, one participant reminded the group that the region must remember that EU accession is not dependent on the countries of the Western Balkans negotiating among each other – it is the existing EU member states that get to decide who joins.

Turning to more granular recommendations, participants offered a variety of solutions for consideration. For

example, as the accession process intensifies, the EU should still watch developments in individual countries. Also, there is a need for more granular study and awareness about the specifics of the region, including proposing that a tailor-made approach for each country would be helpful as specifics are being missed when taking a regional view. Returning to a similar sentiment offered at the beginning of the discussion, one participant pointed out that, individually, nations in the region need to be honest about what they are doing (or not doing) that prevents advancing accession.

Other recommendations and discussion points included the imperative to develop and strengthen the rule of law and anti-corruption measures, and the need for the EU help to battle the rise of regional oligarchs as regional cooperation moves forward.

The session concluded with the point that the region is held in place because trade mechanisms could not move beyond politics. While there are still many bi-lateral discussions in the region, the Western Balkans should keep in mind that the EU succeeded because it was a policy project – starting with the idea of creating common market policies. While there are politics, and political movement will continue in the EU, the EU remains fundamentally a policy project.

Conclusion

Two full days of presentations and discussion around economic development and emigration revealed several key themes. As with past conferences, the need for an increase in the rule of law through strong, independent institutions as a way to combat corruption in the Western Balkans featured prominently. However, while there was largely consensus that there is a high degree of government corruption, participants often disagreed on whether involving governments in policy recommendations offered a way forward.

Throughout session topics, the need to engage youth and leverage the energy of the younger population emerged. Whether tackling emigration of young, educated and skilled people through engagement of the diaspora, or providing new educational models that reflect the demands of a 21st century economy, participants shared a sense of hope that a younger generation offers to the region. Moreover, the need for more professional, functioning, and de-politicized institutions and the rule of law was another issue considered essential for progress in all other fields.

However, given that the conference took place shortly after the European Council failed to come to a decision to open accession negotiations with Albania and North Macedonia, it was accession to the EU that must be pointed out as the single, most important topic throughout the two days. Conference participants shared numerous recommendations in connection with the region's efforts and struggle to open the formal process towards EU membership. While recommendations were grounded in policy, political realities, historical context and economic development measures, expressions of frustration as well as hope were immediately present. All participants were in agreement that the future of the region faces towards Europe and shared a desire to remain optimistic in the pursuit of positive change.

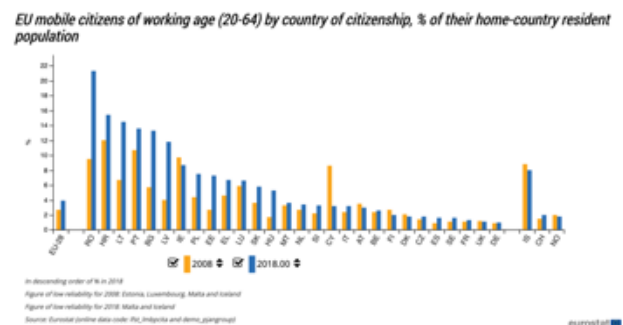# WESTERN BALKANS EMIGRATION AND ITS CONSEQUENCES IN THE REGION

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It is no secret that the Western Balkans region is experiencing massive emigration rates and that the citizens, many of whom are highly skilled, are departing by the thousands. Last year alone, according to Eurostat, 230,000 people emigrated from the region. The greatest numbers were from Kosovo and Bosnia and Herzegovina.

But it is not only in the Western Balkans where emigration is undeniably increasing. For example, despite being in the European Union (EU), Romania, Croatia and Bulgaria are among the top EU countries whose active-age citizens are living abroad.[1] According to EU statistics, more than 2.3 million Romanians and 533,000 Bulgarians between ages 20 and 64 years old were living in another European country last year.[2] While one sixth of Croatians and one eighth of Bulgarians between ages 20 and 64 years old resided primarily in another EU country in 2017 (Eurostat, see appendix for full-sized graph).[3]

EU mobile citizens of working age (20-64) by country of citizenship, % of their home-country resident population

Source: Eurostat.[4]

This is partly because high levels of unemployment for people of active working age limit opportunities at home, and many are more likely to be employed if they live abroad rather than in their home country. The distinct and frequently instant benefits for those who emigrate place the sending countries in a challenging situation. Struggling with low fertility rates, natural depopulation, emigration, and urbanization[5] simultaneously, few of these countries are able to lessen the emigration effects. However, very little comparative information about these consequences is available. The most apparent research gaps include measuring the impact of high levels of emigration on a country's respective tax system, pension and welfare system, labor market, economy, and national politics.

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[1] The number of Romanians living abroad increased from 12.3 to 19.7 percent.

[2] Eurostat (2019), EU citizens living in another Member State – statistical overview. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_citizens_living_in_another_Member_State_-_statistical_overview, Accessed on January 24, 2020.

[3] Much higher than the average for the EU, which stands at 3.8 percent. Ibid.

[4] Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_citizens_living_in_another_ Member_State_-_statistical_overview.

[5] The 2002 census data show that large urban centers (Belgrade, Novi Sad, Nis, Kragujevac, and Subotica) concentrated as much as 46% of the total urban population of the Republic of Serbia. A large number of villages and municipalities in rural, hilly and mountainous regions face a decreasing population and an increasing number of small settlements of up to 500 people. [takes place in the cities, thus dictates the migration patterns. Those that are not being able to meet ends' needs in the urban areas, depart from the region.]

While empirical studies about the effects of emigration on service industries in the sending countries are few and far-between, and even those that are available are often anecdotal, looking into specific sectors may still provide valuable answers. For example, a region's health sector may best illustrate how critical it is to understand the effects of emigration *en masse*.

Thousands of health workers, including doctors, nurses, technical staff, and medical caretakers depart from the Western Balkan region each year. In Bosnia and Herzegovina, the national medical workers' association reported that around 300 highly qualified doctors left the country in 2016.[6] In September 2019, the Zenica cantonal hospital in Bosnia issued a public statement saying that this town of over 100,000 inhabitants no longer has neuro-pediatric medical care available. At the time of the announcement, a large number of children had scheduled appointments for check-ups, resulting in these examinations being delayed until further notice.[7]

The flight of doctors to the West in recent years has been documented in every former-socialist country from Southeast Europe and the Balkans.[8] Doctors from Poland, Romania, Moldova, Bulgaria, Slovenia, Croatia, Bosnia, Serbia, North Macedonia, Albania, and Kosovo are departing by the thousands. Romania alone lost half of its doctors between 2009 and 2015.[9]

Between June 2013 and March 2016 some 4,213 Bosnians took up jobs in the German health care sector, bringing the total figure of Bosnians employed in this sector in Germany to 10,726. Data from the German Employment Agency also show that in March 2016, 1,102 Bosnian doctors were employed in Germany, representing an increase of 20% during the period from June 2013 to March 2016.[10] In recent years these numbers rose sharply and it is estimated that for every six doctors in Bosnia, one now works in Germany.[11]

A recent study carried out in Albania by the nonprofit organization Together for Life and the Friedrich Ebert Foundation found that 78% of doctors wanted to leave Albania, with 24% wanting to do so immediately.[12] The main

reasons being lack of professionalism in the workplace, insufficient remuneration and poor working conditions. While in Kosovo health workers could at best expect to be paid a few hundred euros per month, in Germany, their initial monthly salary is 2,000 EUR. The monthly salaries for doctors at the University Clinical Center in Pristina, Kosovo's biggest hospital, total a mere 632 EUR for a doctor and 403 EUR for a nurse.

In 2018, the Federation of Bosnia and Herzegovina lost around 300 doctors to emigration. The National Medical Council of Serbia has been issuing around 800 certificates of good standing per year – the documentation needed by doctors when applying for jobs abroad.[13] In Kosovo, the Federation of Health Workers claims the country lost 400 medical staff in 2013 alone, with an upward trend continuing in subsequent years. In North Macedonia, estimates are that about 300 doctors left in 2013 and 2014. In the words of Harun Drljević, President of the National Medical Council of the Bosnian Federation,

> "The EU countries are getting 'ready-made' medical doctors without investing anything in their education and training. Ready-made and for free! This is a great gift for the health systems of the EU countries."[14]

The consequences of the health workers' exodus are very much visible on the ground. Having no adequate replacement for them results in inadequate or simply non-existent health care services in these regions. Further, the emigration of health workers leads to sectorial underdevelopment, which is especially visible in peripheral regions and among the elderly, children, and women. It affects the capacities of the health systems, pushing them to the point of collapse, but also results in the loss of health services, a drop in the quality of health provision, loss of mentorship, research, and supervision. According to Politico, due to the emigration of health workers in Romania, 10% of the population now lives without health care.[15]

The problem has been loosely recognized at the EU level and brought up in discussions. In 2016, EU Commissioner Johannes Hahn stated, "Our aim is to stop the brain drain from the region, to give the region a perspective, for

6   Vracic, A. (2018), The Way Back: Brain Drain and Prosperity in the Western Balkans, Available at: https://www.ecfr.eu/publications/summary/the_way_back_brain_drain_and_prosperity_in_the_western_balkans, Accessed on January 24, 2020.

7   Zenit.ba. (2019), Kantonalna bolnica Zenica ostala bez neuropedijatrija. Available at: https://www.zenit.ba/kantonalna-bolnica-zenica-ostala-bez-neuropedijatrija/, Accessed on January 24, 2020.

8   However, the emigration of highly skilled professionals (health workers included), goes beyond Southeast European borders and it is a part of the global phenomenon. Medical workers from Germany often emigrate to Scandinavia, UK or the US for better pay, professional advancement, and better working conditions.

9   Romania Insider. (2017), Romania's Brain Drain: Half of Romania's Doctors Left the Country Between 2009 and 2015, Available at: https://www.romania-insider.com/romanias-brain-drain-half-of-romanias-doctors-left-the-country-between-2009-and-2015, Accessed on January 24, 2020 .

10 Panic, K. & Danijela, K. (2016), Germany Drains Bosnia of Doctors and Nurses. Balkan Insight. Available at: https://balkaninsight.com

/2016/12/23/germany-drains-bosnia-of-doctors-and-nurses-12-21-2016/, Accessed on January 24, 2020.

11 Ibid.

12 Together for Life website. Available at: http://togetherforlife.org.al/#.

13 Beogradski glas. (2018), Iseljenje sanja 75 odsto lekara: U narednim godinama odlazak zdravstvenih radnika mogao bi da ugrozi sistem zdravstvene zaštite. Available at: http://beogradski-glas.rs/drustvo/iseljenje-sanja-75-odsto-lekara-narednim-godinama-odlazazdravstvenih-radnika-moglo-da-ugrozi-sistem-zdravstvene-zastite/, Accessed on January 24, 2020.

14 Panic, K. & Danijela, K. (2016), Germany Drains Bosnia of Doctors and Nurses. Balkan Insight. Available at: https://balkaninsight.com/2016/12/23/germany-drains-bosnia-of-doctors-and-nurses-12-21-2016/, Accessed on January 24, 2020.

15 Hervey, G. (2017), The EU Exodus: When Doctors and Nurses Follow the Money. Available at: https://www.politico.eu/article/doctors-nurses-migration-health-care-crisis-workers-follow-the-money-european-commission-data/, Accessed on January 24, 2020.

instance, a Balkans single market could be another so to say aim, and this would create jobs."[16]

At the same time, however, the EU greatly profits from this emigration. Germany, the wealthiest economy in the EU, is among the top benefactors of this trend and actively lures thousands of highly skilled individuals with jobs to Germany. In the past, especially following EU enlargement in 2004 and 2007, Germany missed opportunities for such benefit having closed its borders, dreading so-called "welfare tourism." During this time, highly skilled workers from the new member states instead went to the United Kingdom and Ireland, and Germany received less-qualified workers from EU-8 countries as well as an increased number of illegal immigrants.[17] With this newest wave of emigration from the Western Balkans, Germany has taken a somewhat different approach.

Today, Germany's new health care plan projects use newly allocated funds to train people abroad and prepare them for health care work in Germany. Nine million Euros will be used to train additional people in other sectors to come to Germany.[18] Kosovo, North Macedonia, Bosnia and Herzegovina, the Philippines, and Cuba are routinely listed as possible cooperation partner countries. This project comes as no surprise given there are at least 36,000 currently vacant health worker positions in Germany, and 15,000 of them are in senior citizen homes. Additionally, the number of people in Germany in need of these services is predicted to increase from 2.86 million to 4.5 million by 2060.[19]

So, what is to be done? Given the existing demand originating in the West, the options are limited but need to be thoroughly researched and understood. Instead of focusing on initiatives one at a time, the Western Balkan region must pursue several parallel processes. The most obvious policy would be to invest in efforts to keep remaining workers in the region from emigrating as well as implementing efforts to attract the best and most talented professionals to return to their countries of origin. For years the Western Balkans was discussed as a labor-rich country, but, as the discussion above reflects, that may no longer be the case. Statistics show that the countries in the region now educate many skilled health workers solely for the purpose of being exported. This state of affairs is no longer affordable to the Western Balkans. Media outlets in Bosnia and Herzegovina, for example, calculate that it costs an estimated 150,000 EUR to educate a doctor and suggest that the

country spends more than 50 million EUR annually on educating health workers who will eventually and ultimately leave the country.[20]

Further, with economic growth projected to be less than 3% throughout the region, in addition to several decades of separation during a period of real convergence with the EU, no country in the region can effectively afford this level of emigration going forward.

To be able to respond to such challenges, the regional governments of the Western Balkans must leverage the talents of highly skilled citizens who have not emigrated. Making attractive programs and stimulating their personal growth is key to retention. While overdue, programs to slow emigration of skilled workers must be incorporated into the policies of each Western Balkan state government.

Circular Migration – The Short-Term Game

While remittances remain an important source of financial support for the communities back home in the Western Balkans, so far this money has had a limited impact on promoting crucial changes in the region, particularly in the area of research and science. This is even more remarkable, given that the average level of education increased among migrants from Bosnia and Herzegovina as they migrated to a host country[21] and that most continued their education in their respective host country.[22] As it stands at the moment, circular migration is merely an unstructured process established and maintained by migrants themselves, whereby migrants maintain networks in both their countries of origin and emigration, while benefiting from these networks independent of any relationship or connection to the government of their country of origin.

The most commonly known regulated scheme of migration in former Yugoslavia was a "guest worker" program in the 1950s, 1960s and 1970s, where Germany targeted low skilled laborers for jobs in the industrial sector.[23] More recently, efforts to regulate circular migration undertaken by the EU Commission[24] had relative success. However, the 2008 economic crisis changed the course of these efforts.

It is worth highlighting that more than 80 million Europeans live abroad. Taken in the aggregate, they would constitute the largest state within the EU. Further, the new reality

[16] Jozwiak, R. (2016), EU: Western Balkans Single Market Possible In Two-Three Years, Rikard Jozwiak, RFE, Available at https://www.rferl.org/a/eu-western-balkans-single-marke-2-3-years/28105943.html, Accessed on January 24, 2020

[17] Zimmermann, K. (2014), Circular Migration: Why restricting labor mobility can be counterproductive. IZA World of Labor, 2014:1. Available at: https://www.sole-jole.org/Zimmermann.pdf, Accessed on January 24, 2020.

[18] Arbutina, Z. (2018), With a rapidly aging population, Germany looks to Balkans for care workers, Deutsche Welle, Available at : https://www.dw.com/en/with-a-rapidly-aging-population-germany-looks-to-balkans-for-care-workers/a-46545370, Accessed on January 24, 2020.

[19] Ibid

[20] Al Jazeera Balkans (2018), Odlasci ljekara: BiH godišnje gubi 50 miliona eura, available at: http://balkans.aljazeera.net/video/ odlasci-

ljekara-bih-godisnje-gubi-50-miliona-eura, Accessed on January 24, 2020.

[21] Halilovich, H., Hasić, J., Karabegović, D., Karamehić-Muratović, A. & Oruč, N. (2018), Mapping the Bosnian-Herzegovinian Diaspora, (BiH migrants in Australia, Austria, Denmark, Germany, Italy, Netherlands, Slovenia, Sweden, Switzerland, and the United States of America): Utilizing the Socio-Economic Potential of the Diaspora for Development of BiH. Available at: http://www.mhrr.gov.ba/PDF/MAPPING BIH DIASPORA REPORT.pdf, Accessed on January 24, 2020.

[22] Ibid.

[23] Constant, A., Nottmeyer, O. & Zimmermann, K. (2012), The Economics of Circular Migration. IZA World of Labor, Discussion Paper No. 6940. Available at: http://anon-ftp.iza.org/dp6940.pdf, Accessed on January 24, 2020.

[24] Signed partnerships by Spain with Morocco, Colombia, and Romania.

is that emigration is far less permanent than it was in previous decades. The truth is that many who leave are not gone for good, but rather move in so-called contract migration – leaving their country for a limited number of years and later return. Virtual jobs and increasing growth of jobs available online contribute to a steady shift towards less permanent migrations. Temporary migrants in developed countries outnumber permanent migrants three to one, and between 20-50% of migrants leave their host country within 3-5 years.[25]

By allowing portability of benefits across countries, extra training, and specializations, but also making sure that skills gained abroad are recognizable and valued back home, the governments can change the labor and emigration dynamics within a society profoundly.[26] To move and work in different places has never been easier, especially in some sectors like IT.

To offer a comprehensive framework for how circular migration might work and how it can be tailored to a specific setting is extremely important. This is even more important for smaller countries with higher rates of skilled emigration and fewer possibilities to quickly replace skilled workers.

The basic premise that the migrant should have a right and conditions to return to the host country and anchor herself/himself back home at any point should be the minimum foundation. Rights that follow with such an arrangement must secure timely and full disclosure of information about the conditions, labor/pension rights, the possibility for dual citizenship, and permanent residence permits.

What most circular migration policies fail to recognize is how much the programs must be realistic in order to be implemented. Profound and long-term changes in legislation, welfare support, circular migration services, open and accessible business networks, philanthropy, expansion of programs abroad, research on diaspora, diaspora conventions, experimenting with new social technologies, and boosting Western Balkans' associations and organizations abroad are just some measures to be taken. By putting forward these measures, the Western Balkan countries could quickly transform skills and know-how to visible results. Setting-up national global electronic portals to include all diaspora members and diaspora-related organizations would enable the knowledge and experience exchange. The existing infrastructure in the region, namely the Regional Cooperation Council and the newly established offices of RYCO (Regional Youth Cooperation) can play an important role alongside national governments.

