

**THE COVID-19 PANDEMIC IN
THE WESTERN BALKANS:
CONSEQUENCES AND
POLICY APPROACHES**

Valeska Esch
Viktorija Palm (eds.)

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FOREWORD



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2020 was no ordinary year. Above all it was a year of consequential changes, forcing governments and people all over the world to adapt to new realities. The pandemic also became the prevalent topic for the European Union and the German Council Presidency.

Confronted with the advance of Covid-19 in spring 2020, the Western Balkans initially curbed the early outbreak. Nevertheless, the region was, unfortunately, heavily struck by the still ongoing wave of Covid-19.

Concurrently, the crisis resulted in a notable economic contraction across the region. The Western Balkan economies were hereby affected through several channels: Exports, the disruption of transnational value chains, a deceleration of public and private investment, a decline in tourism and an interrupted flow of remittances were among the most notable economic impacts.

The European Union reacted quickly to these alarming developments and took decisive action in a spirit of solidarity. After granting over 400 million EUR for immediate support and the socio-economic recovery in March, it announced an unparalleled support package totaling of 3.3 billion EUR in April. Together with the unprecedented Economic and Investment Plan totaling 9 billion EUR announced this fall, the European Union is heavily investing in the economic recovery of the region – building upon the shared strategic goal of EU membership.

Faster progress towards the future membership of the Western Balkan countries in the European Union is therefore more important than ever. The European Union remains firmly committed to this goal, as demonstrated in March with the endorsement of the revised enlargement methodology and the decision to open accession negotiations with Albania and North Macedonia. Now, everything should be done to ensure that first Accession Conferences with both countries can take place under the Portuguese Council Presidency. At the same time, further progress in the enlargement process by the other Western Balkan countries is needed. In that regard, the pledge of the Western Balkan countries at the Zagreb Summit in May 2020 to uphold European values and principles and to carry out necessary reforms thoroughly and vigorously, is especially important.

Against this backdrop, the agreement reached by leaders of the Western Balkans at this year's Berlin Process Summit to establish a Common Regional Market is of enormous importance. It will strengthen and integrate the region's economies based on the rules and standards of the European Union, thus helping to make use of these funds in the most efficient way. The Common Regional Market will enable the Western Balkans to recover faster from the Covid-19 pandemic and will bring concrete economic benefits for the citizens. The same goes for the agreement on establishing free movement with ID cards. With their substantial commitments, the Western Balkan countries have demonstrated that they are determined to significantly improve regional cooperation. This is a very positive development, which will also promote good-neighborly relations. It is paramount now that the implementation of these projects advances quickly, in parallel with pursuing the other main strands of the Berlin Process, e.g. youth, security, missing persons, health, and science. In summer 2021, the Berlin Process will return to Berlin and give the Western Balkans a prominent platform for taking the next major steps in their joint cooperation.

Moving forward on reforms and cooperation is also essential for another reason: Over the past years, the Western Balkans have been experiencing a challenging migration crisis. This “brain drain” of often highly skilled people towards the European Union is a serious problem for the long-term development of the region. The reasons are multifaceted, ranging from frustration over political stagnation and corruption to economic underperformance. Therefore, it is imperative that the governments in the region make rule of law and economic reforms a top priority if they want to turn the tide. Especially young people want to see a perspective at home for developing both professionally and personally.

The impact of the Covid-19 pandemic – and of mass migration – on the Western Balkans has been covered extensively by the Aspen Institute Germany. I highly appreciate the well-founded reports and the excellent in-depth workshops with esteemed experts, government representatives and civil society.

I would like to express my gratitude to the Aspen Institute Germany for its important work and am looking forward to our continued cooperation in 2021!

INTRODUCTION

Dear friends of the Aspen Institute Germany,

2020 has been an extraordinary test for international and European solidarity. The global pandemic hit the international community unexpectedly and unprepared, and – even in the EU – national responses initially dominated over joint solutions, exposing the limits of solidarity in times of crisis. At the same time, however, the pandemic has highlighted the interconnectedness and interdependencies of a globalized world and underlined the importance of coordination and cooperation to address global challenges, in particular within the EU.

Therefore, at the EU level national responses were soon complemented with coordinated actions, such as the joint procurement of medical supplies and a common vaccine strategy, including purchase agreements with vaccine producers on behalf of member states to ensure equal access and mitigate risks for individual countries. At the same time, EU member states agreed on an unprecedented recovery plan. In addition to a new multi-annual financial framework, a 750 billion EUR temporary recovery instrument was passed to help mitigate the economic and social consequences of the pandemic across the Union. This is particularly remarkable as it not only leaves the EU with a budget of 1.8 trillion EUR over the next seven years, but, for the first time, member states agreed to debt mutualization, underlining their commitment to renewed EU cooperation and solidarity.

Moreover, the election of Joseph R. Biden as President of the United States in November 2020 generated a strong commitment on both sides of the Atlantic to rebuild transatlantic relations. President Biden not only overturned Donald Trump's decisions to leave the World Health Organization and the Paris Climate Agreement, but he has also committed himself to renewing transatlantic cooperation in addressing current and future challenges. This has been met with enthusiasm in Europe, which will hopefully translate into concrete transatlantic policies.

Where have these developments left the countries of the Western Balkans?

Even before the pandemic, the Western Balkan countries struggled with underdeveloped economies, weak democratic institutions, varying degrees of authoritarianism and state capture, as well as competing foreign influences in their countries. At the same time, expectations in the region for 2020 were high, in particular for the German EU Council Presidency in the second half of 2020, which counted progress in the Western Balkans' EU integration among its priorities. However, considerable progress did not materialize and Bulgaria's veto against the negotiation framework for North Macedonia in late 2020 represented yet another bilateralization of the enlargement process by an EU Member State, thereby undermining the credibility of the process and the EU as a whole. On the other hand, the reform process in several candidate and potential candidate countries has also stalled.

In the wake of the pandemic, the countries of the Western Balkans could once again experience what it means not to be a member of the European Union. Initially, the EU's export restrictions on personal protective equipment applied to the region as well. This did not only leave these countries even more vulnerable, but also reaffirmed the sentiment of not being recognized as part of Europe. Only after considerable advocacy efforts from Western Balkan governments and publicly staged deliveries of medical equipment by Russia, Turkey, and particularly China to the Western Balkans, the EU decided to exempt the region from these export restrictions and included the region in joint procurement activities. In order to further help mitigate the effects of the crisis, the EU provided an emergency support package of around 3.3 billion EUR, which includes direct aid and preferential loans from the European Investment Bank, and has mobilized around 9 billion EUR in the framework of its Economic and Investment Plan for the long-term economic recovery of the Western Balkans. However, considering the already large economic gap between the Western Balkans and the EU, this major difference in available funding between the Western Balkans and EU Member States makes economic convergence even less likely in the foreseeable future.

The year 2020 was also a year of important political developments and elections in the region. In March, coinciding with the beginning of the crisis, the government of Kosovo led by Albin Kurti was overthrown by a no-confidence motion initiated by its coalition partner. Parliamentary elections in Serbia, initially planned for April, were postponed to June 2020 due to the pandemic. The elections, largely boycotted by the opposition,

once again resulted in an absolute majority for the Progressive Party (SNS). North Macedonia, after officially becoming a NATO member in March, went to the polls in July. The parliamentary elections resulted in a coalition government with Zoran Zaev returning to the office of Prime Minister. The third country from the region to hold parliamentary elections in 2020 was Montenegro. The elections resulted in a surprising defeat of the Democratic Party of Socialists (DPS), which had governed the country for almost three decades, and the inauguration of a largely technocratic government led by Prime Minister Zdravko Krivokapic. Municipal elections in Bosnia and Herzegovina at the end of 2020 were won by oppositional forces in several larger cities. In this context, the city of Mostar went to the polls for the first time in 12 years.

These political developments coinciding with the global pandemic further hampered swift and adequate responses to the crisis by the Western Balkan governments and have in some cases even contributed to high numbers of infections. The effects of the pandemic in the region already are severe and Western Balkan governments will have to deal with the political, economic, and social effects of the pandemic for the foreseeable future.

Against this background, the Aspen Institute Germany continued its long-standing efforts to actively contribute to a regular constructive regional dialog and the formulation of policy recommendations to address current challenges in the Western Balkans region throughout the year 2020. With international travel suspended and personal meetings restricted, Aspen adjusted its project activities to the new conditions by organizing an Online Expert Workshop Series on the effects of the pandemic in the Western Balkans region. The workshop series gathered a select group of experts, government representatives and decision-makers from the countries of the Western Balkans, the European Union, the United States as well as from international and regional organizations. The objective was to jointly assess the impact of the crisis in the region, discuss potential policy responses on a domestic, regional, and international level, the future roles of the EU and the U.S. in the region, and to evaluate the consequences for the EU accession process.

As all over the world, the Covid-19 pandemic seems to have served as a catalyst for the many challenges the region faces. Given the decline in democratic standards and the rule of law in many of the countries over the past years and the very restrictive initial responses by governments, Aspen's expert series started off with discussing the effects of the pandemic on democracy and the rule of law in the region. Due to the EU's neglective initial reaction to the pandemic, geopolitics were soon at the center of debates in the region, with the region's public discourse featuring support by other actors such as China, Russia, and Turkey more prominently than the aid provided by the EU. Accordingly, this issue, along with a discussion about the role of the EU and the U.S. and how they should react to these developments, stood at the center of our second workshop. The third and fourth workshops of the series addressed the economic and social challenges in the region in connection with the crisis, taking a closer look at economic development and regional cooperation.

This publication contains the background papers, discussion reports, and key recommendations developed over the course of the project. 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. Moreover, we would like to thank all participants who have so actively contributed to the success of our workshops, discussions, and conferences, and, in particular, all authors of input papers for contributing substantially with their expertise and for providing thought-provoking impulses for discussion and constructive solutions. Finally, we would like to thank Sandra Schwalen and Sarah Fischer for their contributions to this publication.

We hope you enjoy reading this compilation of papers, reports, and recommendations that were developed during Aspen Germany's workshops and conferences in 2020 and we look forward to continuing our commitment to the Western Balkans in 2021.

Valeska Esch
Deputy Executive Director

Viktoria Palm
Program Officer

SUMMARY AND POLICY RECOMMENDATIONS

The following pages provide a summary of the issues that were discussed in the framework of Aspen Germany's Regional Dialog Western Balkans 2020 focusing on the effects of the pandemic in the Western Balkans as well as the current challenges of the enlargement process. Please note that this summary only provides an overview of the points raised by participants. They do not reflect the Aspen Institute's position on the issues addressed.

The Impact of the Covid-19 Pandemic on Democracy, Rule of Law, and Good Governance

- The pandemic has underlined and even exacerbated some preexisting institutional deficiencies in the Western Balkan countries. These include among other things sidelined or blocked parliaments with insufficient checks over the executive, ineffective judiciaries, and the lack of coordination between different levels of government.
- Executive dominance in the wake of the pandemic and the sidelining or inactive nature of parliaments constitute a dangerous trend in the region, especially since the legislatures were weak before the crisis.
- The delay of court proceedings in the wake of the pandemic can result in an even higher backlog of cases and thus further hamper judicial capacity. At the same time, the overturning of certain executive decisions by constitutional courts (for instance in BiH and Montenegro) were positive signs.
- Continued political polarization during the crisis is hampering adequate responses to the pandemic and shows a lack of willingness to compromise, even in an emergency.
- In some countries, the media disseminated mainly pro-government content during the pandemic, with Serbia being the most prominent example. Further, citizens oftentimes had difficulties accessing important information regarding the state of emergency.
- Independent media outlets and civil society organizations are increasingly facing financial problems in the wake of the pandemic.
- Potential positive developments arising out of the crisis include the following:
 - Increased digitalization could facilitate public consultations and participation in the decision-making process, resulting in more digital literacy.
 - Increased visibility of the dangers of disinformation in the wake of the pandemic could raise awareness among stakeholders and the public of the importance of this issue.
 - The crisis may have raised awareness among citizens of the importance of a functioning state and independent institutions and has sensitized the public to excessive use of power.
 - Through increased engagement in the wake of the pandemic, civil society organizations can regain public trust.

Recommendations

- Emergency EU support for the region should be quick and visible. Support for economic recovery should be strictly linked to the criteria of good governance; the institutions managing the assistance need to be closely monitored.
- The EU should sharpen its rhetoric, making clear public statements where progress in the fields of democracy and the rule of law is lacking in the different countries of the region.
- The European party families should also make clear, strong statements in order to influence their sister parties in the region.

- The digitalization of public administration should be promoted to increase transparency and access to data (not only during the pandemic), e.g. governments could create a public platform/database to share information with the public.
- The professional capacities of national parliaments as well as the judiciary need to be increased.
- Independent media and civil society in their function as watchdogs should be strengthened; training and capacity building for digitalization should be provided to media and civil society members; simultaneously, local ownership should be strengthened and dependencies should be avoided.
- Change should come from the citizens themselves, an overreliance on external support/pressure should be avoided; therefore, national and international actors should engage with citizens to support bottom-up movements and to strengthen local ownership.
- Civil society should be connected transnationally to exchange information and to render regional comparisons on good governance and best-practice examples publicly visible, creating competitive pressure between the governments of the region; furthermore, national and international civil society actors need to better coordinate and share data.

The Impact of the Covid-19 Pandemic on the Roles of International Actors

- The pandemic represents a solidarity test – close cooperation is needed. The EU’s credibility in the region suffered strongly due to its inward-looking behavior in the beginning of the pandemic, especially as China was publicly presenting and promoting its assistance in comparison.
- The EU is by far the largest donor in the region; however, this is not mirrored in the public opinion or attention of some countries. Citizens of the Western Balkans often take EU support for granted and therefore help from other actors attracts more attention. The local mainstream media play a crucial role in this, as the EU faces difficulties penetrating these outlets with its messages and contributions.
- Domestic elites often downplay EU support, which comes with strings attached, as opposed to support by other actors.
- The EU in general supports the region’s good relations with other actors; however, not all activities comply with EU standards and the Common Foreign and Security Policy (CFSP), and such activities oftentimes have negative effects (indebtedness, unsustainable investments, etc.).

China

- China developed a ‘mask diplomacy’ and the pandemic has revealed how deeply China is integrated in medical supply chains, including in the EU; it is working to establish a ‘Health Silk Road’.
- China presents itself as a success story, a country that managed to get the pandemic under control.
- Chinese investments do not necessarily oppose EU integration: there are several areas where cooperation is promising (e.g. infrastructure), but issues with the rule of law, values, transparency, indebtedness, and political dependencies remain.
- Chinese investments and loans could potentially weaken the EU’s influence, as it offers ‘easier’ conditions for local leaders (i.e. less transparent, fewer standards).
- A process of disillusionment with China has begun, and some countries of the region are starting to develop more agency vis-à-vis China.

Russia

- Russia has an emergency infrastructure already in place (Niš Humanitarian Center) and could operationalize it with very little additional resources; however, Russian aid seemed to be promoted less and was less visible during the pandemic, compared with previous natural disasters.
- Compared to China, Russia failed to ‘sell itself’ in the region during the pandemic as it initially ignored the coronavirus outbreak; however, the Russian-developed vaccine could potentially provide a leverage for Russia.
- Russia’s disinformation apparatus was active throughout the pandemic.

Turkey

- Turkey publicly provided support to the Western Balkans, appealing to the common history and cultural proximity. However, it was not transparent as to what kind of support or how much was actually delivered.
- Turkey used the support given to the Western Balkans mainly as a domestic propaganda tool with personalized aid to promote the president.
- ‘Health tourism’ from the region to Turkey intensified during the pandemic.

Recommendations

- The EU needs to improve communication regarding its investments and support packages. It is important to reach ordinary people with positive stories. In this area, the EU could potentially learn from other actors (“be quick, be blunt, be personal”); the difference between EU assistance and loans/investments from other actors should also be underscored.
- The EU should increase its personal and political presence in the region. Key member states should pay more physical visits and give more interviews including to mainstream media on the highest political level to increase their visibility and to show their commitment; the current political presence does not match the economic presence.
- The EU needs to decrease its dependency on local elites for media attention; therefore, independent media and the fight against disinformation should be strengthened.
- The EU should make clear to the governments of the region that in certain areas they need to make a strategic choice: countries of the region should not play donors out against each other.
- Strict conditionality for EU financial support must be preserved, even if this makes financial support from other sources more appealing, in order to strengthen the reform process.
- Areas of joint interests in the region where cooperation with China is beneficial (e.g. connectivity) should be identified; however, the larger vision of a democratic Western Balkans should not be lost over the connectivity agenda and geopolitical competition.
- The countries of the region should be supported in drafting strategic roadmaps to define their objectives of engagement and cooperation with China.
- Capacity building in the region regarding investment screening and public finance management is crucial.

The Impact of the Covid-19 Pandemic on the Economic and Social Outlook of the Region

- The region largely lacks economic resilience to weather the pandemic and will suffer strongly from the effects of the pandemic, further aggravating existing challenges such as poverty, unemployment, and emigration.
- The pandemic, however, has had differentiated effects across the region thus far; while Montenegro was hit the worst, Serbia has seemingly suffered less from the crisis due to its larger fiscal space and its economic structure (among other things a smaller service sector and less dependence on tourism). Countries with high rates of self-employment, dependence on the tourism/hospitality sector, and a consumption-based economy have been generally hit harder by the crisis.
- The crisis has brought three main shocks: a tourism shock, a (positive) digital shock, and a (potential) negative FDI shock.
- Due to a large informal economic sector in many countries of the region, the real impact of the crisis might not be entirely grasped.
- Remittances have decreased in most countries of the region, except for Kosovo.
- Most of the governments of the region took proactive measures to attenuate the economic and social effects of the lockdowns, such as providing subsidies for businesses, ensuring the liquidity of the economy, and facilitating access to social benefits. However, these measures resulted in a steep rise of public debt.
- The increased debt level and economic vulnerabilities in the region could result in unintended geopolitical consequences, as financial support from any source will be readily accepted by the governments of the region.
- The politicization of the crisis in some countries has hampered an effective response to the economic challenges exacerbated by the pandemic.
- The opportunities to profit from a nearshoring trend in the wake of the pandemic should be realistically assessed, taking into consideration that Central and Eastern European EU member states might be strong competitors in this regard.