In the case of the Western Balkans, each country should be working actively on circular migration policies with the countries where most of its emigrated citizens reside: Germany, Austria, Slovenia, USA, and Canada. Serbia's upcoming project, the establishment of an Agency for Circular Migration, shows promise as a project, not solely to gather experience in one place, but also to test the model of cooperation between citizens and government, which is often characterized by shared mistrust between the two.[27]

Given the rate at which emigration and depopulation progress, the issue of circular migration and emigration in general should be included as part of a comprehensive foreign policy dossier by governments and accordingly given the highest importance. Taking the lessons learned from experiences of other EU countries would be a move in the right direction. This is particularly true for sectorial and economic analysis of migration.[28]

Finally, the key to success is identifying active individuals and organizations in the diaspora and connecting them with counterparts in their home country. A small contingent can make a significant difference, and one-to-one relationships are key. The resources gained at a very individual level can easily be scaled if there is some structural support present.[29] There are very real advantages to bringing experienced people back, temporarily or permanently, to their home country. However, this approach also requires building support within the country for the diaspora and justifying the effort invested in attracting these individuals to return.

Strong home country institutions provided with enough resources and backed by governments in implementing their work are essential. These organizations are the parties best able to identify and attract more citizen engagement and possible returns. In the end, given restrictive immigration policies and demographic challenges, circular migration action may well be the most meaningful policy any country in the Western Balkans region can embark upon.

In the Long Term – Rethinking Immigration Policies

Another challenging and certainly more contentious policy path would be a shift toward rethinking immigration policies. Seasonal excess demand for labor in some of the countries that experience high rates of emigration is a new normal.

In 2018, the Croatian Chamber of Commerce (HGK) estimated that during the tourist season, work in the tourism sector required 15,000 to 20,000 workers to meet basic tourism standards. Many industries suffer because the

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[25] OECD. (2019), 2019 International Migration and Displacement Trends and Policies Report to the G20. Available at: https://www.oecd.org/migration/mig/G20-migration-and-displacement-trends-and-policies-report-2019.pdf, Accessed on January 24, 2020.

[26] The Economics of Circular Migration, IZA DP No. 6940, October 2012, Amelie F., Constant Olga, Nottmeyer Klaus,, F. Zimmermann.

[27] Triandafyllidou, A. (2013), Circular Migration Between Europe and Its Neighbourhood: Choice or Necessity?, Oxford.

[28] Constant, A., Nottmeyer, O. & Zimmermann, K. (2012), The Economics of Circular Migration. IZA World of Labor, Discussion Paper No. 6940. Available at: http://anon-ftp.iza.org/dp6940.pdf, Accessed on January 24, 2020.

[29] Kaša, R. & Mieriņa, ed. (2019), The Emigrant Communities of Latvia: National Identity Transnational Belonging, and Diaspora Politics. IMISCOE Research Series. Available at: https://link.springer.com/content/pdf/10.1007%2F978-3-030-12092-4.pdf, Accessed on January 24, 2020.

native workforce is not able to provide the necessary supply at fair prices (or at all). Some countries have responded swiftly. In the case of Romania, the authorities have signed a memorandum of understanding with the Labor Ministry in Vietnam for collaboration in the labor and social protection areas. The scheme has attracted 3,000 Vietnamese citizens who are currently working in Romania.[30]

As for the Western Balkans, the current stock of foreigners in the region make up a relatively small percentage of the population. According to the Serbian migration profile statistics in the immigrant population (persons staying longer than 12 months), the majority are from China (17.4%), Russia (13.5%), North Macedonia (6.9%), Romania (6.7%), and Libya (6.1%). At the end of 2017, there were 20,524 foreigners with a temporary residence permit.[31] In 2014, Bosnia's Service for Foreigners' Affairs had approved a total of 11,022 temporary stays of which the temporary stay was granted in 4,725 cases and extended in 6,297 cases. The most significant number has been approved to the citizens of Serbia, Turkey, China, and Croatia.[32]

Since 2015, as a result of the refugee crisis, the region has seen thousands of arrivals, mainly in Bosnia and Herzegovina and Serbia. The numbers increased significantly in 2018/2019, when an estimated 400 migrants were arriving daily. Most of the migrants, now sheltered in Bosnia and Herzegovina, are Afghans – ethnic Tajiks, from the provinces of Kabul, Parwan and Kunduz, Syrians, and others, many in family groups with children.

Fleeing from war and hard conditions in their countries, many refugees merely transit the region, and in reality, a minimal number of those decide to stay. However, those who would consider staying are not in a position to do so. In 2018 in the entire Western Balkans, there were 10,315 asylum applications, 101 subsidiary and 13 refugee status actions granted.[33] Looking at the experiences of other countries facing a large number of refugees and their respective immigration policies, legally, it could be possible for states to give an "amnesty" and legalize their stay by granting some rights, for example, residence. Such a procedure would allow them to work and enter the labor market, but also provide for a management of migration more effectively when used in combination with other policy initiatives.

At present, growing concern over social issues surrounding immigration determines national policies on immigration. There is a deep distrust of refugees and a significant discrepancy exists between the perceptions and realities of the refugee situation. Without the legal documentation required to access the labor market or rent property, refugees in the region are effectively denied building a life for themselves in the country. In contrast, the evidence suggests that comprehensive national policies could bring a substantial share of immigrants into the market, but these are difficult and unparalleled decisions for the region to make.

Conclusion

Against these realities, the loss of competent citizens to foreign labor markets continues, imposing economic, financial and social costs on sending countries.

The economic slowdown in the Western Balkans region and a general lack of jobs effectively prevent careful assessment about where labor (geographically and sectorwise) is needed and how to replace those who have emigrated.

The question remains: how much longer can the region ignore this persistent problem of challenging demographics and high rates of emigration?

Circular migration shows a pattern of movements that presents opportunity for the region and, in the short run, shows promise to deliver positive results.

However, in the long run, immigration should be considered as a tool to tackle the negative effects of emigration. Immigration should be understood as a potential source of skills that the Western Balkans region needs and has not tapped into yet.

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[30] The law that was recently passed stimulates employers in Romania who hire foreign workers will no longer be obliged to pay them a wage at least equal to the average gross salary.

[31] Azil.rs. (2018), Migration Profile of Serbia for 2017. Available at: http://azil.rs/en/migration-profile-of-serbia-for-2017/, Accessed on January 24, 2020.

[32] Ministry of Security, Bosnia and Herzegovina (2015),Bosnia and Herzegovina Migration Profile for the year 2015, Available at: http://www.msb.gov.ba/PDF/MIGRATION%20PROFILE_2015_ENG.pdf, Accessed on January 24, 2020.

[33] Eurostat. (2019), Asylum statistics, Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum_statistics and https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegov ina-analytical-report.pdf, Accessed on January 24, 2020.

Appendix

EU mobile citizens of working age (20-64) by country of citizenship, % of their home-country resident population

In descending order of % in 2018

Figure of low reliability for 2008: Estonia, Luxembourg, Malta and Iceland

Figure of low reliability for 2018: Malta and Iceland

Source: Eurostat (online data code: lfst_lmbpcita and demo_pjangroup)
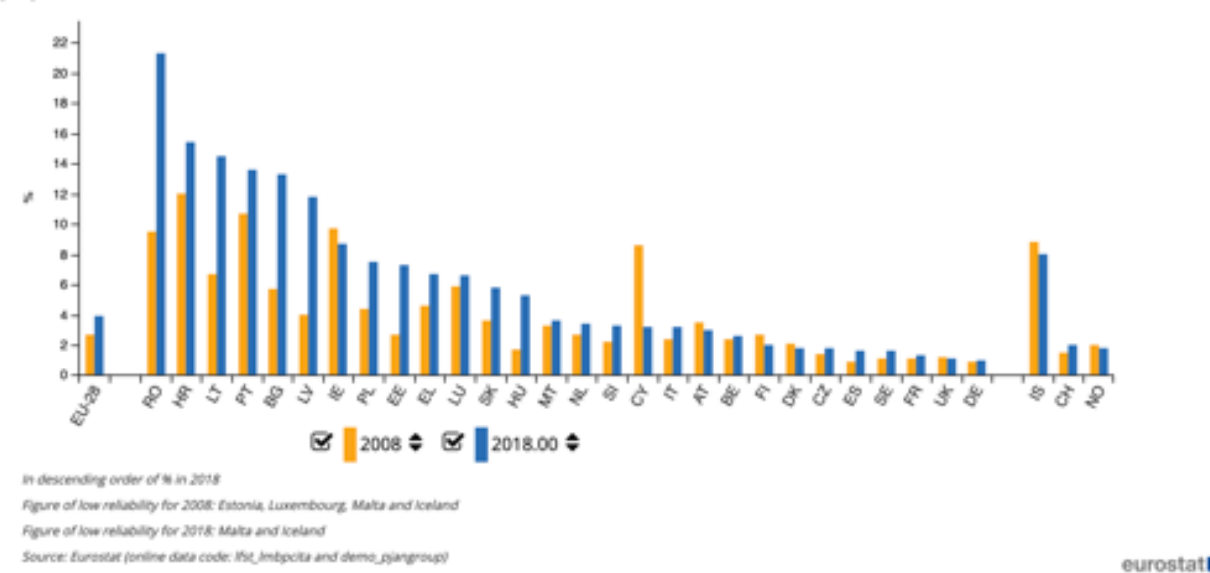
eurostat

Source: Eurostat.

A NEW INDUSTRIAL POLICY APPROACH AS A WAY FORWARD IN THE WESTERN BALKANS

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Introduction

The countries of the Western Balkans have faced a long period of aggravated socio-economic deterioration. This is reflected in structural problems such as poor (un)employment indicators, deindustrialization, low innovation performance and low competitiveness, but also an informal economy, coupled with poor governance and policy failures. In such a context, tight monetary and fiscal policies keep reproducing negative outcomes.

By adopting a progressive industrial policy, the countries in the Western Balkans (WB) can improve governance of the research and innovation (R&I) system and support innovation needed for socio-economic progress. Restructuring and technological upgrades to the industrial sector would contribute to lowering current account deficits and produce better labor market outcomes.

This paper describes how poor governance and policy failures feature as barriers to economic activity (second section) and presents a new industrial innovation policy as a potential way forward (third section). The paper ends with concluding remarks (fourth section).

Poor Governance and Policy Failures as Barriers to Economic Activity (Industrial Development)

The understanding of the role of the state has been fundamentally questioned in recent years due to the economic crisis of the past decade and the need of the European Union (EU) to reposition itself on the world stage. Alongside interventionist macroeconomic policies that managed to pull some countries (notably the USA and the UK) out of the recession, the floor opened to more targeted industrial policies that are gradually replacing a horizontal approach. Concepts, such as those of the entrepreneurial state (Mazzucato, 2014) and new industrial and innovation policies, have come to the forefront. Describing the latter, Radošević (2017: 8-9) underlines eight key characteristics: 1) intersectoral context with technology upgrading and innovation; 2) growth boundaries and adequate solutions are not known in advance; 3) market-orientation; 4) respect of both horizontal and vertical policy; 5) experimental governance; 6) consideration of market and system failure; 7) focus on the private sector as a stakeholder and on the innovation ecosystem; and 8) global value chains that foster technological upgrading. The modern public policy priority setting approach from the mid-1990s on tended to be done as both a bottom-up and top-down approach and from a socio-political perspective, rather than a politico-scientific and/or techno-industrial approach, as in the previous phases (Clar, 2018: 11, as in Leijten and Loikkanen, 2015).

Moreover, the understanding of innovation has also changed. McCann and Ortega-Argilés (2016:1423) highlight societal aspects of innovation that depend not just on private-sector actors, but also on the wider public.

Therefore, rather than single entrepreneurs being behind the process, the systemic aspects of innovation activities (Regional System of Innovation, National System of Innovation, and Open Innovation) have gained importance in both theory and policy practice.

Governance in the Western Balkans remains poor, as measured by Worldwide Governance Indicators comprising of measures, including voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law and control of corruption (Kaufmann, Kraay and Mastruzzi, 2010; newest data for 2018). While performance on any of the dimensions of governance remains below par, WB countries fare the worst as measured by the last two indicators.

Furthermore, political and constitutional problems specific to WB countries have been exacerbated by mainstream ('Washington Consensus') policies that have tied the hands of the state, effectively preventing it from developing a proper range of policies capable of sustaining a certain socio-economic level of development (cf. Uvalić and Cvijanović, 2018: 15-16). Weak social dialogue further contributes to a long-term policy failure and reproduces the inability of public policies to respond to societal challenges.

Industrial policies, the design of which has been driven by the process of approaching the EU, are not up to the task. The vertical and interventionist approach employed by the countries of the region has gradually been replaced by a horizontal one as part of the conditionality imposed by the EU. However, horizontal industrial policies have by no means helped the recovery of industry (Bartlett, 2014). In addition, prevalent policies of fiscal austerity in recent years, with some exceptions, in combination with generally tight monetary policies and low financing for investment, leave WB countries with little chance to embark on a path of industrial transformation.

The WB countries have weak research and innovation governance. In the governance of science, technology and innovation (STI) policies (measures include those on horizontal policy co-ordination, international STI policy strategy and framework, national STI plan or strategy, and implementation of STI policies) a somewhat differentiated picture emerges. North Macedonia, Montenegro, and Serbia are more advanced than Albania, Bosnia and Herzegovina, and Kosovo (OECD, 2018). R&I governance is characterized by the prevalence of the linear model of innovation, weak investment and business research and development (R&D), lack of focus, and support of non-R&D sources of innovation. Moreover, there is little experience with participatory policy-making. In addition, in Serbia, Montenegro, and North Macedonia there is a prevalence of competitive funding of projects, which may not be enough for the overall development of the R&I system (Matusiak and Kleibrink, 2018: 28). Hence overall, the R&I systems of the WB countries tend to be organizationally and institutionally thin, i.e. lacking a sufficient number of

organizations in the national or regional system of innovation and lacking institutions conducive to learning (Trippl, Asheim and Miorner, 2015).

The WB countries need to (re)build not just competencies and capacities for general governance, but also those specific to the R&I sector. A chance for this (re)building may lie in the EU's smart specialization approach.

New Industrial Innovation Policy as a Way Forward

Smart specialization is the EU's industrial innovation policy that has elements that fit both industries and innovation activities (Radošević, 2017). It "is a place-based approach characterized by the identification of strategic areas for intervention based on the analysis of the strengths, the potential of the economy, and on an Entrepreneurial Discovery Process (EDP) with wide stakeholder involvement. Smart specialization is outward-looking and embraces a broad view of innovation, including, but certainly not limited to, technology-driven approaches supported by effective-monitoring-mechanisms."[1]

The EDP is essentially a governance process involving government, business and academic sectors, and civil society ('Quadruple Helix'), and should ideally be organized in a multi-stakeholder way to be continuous, i.e. extend from the phase of design of strategy through implementation. In the current multiannual financial period (2014-2020), the EU member states or regions must have a smart specialization strategy as a precondition for the use of the European Regional Development Fund (ERDF). Furthermore, they are permitted to fund their innovation strategies from other sources, i.e. combine funding sources in order to finance investment priorities.

Smart specialization strategies and the EDP have positive effects for governance. Smart specialization can trigger new governance structures (Kroll, 2017: 120), and the EDP helps build trust and supports stakeholder engagement (Marinelli and Perianez Forte, 2017: 19-20). It 'encourages institutional change, capacity-building and collective action, while making the policy process more inclusive' (Gianelle, Guzzo and Mieszkowski, 2019: 2). In order to improve governance of the R&I system, an EDP needs to be continuous, include many actors, and be organized as close as possible to a multi-stakeholder approach (Cvijanović, Reid, Griniece, Gulyas and Varga, 2019).

However, the smart specialization process itself is better suited for countries or regions with developed governance structures, routines of cooperation in the innovation system as well as capacity for policy experimentation (Karo, Kattel and Cepilovs, 2017: 273). Nevertheless, there are benefits for less developed regions. While less developed regions may have issues at both the priority setting phase and the implementation phase (Muscio, Reid and Rivera Leon, 2015: 168), making the smart specialization approach

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[1] Smart Specialisation Platform: https://s3platform.jrc.ec.europa.eu.

challenging, this approach can still help improve governance (cf. Kroll, Muller, Schnabl and Zenker, 2014). Indeed, '[t]he occurrence of reform-triggering [ex ante conditionalities] was substantially higher in the major (per capita) beneficiary member states of the European Structural and Investment Funds (ESIF), which are also countries with a level of economic development below 75% of the EU average' (EC, 2017: 17).

Even within the EU not every country has readily accepted and implemented a proper smart specialization policy. In fact, there is a "partial transition from the 'old' undifferentiated industrial policy, typical of European regional policy before 2014, to the highly selective Smart Specialization approach" (Gianelle, Guzzo and Mieszkowski, 2019: 10). Furthermore, there are issues with the EDP process as it is not always organized as an inclusive, multi-stakeholder process (cf. Cvijanović, Reid, Griniece, Gulyas and Varga, 2019).

EU member states' priorities have not yet been fully mapped nor analyzed. Indeed, the full effect on EU member states' economies will not be known until after the current multiannual financial framework ending 2020. Nevertheless, an overall consensus seems to be that the smart specialization process is bearing fruit (see Radošević, Curaj, Gheorghiu, Andreescu and Wade, 2017).

The European Commission considers smart specialization as one of the key policies to be supported and funded in enlargement countries (see Matusiak and Kleibrink, 2018), and the process in the WB countries is currently either under way or in preparation.[2] However, as the WB countries so far have not been able to draw on ESIF funds, funding the implementation of smart specialization strategies is left to other instruments, notably the Instrument for Pre-Accession Assistance (IPA) III.

Instead of a Conclusion

Given the fragmentation of the region and the small size of the WB countries taken individually, the path forward should be sought along the lines of a more intense regional cooperation. This path would be a follow-up to the positive impacts of trade liberalization of the early 2000s. It is also very much compatible with smart specialization, as countries and regions should choose their investment priorities with regard to other regions' and countries' specializations.

Whether the WB countries will be able to enjoy full benefits of the smart specialization policies depends not just on their agility in the enlargement process and in the process of the design of the smart specialization strategies, but also on the availability of funding. The latter crucially depends on the European Union and also on WB countries' ability to combine funding from various sources to finance their national or regional priorities.

Given the enormous socio-economic challenges that the WB countries are confronted with, EU funds are hugely important for socio-economic development. But so far, they have been rather small in size and were offered rather late in comparison to the case of the Central East European and the Baltic countries before they joined the EU (see Uvalić and Cvijanović, 2018).

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[2] Ibid.

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SKILL, JOBS, AND EDUCATION IN THE WESTERN BALKANS COUNTRIES

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The last few decades have been particularly challenging for countries we usually refer to as Western Balkans. Economic, political and social transformation amid armed conflicts in the 1990s and severe and persistent recession at the end of the 2000s have left deeply rotted scars across many dimensions, including the ones in the economic realm. Therefore, it is no surprise that labor markets in the Western Balkans also share these dismal characteristics: low activity and employment rates, high unemployment rates (see Figure 1), especially of the youth, and high prevalence of long-term unemployment which deteriorates human capital (see, for example, Bartlett and Uvalić, 2019). All of this results in – and is simultaneously a result of – sizeable shares of shadow economy and emigration.

In this short analysis, I focus on two trends documented in other parts of the world, that can either cause additional stress on already troubled economies, or present a possibility for convergence and integration into western economies: job (and wage) polarization generated by technological automation and increase of precarious work. Furthermore, I briefly discuss two policy instruments that governments can use to mitigate these challenges and that have long been proposed as a part of a solution: active labor market policies and education. As the top-quality research on labor markets of the Western Balkans is still rather scarce, I use experiences and conclusions from a roughly similar country (namely Croatia, who does share similar historical institutions) to draw some inference on the region at hand. While not the topic of this analysis, the fact that one needs to borrow empirical findings from other countries indicates the level of quality of top human capital and lack of potential for evidence-based policy and governance.

Figure 1: Unemployment rate in 2017 (ILO estimate, in %)
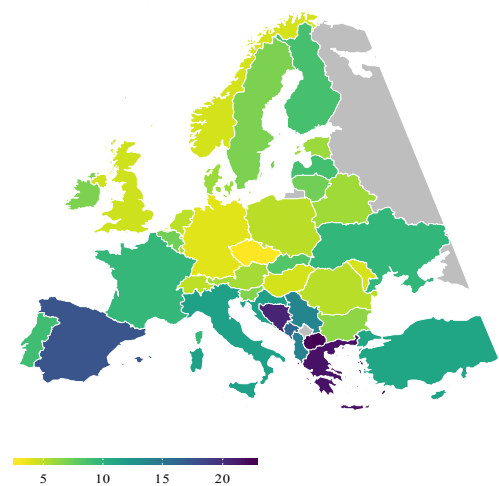
Source: World Bank Indicators.

Two Threats or Opportunities: Job Polarization and Increase of Precarious Work

While aforementioned challenges of Western Balkans' labor markets are well documented in the literature (see, for example, Ganić, 2019), I focus on developments in the rest of Europe that might additionally complicate the situation. The first is the job (and wage) polarization – a phenomenon recognized in the literature initiated by Autor et al. (2003). Within this framework, every job (or loosely speaking occupation) is comprised of manual, routine and abstract (cognitive) tasks, and technological progress in the past few decades has been able to successfully substitute routine tasks. Therefore, as the technological change has been asymmetrical in this sense as it provided means to automate routine types of work, the demand for middle-skilled workers, who usually perform these routine tasks, has declined creating polarization on labor markets: two tails of ability distributions are in demand, manual workers and abstract (cognitive) ones.

The phenomenon of job and wage polarization is well documented in the U.S. and Western Europe, while new research finds that a part of these developments is present also in the transition economies of Central Europe. For example, Hardy et al. (2016) and Lewandowski (2019) find that ten transition economies (Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia) also experience a shift from manual to cognitive (abstract) work, mostly due to upskilling of the workforce caused by expanded access to tertiary education. However, a distinct feature of these cases from the usual Western-type of job polarization is the resilience of routine tasks. In other words, while the technology for substituting routine occupations/tasks is available, it has not been adopted in the aforementioned economies. While Hardy et al. (2016) and Lewandowski (2019) argue that automation did not happen because of the absence of proper deindustrialization, one could argue that this could be a residual of the "equilibrium technological gap" (Mitra et al., 2014) caused by the central planning system with its fundamental inadequacies, as well as by a large public sector and resilience to reforms.

While the literature on the job polarization in the Western Balkans economies is, to the best of my knowledge, still scarce, some inference can be drawn from the Croatian case. In particular, when we compare the 1998-2000 and 2011-2013 periods, the task intensity of jobs shifted from manual to abstract/cognitive work (both personal and analytical), but contrary to developments in Western Europe, the routine cognitive task intensity (usually found in the middle-skilled workers such as clerks, sales workers, administrative employees, and tellers) also increased in total of three percentage points. If the Croatian case can be generalized, Western Balkan countries face a potential challenge of increasing job, task and wage polarization as technologies become more widespread. In other words – automation can quickly wipe out the demand for middle-skilled workers causing additional stress on already challenging labor market conditions.

The usually prescribed remedy for mitigating potential economic and social cost of automation is further investment in education, especially in life-long learning. While being one of the most important avenues of long-run and sustainable growth, investment in education cannot resolve all the problems. In particular, as Hardy et al. (2016) claim, adult education cannot transform prime-aged routine workers into top non-routine workers, and even if it can, labor markets of Western Balkan countries already face high unemployment rates of university graduates, which indicates that the market is oversaturated. Hardy et al. (2016) argue that instead of solely relying on adult education, countries expecting automation should adopt the combination of tax cuts for workers performing routine work and implement educational quotas to prepare the economy for the lower demand of routine work.

The second development on the labor markets of the Western Balkans is the surge of new types of work, also partly driven by technological progress, rise of seasonal work, and rigid labor markets on the intensive margin (employer decisions on the number of employees). In particular, Figure 2 displays the development of the share of types of work contracts for EU-28 countries and selected Western Balkan and neighboring countries.

Figure 2: Trends in types of work contracts (For full-sized graph, please see annex to this paper)
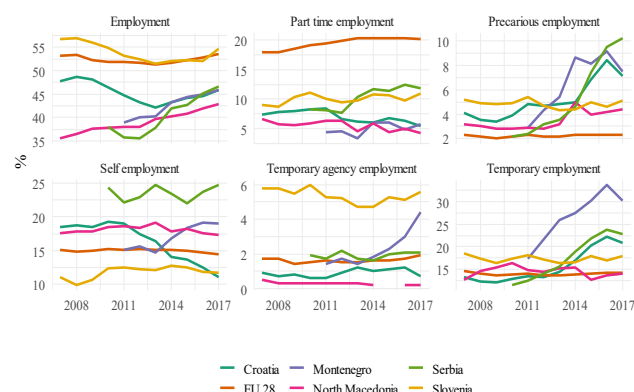
Source: Eurostat.

As can be seen, precarious employment types have been growing in Montenegro and Serbia, as well as Croatia, in an above-average manner compared to the EU. While part of this development can be explained by legislative changes (see Tomić 2019) and seasonality of work due to tourism and prevalence of tertiary sector jobs, Western Balkan countries, as well as their ex-Yugoslavia neighbors, are record holders in terms of the prevalence of precarious work.

Therefore, Western Balkan countries face unfavorable labor market dynamics in terms of overall employment aggregates, but also in terms of structure – a large portion of individuals faces great uncertainty in their precarious workplaces. While these new types of work contracts are inescapable characteristics of modern labor markets, their

inherent uncertainty may cause a series of social consequences, namely in the realm of demographic decisions – moving out of the parents' home, homeownership, marriage, having children, and migration. Therefore, to take the edge off of those negative ramifications related to the uncertainty of precarious work, governments should make an effort to increase job safety, while preserving the vibrant pulse of labor markets.

The Role of Education and Active Labor Market Policies

Having in mind all those labor market imbalances, one might ask: What are the main corrective instruments that policymakers have at their disposal to alleviate burdensome labor markets of the Western Balkans? Two of the frequently mentioned solutions are Active Labor Market Policies (ALMP) and the role of education. While ALMPs are a frequently advocated remedy for troublesome labor markets for most of Western Europe, the Western Balkans have not yet fully developed these policy instruments. In fact, as Ganić (2019) claims, ALMPs in the Western Balkans are underdeveloped, inefficient, and only include a relatively small number of unemployed.

Even having this in mind, recent literature indicates that the effectiveness of ALMPs is somewhat questionable. A meta-analysis of more than 200 recent studies on the effectiveness of ALMPs indicates that they yield mixed results, especially in the short run, where the effect is often indistinguishable from zero (see Card et al., 2017). Again, given that these studies are not made for Western Balkan countries, drawing some limited conclusions from Croatia, who shared some of the historical and political legacies with the rest of the Western Balkan countries, Tomić and Žilić (2018) indicate that the use of a very expensive labor policy did not yield expected results. In particular, analyzing vocational training without commencing employment, a flagship of ALMPs in Croatia, they conclude that the measure has not promoted employment, nor has it decreased unemployment or inactivity for youths as intended. Moreover, authors find that it has propelled some individuals into inactivity. Therefore, they conclude that the measure, at best, has had a neutral effect on employment, unemployment, and inactivity, while reducing wages for the whole cohort of youths. This example stresses the importance of careful planning of policy measures for labor markets, which inevitably boils down to questions of human capital and institutional capacity of policymakers in the country at hand – Croatia – and inevitably so, the whole Western Balkan region.

One policy alternative to ALMPs that might activate individuals in labor markets is the use and promotion of self-employment grants. Self-employment grants aim to support unemployed individuals to start-up their firms thus "turning unemployment into employment" (Caliendo, 2016); and there is a vast literature indicating that they is a cheap and effective way of promoting employment. The usual arguments for the promotion of these types of measures are that self-employment might 1) directly

decrease unemployment, but also 2) indirectly decrease unemployment via the entrepreneur's potential hiring (so-called double dividend). However, given historical and institution reliance on the state and government to provide and organize an economic activity in the Western Balkans countries, promoting self-employment can also promote entrepreneurial spirit and individual initiative to activate economic momentum – an argument to promote self-employment grants in the Western Balkans even more.

Again, using the experience from Croatia, where, as noted before, traditional flagship ALMPs did not yield desired results, Srhoj and Žilić (2019) conclude that firms opened via a self-employment grant scheme have favorable survival profiles and that individuals who use them tend to integrate into labor markets quite successfully. However, while this social role of grants turned out to be successful, the growth role has not been fulfilled. In particular, firms opened throughout these grant scheme do not grow fast in terms of employees and value of sales; therefore, a grant motivates people to open firms, but these firms are not fast-growing ones.

Apart from ALMPs and their different varieties, education on every level has been promoted as a suitable solution for the labor market and other social tensions in the Western Balkans region. While education undoubtedly plays a cardinal role in these matters, more details on educational intervention are needed to countermeasure the aforementioned problems. For example, as already noted, the unemployment rates of university graduates in the Western Balkans are very high (see Figure 3); so arguably, human capital acquired at higher education institutions is questionable, and/or the market of university graduates is oversaturated. Indeed, as Bartlett and Uvalić (2019) conclude using large scale surveys on both university graduates and employers, there is a great skills mismatch upon finishing university education and, while a college degree does provide some advantages in the labor markets of the Western Balkans, the road to employment is usually a very precarious one.

Figure 3: Unemployment rates of higher-education graduates, 2015
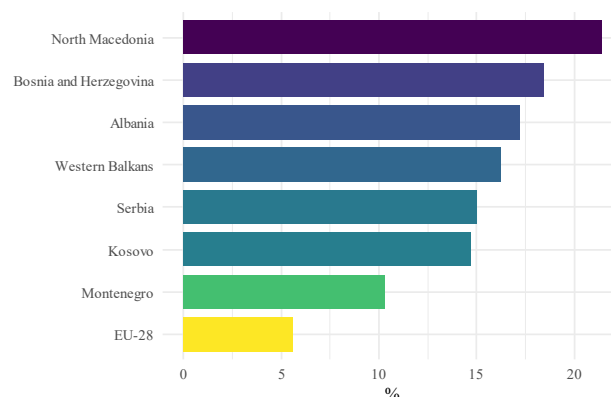
Source: Bartlett and Uvalić (2019).

Another educational reform that has been advocated as a solution to human capital accumulation problems (as subsequently labor market problems) is a change of curriculum at lower levels of education. Both vocational and more general education have been promoted as a means of increasing education quality: vocational education to calibrate skills of graduates in better accordance with the labor market demand, and general education to promote basic learning skills that can be used for lifelong learning. While this vocational versus general education tradeoff is well known, ex-post evaluations of high school reforms in Romania and Croatia (Malamud and Pop-Eleches, 2010, and Zilic, 2018) indicate that high-school curriculums play very little role in shaping one's educational and labor market prospects. In particular, both of the aforementioned papers use reforms in the 1970s as a quasi-random increase of general part of high-school education and conclude that changes in curriculum do not change labor market prospects – they are fundamentally driven by intrinsic characteristics of each individual.

While these results may be interpreted as disheartening, economic literature suggests that the effectiveness of educational interventions tend to be higher if the intervention is placed at early life stages. This might be an unfortunate fact as policymakers and political elites, not only in the Western Balkan region, tend to have a shorter time frame in which they operate; so, expensive and long-term investments in primary education are usually low on their priority list. Nonetheless, increases of quality of primary education may provide long-term positive benefits for labor markets and society in general, and on a positive note, the region is currently witnessing one large-scale educational intervention in that direction – "21st Century Schools." This program, which has started last year in all of the Western Balkan countries, aims to reach almost a million 10 to 15 year-olds by supporting their teachers, school leaders, and policymakers with additional training, improving school infrastructure and facilitating changes in curriculum. A primary emphasis of the program is critical thinking and problem solving, as well as digital skills programming, all of which are preconditions in modern labor markets. While the program is still in its inception, similar interventions in the UK have produced very positive results, therefore this type of long-term human-capital building educational interventions are, arguably, the most promising avenue of enhancing labor market prospects in the Western Balkans region.

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Annex

Figure 2: Trends in types of work contracts.
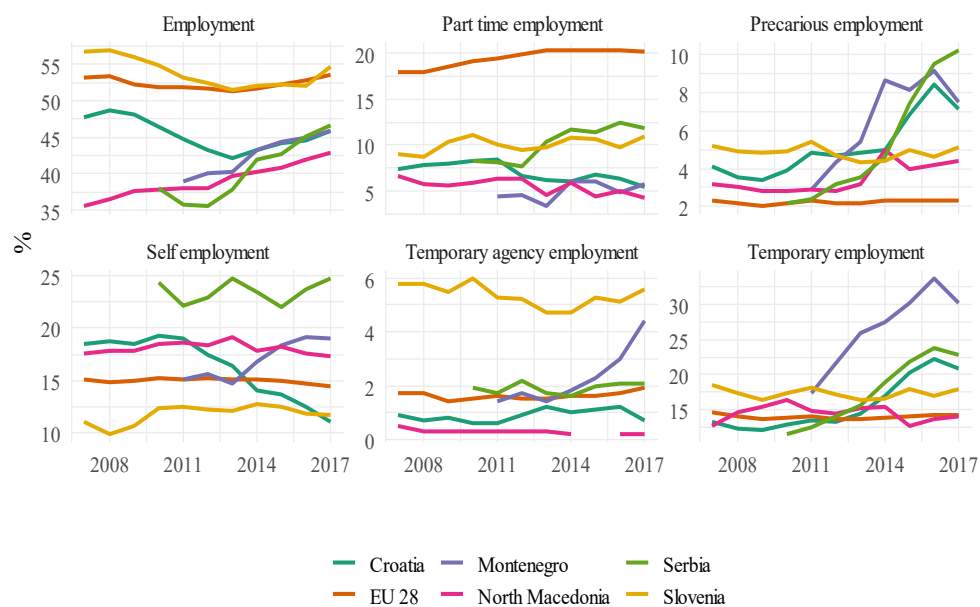
Source: Eurostat.

CRITICAL INFRASTRUCTURE AND PUBLIC PROCUREMENT: THE CASE OF MONTENEGRO – EIGHT YEARS OF BACK AND FORTH

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Abstract

It has been almost six years since Montenegro opened negotiations with the European Union (EU) regarding Chapter 5 – Public Procurement[1] and eight years since the adoption of the Public Procurement Law[2] by Montenegro. However, the negotiations have been a continuous process of back and forth with no major breakthrough. This policy paper aims to provide an overview of obstacles faced by Montenegro in this process to date. Additionally, this paper revisits the time when Montenegro was challenged to act beyond the statement that "Montenegro should adopt and implement the Law on Public Procurement" and failed.

Introduction

Public procurement is a significant share of any country's public spending with a significant portion of this expense being spent on administrative maintenance of the state. The aim is to ensure a variety of services are provided to a society for the maintenance of its citizens' vital societal functions, health, safety, security, economic or social well-being.[3]

The Western Balkan (WB) countries share similar challenges regarding public procurement, namely regarding efficiency, transparency, and competitiveness. These countries are still far from reaching full alignment with the EU Directives regulating this area and poor implementation has expanded the space for corruption and clientelism. Montenegro is particularly vulnerable to such practices due to the three decades-long rule by the Democratic Party of Socialists (DPS) and the DPS's connections with the business community.

The challenges WB countries face also reflect their level of relative preparedness for European Union membership. According to the European Commission's Enlargement Package 2019, Montenegro, Serbia, and North Macedonia are **moderately prepared** on public procurement, while Albania, Bosnia and Herzegovina, and Kosovo have achieved **some level of preparation**.[4]

Albania and Kosovo achieved **some progress** in 2018, **limited progress** has been achieved by Montenegro, while in Serbia **no progress** was made during this period. Bosnia and Herzegovina's progress is stagnating, with some basic steps in regard to alignment with the EU *acquis* yet to be

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1   Negotiations were opened on December 18, 2013
2   Law on Public Procurement, Official Gazette of Montenegro, No. 042/11 from 15.08.2011, 057/14 from 26.12.2014, 028/15 from 03.06.2015, 042/17 from 30.06.2017.
3   European Commission (2013), Commission Staff Working Document on a New Approach to the European Programme for Critical

Infrastructure Protection Making European Critical Infrastructures More Secure. Available at: http:// bit.ly/2o6qKoF, Accessed on January 24, 2020.
4   European Commission (2019), European Neighbourhood Policy and Enlargement Negotiations. Available at: http://bit.ly/2pwsMP8, Accessed on January 24, 2020.

achieved, such as providing equal treatment of domestic and EU companies bidding for tenders.