Recommendations

- The Western Balkans need a ‘new deal’: Relief, Recovery, Reform.
- In the short-term, the governments of the region should prioritize job protection to retain skilled workers and public debt management.
- The countries of the region should keep the countercyclical financial measures in place and be careful about reducing financial support. At the same time, financial support should be granted in a more targeted way (especially in Serbia) to avoid unnecessary public debts.
- Specific programs should be designed to absorb and manage foreign aid. The EU should invest in oversight mechanisms and absorption capacities.
- Governments should seize the opportunity to digitalize and further support the process; among other things, this has the potential of decreasing public administration costs and bringing more efficiency and investment to the private sector.

- The countries of the region should exchange best-practice examples in digital solutions, such as e-registrations for seasonal workers (for instance in the tourism and agricultural sector), to keep their employment officially documented.
- A smart specialization policy could help in promoting recovery and sustainable growth in the long run.
- The public-private dialog should be improved to effectively respond to the crisis and promote economic recovery.
- Countries need to restructure and diversify the economies of the region in order to decrease economic dependence on certain countries or on specific sectors.
- In order to attract EU investments and profit from nearshoring, progress in the rule of law and a safe investment environment is crucial alongside developing the infrastructure to link the region to the EU.
- A realistic assessment concerning the potential of additional foreign direct investment (FDI) is needed in order to draft realistic economic strategies and to prevent a race to the bottom in the region. At the same time, increased FDI could drive a wedge between large foreign-owned enterprises and small local businesses (especially in Serbia).

The Impact of the Covid-19 Pandemic on Regional Cooperation

- The crisis has promoted intraregional solidarity (similar to crises before, e.g. floods, earthquakes), enabled swift joint reactions by regional governments (e.g. Green Lanes), and strengthened the region's agency (e.g. through successful joint advocacy vis-à-vis the EU).
- The emergency and the use of digital communication tools improved streamlining and coordination between regional initiatives and activities to avoid duplications. Intensified coordination and the digital implementation of certain meetings and activities is planned to be maintained afterward.
- Increased digitalization has made funds available for other purposes.
- The Common Regional Market (CRM) has been criticized for being a political plan rather than following a purely economic rationale.
- The potential of regional cooperation should be assessed more realistically: it is important, but it might not be a 'game changer' in terms of market size and because of the competitive, rather than complementary, character of the regional economies.
- CRM was greeted with mixed reactions by the regional business community, which has a strong interest in CRM and sees its potential but is skeptical about the prospects of fast and thorough implementation.
- A key hindrance to more intraregional trade are non-tariff barriers, which will not disappear with the Sofia Summit declarations.
- Experience has shown that progress is made when the EU is strongly engaged (e.g. roaming).
- Currently, there is a discrepancy between economic and political integration in the region; however, economic integration requires political integration.
- The Green Agenda for the Western Balkans, agreed at the Sofia Summit, might be too ambitious considering that almost no progress has been made in the last ten years in this area.

Recommendations

- Regional economic cooperation might not be sufficient to achieve the objective of a stable and prosperous region. To this end, the EU needs to increase its political resources and invest them more consistently (in terms of magnitude and time) to solve bilateral disputes in the region, also beyond the Belgrade-Pristina dialog.
- Political steering and engagement are needed on all sides to promote the implementation of regional initiatives, such as the Common Regional Market, and to overcome the stage of merely producing papers/documents.
- Commitments must be bolstered by the necessary financial and human resources to implement the measures; the capacities of those in charge of implementation (the public administration) must be taken into consideration.
- All relevant stakeholders should be gathered to boost implementation of the measures; communication between the public and private sectors is crucial in this regard.
- The enforcement of the rule of law in the region is a key precondition for successful implementation of the Common Regional Market.
- Dispute settlement mechanisms for regional initiatives should be designed to prevent bilateral conflicts from hampering progress in regional cooperation.
- Increasing the visibility of regional cooperation must be improved by communication with the general public; average citizens are not aware of the Berlin Process and its achievements. For example, a quick abolishment of roaming fees between the EU and the Western Balkans would bring visible progress for the citizens.
- Promote the coordination and harmonization of policies in the region; common economic approaches and strategies are needed.
- A strategic vision of how the economies of the Western Balkans Six should look in the mid- to long-term needs to be developed.
- A vision for the next stages of the Berlin Process is needed.

The Future of EU Enlargement

- The Bulgarian veto against North Macedonia's negotiation framework undermined the credibility of the accession process and the EU in general in the Western Balkans region, both among decision-makers but also the general public.
- With the increasing presence of other international actors in the region, especially Russia and China, the EU's credibility and positive relationship with the region is more crucial than ever.
- Conditionality as well as the merit-based character of the accession process are increasingly perceived as poor due to the many delays on the side of the EU, which in turn provides excuses for governments in the region to delay the implementation of reforms.

Recommendations:

- While recognizing the constraints on the EU side (enlargement does not enjoy much popular support at present), Brussels and the key member states should be as supportive as possible of further integration into the EU.
- As society's interest in reforms decreases and most citizens consider the requirements too technical, it is important to better communicate how the reforms would impact and improve citizens' daily lives.
- A stronger emphasis should be placed on the tool of 'phasing in' to individual EU policies, markets, and programs, included in the new methodology.
- Additional options to gradually deepen the Western Balkan countries' integration into the EU based on their respective reform progress ahead of full accession should therefore be explored. Such options do not represent a 'Plan B' to membership but rather constitute interim steps to allow for visible progress on the long road to accession. Potential interim steps could be a gradual opening of structural funds, an expansion of existing Stabilization and Association Agreements (SAAs), more direct EU support for innovation and industrial development in the region, and entry into the customs union and single market once this part of the acquis is implemented.
- Democratic standards should be the center of attention and the basis for all further negotiations.
- Strict conditionality should be applied, especially with regards to the funds made available in the wake of the pandemic (i.e. the Economic and Investment Plan).
- The EU should take a clear stance against the undue bilateralization of the accession process by some EU Member States.

EFFECTS OF THE PANDEMIC ON DEMOCRACY, RULE OF LAW, AND CIVIL SOCIETY

Workshop Report

Viktoria Palm
Rapporteur

In the framework of its Regional Dialog Western Balkans 2020 the Aspen Institute Germany organized an Online Expert Workshop Series entitled “The Covid-19 Pandemic in the Western Balkans: Consequences and Policy Approaches.” The first workshop of the series took place on June 9, 2020 and focused on the effects of the public health crisis on “Democracy, Rule of Law, and Civil Society.” More than 30 experts and civil society representatives from Western Balkan countries, government representatives of EU member states as well as members of EU institutions took part in the discussion. The aim of the workshop was to assess the potential mid- and long-term consequences of the pandemic for the rule of law and good governance, democracy and elections, as well as for civil society and media, and to identify policy areas that need particular attention in this regard.

After welcoming remarks by Ambassador Susanne Schütz, Director for South-Eastern Europe, Turkey, OSCE and Council of Europe at the German Federal Foreign Office, representatives of the Think for Europe Network (TEN), a network of six Western Balkan think tanks, presented their working paper. The paper focused on the recent developments in the region concerning the independence and functioning of democratic institutions, the respect for citizens’ rights, the political and societal climate, as well as the situation of civil society and the media. According to the authors, the pandemic highlighted or even amplified pre-existing cracks in the region’s unconsolidated democratic systems, such as an inactive or inefficient judiciary, or opportunities for executives to overstep their constitutional prerogatives and to sideline the legislature. Furthermore, authors called attention to the deteriorating environment for civil society organizations (CSOs) and independent media.

For the ensuing discussion the participating experts were divided into working groups along the following topics: (a) the impact on institutions, rule of law and good governance; (b) the state of democracy, elections and the role of the opposition; and (c) the situation of media and civil society, to discuss in more detail the developments in the respective areas and to brainstorm ideas on how to prevent negative long-term effects.