The 2017 SIGMA Monitoring Report on Principles of Public Administration enables a common framework for detailed assessment and comparison amongst the WB states[5]. Notably, Serbia, North Macedonia, and Albania fare better than Montenegro, Kosovo, and Bosnia and Herzegovina.[6]

	Quality of legislative framework for public procurement and public procurement policy/concessions	Central institutional and administrative capacity to develop, implement, and monitor public procurement policy effectively and efficiently
Key requirement: Public procurement is regulated by duly enforced policies and procedures that reflect the principles of the Treaty on the Functioning of the European Union and the European Union *acquis* and are supported by suitably competent and adequately resourced institutions.		
Albania	3	4
Bosnia and Herzegovina	3	3
Kosovo	3	3
Montenegro	3	3
North Macedonia	4	3
Serbia	3	4

Source: SIGMA Monitoring Reports: The Principles of Public Administration (2017).

Montenegro, a regional frontrunner in the EU integration process based on SIGMA's assessment, lags behind Serbia, another EU candidate country, and also behind Albania and North Macedonia. However, Montenegro scores the same as Kosovo and Bosnia and Herzegovina, other potential EU candidate countries, both of which have not yet opened negotiations with the EU.

In Montenegro, deficiencies identified under Chapter 5 significantly impact the negotiation dynamics that arise later in Chapter 23, thus hampering the rule of law in general and postponing the interim benchmarks in Chapter 23 to be met.

It has been almost six years since Montenegro opened negotiations with the EU regarding Chapter 5 – Public Procurement[7], and eight since the adoption of the Public Procurement Law. However, the negotiations have been a continuous process of back and forth, with no major breakthrough. This policy paper aims to provide an overview of key obstacles faced by Montenegro in this process to date. Additionally, this paper revisits the time when Montenegro was challenged to act beyond the statement that "Montenegro should adopt and implement the Law on Public Procurement" and failed.

Year 2015 – A Missed Opportunity

The Law on Public Procurement currently in force was originally adopted in 2011 and has been amended three times since, with significant positive amendments adopted in 2015. However, there was still some space for improvement in terms of regulation and even more so regarding implementation provisions, provisions which had been inconsistent among contracting authorities.[8] In the 2015 Montenegro Report, the European Commission stated that "good progress was achieved with the adoption of amendments to the public procurement law at the end of 2014; however, more work is needed to prevent corruption occurring during the procurement cycle."[9]

Instead of using this opportunity to advance in implementing EU standards and move toward meeting requirements of Chapter 5, in May 2017, the Montenegrin government proposed amendments to the law which constituted severe backsliding in terms of transparency and competitiveness. These Montenegrin amendments were widely criticized by domestic civil society and experts in the field, and also by the European Commission.[10] Further, these amendments were adopted contrary to regulation, behind closed doors, and without organizing an opportunity for public discussion, which would include citizens and interested public experts.[11] However, these criticisms did not stop the Montenegrin government or the Parliament from passing the proposed amendments.

What was the Biggest Problem with the 2017 Amendments?

Although it was said that the amendments in 2017 were intended as only a short-term transitional solution until a new law could be drafted, they have now been in force for over two years. The primary negative issue arising from this

5 The monitoring framework features a comprehensive set of quantitative and qualitative indicators, focusing on both the preconditions for successful reforms (good laws, policies, structures and procedures) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice). To analyse the progress a country is making in applying the Principles, these indicators measure the maturity of relevant components of public administration, providing an overall value between 0 (lowest) and 5 (highest). The Principles of Public Administration, SIGMA, 2017 edition, p. 7, available at: http://bit.ly/32PjOvr

6 SIGMA (2019), Sigma Monitoring Reports. Available at: http://bit.ly/2pBdTL.

7 Negotiations were opened on December 18, 2013.

8 Muk, S. & Marovic, J. (2015). Public Procurement in Montenegro: Corruption Within the Law. Available at: http://bit.ly/2ocVIvp, Accessed on January 24, 2020.

9 European Commission (2015). Commission Staff Working Document Montenegro 2015 Report: European Commission, Available at: http://bit.ly/2obc5Zd, Accessed on January 24, 2020.

10 European Commission (2018). Commission Staff Working Document Montenegro 2018: European Commission. Available at: http://bit.ly/2pGuuOa, Accessed on Januar 24, 2020.

11 Đurnić, A. (2017). Secretly on Public Procurement: Backsliding Due to Controversial Amendments. Available at: http://bit.ly/2o0n341, Accessed on January 24, 2020.

series of events is a subsequent increase in non-transparent spending by the Montenegrin government.

Low value procurement (LVP) is the procurement of goods and services the estimated value of goods and services of which is equal to or less than 15,000 EUR and procurement of works the estimated value of which is equal to or less than 30,000 EUR.[12] By introducing LVP, only in the first six months of implementation, a part of the budget spent through non-transparent procedures doubled. Over 28 million EUR were spent on LVP only in the second half of 2017 and another almost 80 million EUR in 2018.[13]

LVP is characterized as allowing wide discretion by the contracting authorities, while the current law prescribes limitations only in the form of value thresholds for these procurement contracts. The procedures which apply to procurement activities are determined by the internal acts of the Montenegrin contracting authorities.

This has also caused the share of open contracting to decrease. In 2018, 79% of all contracts were concluded through an open procedure. However, this is the lowest percentage of use of the open procedure as compared to the six years prior and this figure is 6% lower compared to the previous year alone.[14]

Internal governmental acts, prepared and adopted by the contracting authorities, regarding LVP are a story per se – no Montenegrin ministry or municipality adopted an internal act for LVP within the legal deadline, most of those do not prescribe an obligation to publish the concluded contract, and competitiveness is being controlled by discretionary choice in which bidders receive requests to submit bids, for example. Direct agreement – an immediate arrangement between a contracting authority and a bidder, although removed from the Public Procurement Law – is still envisaged by the contracting authorities' internal acts, contrary to the law.[15] Also, a bidder's right to legal protection was severely limited as the Montenegrin State Commission for the Control of Public Procurement Procedures does not have jurisdiction to act on complaints concerning LVP.

Security and Defense Procurement in a Legal Vacuum

Despite relatively frequent amendments to the rules regulating public procurement, security and defense procurement remains insufficiently regulated and far from being in compliance with EU regulations. More than two years after the adoption of the 2017 Amendments to the Law on Public

Procurement (PPL), the envisaged by-laws have not been adopted, and the law itself dedicates only two articles to these procurements.[16]

In the 2017 Monitoring Report on Principles of Public Administration, SIGMA states that "defense procurement is no longer regulated by the PPL; instead, the PPL requires the government to adopt special procedures for defense-related procurement before the end of 2017. Defense-related contracts below 20,000 EUR for goods and services, and 40,000 EUR for works are completely exempted from the PPL, without any obligation so far to follow the basic principles set out in the Treaty on the Functioning of the EU."[17] The contracting authorities – the Ministry of Interior, Ministry of Defense and the National Security Agency – claim that they do not conduct confidential procurement activities as of May 2015. These statements are made despite continued expenditures for confidential procurement continuing to the present –allegedly only for the payment of obligations from previously concluded contracts.

All documents and acts regarding security and defense procurement by the National Security Agency for the period from 2013-2017 were declared "INTERNAL" and are not publicly available, including under a Freedom of Information Request. The Ministry of Defense remains silent on the topic of requests for access to information regarding security and defense procurement spending. Whereas, the Ministry of Interior claims that only contractual obligations related to security and defense procurement contracts from before 2015 are currently being paid.[18] Officially, Montenegro is not engaged in procurement of any good, service, or work related to the security and defense of the country and its citizens.

Reports of the State Audit Institution (SAI) are a rare testimony to how the authorities take advantage of reduced transparency in these procedures to procure goods, services and works, whose purpose and essence is not in line with the safety of the state and its citizens, for example, by procuring car tires, airplane tickets, computer equipment, and official vehicles.[19]

Centralized Procurement: Not There Yet

Centralized procurement was envisaged by the 2015 Public Procurement Law and retained in the 2017 amendments, but was only first implemented in January 2018, when the

[12] Articles 21 and 30 of the Law on Public Procurement, Official Gazette of Montenegro, no. 042/17.

[13] Public Procurement Administration of Montenegro (2018). Public Procurement Report 2017. Public Procurement Report 2018. Available at: http://bit.ly/2AEVRdt.

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[15] Đurnić, A. (2018). Low Value Procurement in Montenegro: Without Transparency or Competition. Available at: http://bit.ly/2In5XEi, Accessed on January 24, 2020.

[16] The legal deadline was December 2017.

[17] SIGMA (2017). Monitoring Report: The Principles of Public Administration Montenegro. Available at: http://bit.ly/332OtEW.

[18] Đurnić, A. (2018). Confidential Procurement in Montenegro: Far from Public's Control. Available at: http://bit.ly/30MezdO, Accessed on January 24, 2020.

[19] Montenegro State Audit Institution's Audit Report: Management and Disposal of Assets Used by the Ministry of Defence 2005-2019. Available at: http://bit.ly/2LJjhVq.

"Decree on Centralisation of Public Procurement of Goods and Services" came into force.[20]

Although centralization faces many obstacles and challenges in practice, its very introduction to the Montenegrin public procurement system constitutes a step forward, towards more efficient management of this part of public spending.

However, there is much room for improvement, in particular in terms of transparency. Planning and reporting on such procurement activities are largely decentralized, and the multitude of data hinders access to reliable and detailed figures on centralized purchase. There is neither a specific report nor a plan concerning centralized procurement. The Property Administration includes centralized procurement in its annual Public Procurement Plan and Annual Public Procurement Report, without specifying it in any way. Also, there is no specific database on this segment of public spending; cross-referencing the data from different sources results in disparate aggregate values of signed contracts.[21]

The Property Administration in charge of implementation of centralized procurement compensated for the delays by launching urgent procurement requests and shortening tender submission deadlines contrary to the law. Centralized procurement is not planned sufficiently thoroughly, or in a timely manner, which causes problems in practice and leaves the state administration without some of the essential tools for its work and operation. Therefore, procurement activities are delayed due to the untimely actions of the Property Administration, as well as the State Commission and Administrative Court – line institutions in the remedy system.

As one example, in February 2019, the Property Administration signed a contract for the urgent procurement of office supplies, while the procedure following the bidders' complaint was still pending.[22] The Property Administration thus disregarded the spirit of the provision from the Public Procurement Law, which stipulates that a public procurement contract may not be concluded prior to the decision regarding the bidders' complaint.[23] This action by the Property Administration undermined a provision providing full legal remedies to tenderers as well as the legality of public procurement procedures. Hence, the Property Administration endangered the efficiency of the remedy system given that the procurement had already been implemented, and that a new decision issued by the State Commission or the Administrative Court would be of no significance.

The Property Administration often uses centralized procurement to purchase a single vehicle, which is contrary to a key principle and reason for centralization – that the procurement of greater quantities drives down the price. Between January 01, 2018 and June 30, 2019, the Administration implemented ten individual procedures to purchase a total of only 40 vehicles for various contracting authorities. As many as six of the procurement procedures resulted in the purchase of only one or two vehicles.[24]

Instead of a Conclusion: Spring 2020 – Smells Like… Public Procurement

The Montenegrin government adopted a proposal for a new Law on Public Procurement during its 137th session held on October 03, 2019.[25] Bearing in mind the procedure for the Parliament's adoption and publishing of the law in the Official Gazette of Montenegro, as well as its delayed implementation – six months after coming into force – it is expected implementation will commence in spring 2020.

This most recent proposed law is largely in line with the EU Directives 2014 Regulating Public Procurement. However, many areas under the law remain to be regulated by the by-laws, which are to be prepared in the meantime. Some improvements could be seen even now – discretionary acts for the LVP (now called Simplified Procurement in the Proposal of the Law) and security and defense procurement were abolished and replaced with by-laws.

The Montenegrin government and the Ministry of Finance did not include engagement of civil society or the public in preparation of this draft law – there were no official public discussions in accordance with the relevant regulation, which caused dissatisfaction among many non-governmental organizations (NGOs) active in the field.[26] However, a call for organized public discussion issued by ten NGOs remained unanswered. Now, it is of utmost importance that the Montenegrin government includes civil society and the public in the preparation of the bylaws, and uses existing domestic and international expertise. Otherwise, without proper by-laws following the spirit of the law and the EU regulation, efforts for improvement are threatened and could be rendered meaningless.

It goes without saying that the proper implementation is crucial or else spring 2020 will become yet another failure like the one witnessed in 2015.

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[20] Decree on Centralisation of Public Procurement of Goods and Services, Official Gazette of Montenegro, 075/18.

[21] Đurnić, A. & Sošić, M. (2019). Centralised Procurement in Montenegro: The Beginning of a Long Road. Available at: http://bit.ly/2Ve1Q2y (only in Montenegrin), Accessed on January 24, 2020.

[22] The Administrative Court, upon the bidders' lawsuit, annulled the original Decision of the State Commission for the Control of Public Procurement Procedures and the Commission was supposed to issue a new one upon the decision of the Administrative Court.

[23] Article 107 Paragraphs 4 and 5 of the Public Procurement Law, Official Gazette of Montenegro, 042/17.

[24] Đurnić, A. & Sošić, M. (2019). Centralised Procurement in Montenegro: The Beginning of a Long Road. Available at: http://bit.ly/2Ve1Q2y (only in Montenegrin), Accessed on January 24, 2020.

[25] Available at: http://bit.ly/33cxwZ5, Accessed on January 24, 2020.

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CRITICAL INFRASTRUCTURE IN THE WESTERN BALKANS

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Infrastructure investments are among the most important financial support mechanisms for the nominal GDP (Gross Domestic Product) formation in the Western Balkans. According to the IMF, Western Balkan countries dedicate over 6% of their GDPs for public investments, which is well over the European Union (EU) average. As a consequence, Western Balkan countries increased their public capital stock by more than 135% between 2000 and 2015.[1] However, capital stock remains small per capita: the monetary value of the total capital stock per capita is 2 to 6 times less than that of EU countries.

Despite the small volume of capital stock per capita, the quality of infrastructure, rail freight efficiency[2] as well as utilization rates of gas pipelines, oil pipelines, highway infrastructure, ports, and inland waterways remains minimal.

Surprisingly, policy attention and government efforts are focused on further increasing investments into infrastructure and not to improve utilization rates and quality. It is well established in the economic literature[3] that enhancing the use of infrastructure provides far better economic outcomes than the available volume of infrastructure. That experience finds little reflection in available policy documents related to the Western Balkans. Available policy documents and analyses remain focused on the "infrastructure gap", arguing that there is a shortage of infrastructure in the Western Balkans in comparison to EU countries.

Furthermore, relations between Western Balkan governments and their creditors from International Financial Institutions (IFIs), China, the Russian Federation, and other bilateral sovereign creditors are very much focused on obtaining further investments into infrastructure. These relations reflect the limited ability of governments to borrow from liquid financial markets, the significant demand for foreign currency to sustain spending habits, well-being and credit distribution potential as well as the need to appreciate domestic currencies. These elements are necessary to maintain hard budget constraint over the economy and strengthen the dependence of the corporate sector and population on external financing. To obtain project specific loans is an unpredictable and time-consuming process. However, the appreciation of domestic currency increases the relative burden of domestic bonds, infrastructure maintenance, and commodity imports. Being able to default on these aspects improves the liquidity of the government for a limited period of time. It also creates a situation described as a "soft budget constraint", a key determinant of the quality of governance.

Bilateral project specific financial arrangements, defaults on domestic obligations, delayed infrastructure maintenance costs and arrears on commodity imports, as well as

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[1] Atoyan, R., et al. (2018), Public Infrastructure in the Western Balkans: Opportunities and Challenges, International Monetary Fund, European Department, page 15, Figure 3.4.

[2] Ibid, page 7, Figure 2.2.

[3] See e.g., Hulten, C.R. (1996), Infrastructure Capital and Economic Growth: How Well You Use It May Be More Important Than How Much You Have, NBER, Working Paper No. 5847, Dec. 1996.

manipulations with royalties to access public goods and natural resources, combined with the ability to manipulate domestic exchange and interest rates is far easier with less transparency of public finances. All this results in a very complex government bond portfolio with a specific set of risks for the sustainability of infrastructure services, fiscal sustainability, and regional relations described in the following table:

Table 1: Government bond framework for non-transparent governments

Impacts	Government Bonds at Financial Markets	Project Specific Government Bonds with Public Procurement	Project Specific Government Bonds with Bilateral Contracts	Nature Bonds and Delayed Maintenance	Concessions Royalty Waivers	Defaults on Domestic Bonds	Payment Arrears Bonds
Bond Holders	Financial investors and creditors	International Financial Institutions	Export credit institutions and state-owned banks	The public	The public	Domestic bond holders	Foreign suppliers
Secondary Market?	Yes. Regular quotations at liquid financial markets	Not directly	No	No	No	Mostly, no	Mostly, no
Governance Impact	Hard budget constraint if other sorts of bonds are not available	Dependent on quality of governance in previous period	Soft budget constraint, corruption risks	Soft budget constraint, corruption risks	Soft budget constraint, corruption risks	Soft budget constraint, corruption risks	Soft budget constraint, corruption risks
Sovereignty Impact	Significant in case of default	Case specific	High and adverse	Potentially adverse	Adverse	Not important	Significant and adverse
Transparency	Good	Dependent on creditors	Insufficient	Insufficient	Insufficient	Insufficient	Insufficient
Security of Supply Risk	Minimal	Could reduce risks, depending on project selection	Could reduce risks, depending on project selection	Risk escalation	Risk escalation	Uncertain	Risk escalation
Fiscal Risks	Uncertain when combined with other bonds	Uncertain when combined with other bonds	Uncertain	Massive	Amplifies other risks	Amplifies other risks and reduces potential remedies	Massive
Nominal GDP Impact	Dependent on credit rating	Short terms support for GDP formation	Short terms support for GDP formation	Short terms support for GDP formation	GDP retardant	Irrelevant	Short terms support for GDP formation

Social Equality	Policy specific	Policy specific	Increases inequality	Increases inequality	Increases inequality	Increases inequality	Increases inequality
Employment	Policy specific	Policy specific and dependent on project selection	Dependent on project selection, strongly inclined to short term clientelism	Short-to-medium term positive	Negative	Strongly negative	Support employment in very short term

Source: Author estimates

Public investments under unaccountable governments[4] are well researched in the economic literature. The impact of these investments on economic growth[5] and the political economy of investment project selection[6] are also well known. Governments that happen to be in this policy and decision-making framework are hardly able to formulate commercially viable projects that may tap into international project bond markets or green bond markets. Similarly, the ability of unaccountable governments to place bonds to non-liquid markets causes a prohibitive obsolescence risk for private investment[7] into infrastructure. Consequently, private investments into infrastructure are minimal or limited to investments into government bonds.[8] A good example is investments into renewable energy supported by the longer-term feed in tariffs guaranteed by governments.