The Impact on Institutions, Rule of Law, and Good Governance

Participants of the working group agreed with the assessment of the authors that the Covid-19 crisis exacerbated existing institutional shortcomings regarding a system of checks and balances in many of the Western Balkan countries. Experts pointed out that several emergency measures adopted in the wake of the pandemic breached fundamental rights and freedoms, and that powers shifted towards the executive with governments oftentimes acting as sole legislators by means of decrees and a state of emergency. While similar trends were also observed in EU member states and do not seem unusual in times of crises, in the Western Balkans this happened against the background of already weak, inactive, or blocked parliaments. Therefore, several participants warned of the risk of long-term executive dominance and systematic sidelining of parliaments. Under these circumstances direct financial support to executives by the EU was deemed questionable by some of the local experts. Furthermore, participants called upon the EU and its member states to closely monitor whether the restrictive measures will be completely withdrawn once the state of emergency is over. Additionally, the EU should support the empowerment of national parliaments, among other things addressing their lack of staffing and professionalism through capacity building measures.

In discussing the role of the judiciary, experts reported stark differences between the respective countries’ abilities to react: While in Serbia and Kosovo the constitutional courts did not react and Albania did not even have a functioning constitutional court, in Bosnia and Herzegovina and Montenegro courts sprang into action and even overturned some executive orders. The problem of stalled or delayed court proceedings in the wake of the pandemic was raised as well, which could result in an even higher backlog of cases, further hampering

the capacity and efficiency of the judicial branch. Also, the issue of lack of government support for an independent judiciary was raised. In this context, several participants voiced the need for strengthened capacities and professionalism in the institutions, especially with regards to a potential increase in digitalization in the wake of the pandemic.

During the discussion potential positive long-term developments for good governance, which the Covid-19 pandemic could trigger or accelerate, were also mentioned. Examples of such developments were predominantly related to digitalization, which could facilitate public consultations and participation in the decision-making process. It could furthermore enable the organization of online protests, lowering the threshold for citizens to participate in demonstrations. An increased usage of digital technology was assumed to strengthen digital literacy. Some discussants also expressed hope that in the wake of the pandemic people may be more interested to identify and avoid fake news. Furthermore, the stark encroachment on basic rights and freedoms during the pandemic may sensitize citizens to potential power grabs and serve as a 'wake-up call' to prompt people to act against such encroachments. Due to the crisis, the public may realize the role the state plays in their daily lives, raising awareness of the importance of functioning and independent state institutions. This in turn might also increase the public appreciation of reforms demanded by the EU in the framework of the enlargement process, which are currently often too technical in language so that their potential to improve the daily lives of citizens is not widely understood.

One controversial issue was the question of the degree of foreign (especially EU) support for reforms in the areas of rule of law and good governance, especially under the current circumstances. While some experts called for the EU to stop sending mixed messages and offer more active support as the most influential actor in the region, others argued that expectations towards the EU are too high and that substantial change must come bottom-up from citizens, by showing more local ownership and not relying too much on external support or pressure. It was recommended that the EU should further support local progressive actors in monitoring and criticizing those in power and emphasizing general weaknesses of the system while at the same time strengthening local ownership. Furthermore, civil society should connect transnationally to exchange information on good governance and rule of law practices within the region to exert public pressure on those governments falling behind others in the region in this regard.

The State of Democracy, Elections, and the Role of Opposition

According to several experts one of the most pressing issues in the wake of the pandemic was the increasing political polarization in the region, which is significantly worsening a political climate already poisoned before the crisis. In many cases, not even the opposition was able to agree on a unified position vis-a-vis the respective government. It was considered very worrying for the general state of democracy in the Western Balkans that not even in times of an emergency the various camps were able to agree on basic matters. In addition to the hardening political fronts in the wake of the crisis, such as in North Macedonia, there has also been a polarization between different ethnic population groups.

In light of the upcoming elections in several countries, some of the experts were very skeptical about whether governments were willing to relinquish their newly won powers as these could be instrumental in election campaigns. Furthermore, experts referred to the role of the media, which has been largely appropriated by governments and disseminates pro-government content. For example, according to a study, the ruling majority in Serbia has received 90-99% of TV broadcasting time since the start of the pandemic, which is a significant increase compared to the period before the crisis. The participants reaffirmed that this, in combination with parliamentary sidelining, disinformation campaigns, and threats to fair and equal elections in pandemic times can only be overcome with a huge joint effort.

In order to bring about a reversal of this trend and to change the attitudes of both government officials and the opposition at the political and societal level, as well as to move closer to the ideal of a democratic society, various proposals for solutions and recommendations for action were formulated. For instance, the EU should use its financial support as a lever and allocate it under strict conditionality only. Experts also called upon European party families to influence their sister parties in the region and upon EU representatives to be more

outspoken in criticizing the existing democratic shortcomings and their underlying causes. With regards to the upcoming elections some participants recommended to increase monitoring missions and to improve electoral lists to prevent manipulation. Furthermore, the EU should be more vocal about the deficiencies of the electoral systems. In political terms, the usefulness of EU-Western Balkans summits to uphold the dialog and to strengthen cooperation was underlined.

The Situation of Media and Civil Society

Regarding the state of civil society and media in the Western Balkans during the Covid-19 pandemic, several alarming developments were mentioned. Numerous experts pointed to a dangerous degree of state control over the media, attempts to limit the freedom of the press, and growing disinformation and fake news in many countries of the region. Furthermore, the public oftentimes faced serious difficulties in accessing information (i.e. concerning the state of emergency, information on public procurement, etc.). Participants reported for instance that the government of Republika Srpska used the opportunity to adopt measures to (ostensibly) fight fake news but in fact targeted the freedom of speech. In Serbia a journalist was arrested for covering the critical situation in a hospital and was later released only after significant international pressure. In Bosnia and Herzegovina, the media acted as a watchdog and cooperated to monitor and disclose questionable public procurement cases, prompting accusations by the government for exposing them. The discussion also touched upon the problem of government-organized non-governmental organizations (GONGOs), particularly in Serbia, pretending to be independent non-governmental organizations (NGOs) and thereby intentionally misleading the public. Participants called upon the EU to closely monitor these developments in the future.

Regarding access to information, experts recommended that governments should create platforms or databases to render information accessible and improve transparency. As the digitalization process especially of the public administration could further improve transparency, civil society should exert more pressure here. In this context training and capacity building with regards to digitalization for media and civil society should be strengthened.

The issue of financial difficulties both of independent media but also civil society organizations as a consequence of the pandemic was addressed as well. Where it exists, state funding for NGOs is already decreasing, especially if the NGOs are active as government watchdogs. On a positive note, some international donors were more flexible and open to continue the support through urgent assistance funds during the Covid-19 pandemic. However, in the long term, international funds may decrease or at least are uncertain. In order for media and civil society to fulfil their important role as watchdogs and provide the public with crucial information, it was recommended that the EU increase financial aid for civil society and independent media, especially during the crisis, as part of the Economic and Investment Plan.

One potentially positive development mentioned by some experts was that the increased engagement of CSOs in the wake of the crisis bears the potential of regaining the public trust. Furthermore, the creativity shown in organizing alternative forms of protests during the crisis and the widespread participation were regarded as promising signs.

Conclusion

After the breakout sessions, all participants of the workshop convened to discuss the newly gained insights in the plenum. First, the participants stressed the need to take advantage of the window of opportunity created by the pandemic and the associated crisis, namely the increased awareness among the population regarding the rule of law, parliamentary democracy, and the danger posed by an uncontrolled executive. Explicit emphasis was placed on the opportunities that may arise from the greatly accelerated pace of digitization, including for institutions, for civil society, and for the independent media.

Experts shared strong concerns regarding a further increase of political polarization in the Western Balkan states, which apparently cannot be overcome even in times of existential crises and which will make consensus-building in the future even more difficult. The participating EU representatives were called upon to provide increased support for civil society organizations in their fight against the erosion of the rule of law, and to keep a watchful eye on those responsible for the distribution of financial support to mitigate the economic crisis. Nevertheless, it was also pointed out that one should not rely solely on the European institutions (partly due to some disappointments in the recent past), but that changes in individual countries must also come from civil society, the public, and the political opposition in order to guarantee sustainability.

Although smaller protests occurred in some places such as in Bosnia and Herzegovina, no significant protests against Covid-19 measures have taken place in the region thus far. The experts thus discussed whether citizens had already surrendered to the seizure of power by the executive without even fighting, or whether they might be satisfied with the measures taken by the governments and the resulting erosion of the parliaments. This assessment, however, was rejected by several experts who argued that the initial reluctance of the public to protest against the Covid-19 measures enacted by the executive was rather due to a great deal of uncertainty and a fear of the disease which prevailed in the beginning.

According to the discussion, there was also the risk that populations of the region could be attracted by the so-called ‘Chinese model’ of pandemic control. China skillfully used its soft power in the wake of the crisis through high-profile support services. The public image of the European Union in comparison suffered, especially due to the initial reaction to the crisis when borders were closed and exports of medical equipment including to the Western Balkan were restricted.

Another important point of discussion was the EU recovery fund to combat the massive economic crisis in the wake of the corona pandemic. On the one hand, the fund was praised for its much-needed assistance; however, both EU representatives and representatives of civil society from the Western Balkan countries stressed the need to pay close attention to its implementation. More precisely, it should be closely monitored how, by whom, and to whom the support funds will be distributed in the respective countries. The EU must insist on transparency in this respect to ensure that the financial resources do not further consolidate the power of the executive and limit the influence of the opposition and civil society. Some experts suggested for example to fund certain CSOs that will closely monitor the institutions managing the assistance.

In conclusion, it was reiterated that the European Union and other international partners had the intention and were willing to continue to support the countries in the Western Balkans. This applies in particular to the important institutions needed to safeguard parliamentary democracies, as well as to the efforts of the opposition and civil society, especially given the upcoming elections in several countries.

The Western Balkans and Covid-19: Effects on Good Governance, Rule of Law, and Civil Society

Think for Europe Network (TEN)

Executive Summary¹

This policy brief underscores outstanding issues that emerged during the Covid-19 crisis and the possible long-term consequences on the functioning of democracy and rule of law in the six countries of the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. This paper specifically addresses the impact of the crisis on the functioning of democratic institutions, the judiciary, fundamental rights and freedoms, transparency, civil society, and the media, and continues to assess the impact of the Covid-19 crisis on the social and political climates in each country of the region. The report identifies country-specific as well as common issues that should be monitored closely going forward.

The way in which the Covid-19 crisis was handled in the Western Balkans amplified existing cracks in the region's unconsolidated democratic systems, especially with regard to rule of law and democratic performance. Ultimately, this pandemic is likely to leave lasting social, political, and economic repercussions for the countries of the region. Governments in the Western Balkans frequently overstep their constitutional prerogatives and expand executive power by enacting legislation that threatens basic rights and freedoms in cases later declared unconstitutional (as in Bosnia and Herzegovina and North Macedonia). While the constitutional courts of these two countries have delivered decisions protecting fundamental rights and against overreaches of executive power, courts in other countries have not been functioning properly due to self- or government-imposed restriction measures. Admittedly, such situations occurred in other more democratically advanced countries throughout the pandemic, but in unconsolidated democracies such as those in the Western Balkans, the effects are far more detrimental to the functioning of democratic institutions.

Similar trends have been observed in the functioning of national parliaments, which were bypassed by government decrees, and whose function is primarily to rubber-stamp decisions of the executive. The pandemic also led to a brief cessation of inter-party hostilities with the exception of Kosovo, where the previous government was brought down with a parliamentary no-confidence vote, and Serbia, where political polarization has increased during the pandemic.

Civil society organizations (CSOs) in the region have been providing assistance to marginalized communities dealing with the ensuing economic distress while holding the government accountable. Likewise, the independent media made an effort to provide up-to-date coverage throughout the pandemic. Civil society initiatives to hold governments accountable were especially successful in Bosnia and Herzegovina, where corruption was uncovered in a public procurement process for ventilators. Despite these positive developments, CSOs in the region have been largely unsuccessful in their attempts to curtail government excess and are frequent targets of smear campaigns by government officials. CSOs are also likely to face financial constraints in the future as a consequence of the pandemic. In terms of media freedoms and the right to be informed, Serbia serves as a negative example, with the overall situation in terms of media freedom further deteriorating during the pandemic.

¹ This paper refers to the period between March and mid-November 2020.

In the context of the Covid-19 crisis, this policy brief offers the following recommendations to EU stakeholders:

- Upcoming assessments of EU-related reforms by member states and European institutions need to take the impact of the Covid-19 crisis into consideration, without compromising on key principles of rule of law, such as transparency. The European Economic and Investment Plan within IPA III might serve as an effective means of rewarding or punishing the region's governments based on their performance in fundamental areas. This approach is in line with the rationale of the first cluster of negotiating chapters of the announced revised accession methodology;
- The EU should therefore apply more robust mechanisms for monitoring and evaluating the state of play in this area. Such an approach would render the costs of non-compliance with the EU's requirements too high for governments in the region, making them publicly visible. At the same time, it would boost the credibility and legitimacy of the enlargement policy both in the eyes of the citizens of the region and of the EU;
- The EU should communicate its values clearly and provide constructive criticism of government policies that exclude democratic deliberation. In this respect, national parliaments, civil society, and the media as counterbalances and watchdogs of the executive branch need greater empowerment and a larger role in the region's EU integration process;
- Financial and political support for the media and CSOs should increase in the coming period, as both are indispensable actors in the democratization process of the region from the bottom-up perspective. Free and impartial media, coupled with vibrant civil society and an active citizenry, can ensure durable democratic transformations that stretch beyond simply attaining EU membership;
- Political parties in EU member states and political groups within the European Parliament should be more vocal towards their counterparts in the Western Balkans in promoting dialog and respect for basic democratic principles. Affiliation in political party families should not represent a shortcut for bypassing or breaching fundamental values and freedoms and thus further undermining the state of democracy in the region;
- To alleviate the growth of socio-economic inequalities as a result of the Covid-19 pandemic, the EU and bilateral support provided to the region to deal with the crisis should include funds earmarked for women and marginalized groups. Particular attention should be paid to addressing the crisis-induced challenges facing vulnerable groups, such as women and children who are victims of domestic violence.

Albania

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Context

The Albanian government reacted relatively swiftly to prevent the spread of Covid-19. From March 9, 2020 – when the first case was identified in Albania – the state issued a series of executive decisions to close unessential businesses, suspend in-person education, halt travel within the country and abroad, and ban public gatherings.

The Ministry of Health and Social Protection established medical infrastructure to contain and treat those with the virus. Two hospitals, with a total of 310 beds, were dedicated to treating Covid-19 patients.² The government received its first shipment of medical supplies purchased from Turkey on March 25.³ In April, additional medical supplies were received after the EU Commission approved the 4 million EUR aid package.⁴

The early measures taken succeeded in flattening the curve during the first wave of the pandemic. A second wave started in June, and the number of cases and deaths have since been rising. Lack of government transparency and accountability have compounded a sense of health and economic insecurity. Government decisions made during the pandemic have been in the absence of institutional checks and accountability mechanisms due to a dysfunctional Assembly – after the opposition rescinded their mandates in February 2019 – and the lack of a fully functioning constitutional court.

The Long-term Impact on Institutions: Rule of Law and Good Governance

While the government may restrict fundamental rights and freedoms after declaring a state of natural disaster, they have been restricted through normative acts⁵ and health ministry decisions without such declaration during the pandemic. Measures to restrict freedom of movement, the right to work, and the right to strike were taken between March 9 and 15, 2020 while a state of natural disaster was declared on March 24. Similarly, the government deployed the Albanian military on March 12 to enforce curfew measures – alongside the police – through a normative act that amended the Law on the Prevention of Infectious Diseases; however, according to the Albanian constitution and the current legal framework, the military may be deployed only after declaring a state of natural disaster.⁶

² A. Gjonaj, COVID-19/ Manastirliu: Within April 104 new ventilators will be added, equipped for national testing (Albanian), Albanian Telegraphic Agency, 30 March 2020, <https://ata.gov.al/2020/03/30/covid-19-manastirliu-brenda-muajit-prill-shto-hen-edhe-104-respiratore-te-rinj-gati-te-kryejme-testimet-e-nevojshme-ne-r-ang-kombetar/>, (accessed 29 May 2020).

³ Albanian Telegraphic Agency, COVID 19- New ambulance fleet is about to depart from Turkey to Albania, 26 March 2020, <http://en.ata.gov.al/2020/03/26/covid-19-new-ambulance-fleet-is-about-to-depart-from-turkey-to-albania/>, (accessed 29 May 2020).

⁴ Albanianews.it, Albania, from the EU the first 4 million euros come in support of the health system', 3 April 2020, <https://en.albanianews.it/last-hour/albania-eu-4-million-health-system-support>, (accessed 29 May 2020).

⁵ A normative act is a government decision equivalent to a law for 45 days. If it is not approved by the Assembly within 45 days, it ceases to be legally binding.

⁶ Article 175 of the Constitution of the Republic of Albania specifies the rights and freedoms that may be restricted in the case of a state of natural disaster. Article 23, paragraph 2 of the Law on Power and Authority to Lead the Armed Forces of the Republic of Albania determines that the Albanian Armed Forces may be deployed after the Council of Ministers declares the state of natural disaster. Article 34, paragraph 3 of the Law on Civil Protection determines that the resources of the Armed Forces can be used to implement the decisions taken by the Inter-ministerial Committee of Civil Emergencies. See also Albanian Armed Forces, Forcat e Armatosura në gatishëri kundër COVID-19, 12 March 2020, <https://aaf.mil.al/te-fundit/5483-forcat-e-armatosura-ne-gatishmeri-kunder-covid-19>, (accessed 29 May 2020).