Infrastructure Governance

Infrastructure in the European Union is governed by a number of international conventions, and EU rules and regulations. That includes the regulation of access to infrastructure and regulation of environmental impacts and other externalities as well as market liberalization and accountability to support commercial investments.

Additionally, the following regulations are also applicable to the Western Balkans: the International Convention of the Law of the Sea determines the access to sea for landlocked countries; the World Trade Organization comprises trade arrangements to support cross border trade, the UN FCCC and the Paris Agreement create obligations related to climate change, the Energy Community Treaty extends the EU market, third-party access, and environmental regulations for the energy sector of the Western Balkans, while the Transport Community Treaty does the same in the transport sector. UN CLRTAP with its protocols is only partially applicable as some countries failed to ratify some protocols. Only one country from the Western Balkans subscribed to the Extractive Industries Transparency Initiative. Not all countries are signatories to the Energy Charter.

The critical governance question is whether to use existing infrastructure or to impede its utilization. Dysfunctional and un-used infrastructure is not only a physical obstacle to market openness but also a massive barrier to the entry of infrastructure investors. Consequently, a government that controls unused infrastructure becomes a partner in nearly every commercial business in the country. That government may comfortably accept any legal compact or declaration that promotes market liberalization and stay safely behind its physical barrier. As long as such governments are able to borrow, the business behind the barrier will be mostly satisfied with the business environment. The public and those who attempt market entry may not be satisfied but their concern remains beyond most of the surveys.

These international compacts are intended for well-developed infrastructure systems or underdeveloped countries with a shortage of infrastructure services that require additional infrastructure to overcome congestion and bottlenecks. That infrastructure governance framework is insufficient for a situation in which the available infrastructure is underutilized, and new infrastructure investments are not motivated by a demand for infrastructure services that exceeds the available capacity. In other words, the current situation in the Western Balkans requires entirely new and bold initiatives to make use of existing infrastructure.

Making the Most of What is Available

The question is: Would the actual removal of (both physical and legal) barriers to entry facilitate durable economic growth patterns beyond what could be achieved by extensive bonding?

[4] Keefer, P. & Knack, S. (2006), Boondoggles, rent-seeking and political checks and balance: Public investments under unaccountable governments, The World Bank, Jan. 2, 2006.

[5] Warner, A. (2014), Public Investments as an Engine of Growth, International Monetary Fund, Working Paper No. 14/148, Published Aug. 11, 2014.

[6] Robinson, J. & Torvik, R. (2005), White Elephants, Journal of Public Economics, 89, pages 197-210.

[7] Persistence of the same framework explains the failures of a number of attempts to mobilize domestic savings or to issue "diaspora bonds" or attract more private investments from the diaspora or motivate any larger return of emigrants (with their skills and investment potential).

[8] An interesting demonstration of this problem is the paradox of domestic savings accounts: despite occasions where investments into energy efficiency or solar energy provide returns well in excess of saving interest rates, domestic saving remains very high and investments very small.

In certain respects, the answer is "Yes". Rapid removal of barriers to entry through rapid improvement in the utilization of existing infrastructure removes many risks for sustainability and replaces fragile growth patterns with far more sustainable trajectories.

A diligent government could be concerned about the sustainability of this approach. However, that would be insufficient. There is a need for quantitative analyses to demonstrate the potential for a more dynamic economic growth with attractive political and social returns. Such analyses are, obviously, beyond the scope of this paper.

I would like to make the following two arguments:

1. The lack of functionality and utilization of existing infrastructure is a governance failure, which needs to be removed by an intervention into the quality of governance.

2. There are improvements in the usage of infrastructure that provides significant and rapid GDP accretive potential with minimal public investments.

Infrastructure is a complex interdependent portfolio of physical assets. Interdependencies require delicate management. When interdependencies are not optimized by the market, restructuring by simulating market intervention followed by the introduction of actual commercial markets for infrastructure services may cause rapid improvement in GDP formation. Observations on actual structural infrastructure insufficiencies are provided in the following table:

Table 2: Functionality of Critical Infrastructure

Critical Infrastructure	Critical Functionality	Overall Impact	Remarks
Adriatic Sea Ports	Ports provide access to seaborne trade and interface between regional economy and international markets. Ability to transfer between in-land and sea transport modes at competitive transfer rates depends on physical infrastructure, port productivity and utilized economy of scale.	Ports operate at minimal utilized economy of scale. Therefore, unit transfer rates remain uncompetitive and are considered to be a major impediment to trade. The entire region, including coastal countries, remains effectively land locked and exposed to poverty risks.	Taking into account minimal freight generation in the Western Balkans, port utilization depends on transit to Central Europe, which is critically determined by transport on the Danube and functionality of the Belgrade transport hub.
Danube River Transportation	Key transport infrastructure between Central Europe and the Black Sea. The Black Sea is among the largest international markets for crude, oil products, fertilizers, cereals and other bulk products as well as industrial and fine agriculture products. This functionality is dependent on the physical interface between the Danube river shipping standard (EUROPA II) and the river-to-sea shipping standard (Volga-Baltysk).	Lack of physical interface between different shipping standards is a key impediment to trade along the Danube. The lack of an adequate interface between land transport and river transport systems along the Danube as well as the competitiveness of river transportation prevents higher utilization rate of available assets.	The outdated Danube Convention (1948) prevents the effective use of the fleet as well as access of vessels from other countries. The EU water framework directive is yet to be fully applied. There is no legal framework for shipping between the Danube and the Black Sea and Central Asia.
Railways	Freight transport between seaports and in-land freight hubs (industrial centers, river ports, airports).	High fix costs of railway systems are a critical determinant of the volume of transport required to break even, which determines the unit costs and competitiveness of transport systems. Extending the system (and increasing fix costs) before achieving breakeven with existing infrastructure renders the entire system uncompetitive.	Major airports are not connected to the railway. Only one marginal airport in the region is connected to a marginal rail line. There is obstructed railway access to major ports on the Danube.

Airports	Airports serve as an interface between air transport and land transport systems. Airports feed high value freight and passengers into transport mix and provide access to international trade.	Economic impact depends on the integration of airport and land transport. Less complex integration indicates less economic value creation.	Major airports are not connected to railways despite proximity.
Highways	Transport of medium-to-high value freight and passengers. Provides implicit subsidy that supports car ownership.	Beyond economically justified capacity, roads subtract value from public goods.	Vehicles ownership and taxes on vehicles, oil products, congestions and related services are the most substantial fiscal revenue in the region.
Belgrade Intermodal Transport Hub	Being the largest agglomeration of river-to-sea, river, railway, highway, airport, power grid, natural gas and crude oil pipelines, and telecommunications, the Belgrade urban area is the most complex infrastructure hub in the region. It is to serve intermodal infrastructure interaction and optimization.	Lack of physical inter-relation between a variety of infrastructure portfolios in the Belgrade urban area is a key impediment to regional development and rationality of infrastructure investments.	Subsequent urban planning documents from 1972 till today (with a minor exception of a 1996 policy document) omit to facilitate for the interaction between different infrastructure portfolios.
Thermal Power Generation	Provides secure and dispatchable power to consumers. This includes bulk power and grid stability services.	Lignite fired thermal power generation provides bulk (2/3) of electricity to the region that supports GDP formation and the well-being of the population.	Lignite fired power generation is not sustainable in the context of the Energy Community Treaty and the UNFCCC Paris Agreement.
Hydro Power Portfolio	Provides secure dispatchable power to consumers and supports functionalities of power grids. The Western Balkans comprises the largest and the most functional hydro power portfolio in the European electricity market, which may contribute to the security and functionality of the European power generation portfolio.	As electricity prices are the least weather sensitive prices for household customers, electricity prevails as a heating fuel during cold periods. Therefore, the functionality of a hydro power portfolio is taken away from the (lucrative) European market in order to serve low price domestic demand.	Governments waive hydro resource concession royalties to support cross subsidizing thermal electricity and compensate opportunity costs of refraining from European electricity markets.
Power Grids	Supply power to domestic customers and provides the opportunity to optimize the power generation portfolio with cross border trade.	Power grids are not intended to compensate for security of supply shortcomings.	Dependency on electricity imports may create political tensions and risks.
Natural Gas Pipelines	Natural gas supply to domestic customers and natural gas transit.	Utilization rate determines the unit price and competitiveness of gas supply. Very low utilization rate indicates high transport costs.	Arrears to main gas supplier may compensate for high pipeline costs during short-to-medium term.
Crude Oil Pipelines	Crude oil transportation from production points or import terminals to process plants.	Utilization rate determines the unit price and competitiveness of crude oil supply to refineries. Taking into account the small size of refineries that supply region, high pipeline fees add to low competitiveness of oil products and road transport services.	A tax policy including tax evasion may easily adverse effects of high pipeline costs at the expense of fiscal sustainability .

Oil Products Retail Assets Portfolio	Distribution of oil products to retail customers.	The region is oversupplied with oil product retail infrastructure by a factor of 2-to-4.	Oversupply with retail capacity and on-going investments indicate that retail margins may be enhanced by tax evasion.
Heat	The variety of heat infrastructure (fuel wood distribution, electricity distribution, power supply, district heating, natural gas distribution, oil products distribution) that provides heat to customers as needed. Heat supplies are volatile and demand is weather sensitive.	Relative prices and weather sensitivity of fuel prices to generate heat determine the eventual demand spikes. Fuel with the least weather sensitive and most competitive price during a period of high demand should reserve most of supply capacity. That applies to electricity.	Fuel poverty and fuel poverty risks are critical social and economic determinants in the region.
Telecommunications	Electronic communications and communication services.	Intended to complement and optimize other modes of transport to the extent that these modes are physically functional and competitive.	Advanced telecommunication infrastructure may have a far greater economic impact if other elements of the infrastructure portfolio are more functional. Large portions of telecommunication capacity remain dormant and owned by the government, which prevents further private investments.

Source: Author analyses

Conclusions and Recommendations

The most recent OECD analyses[9] on economic growth opportunities in the Western Balkans promote energy and transport intensive sectors as key growth potentials. The unsustainable infrastructure patterns described hereby do not support that (or any other) growth strategy. These analyses and the recent IMF analyses on public infrastructure need to be complemented with ambitious infrastructure repurposing[10] and use scenarios that will demonstrate what could be done with existing infrastructure and what are the critical interventions necessary to make it happen. There will be a need for reputable international organizations to promote such ambitious restructuring efforts and operative authority to micro-manage their implementation.

The most inefficient use of infrastructure in the region is caused by use of fuel wood, lignite, and waste (solid fuels) for residential heating. It generates massive air pollution and causes unprecedented health risks, including gender specific risks for the female population. As solid fuels are delivered by informal markets, their price is extremely demand sensitive, which translates into weather sensitivity. In conjunction with regulated electricity prices, this situation creates electricity demand spikes during cold periods. The problem is further amplified by the malfunction of district heating systems and the inadequate security of natural gas supply. As a consequence, valuable hydro power assets are retained to respond to these demand spikes at a massive opportunity cost. Congestions at gas and electricity grids

during cold periods or security of supply crises prevent more commercial and regular use of infrastructure. At the same time, residential heating costs are well over 10% of available household revenues forcing households to refrain from buying other necessities (health, fitness, household improvements, food, and local services), which brings down local employment.

Public intervention to halve households' heating expenditures by reducing the usage of solid fuels and halving the cost of district heating services is technically and financially feasible. That may shift about 5% of households' revenues to increase demand for local goods and services, causing a rapid increase in employment and GDP. This is the political and social opportunity of a generation.

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REGIONAL INTEGRATION OF THE WESTERN BALKANS: THE SHIFT FROM POLITICAL TO POLICY CONTENT AS A PRECONDITION FOR RESULTS

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Abstract

The regional integration of the Western Balkans (WB) countries has been pursued as a parallel process to the individual countries' integration into the European Union (EU). The regional free trade area of these countries, reflected in the Central European Free Trade Agreement (CEFTA), was established in 2006, with the aim of trade liberalization, trade creation, and an increase in economic cooperation among the WB countries. Despite the unpromising developments of CEFTA, the region has stepped forward with the creation of the Regional Economic Area (REA) in 2017. The REA entails more serious regional integration and expands the trade dimension with the inclusion of three additional dimensions – investment, mobility, and digital integration. This paper provides discussion about CEFTA 2006 from the perspective of achieved results, major driving factors, and lessons learned, as well as an overview of the REA's dimensions, including prospects for its implementation. The CEFTA experience provides a case to examine the shortcomings of a primarily politically driven process of regional trade integration. The paper revolves around the argument that regional integration of the WB should be policy-driven in purpose to achieve genuine results as well as clearly connected to the individual accession of WB countries to the EU.

Introduction

Western Balkans countries have been engaged in two parallel processes – EU accession and regional integration. The second process of regional integration is promoted by the EU as beneficial to the WB as a preparatory phase of membership in the EU, since regional integration is done following EU principles and standards. Both processes face many challenges, including clear recognition of their connectivity. The EU accession process has been set as a national priority of all countries, while regional integration is perceived and pursued in a different manner. A discussion related to the results of CEFTA and the prospects of the REA is provided below.

1. CEFTA 2006: Politically-Driven Trade Integration with Limited Results

CEFTA 2006 has operated as part of regional trade integration of South-Eastern Europe (SEE) for over 10 years. Seven parties (Albania, Bosnia and Herzegovina, North Macedonia, Moldova, Montenegro, Serbia and Kosovo) comprise CEFTA, which was created in 2006 as an instrument to facilitate future integration of these parties into the EU. CEFTA was built on the foundation of traditional trade linkages among five parties (excluding Albania and

Moldova) that were part of a single market until 1991, with aim of further trade creation in the region.

The figures show that intra-CEFTA trade in absolute value has a mild upward trend. In 2018, intra-CEFTA exports totaled 4.8 billion EUR (16% of the total export value of CEFTA parties), while intra-CEFTA import value totaled 4.2 billion EUR (9% out of the total import value of CEFTA parties).[1] The respective figures in 2010 were 4 billion EUR (19% of the total export value of CEFTA parties) and 3.7 billion EUR (16% of the total import value of CEFTA parties). Additionally, there was some increase in absolute volume on both sides, export and import.

However, the data illustrates a negative performance in relative share of each party in CEFTA trade. Both indicators (absolute and relative) indicate that intra-CEFTA trade rose a bit due to the overall trade expansion of the region, but this trade expansion was not triggered by CEFTA. The expansion mostly occurred due to the operations of foreign direct investment (FDI) plants in the WB, which are export oriented and import dependent (raw materials are imported mainly from EU countries, integrated into the final products and then further exported, mainly to EU countries). In this respect, FDI operations have significantly changed the volume and structure of trade in the WB, diminishing in relative terms the importance of CEFTA.

Although the impact of FDI plants on WB trade in recent years has been significant, it did not affect the genuine trade orientation of the CEFTA parties. The EU was a major trading partner of all WB countries prior to the creation of CEFTA, with the EU share in WB trade ranging from 60-80% of total trade volume from 2000-2018.[2] Further, all WB countries have free access to the EU market. Therefore, CEFTA was never a primary trading destination framework for the WB and has not managed to become one in the recent years.

It could be argued that the major reasoning for such (non)development lies in the nature of the process of regional integration through CEFTA. At the start, the process was mostly pursued on a political level, without evidence-based decisions for the undertaking of specific measures. Namely, the framework for the free flow of goods was already set prior to CEFTA through 31 bilateral free trade agreements (FTAs) among the WB countries (plus Moldova). CEFTA replaced these FTAs.

Therefore, the focus at the start should have been on immediately offering a more compelling framework than tariff free trade as that has already been enjoyed by the WB – among the regional states and more importantly, with the EU. Therefore, the attention should have been on alleviation/removal of non-tariff barriers, which remains a burning issue in intra-CEFTA trade. For example, sanitary, phytosanitary certificates and other documents customary in

international trade relationships have not been recognized among the parties, imposing difficulties in trading.

Over the years, CEFTA parties have slowly moved toward discussion of the non-tariff barriers and other technical issues, based on evidence collected through EU funded projects. It resulted in the signing of the Additional Protocol 5 on Trade Facilitation (dealing with non-tariff barriers).[3] This has been a great step forward, although implementation of this protocol is unlikely to be prompt and smooth.

CEFTA decision-making is rather robust and complicated, requiring a unanimous vote on all matters. So far, the practice confirms that decision-making in CEFTA is truly challenging. However, the range of CEFTA activities has broadened toward more substantial integration. CEFTA parties also stepped toward adoption of Additional Protocol 6 on Trade in Services (to include finance, insurance, and transport) as well as the start of negotiations of a new Protocol on Dispute Settlement. These steps are necessary for the creation of a more favorable trading climate in the CEFTA region.

The aforementioned developments were realized over the last five years. So far, they are mostly of political nature and the implementation of Protocols should follow. The political dimension of CEFTA is strong and mainly EU-related given that the process of regional trade integration has been set as a part of the regional cooperation within Stabilization and Association Agreements of WB countries with the EU. At the time of the establishment of CEFTA, it could be argued that the political declaration of willingness for trade cooperation was perceived as a necessity by these countries to show commitment to the EU accession process. Meanwhile, the countries of the WB continued with individual processes of integration into the EU, devoting more attention and resources to the ultimate goal of EU membership. From this perspective, CEFTA received marginal policy attention from all parties as evident through a modest increase in trade and a lack of design of specific policy measures regarding intra-CEFTA trade. As an illustration, CEFTA is rarely mentioned in any of the strategic documents of the respective CEFTA parties when addressing export expansion, competitiveness, and FDI attraction.

When taken, the policy measures affecting intra-CEFTA trade mostly relate to restriction instead of trade creation. For instance, Kosovo imposed a 100% tariff on imports of products from Serbia in November 2018 due to a political dispute between these parties. This measure is still valid.

Such behavior is in opposition to the underlying nature of the agreement and indicates that politics dominates in the CEFTA region and also implies a lack of maturity for policy-driven decision-making. For example, the statistical data show that intra-CEFTA trade has a narrow structure – around ¼ of the total trade is done by trade exchange of

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1 CEFTA (2019). CEFTA Statistical Portal. Available at: https://statistics.cefta.int/goods, Accessed on January 24, 2020.

2 Ibid.

3 The CEFTA Additional Protocol 5 had to pass the procedure of ratification by all Parties. The last ratification was done by Serbia in October 2018, opening a path for its implementation.

products from 8 sectors (4 industrial and 4 agro-industrial), with the prevalence of several products per sector.[4] Additionally, the trade linkages are mainly traditional, with few newly created connections attributable to liberated trade policies within the CEFTA. Further, from 2006-2019, no activities were undertaken by policy-makers of the respective CEFTA parties to develop a strategy for boosting intra-CEFTA trade based on statistical data and business requirements.