On March 10, the High Judicial Council (HJC) issued a decision to allow only urgent cases to proceed to court while postponing other cases for two weeks.⁷ After the two-week limit expired, the HJC did not issue a new decision to regulate court proceedings, but instead, accepted that the operations of the judiciary be governed through a normative act passed by the Albanian government on March 25 that essentially confirmed the previous restrictions put in place by the HJC.⁸ On May 27, the government adopted another normative act allowing the full resumption of court proceedings but forbidding public participation in the courtroom.⁹ Although the decision to restrict court proceedings was initially made by the HJC, the subsequent government acts to govern the work of the judiciary are concerning, especially as there is no constitutional court to judge the constitutionality of the government's decisions. Regrettably, the constitutional impact of normative acts issued by the executive to restrict court proceedings – notwithstanding the need to contain the Covid-19 pandemic – has not been publicly discussed until the time of writing.

Parliaments, the Role of the Opposition, and Public Opinion

Albanian citizens have generally complied and supported the restriction measures. The opposition was also supportive of the preventive measures taken and urged the government to increase testing.¹⁰ More recently, however, opposition parties outside of the Assembly, as well as the Albanian president, have increasingly criticized the government's response to the pandemic and the rise of Covid-related deaths. This is likely to build their case for the April 2021 parliamentary elections by arguing that the government has failed to protect Albanian citizens and the country's economy.

The government has effectively circumvented the need to submit amendments for deliberation in the Albanian Assembly by instead adopting normative acts. The assembly did not convene in a plenary session from March 2020 – when pandemic-related restrictions were imposed – until mid-April. It convened only on April 16 to vote on the Penal Code amendment bill submitted by the government and to approve the government's normative acts.¹¹ Furthermore, the Assembly – which has not been functioning properly since the opposition rescinded their mandates in February 2019 – is controlled by the governing party and its function has been to rubberstamp government decisions.

On June 5, an agreement was reached between the governing Socialist Party with the parliamentary and extra-parliamentary opposition to change the structure of the Central Electoral Commission (CEC) and establish a biometric voter identification system to prevent voter fraud. Although it was hailed as a breakthrough, the agreed measures failed to address OSCE/ODIHR recommendations on a comprehensive election reform to prevent vote-buying, establish a depoliticized CEC, and ensure transparency of campaign financing.

Despite the agreed constitutional and legal changes to the electoral system and the organization and functioning of the CEC, it is unlikely that the parliamentary elections in April 2021 will be profoundly different from previous elections. No substantive measures have been put in place to prevent vote-buying, the use of state resources for election purposes, or pressure on public administration employees from political appointees to vote in favor of the governing party. Regarding campaign finance, no substantive changes have been made to ensure the transparency of funds raised by political parties or to establish an effective institutional structure that monitors and audits political party finances.

⁷ High Judicial Council decision no. 127, date 10.03.2020, On the Suspension of Judicial Activities in All Courts in the Republic of Albania, <http://klgj.al/wp-content/uploads/2020/05/Vendim-Nr.127-date-10.03.2020-per-pezellim-veprimtarie-ne-gjykata.pdf>, (accessed 29 May 2020).

⁸ Normative Act no.9, date 25.3.2020, On Special Measures for Judicial Activities during the COVID-19 Pandemic, <https://qbz.gov.al/eli/akt-normativ/2020/03/25/9>, (accessed 29 May 2020).

⁹ Normative Act no. 21, date 27.05.2020, On Changes to Normative Act of the Council of Ministers Act no.9, date 25.3.2020, On Special Measures for Judicial Activities during the COVID-19 Pandemic, approved by Law no.30/2020, <https://qbz.gov.al/eli/akt-normativ/2020/05/27/21/145c45bc-5293-482d-9c74-4cdaac3b9cb5>, (accessed 29 May 2020).

¹⁰ Albanian Telegraphic Agency, COVID-19/ Basha: Tests are indispensable, government should change strategy, 16 April 2020, <http://en.ata.gov.al/2020/04/16/covid-19-basha-tests-are-indispensable-government-should-change-strategy/>, (accessed 3 June 2020).

¹¹ Albanian Assembly, Kuvendi mbledhet në seancë plenare (Albanian), 16 April 2020, <https://www.parlament.al/News/Index/10011>, (accessed 29 May 2020).

Since it is likely that the pandemic will persist throughout the election season, planning Covid-19 protocols for freedom of movement, voting hours, vote-counting procedures, health safety measures, and security is essential to ensure the right to vote and that the counting process is not disrupted. If such measures are not prepared in a timely and transparent manner, they are likely to further disrupt the electoral process.

The Situation of Civil Society and the Media

The institutional and constitutional crisis has disproportionately empowered the executive, and civil society's attempts to curtail the government's power have been futile. In a telling example, the government ignored an open letter from Albanian CSOs criticizing the Penal Code amendments – which aimed to punish the breaking of quarantine restrictions with up to 15 years in prison¹² – as disproportional and an affront to human dignity.¹³ The new anti-quarantine provisions included in the Penal Code enabled the police to arrest a few civil society activists protesting in Skanderbeg square.¹⁴ On May 17, the National Theatre was demolished. A few actors and activists, who had occupied the building to prevent its demolition, were forcefully removed and arrested by the police. Throughout the day, the protests continued, and the police beatings of peaceful protesters were common.¹⁵ On December 8, a 25-year old man, who had violated curfew restrictions, was killed by the police after refusing to heed the calls of two police officers to stop.¹⁶ The killing sparked protests in several cities including Tirana, Durrës, Shkodra, and Korça. Most of the protests were peaceful, but in Tirana there were clashes between the police and the protesters – as well as damages to public property – while in Shkodra a few teenagers broke into the local Socialist Party headquarters and set fire to furniture outside the office building.¹⁷ The police has arrested both violent and peaceful protesters, while the prosecution of the Tirana District Court has been investigating prominent social media influencers who have supported the protests through social media posts.¹⁸

¹² The prison term was lowered to eight years in the final draft of the bill upon a recommendation from President Meta. Albanian Helsinki Committee, Deklaratë e përbashkët për median (Albanian), 11 April 2020, https://ahc.org.al/deklarate-e-perbashket-per-median/?utm_source=rss&utm_medium=rss&utm_campaign=deklarate-e-perbashket-per-median, (accessed 29 May 2020); Shqiptarja.com, Kuvendi pranon propozimet e Metës për ndryshimet në Kodin Penal, Hajdari: I mirëpresim, por jo votim në gjendje të jashtëzakonshme (Albanian), 16 April 2020, <https://shqiptarja.com/lajm/kuvendi-pranon-propozimet-e-metes-per-ndryshimet-ne-kodin-penal>, (accessed 29 May 2020).

¹³ E. Rama (@ediramaal), “Shoqatat s’duan asgjë në Kodin Penal për mbrojtjen nga epidemia?!...” (Albanian), Twitter, 10 April 2020, <https://twitter.com/ediramaal/status/1248638987490807808>, (accessed 29 May 2020).

¹⁴ Euronews Albania, Protest against government's decision for National Theater's building, several detained, 9 May 2020, <https://euronews.al/en/albania/2020/05/09/several-detained-by-police-as-they-protest-the-government-s-decision-for-the-national-theater-building>, (accessed 29 May 2020).

¹⁵ B. Koleka, Demolition of Albanian national theatre sparks angry protests, Reuters, 17 May 2020, <https://www.reuters.com/article/us-health-coronavirus-albania-theatre/demolition-of-albanian-national-theatre-sparks-angry-protests-idUSKBN22T0FV>, (accessed 29 May 2020).

¹⁶ The man was found standing on a sidewalk close to his home at approximately 01.45 in the morning (curfew hours: 22.00-06.00). The circumstances of the incident are still unclear. It is known that he was being chased by two police officers. One of them shot the man, Klodian Rasha, twice as he was running away from them. It is unclear if any altercation or verbal exchange between the man and the police officers preceded the chase and the shooting. Shqiptarja.com, Shkeli orën policore, polici qëllon për vdekje të riun në Tiranë! Arrestohet efektiv! Kamerat pranë vendit të ngjarjes të fikura, 8 December 2020, <https://shqiptarja.com/lajm/tirane-nuk-iu-bind-urdherit-te-policit-qellohet-dhe-vritet-25-vjecari>, (accessed 10 December 2020). See also L. Semini, Albanians rally for 5th day after police kill man in curfew, The Washington Post, 13 December 2020, https://www.washingtonpost.com/politics/courts_law/albanians-rally-for-5th-day-after-police-kill-man-in-curfew/2020/12/13/47cc1c7c-3d7e-11eb-b58b-1623f6267960_story.html, (accessed 15 December 2020).

¹⁷ Top-Channel, Sot protestë në Shkodër/ Goditet me gurë dega e partisë socialiste, 12 December 2020, <https://top-channel.tv/video/sot-proteste-ne-shkoder-goditet-me-gure-dega-e-partise-socialiste/>, (accessed 15 December 2020); G. Erebara, Albania Police Injured as Protests Over Shooting Turn Violent, Balkan Insight, 10 December 2020, <https://balkaninsight.com/2020/12/10/albanian-youngsters-battled-police-in-protest-over-police-killing-2/>, (accessed 12 December 2020).