Therefore, it could be argued that the whole idea of CEFTA remains politically well-packed, while results are not dazzling. Given the economic reasoning of the business sector in the CEFTA region, trade will never shift immediately to other markets due to political rhetoric. Rather, change will come about due to the implementation of adequate policy measures. In the case of CEFTA, policy content addressing integration was/is missing.

2. REA: A New Regional Integration Challenge for the WB

Although CEFTA did not prove to be very successful, regional cooperation was further pursued with the initiative for the creation of the REA, endorsed by the WB leaders at the Western Balkans Summit (within the Berlin Process) held in July 2017 in Trieste, Italy.

The REA is comprised of four dimensions: trade, investment, mobility and a digital market. The background of the idea was to create a borderless area for the flow of goods, services, and labor, along with cooperation in the area of digital technologies. The first dimension, trade, has already been pursued through CEFTA, as discussed above. Adding the other three dimensions to the process could be perceived as a first step toward the creation of the WB common market, which alone is a very complex project.

The first dimension, trade, as already mentioned, would be realized through CEFTA and aims to further trade integration. The implementation of the Additional Protocols 5 and 6 is envisaged to be the core of the first dimension, with prospects for genuine trade facilitation and an increase of the intra-CEFTA trade in services. In this respect, the third REA dimension on mobility is also relevant.

The second REA dimension, investment, was foreseen as a path toward harmonization of the respective investment policies of each of the WB countries, with an aim to attract more foreign investment in the WB region. The Regional Reform Investment Agenda (RIRA) was already elaborated and endorsed by the WB countries in 2018, including a detailed set of policy areas to be reformed and harmonized.[5] Keeping in mind that the countries represent small individual markets, while the WB region comprises over 20 million consumers, the RIRA has a strong economic

logic. However, the implementation of the RIRA depends on strong coordination on a policy-level by and among each of the countries with regards to the policies related to the attraction of investment. This coordination primarily requires a change in the mind-set of the policy-makers of WB countries to perceive each other as partners in the process of attraction of FDI and toward building of shared supply and value added chains. However, the current mind-set involves the perception of other WB countries as rivals in attraction of FDI as each country strives towards attracting increased FDIs within its own borders.

The third REA dimension, mobility, aims to remove obstacles to mobility for professionals through the signing of regional agreements for mutual recognition of professional qualifications and removing obstacles to mobility for students, researchers, and academics. This is a very relevant area, which could spur mobility of the labor force within the region and slow emigration from WB countries. Given that emigration is a huge problem for all WB countries, enabling professional mobility could act as a mechanism for keeping human capital within the region. However, this is a very complex dimension and it is expected that a lot of time and efforts are needed for proper implementation.

In this respect, another issue should be addressed – how is/would this process be compatible to EU integration? There is a concept for individual accession of each of the WB countries to the EU after completing the process of negotiations. The European Commission states in its 2018 enlargement communication that the front-runners in the process (Montenegro and Serbia) could potentially be ready for membership by 2025. This provides a relatively narrow timeframe for pursuing mobility in the region without the need for creation of a scenario elaborating the state of affairs after their EU accession, in the context of the completed mobility in these countries from the other WB states. Without providing an answer to this question, political leaders should not hope for outstanding results from the third dimension.

The fourth dimension, digital technologies, covers roaming and broadband deployment, cybersecurity and data protection, and will address the need for digital skills throughout the region. Individual countries have already launched a "Digital Agenda for the Western Balkans," lowering roaming costs in the region and strengthening cybersecurity capacities. This dimension is likely to advance faster as compared to the other three, given the genuine shared interest of all countries and immediately visible effects. It is also essential for the business sector, in terms of lowering their costs, which, in turn, generates stronger pressure from different stakeholders on policy-makers to pursue this dimension.

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[4] Author's calculation based on data from Intracen database and national statistical offices of the CEFTA Parties.

[5] Regional Cooperation Council (2018). Regional Investment Reform Agenda for the Western Balkans Six. Available at:

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As evident from the content of each of the dimensions, the REA is a very complex and ambitious project. It requires significant policy-coordination among the WB countries. It needs to be policy-driven instead of politically-driven in purpose to succeed. The experience with CEFTA has shown that political will is necessary to start certain regional processes and to maintain faith in the integration process, while producing genuine results requires a different approach. The core of the regional integration process should be understood in the same manner by the policy-makers in all WB countries and translated into respective policies, as described with regards to CEFTA. Almost none of the respective national policies for export promotion, competitiveness or agriculture, for example, took CEFTA into consideration. Therefore, CEFTA remained primarily a political project. The latest activities related to the Additional Protocols 5 and 6 indicate a slow shift from a political to a policy-driven process, although more substantial efforts are needed to achieve valuable results.

Lessons learned from the development of CEFTA should be useful with regards to REA. However, it should also be pointed out that REA is much more complex compared to CEFTA, as it involves the setting of a foundation for an initial form of a common WB market. This raises an issue about parallelism, overlapping or substitution of both processes – regional integration and EU accession. In this context, the European Commission has clearly stated that the REA is

> "not an alternative to EU integration. On the contrary, the progressive deepening of the economic integration in the region is based on EU rules and principles. Such an approach secures integration both within the region and with the EU. In this way, this initiative is an important milestone for preparation for EU accession."[6]

The European Commission statement provides the reasoning behind the process of regional integration. However, given the determination of the EU for accession of the WB countries individually by merit, not as a group, there are numerous questions about "after accession" relations between EU members and non-members from the WB region. In this context, as mentioned above, if the first accession of a WB country happens in 2025, the benefits gained from regional integration under the REA could be regarded as short-term versus the valuable long-term potential of the resources engaged to achieve these gains. In other words, the long-term "opportunity costs" of the regional integration of the Western Balkan countries seem not to be taken into consideration when setting the political framework of the REA. In this context, individual EU accession of each country and the REA are related to the engagement of substantial resources. Successful pursuit of both processes in parallel might be hindered by the limited availability of the resources and, in particular, clarity of understanding about resources' interconnectivity.

The above-mentioned challenges become even more relevant when taking into consideration that there is no timeframe set for establishing the REA in the WB. Timing has been left to the region's ambition. This factor is unlikely to ensure fast development as the primary focus of each country is individual EU accession. In this context, the digital market agenda of the region is likely to be pursued quickly as a result of genuine interest among all the countries. Regarding the other dimensions (trade, investment and mobility) it should be envisaged that prioritization of individual EU agendas will prevail against regional activities. In this respect, it is likely to expect that regional integration would be further done at the level/pace driven by the EU, while the countries' sole efforts and initiatives related to the REA would remain limited.

Each WB country currently prioritizes becoming a member of the EU implying that, despite expressed political will of WB leaders for regional integration, operationalization of the REA must be done through serious engagement by the policy-makers. At present, the REA setting (apart of digital agenda and CEFTA to some extent) is still on a political level. A shift toward a policy-driven process for REA implementation may streamline the dimensions necessary for integration of the REA into national policy agendas related to EU accession. This in turn would ensure clear contribution of WB regional activities to individual states' EU integration efforts.

Conclusion

Regional integration has been pursued by the WB in parallel to their individual EU accession processes. Very often, regional integration has been perceived as EU-driven, provided that regional initiatives have always derived within the framework of EU integration (Stabilization and Association Process, as well as Berlin Process). In this context, the attention and resources of the WB countries are primarily deployed to the EU accession process. The CEFTA experience has shown that the process of regional trade integration has been based on political will (with several exceptions such as Kosovo's imposing of full tariffs toward Serbia and Bosnia and Herzegovina in 2018) and lacking the policy content needed for integration. The results are not particularly encouraging.

In addition to the trade dimension, the REA has been conceptually designed to include another three dimensions and to ensure the setting of a foundation for a common WB market. Political will has been leading the process for the liberalization of the flow of goods, services (labor), capital, as well as digital integration. Despite this, the "opportunity costs" of the regional integration of the Western Balkan countries do not seem to have been taken into consideration when the political framework of the REA was set.

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[6] European Commission (2017). Press Release: Regional Economics Area. Available at: https://europa.eu/rapid/press-release_MEMO-17-1967_en.htm).

Given the need for each WB country to employ resources in the regional process as well as dilemmas related to the connectivity of both processes – national and regional, regional integration is likely to be hindered by WB countries' primary focus on each state's individual EU accession. There are aspects of the regional agenda, such as the digital dimension, which are likely to succeed as they are driven by genuine interest of the countries. However, the success of the other three dimensions of the REA depends on ensuring policy linkages between the REA and national policy agendas related to EU accession. Without these linkages, it could be argued that the WB regional integration could turn into a costly parallel process under EU auspices, absorbing valuable resources necessary for the individual accession of the WB countries.

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WESTERN BALKANS WORKING GROUP

December 11 – 12, 2019 I Berlin

In cooperation with:

AGENDA

Accommodation and Conference Venue:
Hotel Meliá Berlin, Friedrichstraße 103, 10117 Berlin

Wednesday, December 11, 2019

Arrival of Participants during the Day

20:00 **Welcome Dinner**
Gendarmerie, Behrenstraße 42, 10117 Berlin

Thursday, December 12, 2019

09:30 – 10:00 **Welcoming Remarks**
Rüdiger Lentz, *Executive Director, Aspen Institute Germany*
Sabine Stöhr, *Head of the Western Balkans Division, Federal Foreign Office*

10:00 – 11:30 **Session I:**
Reinvigorating the EU Accession Process of the Western Balkans
The failure of this October's European Council to agree on the opening of accession negotiations with Albania and North Macedonia has come as a deep shock to the Western Balkans, leading to an overall questioning of the credibility of the membership perspective. Some even say that this was a historical mistake through which the EU has lost its credibility in the region. The conditionality approach, which has been seen as a key EU tool to initiate and accompany reform processes in countries looking to join the European Union, seems damaged. At the same time, all 28 EU member states reaffirmed the membership perspective for countries in the region. How to move forward from here, both in the EU member states and in the WB6? How can the skepticism towards enlargement within the EU be overcome and faith in the reform processes be restored? Does the accession process need an overall reform? And how should the WB6 deal with this October's non-decision? How can the EU's *quid pro quo* principle regain its credibility as a reform engine? What is needed within the EU to prepare for enlargement?

11:30 – 12:00 Coffee Break

12:00 – 13:30 **Session II:**
Strengthening Parliaments in the Western Balkans and Their Roles in the Reform Processes
The democratization of political processes in the Western Balkans, in particular through the strengthening of the role of Parliaments, is an essential component of long-term stability and the establishment of sustainable democracies, as well as an unalterable condition for EU integration. Constructive dialog across the political spectrum is crucial for the functioning of democratic institutions and especially Parliaments. However, political polarization has had a long tradition in the Western Balkans and has led to political crises in most of the countries. Especially oversight functions of the Parliaments suffer from this lack of political dialogue. How can Parliaments play a bigger role in encouraging the reform processes? How can political debate become less polarized and how can a more constructive work of both position and opposition parties in Parliament be achieved? How can the oversight function of Parliaments be strengthened as a core role in the political systems of parliamentary democracies? What is the role of the Committees on European Integration in the Western Balkan Parliaments and should they be strengthened? Which role does party financing play in the Western Balkans and how can the Parliament become more transparent and accountable? What is the responsibility of the Executive vis a vis Parliaments?

13:30 – 15:00	Lunch

15:00 – 16:30	**Session III:**

The Western Balkans Between Economic Development and Emigration

The economic situation in the Western Balkan countries has gradually been improving over the past years. Nonetheless, the region is still confronted with high unemployment, in particular among young people, skills mismatches, vital informal economies, unfavorable business environments, as well as levels of innovation and acceleration of competitiveness in need of improvement. According to the 2019 Balkan Public Barometer, unemployment and the economic situation are seen as the most important problems in the region. 39% of the respondents would consider leaving and working abroad. Measures to tackle the issue of emigration are therefore urgently needed. Why are people leaving the WB6? What role does the EU play and how do destination countries within the EU shape the migration dynamics in the WB6? How can economic activity and growth be fostered in the Western Balkans? How can attractive jobs be created in a sustainable way? Are all countries in the region facing the same challenges and should joint solutions be developed? What role can the Regional Economic Area play and how can its implementation be sped up? How can regional mobility in the fields of labor and education be improved?

Public Event

Hotel Meliá Berlin, Friedrichstraße 103, 10117 Berlin

19:00	**Between Slow Reforms in the Western Balkans and the EU's Absorption Capacity – Quo Vadis EU Enlargement?**

Ambassador Thomas Ossowski, *Director for EU Policies (Enlargement, Neighborhood, Sanctions, Internal Market, Justice and Home Affairs, Economic and Monetary Union), Special Representative for the Negotiations on the EU Multiannual Financial Framework, Federal Foreign Office,*

Tanja Miščević, *Deputy Secretary General, Regional Cooperation Council,*

in discussion with

Representatives from the Western Balkans Six:
Sokol Dedja
Aleksandar Drljević
Glauk Konjufca
Bojan Marichikj
Miloš Prica
Dejan Ralević

moderated by

Hedvig Morvai
Director of Strategy and Europe, ERSTE Foundation

Friday, December 13, 2019

Departure of Participants during the Day

LIST OF PARTICIPANTS

Peter Beyer

Claudia Brinkmann

Sokol Dedja

Aleksandar Drljević

Stelian Dumitrache

Werner-Ciprian Fugel

Thomas Hacker

Christian Hagemann

Christiane Hullmann

Gerald Knaus

Glauk Konjufca

Jeta Krasniqi

Susan Laffey

Srđan Majstorović

Bojan Marichikj

Tanja Miščević

Hedvig Morvai

Christian Petry

Miloš Prica

Anja Quiring

Dejan Ralević

Anita Richter

Manuel Sarrazin

Sabine Stöhr

Helge Tolksdorf

Bodo Weber

Klaus Wölfer

The Aspen Institute Germany

Tina Bories
Junior Program Officer

Valeska Esch
Program Director

Rüdiger Lentz
Executive Director

Katherine D. Wilkins
Rapporteur

CONFERENCE REPORT: WESTERN BALKANS WORKING GROUP

Katherine D. Wilkins
Rapporteur

The Aspen Institute Germany's Western Balkans Working Group took place in Berlin, Germany between December 11-13, 2019. Supported through the Stability Pact for South Eastern Europe, this conference was sponsored by the German Federal Foreign Office.

The aim of this third and final 2019 Aspen Institute Germany conference was to take stock of the current state of affairs for the Western Balkans accession to the European Union. Coming just a few weeks after the European Council failed to agree on the opening of accession negotiations with Albania and North Macedonia, the event focused on ways forward for the enlargement process. Over the course of three sessions, the conference was structured around the following topics: reinvigorating the EU accession process, strengthening Parliaments and their roles in the reform process, and current perspectives on economic development and emigration.

High-level government representatives from the Western Balkans Six discussed with civil society experts and representatives of the German and other EU governments as well as the German Bundestag. To encourage frank and open discussion, this event was conducted under Chatham House Rule, and any individual attributions or affiliations will be omitted.

The following report provides a brief overview of the discussion in each of the three sessions. The report concludes by highlighting central themes and emerging debates from the conference.

Introduction

Rüdiger Lentz, Executive Director of Aspen Institute Germany, and Sabine Stöhr, Head of the Western Balkans Division at the German Federal Foreign Office, gave opening remarks. The conference opened with a welcome message from Lentz and thanks to participants for attending and for their continued contributions to dialogue in the region. Lentz introduced the themes of the conference by addressing the changing external framework now at the end of the year, and the resulting need to find new footing for the enlargement process. Regarding the impact of recent developments within the WB6, participants were invited to examine the resulting shifts in domestic policy and new opportunities for regional-level dialogue, and to reflect on responses from society. Situating enlargement within the context of wider EU policy priorities and changing political leadership, Lentz underscored that not only does the new European Commission face immediate challenges with Brexit and high expectations to develop common positions in foreign policy toward Russia, China, and on issues such as defense, immigration, and technological sovereignty, it will be working with member states with diverging approaches and goals. Acknowledging rifts in policy toward the Western Balkans between France and Germany and

uncertainty about support for the enlargement process among member states, he concluded by affirming that despite unpredictability in the future of German internal politics, Germany's approach toward the Western Balkans is stable and the bureaucratic apparatus advancing this approach will continue at pace. Participants were encouraged to view recent developments as a window to consider what can be improved about the process and to view increasing support from other member states as positive signal.

It was highlighted that across the German political spectrum, a clear and consolidated position for a realistic and credible enlargement perspective now exists, recently publicly underscored by Foreign Minister Heiko Maas and the Bundestag's decision on opening accession negotiations with Albania and North Macedonia. This unified position is echoed elsewhere, evidenced in particular by Austria, which led substantive discussions among member states to align support for the accession process in response to the French October veto.

While Germany has no interest in shifting the goalpost, such as moving to a Norway model or any other model that falls short of full membership, the government is open to discussing the enlargement methodology. Germany, as other EU member states, consider a credible conditionality approach key as it provides political support for crucial reforms that have to be undertaken in the WB6. Therefore, there is a need to 'do some homework' on both sides, the EU and the WB, to ensure any changes to accession methodology will strengthen the process in practice. The upcoming Croatian and German presidencies of the European Council in 2020 were considered near-term opportunities for political will to tangibly advance the process.

Session I: Reinvigorating the EU Accession Process of the Western Balkans

This session explored the current state of affairs following critical setbacks in the EU accession process in 2019: first, a postponement in June of the decision to open accession negotiations for North Macedonia and Albania and another postponement in October, followed by a 'non-paper' by France in November calling for fundamental revision of the enlargement framework and development of what the French government considers a more stringent accession methodology. All participants reported on the implications of these setbacks for the future of the process and for their respective countries, examined open questions for the enlargement framework, and discussed near-term hopes and expectations for early 2020.

WB6 participants expressed considerable dismay at the French position and 'non-paper' proposal, candidly communicating new uncertainty for the legitimacy of the perspective for enlargement. Highlighting frustration in a process already stymied by inertia and lack of tangible delivery, participants called for a clear road map and timeline for engagement early next year. Beyond these practical measures, WB6 participants accented the need to rebuild

trust in the existence of sufficient political will for enlargement, which they indicated could only come after reflection on both EU and member states' own interests in engagement with the WB, a step they emphasized was crucial to underpin proactive political advancement of the process. Across the WB6, concerns were expressed that the process might not be successfully reanimated if a vacuum is created, and that timing is therefore of the essence. WB6 participants articulated that despite disappointments, there is still full commitment from their side to the process and desire to actively participate in the development of a future negotiation framework to ensure it is equitable across countries and achievable in local contexts.

Considering the impact on domestic politics, participants indicated that disappointment has reverberated across societies in the WB6, taking the non-decision as a bellwether for the region as a whole despite continued negotiation with Serbia and Montenegro. The results of this are manifold, with participants indicating that uncertainty about future accession to the EU has ramifications for the countries' regional integration, domestic economic policy, approach to immigration, ability to push forward reforms, and domestic politics. Concerns were shared that the non-decision has emboldened anti-EU/Eurosceptic political groups across the region and endangers essential processes such as the Belgrade-Pristina dialog.

The role and influence of member states, the European Commission, and the European External Action Service in this process, as well as the anticipated approach of the new European Commissioner for Neighborhood and Enlargement, Olivér Várhelyi, was the subject of some discussion. Participants agreed that the political dimension of enlargement is driven by member states, but that the Commission plays an essential role in the technical advancement of the process. Noting one strong positive signal from several member states now joining efforts to support advancement of the process, one representative added that it is EU taxpayers who have made substantial contributions towards reform processes, and as such member states must not only hold WB6 countries accountable for reforms but are themselves incentivized to move the process forward in order to deliver to EU taxpayers.

Turning to changes in EU leadership this month, several participants expressed concern about the background of Commissioner Várhelyi, given that he is close to the Hungarian government, and what this background will mean for EU enlargement policy, given Viktor Orbán's statements regarding EU membership for Turkey and Azerbaijan and Hungary's own position under Article 7 procedure within the EU. On the other hand, hope was expressed that Várhelyi's background as a long-time public servant and the clear priority given to the Western Balkans by European Commission President von der Leyen will ensure integrity of the accession process.

Considering to the role of the European Commission, it was emphasized that the European Commission will offer expertise on methodology and provide the formal

advancement of the process, noting that recent statements demonstrate continued expectation that enlargement is the best lever to stimulate reforms. WB6 participants expressed a desire for the Commission to develop a more collaborative relationship with WB6 countries for the development of the new methodology, so that whatever changes are made take advantage of capacities in the region to contribute to the process. A representative raised the issue of consistency in assessing progress across countries, expressing hope that any new methodology developed would be based on objective, comparative data and seek to reduce subjective perceptions on progress of individual WB6 countries. Participants reinforced this statement by asking how existing negotiations with Serbia and Montenegro might also be impacted by a change in methodology, given they are already in the accession negotiation process.

All participants expressed hope that a new methodology presented in a timely manner by the European Commission would be a premise to re-establish trust and credibility in the negotiation framework. In particular, WB6 participants unanimously expressed desire for clarity on new methodology in the nearest term possible, at the very latest by the end of March 2020, both in order to not lose momentum ahead of the planned May Zagreb summit and, critically, to be able to continue to sell tough reforms to their constituencies. Finally, it was emphasized repeatedly that the opening of accession negotiations with Albania and North Macedonia at the next Council was essential to restore credibility of the process.

Session II: Strengthening Parliaments in the Western Balkans and Their Roles in the Reform Process

In this second session, a consensus view emerged across WB countries that much remains to be done to develop Parliaments as bodies distinct from the executive, both in order to offer needed checks and balances domestically and to strengthen their role in the implementation of EU reforms.

Participants reflected that a mix of factors remain barriers to development of Parliaments as independent institutions, citing lack of experience and technical knowledge on the part of parliamentarians, pathways of privileged access to parliamentary positions, closed political parties and blurring of lines between MPs roles as representatives of their electorates and their roles as party members, and the existing practice of low reciprocal communication between Parliament and the Executive. This later point was cited as a significant breakdown in the transition of governance from transparent to accountable, and was examined further in discussion using the example of Kosovo, where it was reported that only 15% of parliamentary inquiries to ministries receive a response and feedback mechanisms between Parliament and ministries do not have teeth (e.g. if Parliament does not approve a ministry report, there are no punitive measures), resulting in a failure in Parliament's mandate to ensure government responsiveness to constituencies.

Participants then reflected on what resources exist for developing the capacity of local Parliaments and which methods have proven to have promise. A representative described that the intergovernmental Berlin Process aims to improve the ability of Parliaments to represent their constituencies, with the expectation that the center of gravity of domestic political power should ultimately sit with Parliaments rather than the executive. WB6 representatives indicated that the EU process has not reinforced institutional reforms as anticipated, calling for formalizing ad hoc peer-to-peer exchanges between parliamentary representatives from their countries with counterparts in member states, ideally through 'twinning' or other peer mentoring programs. Furthermore, successful cooperation between Parliaments and civil society organizations was acknowledged as an additional avenue to strengthen responsiveness to constituencies and the expertise of MPs. In addition to EU/WB exchanges, connections across WB countries was mentioned as a potential way to build mutual understanding and improve ties. It was also pointed out that this has the added potential benefit of peer-learning for MPs on how to explain to citizens what the EU accession process means for them in practice, what steps must be undertaken, and what timeline can be expected. One participant offered a dissenting view, responding that Parliaments across the region are not analogs of one another and some are much more influential and independent than others. This participant added that there is a role for the EU to pay more attention to election legislation, how political parties function and are financially sustained, to address polarization and dependence on the Executive. Noting that comparison with the Parliaments of EU member states, many of which have been functioning at full capacity for decades, can skew perspective on progress, WB6 countries expressed interest in promoting accession methodology focused on strengthening Parliaments, but cautioned that they expected this to be a long-term endeavor and that change will not come overnight.

The discussion moved toward the role of WB6 Parliaments in the accession process, which participants agreed was both underestimated and not well integrated. One participant described comments from EU officials expressing need to have strong Parliaments as counterparts in the process, and the inability of EU institutions to step into the role of questioning how steps in the process can be best implemented in the local context. A participant emphasized that presently, Parliaments do struggle to engage beyond the procedural elements of the process and must be able to engage more substantively. In this case, participants felt MPs would be more inclined to actively engage in the accession process if they understood the concrete implications for different steps and had more tangible results to communicate to their constituencies.

In the ensuing conversation, it was established that the same issues contributing to weak Parliaments considered at the domestic level also apply to their role in the accession process: lack of technical knowledge means that MPs do not see how the process is relevant to their daily work, and little discussion on the substance of what can be done

better. Additionally, one existing measure to accelerate the accession process, the fast-tracking of laws, was singled out as damaging to long-term viability of integration, in particular given that local parliamentarians often do not understand the EU integration process or may not possess the technical background needed to evaluate certain laws and their budgetary implications. In response, one participant noted that indeed a database of documents briefly outlining the benefits and costs of each of the 35 *acquis*/negotiation framework chapters exists; so there is also a problem of communicating existing resources.

Concluding with debate of the incentives for focusing investment in this area, WB6 participants acknowledged that improvement in the function of Parliaments is an important precondition for building support for accession among EU member states and strengthening democracy and accountability across the region. WB6 participants viewed strengthening checks and balances domestically to be an important signal for the quality of their future participation in the European system, but also emphasized the strong role the process itself has in both incentivizing and facilitating developments in this area.

Session III: The Western Balkans Between Economic Development and Emigration

The closing session revisited the results of a discussion from the October 2019 Aspen Institute Germany Conference in Budva, this time considering issues of economic development and emigration in the Western Balkans in the context of the current state of the accession process. WB6 participants unanimously expressed concern that recent setbacks will have significant and detrimental economic impacts across the region as more individuals anticipate failure of accession. Participants reflected that a significant uptick in emigration is a likely response to either a stalled process or the erosion of trust in a credible perspective for accession. At the same time, participants considered that improvement of domestic economic prospects is a high-priority policy objective in each WB6 country irrespective of accession to the EU.

Expanding on the discussion to consider whether regional integration can offer a counterweight to drivers of emigration, one participant noted that while stronger economic ties within the region are a positive development, 'events are outpacing our measures', adding that despite economic expansion and steadily increasing trade, the scale of emigration begs urgent increase of investment before a desperate situation is reached. Participants expressed grave concern that in Bosnia and Herzegovina in particular, a negative outlook for accession would increase emigration from a 'steady stream to a torrent'. This creates a vicious circle, where the most educated and skilled leave, particularly decimating the healthcare and education sector, further driving emigration. Representatives noted that people do not only move for jobs, but cite healthcare, education, infrastructure, and environment as reasons to seek work elsewhere. One participant further noted hope that 'brain drain'

has a temporal dimension, and that return migration could be anticipated if public services improve. Returning to the importance of the signaling of a positive perspective for enlargement, a colleague emphasized that moving the goalposts without progress will continue to accelerate migration, and so time is of the essence to rebuilt legitimacy of the process.

Participants emphasized that additional investments in the region are needed to add jobs and to build necessary infrastructure to support increased commerce. A representative described how changes to the negotiation framework are anticipated to impact German investment in the region, noting that while EU integration is indeed a signal for further investment, German businesses are already continuing to expand into the region and to integrate WB companies (citing that more than 100 companies from the WB are already integrated in the German supply chain, and that this number is only expected to increase). Regarding main concerns for German businesses operating in the region, the representative presented that company surveys reveal their primary concern is access to a qualified workforce in the WB6 countries, and that this priority today even outranks concerns about rule of law or corruption. One participant noted that as a result, Germany will join forces with other member states to invest in vocational training in the region.

Participants acknowledged that there is also a pulling effect from the EU, and near-term expectations of changes in Germany's own immigration policy is anticipated to draw additional labor from the region. A representative of the German Bundestag noted that concerns within his constituency regarding immigration from the WB centered on possible connections to organized crime, but that this narrative could be counterbalanced by highlighting the many stories of WB6 nationals already living in Germany and integrated in local society.

The conversation segued into debate whether more formalized opportunities for circular migration within the region would ameliorate some pressure, and what can be done to improve the economic situation in the near term. The group agreed that the WB6 should not wait for the EU to make improvements, while acknowledging concerns that investment in improvements are sometimes viewed as a substitute for EU membership.

Participants described how integration of the Western Balkans in the Central European Free Trade Agreement (CEFTA) has provided the basis for improving trade, and that full implementation has potential to reinvigorate national industry. Representatives from the EU described that the Western Balkans had a positive reputation as a trading partner and is viewed as 'a region of big chances, not of big risks'. Noting that trade volume with the Western Balkans is already significant (one participant noted Germany's trade with the WB exceeds its trade with Russia), there are current opportunities to continue to strengthen ties, in the near term in sharing knowledge on matters such as increasing digitization.

Agreeing that cooperation and connectivity remains an on-going challenge, some participants viewed the 'mini-Schengen' between Albania, the Republic of North Macedonia, and Serbia with skepticism and would rather focus on the Multi-annual Action Plan for a Regional Economic Area in the Western Balkans (MAP REA) as a positive development in cooperation within the region. Participants emphasized that the associated advancements in regional cooperation and simplification of trade and exchange should not be an 'exclusive club of three' but open to all WB6, which the three countries involved in the 'mini-Schengen' initiative agreed with. At this moment in the exchange, participants considered how challenges in bilateral political relationships, particularly between Serbia and Kosovo, remain a source of economic barriers. Noting that the trade tariffs imposed by the government of Kosovo on products from Serbia and Bosnia and Herzegovina resulted in a months-long stalemate in exchange, participants agreed that it is necessary to acknowledge the political normalization remaining to be achieved, as this will ultimately not only underpin economic cooperation but again will be an important signal to the EU. Other participants remarked that a 'whole of society' approach to WB integration is needed, emphasizing reducing negative perceptions of neighbors, and that practical measures such as mutual recognition of degrees and professional licenses and simplification of avenues to study and work in neighboring countries can have significant impact on opening opportunities within the region.

Conclusion

This full day of discussion around the EU accession processes of the Western Balkans was marked by substantive exchange on a range of issues.

Consensus on a few themes emerged across the conference's three sessions:

1. The need for renewed credibility and predictability of the process on the part of the European Commission and of the member states, in part to keep momentum but more significantly to provide incentive for continued reforms;

2. Calls for more collaborative engagement with the WB6 on development of potential new accession framework methodology;

3. Examination of how the accession process can reinforce development of Parliaments as independent institutions providing needed checks on executive power and local expertise for implementation of reforms and expanded support to professional development of MPs;

4. Urgency of action on economic investment and integration efforts to counterbalance emigration.

Room for more debate emerged around the following two issues:

1. Navigating bilateral relationships underpinning or impeding regional economic integration and seeking opportunities to strengthen not only intraregional exchange and simplify trade but to foster community development across the WB;

2. Concerns about fair application of new mechanisms to monitor progress across countries, including those with open negotiations (Serbia and Montenegro).

All participants shared a view that EU accession is the most promising vector of development for the region. Looking ahead to 2020, participants conveyed hope for reinvigorating the negotiation framework, and expectations that substantive revisions could lead to tangible deliveries in the near term, a necessary development to reanimate the process.

LIST OF ABBREVIATIONS

ALMP	Active Labor Market Policies
AAK	Alliance for the Future of Kosovo
BiH	Bosnia and Herzegovina
CEE	Central and Eastern European
CEFTA	Central European Free Trade Agreement
CEI	Committee on European Integration
CRTA	Centre for Research, Transparency and Accountability, Belgrade
CSO	Civil Society Organizations
CVM	Cooperation and Verification Mechanisms
DPS	Democratic Party of Socialists of Montenegro
EDP	Entrepreneurial Discovery Process
EP	European Parliament
ERDF	European Regional Development Fund
EU	European Union
FDI	Foreign Direct Investments
FTAs	Free Trade Agreements
GDP	Gross Domestic Product
GRECO	Group of States against Corruption
HGK	Croatian Chamber of Commerce
ICT	Information and Communication Technology
IDSCS	Institute for Democracy "Societas Civilis" – Skopje
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
LSI	Socialist Movement for Integration (Albania)
LVP	Low Value Procurement
MP	Member of Parliament
MS	Member States
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NPAA	National Programme for Adoption of the *Acquis Communautaire*
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PD	Democratic Party of Albania
PS	Socialist Party of Albania
REA	Regional Economic Area
R&D	Research and Development
R&I	Research and Innovation
RTS	Radio Television of Serbia
RYCO	Regional Youth Cooperation
SAI	State Audit Institution
SDSM	The Democratic Union for Integration (Albania)
SEE	South-Eastern Europe
STI	Science, Technology and Innovation
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UN CLRTAP	United Nations Convention on Long-Range Transboundary Air Pollution
US	United States
USA	United States of America
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VMRO-DPMNE	Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity
WB	Western Balkans
WB6	Western Balkan Six (Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro, Serbia)

ABOUT ASPEN

The Aspen Institute Germany promotes values-based leadership, constructive dialog among conflicting parties, and Euro-Atlantic cooperation to support and enhance a strong open society.

To do so, Aspen Germany convenes decision-makers and experts from the fields of politics, business, academia, media, culture, and civil society in three programs:

Policy Programs offer a non-partisan, confidential platform for dialog and analysis to address regional and global challenges and to develop mutually acceptable solutions. This branch is comprised of the Berlin Transatlantic Forum, the Digital Program, as well as the Western Balkans Program.

Leadership Programs reflect on values and ideas using the Socratic method to deepen knowledge, broaden perspectives, and enhance participants' ability to solve the problems they face.

Public Programs provide a forum for open and constructive dialog between decision-makers and a broader audience on a wide range of current issues.

The Aspen Institute Germany was founded in Berlin in 1974 and has since then actively promoted the idea of transatlantic community and of a free and open society. It serves as a non-partisan, non-profit convening platform and is part of the global Aspen network, with partners in the United States, the Czech Republic, France, India, Italy, Japan, Mexico, New Zealand, Romania, Spain and Ukraine. Together, the Institutes are committed to addressing the challenges of the 21st century.

Europe Program

In May 1989, President George H.W. Bush spoke in Mainz, Germany about the dream of a "Europe whole and free" just months before the fall of the Berlin Wall and the first moves to extend the reach of a democratic, pluralistic, united Europe. Today, the idea of a "Europe whole and free" continues to guide U.S. policy toward Europe and Europe's vision for its own integration. Aspen Germany's Europe Program is dedicated to this vision and to completing the map of a Europe based on democracy, freedom and human dignity. First and foremost this includes supporting the path to Europeanization and Euro-Atlantic integration of the Western Balkans; tackling the challenges to the EU as its strives to increase its role as a global actor; and consolidating the European Union as a community of values even as it faces new threats from outside and inside the Union.

The Europe program consists of three pillars: the Western Balkans Program, the Visegrad 4-Germany Forum and the Aspen Initiative for Europe.

Western Balkans Program

The Aspen Institute Germany has focused on developments in the Western Balkans since the early 1990s. In cooperation with the Carnegie Endowment for International Peace, Aspen's former Executive Director David Anderson initiated the International Commission on the Balkans in 1995 under the leadership of former Belgian Prime Minister Leo Tindemans, which published the report "Unfinished Peace" in 1996. This high-level international commission was followed by a young leaders study group on the future of the Balkans in addition to several other events with a focus on the region. Since 2008, Aspen Germany has revived its focus on the Western Balkans, which includes the countries of former Yugoslavia and Albania. In closed-door meetings, the Aspen Institute Germany facilitates an open and honest high-level exchange between former conflict parties to support regional cooperation and dialog, and promote the transformation processes necessary on the path to Euro-Atlantic integration. Aspen Germany also regularly brings together experts and policy-makers working in, on and with the region for exchanges of perspectives, opinions, and assessments. In pursuit of these goals, the Aspen Institute Germany's Western Balkans Program has different formats: the Aspen Southeast Europe Foreign Ministers' Conferences; a regular regional dialog; small, off-the-record exchanges, background briefings and discussions; and a policy hub in Berlin for think tanks from the region.

Regional Dialog

Since 2009, Aspen Germany's Western Balkans Program's Regional Dialog has brought together high-level decision makers, politicians, diplomats, and civil society experts from the Western Balkans, the U.S., Germany, the EU, NATO, and other international and regional organizations to discuss the region's current and future challenges. At exclusive closed-door conferences, selected participants can exchange views, and discuss differences and commonalities in an off-the-record setting. Supported by expert policy papers, discussions aim at bridging differences that still exist, identifying common challenges and ideas, and developing mutually acceptable solutions and recommendations. Topics discussed include: Euro-Atlantic integration and the reform processes; non-traditional security threats; the fight against organized crime and corruption; the role of external actors in the region; economic development; energy security; regional cooperation; rule of law; and democratization.