¹⁸ The main charge for the arrests of peaceful protesters has been that of organizing or participating in an illegal protest – a reference to the Covid-19 measures restricting the assembly of large groups of people in public spaces. Others are being investigated on ‘fake news’ charges or ‘instigation of illegal acts of protest’. Top-Channel, Durrës, me arkivol në duar/ Protestë për Klodian Rashën, arrestohen 2 persona dhe procedohen 2 të tjerë, 16 December 2020, <https://top-channel.tv/2020/12/16/durres-me-arkivol-ne-duar-proteste-per-klodian-rashen-arrestohen-2-persona-dhe-procedohen-2-te-tjere/>, (accessed 20 December 2020); A2 CNN, Autori i memeve procedohet penalisht, Genc Sejko: Akuzohem për statuset në Facebook, 16 December 2020, <https://a2news.com/2020/12/16/autori-i-memeve-procedohet-penalisht-genc-sejko-akuzohem-per-statuset-ne-facebook/>, (accessed 20 December 2020).

Concerning the financial sustainability of CSOs, the pandemic has impaired their ability to make salary payments and cover administrative costs. Furthermore, the CSO survey conducted by Partners Albania found that 22 out of 90 CSOs could not reach the project beneficiaries and target groups.¹⁹ The situation has improved since the movement restriction measures were lifted in mid-May, but there are no published studies on the long-term effects of the pandemic on the financial sustainability of CSOs.

Media coverage during the pandemic has largely favored the government. The public attitude towards the government and media coverage began to shift gradually after their violent response to the peaceful protests at the demolition of the National Theatre, as well as their fining of a national broadcaster for breaking quarantine measures by hosting more than one guest in a political talk show critical of the Albanian government.²⁰ However, reports of tendering irregularities during the pandemic have received little coverage. Additionally, there have been no substantial investigations on the government response to the crisis or its institutional and technical capacities, despite the ample coverage of the shortcomings of the healthcare system – from the lack of medical professionals and supplies to suicides in Covid-19 hospitals and rising deaths of Covid-19 patients.

Conclusion

The crisis has highlighted the fragility of Albania's institutional infrastructure. The Albanian government has sought to exploit the conditions of the pandemic and the ongoing institutional and constitutional crisis to expand executive power even further. Normative acts and expedited legislative processes have become the government's *modus operandi* to amend legislation in their favor. These actions have effectively alienated Albanian civil society from the decision-making process by circumventing the public consultation process. The continuous decline of democratic governance, coupled with the current and forthcoming economic distress, is likely to lead to further social unrest and potentially reinforced emigration to Western European countries. The lack of explicit criticism – and sometimes acquiescence – of government policies by the European Union is contributing neither to stability nor the democracy of the country; on the contrary, Albanian civil society is becoming increasingly disenchanted by the lack of clarity of EU statements on the latest government policies.

Country-specific Recommendations

- Criticism of government policies by the European Union should be more explicit and provide more clarity, so that European values and the position of the EU are conveyed without ambiguity;
- The EU and its member states should encourage Albanian political parties to resolve their disagreements within institutional boundaries and through institutional channels;
- Transparency and inclusion of civil society in the political process should guide the efforts of international partners in their attempts to mediate domestic political crises. Despite the positive mediation provided by the EU, the United States, and the United Kingdom to establish the Political Council and reach the June 5 agreement, there was no transparency on the discussions between the parties and civil society was marginally involved;
- It is critical that the EU cooperate closely with OSCE/ODIHR to assist the CEC in drafting Covid-19 protocols to ensure that the electoral process is not disrupted by Covid-related restrictions or shortcomings.

¹⁹ Partners Albania for Change and Development, Support NPO Sector Adaptability to Covid-19 Emergency, 8 April 2020, <https://partnersalbania.org/publication/support-npo-sector-adaptability-to-covid-19-emergency-assessment-report/>, (accessed 3 June 2020).

²⁰ G. Erebara, Inspektorati Shëndetësor urdhëron mbylljen e televizionit Ora News, Reporter.al, 15 May 2020, <https://www.reporter.al/inspektorati-shendetesor-urdheron-mbylljen-e-televizionit-ora-news/>, (accessed 3 June 2020).

Bosnia and Herzegovina

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Context

Due to the Covid-19 pandemic, inconsistent support measures by the government have left thousands of citizens in Bosnia and Herzegovina (BiH) at risk of losing their jobs and without a functioning health care system. The institutional response to the Covid-19 outbreak has posed more challenges to an already fragile state of democracy and rule of law in BiH. Since the start of the pandemic, Bosnia and Herzegovina has been following global recommendations, introducing measures to prevent, slow down and control the transmission of the virus. However, coordination among all levels of government has proven to be challenging, as the crisis management bodies in the Federation and Republika Srpska took action within their respective jurisdictions, resulting in distinct decisions and actions. The state-level government ultimately decided to declare a state of natural disaster on March 17, 2020.²¹ Sub-state levels (entities, Brcko District, and cantons), under their own state of emergency declarations, also adopted various measures in the interest of public health. Moreover, the European Union has provided more than 3.3 billion EUR in financial support for the Western Balkans to ensure an effective crisis response.

Authorities have been implementing comprehensive emergency health policies combined with restrictive social distancing measures, including significant restrictions on the freedom of assembly and the mobility of citizens. The initial positive reception to these measures was eventually marred by growing public concern. In the first half of the year, authorities managed to slow down the spread of the virus. This led authorities easing restrictive measures after May 31, when the doubling of cases slowed down to every 41 days. However, a severe increase in cases began after the summer period, resulting in new restrictive measures. On November 10, new restrictions²² were introduced in the Federation, restricting the mobility of citizens in the period from 11pm to 5am, limiting the number of people in places of gathering, and making protective masks mandatory. Republika Srpska introduced similar measures already in October²³ (without restrictions on the mobility), yet there have been no updates since.

Throughout the pandemic, the media, civil society, and medical experts in the country played important roles as watchdogs, reminding authorities to respect democracy, rule of law, and human rights. They did so despite often unresponsive and unaccountable authorities.

The Long-term Impact on Institutions: Rule of Law and Good Governance

Due to its complex state structures, the response to the Covid-19 pandemic was not uniform across BiH, and the measures have had different impacts within different groups of population. The Constitution of BiH does not provide for a declaration of a state of emergency at the state level, so the state level declared a state of natural disaster. Sub-state units adopted their own decisions. The Republika Srpska entity took the most serious action by adopting a state of emergency,²⁴ while the Federation of BiH (Federation) and Brcko District declared

²¹ Official Gazette of BiH, No. 18/20, <http://www.sluzbenilist.ba/page/akt/bTsBUE4N5GM=>, (accessed 30 October 2020).

²² Federal Ministry of Health, Instrukcija o provođenju mjere ograničenog kretanja na području FBiH od 23h do 05h, <https://covid19.fmoh.gov.ba/uploads/files/naredba10112020-dc08ea72e1adc6098177a1a2db8866401419147a.pdf>, (accessed 30 October 2020).

²³ Zaključak o obaveznom sprovođenju mjera za reagovanje na pojavu bolesti izazvane novim virusom korona (COVID-19) u Republici Srpskoj, broj: 59-1/20 od 20.10.2020. godine, More info: <https://www.paragraf.ba/propisi/republika-srpska/zakljucak-o-obaveznom-sprovođenju-mjera-za-reagovanje-na-pojavu-bolesti-izazvane-novim-virusom-korona-covid-19-u-republici-srpskoj.html>, (accessed 30 October 2020).

²⁴ Official Gazette of RS, No. 25/2020, Odluka o proglašenju vanredne situacije za teritoriju Republike Srpske.

a state of natural disaster²⁵ and a state of danger for the population.²⁶ This differentiated approach is in line with the constitutional and legal order in BiH. However, it is unclear if it meets European standards of governance and was criticized by experts for creating confusion among the public and for making coordination and a uniform approach difficult. Here, a state of crisis has, once again, proved the inefficiency of such a structure, resulting in struggles during an ongoing emergency situation.

The crisis misconduct is largely reflected in the ‘respirators affair’,²⁷ which entailed a questionable procurement of unusable respirators at the end of April 2020. More than six months later, the case is still ongoing, linking different public individuals to the procurement and the actions behind it. The State Prosecutor’s Office has filed an indictment against the Prime Minister of the Federation, Fadil Novalić, and others in the ‘respirators affair’ for conspiracy to commit the following criminal offenses: “abuse of position, receiving a reward for trading in influence, money laundering and forgery of documents.”²⁸ Since the head of the Federal Administration of Civil Protection was one of those involved, the transparency and accountability of the government’s crisis management was brought into question. This case exposed some of the government’s key authority figures as crisis profiteers, whose actions failed to address the needs of the citizens. Further diminishing citizens’ trust was that only one investigation into procurement was led by the State Prosecutor’s Office, while other suspicious public procurements have been disregarded, despite public pressures by the media and the opposition.