Policy Hub for Think Tanks

One of the challenges for policy organizations from the Western Balkans is a disconnect to the European Union. All too often, pro-European voices interacting with their EU counterparts struggle to step beyond local paradigms. This deepens the perception in the EU that the Western Balkans is a problematic neighbor who, in the future, might become a free-rider on EU financial assistance

without contributing to solutions for wider European problems. Genuine Europeanization cannot hold if the EU and the region are not speaking constructively about common goals. In order to bridge this gap, Aspen Germany's initiative seeks to establish closer, targeted, regular contact between Western Balkan think tanks and their EU member states' counterparts. In cooperation with the Open Society Foundations, the Aspen Institute Germany functions as a policy hub in Berlin for select policy research organizations from the Western Balkans. Aspen Germany supports these organizations in identifying potential local partners in Berlin, facilitates advocacy visits, and assists with visit preparations. The idea is to help Western Balkan policy organizations better understand the Berlin policy scene, identify opportunities for collaboration with local organizations, and improve effectiveness of their political outreach and advocacy. By forging stronger contacts between players in Western Europe, organizations from the Western Balkans can more effectively take part in debates affecting their region. In its first 1.5 years, Aspen's Western Balkans policy hub organized and facilitated a total of fifteen visits, hosting more than twenty think tanks from six countries and connecting them with leading policy-makers at the Federal Chancellery, the Foreign Office, other Federal Ministries, the German Bundestag, Berlin-based think tanks and research organizations, as well as individual experts and renowned journalists.

Background Discussions

Complimentary to the core events of its Western Balkans Program Aspen Germany facilitates background discussions and increased exchange among MPs, political advisors from the Bundestag, and select experts from government and civil society like Berlin-based think tanks, political foundations and journalists. Topics of discussion vary from summit evaluations, current regional developments, and exclusive dinners with select politicians, including heads of states and government.

Aspen Southeast Europe Foreign Ministers Conferences

The first Aspen Southeast Europe Foreign Ministers' Conference took place in December 2008. Behind closed doors, top politicians and senior officials from Germany and the U.S. met with foreign ministers from Southeast Europe including, for the first time, the Serbian Foreign Minister and the Acting Foreign Minister from Kosovo. In subsequent years, Foreign Ministers from the region have gathered annually in Berlin for a regional meeting together with their U.S., European, and German colleagues. Since 2010, Aspen's Southeast Europe Foreign Ministers' Conferences have been organized in cooperation with the German Federal Foreign Office and an EU member state's Embassy in Berlin. Since 2010, partners have included the Austrian Embassy in Berlin and then Foreign Ministers Dr. Guido Westerwelle and Dr. Michael Spindelegger; the Hungarian Embassy in Berlin and

then Foreign Ministers Dr. Guido Westerwelle and Dr. János Martonyi; the British Embassy and then Foreign Ministers Dr. Frank-Walter Steinmeier and Philip Hammond; the Italian Embassy and then Foreign Ministers Dr. Frank-Walter Steinmeier and Paolo Gentiloni; as well as the Czech Embassy and Foreign Ministers Sigmar Gabriel and Lubomír Zaorálek. In 2014, Foreign Ministers Dr. Frank-Walter Steinmeier and Philip Hammond used the Aspen Foreign Ministers' Conference as a platform to present a joint German-British initiative to revitalize the reform process in Bosnia and Herzegovina. In his opening speech of 2017, Foreign Minister Gabriel emphasized Germany's commitment to the region and revealed Germany's plans of setting up additional funds to further support the Western Balkans.

Visegrad 4 – Germany Forum

The Visegrad 4 – Germany Forum is a joint project of the Aspen Institute Germany and the Aspen Institute Central Europe launched in 2017. In Germany, the V4 is often perceived through the perspective of political differences such as on migration or European values, while the strong economic ties that link Germany with all four countries seem to be taken for granted or go unnoticed by the public. At the same time, the V4 countries strive to extend their relationships with Germany economically, by gradually moving from serving as low added value production space to include more research and development, and politically in particular within the EU. This forum has therefore focused on identifying common interests for strengthening V4-German cooperation and has developed recommendations which can be found here.

Aspen Initiative for Europe

The Aspen Initiative for Europe (AIfE) is a joint endeavor of the seven European Aspen Institutes that aims to pool the national resources and strengths of each partner to promote common values and shared ideas. Recognizing the growing divisions within Europe, this initiative is an effort to address Europe's challenges together and to increase cooperation among the seven European partners to facilitate debates on the future of Europe and to contribute to the emergence of a new generation of Europeans who share a commitment to a better functioning EU based on the principles of liberal democracy and open dialog. Core projects of this initiative include the Aspen European Strategy Group, a seminar for young European leaders as well as increased collaboration in the fields of good governance, European cohesion, the future of the EU, and the challenges of digital transformation for Europe.

Transatlantic Program

As a transatlantic organization, the Aspen Institute Germany holds strengthening and building resilience and understanding at the core of its mission. The Transatlantic Program promotes an open, values-based dialog on key

challenges facing the transatlantic relationship. The Program covers a wide range of topics including foreign and security policy, global order and multilateralism, international trade, climate sustainability and – in cooperation with the Digital Program – the rising influence of technology on the international system.

The Program's initiatives offer platforms for both public and off-the-record discussion and debate. Conferences attract high level guests to Berlin to discuss Euro-Atlantic cooperation, while workshops and seminar formats bring together transatlantic experts from different backgrounds and take a more in-depth look at specific questions. Exchange programs help foster frank expert-driven discussions and enduring personal relationships.

Berlin Transatlantic Forum

On its 40th anniversary, the Aspen Institute Germany launched its Berlin Transatlantic Forum to address some of the most pressing challenges facing Europe and the United States. Each fall, the Institute hosts a conference that brings together renowned experts and decision-makers from both sides of the Atlantic to exchange ideas. The annual conference is preceded by a workshop, during which experts from Germany, Europe, and the U.S. gather for an in-depth discussion of key topics of transatlantic concern.

Topics not only encompass questions in the fields of security, energy and trade, but also how technology is shaping and challenging the foundation of common transatlantic values. The 2019 conference – entitled "Fit for Purpose? The Transatlantic Relationship and the World of Tomorrow" – looks both at the past and future of the partnership. It examines the transatlantic relationship since the fall of the Berlin Wall, how it has evolved and where its greatest operational strengths can lie in a world of rising technological, political and democratic disruption. Previous conferences focused on the impact of technology on politics within and between states, Germany's role in the world and the future of the liberal order.

As part of the Berlin Transatlantic Forum 2019, the Aspen Institute Germany established its Aspen NEXT initiative aimed at engaging the coming generation of Atlanticists and facilitating an exchange of ideas for the future of the transatlantic relationship.

The Berlin Transatlantic Forum is made possible by a generous grant of the foundation "Lotto Stiftung Berlin," as well as current partners Volkswagen AG and Lockheed Martin.

Laboratories of Democracy Initiative

The Laboratories of Democracy project brings together representatives from the U.S. state legislatures and German Landtage to facilitate a values-based discussion and an exchange of ideas about how to tackle current international policy challenges on a subnational level. U.S. Supreme Court Justice Louis Brandeis once wrote about the power of states as the "laboratory of democracy," where new and innovative policy approaches can be tested. This project draws on that notion, focusing on the role of state legislators in creating policy solutions and fostering transatlantic relations in times when national governments are dominated by political polarization and crisis management.

The program aims to highlight the role of subnational politics and their contribution to a discussion about transatlantic leadership. Focusing on a specific issue area – technological transformation, structural transformation and post-industrial transition, climate and energy – the program will identify and share best practices, offer on the ground experiences of such cases and encourage peer-learning. Ultimately, the program will help build networks beyond the capitals.

The project is supported by the Transatlantic Program of the Federal Republic of Germany, funded by the European Recovery Program (ERP) of the Federal Ministry of Economics and Energy (BMWi).

Trilateral Dialog with Parliamentarians from Germany, Russia, and the U.S.

Aspen Germany's Trilateral Dialog brings together legislators and expert scholars from the Federal Republic of Germany, the Russian Federation, and the United States of America in a confidential, off-the-record setting. The format is intended to provide a neutral platform for an open exchange on contested issues between the three countries' legislators and senior experts. Closely organized in cooperation with the Robert Bosch Foundation of Germany, the 2019 gathering of Members from the U.S. Congress, the Russian Duma and Federation Council, and the German Bundestag was the second of its kind after the successful launch of the format in 2016. Topics discussed range from issues of arms control and the European security architecture to the Middle East and international trade.

The moderated discussion between the delegations focuses on exploring the scope for action and possible solutions regarding these pressing issues. A round of competent academics from the participating countries, specially selected for this purpose, help to find appropriate entry points and to stimulate the necessary discussion between the parliamentarians.

Other initiatives

The Bundestag-Congress Staff Exchange seeks to strengthen the ties between legislative and committee staff from Germany and the United States. During visits in Berlin and Washington, D.C., participants have the

chance to get an inside view of political systems and legislative processes and foster ties on a working level as well as to connect with their counterparts. Site visits and expert talks offer in-depth knowledge on current issues of transatlantic importance.

From 2015 to 2017, Aspen's German-American Dialogue brought together legislators and civil society representatives from both sides of the Atlantic in order to strengthen inter-parliamentary as well as civil-society dialogue. During the first part of the exchange, participants met in Berlin and discussed current and future challenges to the transatlantic community, such as climate change and electric mobility, migration and integration, vocational training, startups and entrepreneurship as well as civic education and the role of the media.

Together with Members of the Bundestag, the U.S. delegations then visited local constituencies, where the participants were introduced to companies and projects on the municipal level.

These programs have been made possible through the generous support from the European Recovery Program (ERP) of the Federal Ministry for Economics and Energy (BMWi).

Digital Program

The digital transformation is causing some of the most profound societal challenges of the 21st century. By 2020, there will be almost 25 billion networked devices, approximately 3.5 for every person on the planet. Cloud computing, cross-border supply chains, the Internet of Things (IOT), e-commerce and the sharing economy are giving rise to a new class of Mittelstand, the „Micro-Multinational. "Across the OECD, digitally-dependent jobs make up 22 percent of all new jobs created. Many of these jobs will be powered by start-ups.

But digitalization is not happening in a vacuum. It comes against the backdrop of a rising tide of populism and resentment toward institutions and elites that have not delivered on inclusive growth, security and social cohesion. Productivity gains of the past two decades – benefiting from the rise of the Internet – have accumulated disproportionately at one end of the wealth spectrum as income inequality grows and social mobility becomes more difficult. Many citizens from Dresden to Detroit feel alienated from an ever-accelerating process of digitization that some feel is ignoring privacy protections; excluding citizens from dignified work; treating safety and cyber-security as an afterthought; and unmooring their sense of moral grounding. Against this backdrop of opportunities and challenges, the Aspen Institute Germany established its digital program in 2017. This program consists of three pillars:

Values-Driven AI Initiative

First – the Aspen Institute Germany launched its annual Aspen Berlin Artificial Intelligence Conference in 2018 that brings citizens, policy-makers, business leaders, innovators, economists, philosophers, religious leaders, union organizers, civil society and security experts together to discuss AI's possibilities and pitfalls. This conference series addresses four separate but interrelated dimensions of AI: economic impact, ethics and democracy, safety and security, and over-the-horizon challenges of artificial general intelligence. At its core, the Aspen AI Conference confronts the question: How can AI designers, operators and policy-makers guarantee that AI improves lives, ensures dignity, preserves security and safeguards democracy for users and citizens?

The first two conferences, "Humanity Disrupted: Artificial Intelligence and Changing Societies" and "Humanity Defined: Politics and Ethics in the AI Age" told the beginning of a story of how European, American, and East Asian societies are grappling with the impacts of AI. The first conference addressed areas that are a source of both risk and opportunity – these include the future of work, the defense sector, healthcare, finance, automated decisions via algorithms and autonomous driving. The second conference took a deeper dive into the ethical questions of AI, focusing particularly on the centrality of human dignity. Planning for the third conference in this cycle is underway for 2020. It will examine the economic dimensions of AI and its impact on labor, productivity, global competition, education, and social benefits.

The Aspen Institute Germany also organizes regular workshops on Artificial Intelligence that touch on aspects that are a source of friction, anxiety, and concern within society. On this theme, the digital program has hosted three workshops that focused on national security, the future of work, and bias in algorithms. These workshops brought together practitioners, academics and politicians from Germany and the US to think about AI-related challenges from a transatlantic and cross-sectorial perspective.

Finally, Aspen Germany hosts workshops as part of its "Aspen NextGen Network." These bring together Germany's future leaders and examine the opportunities provided by AI, as well as the ethical challenges digital technologies pose in light of a dignity-based social contract. The goal of this exercise is to break down barriers between siloed communities and explore scenarios that will provide a better sense of the ethics of AI in Germany and Europe.

Cybersecurity Forum

Second – the Aspen Institute Germany and the Ministry of the Interior, Digitisation and Migration of Baden-Württemberg hosted their high-level conference "Berlin CyberSecurityForum 2019." It brought together more

than 250 European, American and international top policy makers, legislators, engineers, hackers, civil society, academics and representatives of the business, privacy and security communities as well as media.

Speakers and participants explored the challenges of today and tomorrow in keeping our digital space secure across keynotes, panel discussions, and seven seminar-style breakout sessions.

Digital Dish Series

Third – the Aspen Institute Germany organizes a regular Digital Dish that features a provocative thinker for an intimate, off-the-record lunch in Berlin to discuss an issue related to the most pressing tech policy debates. The Dish brings together a mix of frontier thinkers on tech policy and specialists focusing on the U.S.-European relationship. By bringing together both communities, the Digital Dish Luncheon Series addresses trends, frictions and successes in the transatlantic tech policy space and contextualize issues in the broader U.S.-European relationship.

Previous guests include Lars-Hendrik Röller, Chancellor Merkel's top economic advisor G7/G20 Sherpa, Dieter Janecek (Alliance 90/The GREENS) and Thomas Jarzombek (CDU), and Howard Dean, fmr. Governor of Vermont.

Leadership Program

The Aspen Seminar is an exceptional leadership program promoting values-based leadership and enabling deep discourse on challenging political and social topics.

Hidden away from the demands of their daily routine, small groups of highly accomplished leaders are given the space to address fundamental aspects of human existence, including the role of the individual, societal order, and the limits of power. Based on classical and modern texts of renowned philosophers and thinkers, and guided by two highly skilled moderators, participants reflect on timeless ideas and values and their continued relevance in today's world.

The Seminar was launched in the United States more than sixty years ago and has since attracted an impressive array of leaders from across society. In 2011, the Aspen Institute Germany began offering this unparalleled Seminar in Germany. Unlike university lectures or literature analyses, in which experts offer instructions on how to read or understand classical writings, the Seminar encourages participants to interpret the materials in their own way.

The purpose of the seminar is not to identify similar responses or to build consensus, but to encourage participants to think more deeply about their own beliefs and values, enhance their understanding of competing viewpoints, and highlight the complexity of our societies. While the Seminar offers no ready-made solutions, it creates a space for dialog and exchange, which is vital in a world of conflicting interests, opposing views, and cultural frictions.

The target group consists of high-level decision makers from business, politics, the public sector, academia, civil society, the arts and culture, and health care. The number of participants is limited and participation is by invitation only.

Background

The Aspen Idea goes back to 1945, when Chicago businessman and philanthropist Walter Paepcke (1896-1960), son of German immigrants from Mecklenburg, arrived in Aspen, a sleepy town in the mountains of Colorado. Against the background of the human and moral catastrophe of World War II, Paepcke dreamed of "a place where the human spirit can flourish."

Paepcke was a trustee of the University of Chicago and close friends with its president, Robert Hutchins, as well as with philosopher Mortimer Adler. They had a shared vision: To create a dialog platform for leaders, thinkers, and artists from around the globe, allowing them to step away from their daily routines and reflect on what makes good leaders and a good society. less…

Their dream came true in 1949 when Paepcke made Aspen the site for a 200th birthday celebration of German poet and philosopher Johann Wolfgang von Goethe. The celebration also commemorated the philosophical ties that Germany had, and continued to have, with America and the rest of the world, despite the aberration of Hitler and World War II. The twenty-day gathering attracted such prominent intellectuals and artists as Albert Schweitzer, Jose Ortega y Gasset, Thornton Wilder, and Arthur Rubinstein, along with members of the international press and more than 2,000 other attendees.

With that celebration, Paepcke laid the cornerstone of what ultimately became the Aspen Institute. The first Leadership Seminar was conducted in 1951, bringing together decision-makers from business, politics, academia, the arts, and civil society. Away from every-day life and with sufficient time for reflection, participants were encouraged to discover their own answers to questions posed by great thinkers and engage in an often highly controversial exchange with each other.

The Seminar was inspired by the Great Books Seminar held by Mortimer Adler at the University of Chicago. According to Adler, philosophy is everybody's business and essential to what makes us human. The idea was for the seminar to improve American society by fostering humanistic thought among important decision-makers.

In the early days of Aspen, it was also perceived as an intellectual weapon in the Cold War.

The Aspen Seminar has been convening leaders from across society since then. By way of the Socratic method, they reflect on fundamental questions of the human condition to clarify their own values, become more aware of the diversity of views, and improve leadership on a personal level as well as for the greater good of society.

Public Program

The Aspen Institute Germany's Public Program serves as a forum for open discourse and exchange between decision-makers and a broader audience of interested individuals who wish to discuss fresh ideas and look at issues from new perspectives. Topics reflect the Institute's key issues as a whole and include a wide range of current political, economic, and social matters as well as questions of values-based leadership.

The Public Program consists of several different formats. The evening event series features renowned speakers who share their ideas in interviews, panels or presentations followed by discussions. While the interview portion of the event is sometimes broadcast by one of the Institute's media partners, the subsequent discussion is off-the-record to enable a frank and open exchange. The Aspen Brown Bag Lunch series takes place several times a year and gathers experts, members of the "Verein der Freunde des Aspen Instituts e.V." (Association of Friends of the Aspen Institute), and representatives from politics, business, and civil society for a working lunch to discuss current topics under Chatham House Rule. Finally, the Public Program occasionally hosts stand-alone events such as exclusive breakfasts and dinners, the annual Aspen Summer Party, and the Aspen Gala. Some of these are hosted in cooperation with partner organizations. The Public Program is open to members, invited guests, and upon request. Members of the "Verein der Freunde des Aspen Instituts e.V." enjoy preferred access to major Public Program events.

The Public Program is made possible by the generous support of the Shepard Stone Foundation.

ECONOMIC DEVELOPMENT AND DEMOCRATIZATION IN THE WESTERN BALKANS