In addition to the ‘respirators affair’ there is a general distrust in institutions. Bosnia and Herzegovina requires low levels of transparency from their disease control centers at all levels of government, which further undermines public confidence in government institutions and democracy itself. Also, many of the adopted preventive measures restricted fundamental rights and freedoms. Some were problematic regarding their public health necessity, while others violated rights protected by the BiH constitutions and the European Convention of Human Rights (ECHR). Systemic discrimination in access to services (i.e. health care) was recognized by the Constitutional Court on April 22 as violating the Constitution and the ECHR, resulting in authorities’ rapid follow up on the Court’s decision on April 24. Such an immediate response reflects a functioning judiciary even in special circumstances, such as the pandemic.

Furthermore, some state institutions proved their functioning capacities by recognizing and acting on specific rights violations. In early March, authorities published personal data of those infected with Covid-19 or in contact with those infected. On March 24, the Personal Data Protection Agency in BiH delivered a decision to ban public disclosure of personal data.²⁹ However, concerns regarding data protection remain. The Covid-19 crisis has accelerated the digitalization process, employing technology in a larger extent not only to conduct work tasks, lectures for schools and faculties, but also to track the numbers and locations of the infected population. This produces another data breach, due to a lack of a General Data Protection Regulation (GDPR) mechanism in the Western Balkans region.

Despite its weak and fragmented constitutional framework, some institutions in BiH showed resilience and authorities reacted to the public pressure. These were, however, more exceptional than signs of a true trend or a change. Rule of law is an aspect that opens more questions on the country’s future prospects. Corruption is one of the biggest obstacles on BiH’s path to EU accession, yet it is a problem present at all levels of the judicial system. The 2020 European Commission report states that BiH has not made progress in this area, as no appropriate action was taken to address the previous findings of the Expert Report on Rule of Law issues. Reforms regarding integrity have met resistance from within the judiciary. Such evident signs of system

²⁵ Official Gazette of FBiH, No. 21/2020, Odluka o proglašenju stanja nesreće uzrokovano pojavom koronavirusa (COVID 19) na području Federacije BiH.

²⁶ Official Gazette of Brčko district, BiH, No. 12/2020, Odluka o proglašenju ugroženosti stanovnika Brčko distrikta BiH od epidemije zarazne bolesti – korona virusa (COVID-19).

²⁷ The Indictment charges the accused with committing criminal offenses related to the procurement of 100 respirators from China in the amount of 10,530,000.00 KM (5.38 million EUR), and protective equipment in the amount of 2,900,000.00 KM (1.48 million EUR) for the purpose of combating the coronavirus in the Federation of Bosnia and Herzegovina.

²⁸ Detektor, Indictment Filed Against Novalić, Hodžić, Solak, but also Milićević in the ‘respirators affair’: <https://detektor.ba/2020/12/04/podignuta-optuznica-protiv-novalica-hodzica-solaka-ali-i-milicevic-u-predmetu-respiratori/>, (accessed 10 December 2020).

²⁹ M. Živanović, Democracy and the State of Emergency: Political Battles Emerging out of the Corona Crisis in the Western Balkans, Croatia and Slovenia, Report Two, Bosnia and Herzegovina; Friedrich Ebert Stiftung May, 2020.

deterioration call for the establishment of credible verification mechanisms. For example, more transparent financial statements could build integrity and increase citizens' trust in the judiciary. On the contrary, a poorly functioning judiciary will continue to undermine citizens' enjoyment of rights, allowing for political obstruction of reforms and a barrier to the fight against corruption and organized crime in the future.³⁰

Regarding human rights violations, the Constitutional Court of BiH has issued a number of verdicts, albeit non-binding. Institutions, as well as state officials, respect these verdicts selectively and as a result, are often the subject of 'political disputes'. Ultimately, judicial bodies should make more of an effort to uphold the rule of law in BiH, not only during the pandemic. The current situation and mounting distrust toward the judicial institutions will not lead to further progress, unless radical changes in line with the EU requirements are made.

The Role of the Opposition and Public Opinion

During the first wave of the pandemic, the usual political dynamic of conflict and disagreement was temporarily halted but has resumed since the lead-up to local elections in November. This dynamic is taking place in two parallel arenas. The first is inter-ethnic, where political disputes take place between political representatives of the three constituent peoples. The second is intra-ethnic and takes place within each of the three constituent groups and between ruling parties and the opposition. At a time when citizens are seeking clarity and reassurance, politics created an 'every man for themselves' environment, confusing the general public and having a negative impact on public trust in institutions and politics.

Although postponed due to the pandemic, local elections in Bosnia and Herzegovina took place on November 15, 2020 under restrictive measures and operating conditions.³¹ The results welcomed some new faces to the BiH political scene, with opposition winning the majority of votes in the state's capital of Sarajevo as well as in Banja Luka, Republika Srpska. For the first time since 2008, the city of Mostar held its first local elections. However, these elections revealed a level of unpreparedness, as citizens infected with Covid-19 and in isolation who are registered to vote still have not received any response from the mobile teams responsible for delivering their ballots as of the time of writing.³² This lack of organization and coordination has resulted in a violation of the right to vote in addition to other irregularities (i.e. observation bans, lack of election material, paid votes, etc.) and a questioning of the overall quality of elections. In addition, some of the overthrown party leaders have threatened citizens for how they voted,³³ declaring hardships for the opposition and once again, placing the emphasis on ethnic tensions and monopoly.

Despite being faced with rather restrictive measures, BiH citizens have mostly complied and supported them. One public opinion poll shows citizens felt well informed. They expressed highest confidence in medical professionals. The poll also showed that citizens are concerned about employment opportunities. Younger citizens are mostly concerned about the economic consequences of the crisis, while the elderly are concerned about the health consequences.³⁴ In addition, a few protests have been organized in several BiH cities, primarily by the student population (with an emphasis on those in health studies). Their rights to education have been compromised during the pandemic, preventing them from effectively completing their classes, especially the practical ones.³⁵ Generally, fear and concern are the two most common emotions that arise among adult citizens of BiH when thinking of the coronavirus.³⁶

³⁰ European Commission, Enlargement package 2020, Key findings on the 2020 Report on Bosnia and Herzegovina, <http://europa.ba/?p=70197>, (accessed 30 October 2020).

³¹ Central Election Commission of Bosnia and Herzegovina, Official polling results of the 2020 local elections, https://www.izbori.ba/Rezultati_izbora?resId=27&langId=1#/8/0/0, (accessed 30 November 2020).

³² N. Džaferagić, Građani koji zbog izolacije nisu mogli glasati još bez odgovara nadležnih, Dektor.ba, 2020, <https://bit.ly/38m05Hz>, (accessed 30 October 2020).

³³ Raport.ba, Dodik najavio brutalnu osvetu prema građanima Banja Luke, 2020, <https://bit.ly/3mLKHJT>, (accessed 30 October 2020).

³⁴ Ipsos, prepared for USAID and Unicef, Public opinion polling in Bosnia and Herzegovina: Rapid Assessment KAP (Knowledge Attitude Practice) – COVID 19 response, 2020, <https://uni.cf/3mHytlg>, (accessed 30 October 2020).

³⁵ N1, Trodnevni protesti: Studenti izlaze na ulice, 2020, <http://ba.n1info.com/Vijesti/a483653/Trodnevni-protesti-Studenti-u-Sarajevu-izlaze-na-ulice.html>, (accessed 30 October 2020).

³⁶ Ipsos, prepared for USAID and Unicef, Public opinion polling in Bosnia and Herzegovina: Rapid Assessment KAP (Knowledge Attitude Practice) – COVID 19 response, 2020, <https://uni.cf/3mHytlg>, (accessed 30 October 2020).

It should be mentioned that the opposition and public opinion in some cases played a key role in monitoring the regularity of public procurement during the Covid-19 pandemic. A case related to the ‘respirators affair’ was initiated by the daily press, and several criminal charges for irregularities were filed toward the judicial institutions of BiH by the opposition.

The Situation of Civil Society and the Media

On April 7, authorities in Republika Srpska adopted a measure to target disinformation during the pandemic, but according to CSOs, journalists, and international organizations it was in fact targeting freedom of media. This provoked an outcry among the public, especially when individuals began to be fined through this measure. By April 17, authorities revoked this measure and all fines issued against individuals were dismissed. At the end of April, press conferences held by the Covid-19 crisis management staff were called out by CSOs and the media for violating the right to freedom of information. During this period, the media representatives were able to send their inquiries to governing institutions via e-mail, but they often received vague answers and incomplete information, with no opportunities to ask follow-up questions or further clarification. Since May, the press conferences have instead been organized in the presence of the media. In the period thereafter, there were no measures that violated freedom of expression.

Despite limitations on their activities and often unresponsive authorities, the media, civil society organizations, and legal experts played an important role in disclosing cases of questionable public procurement cases,³⁷ leading to judicial follow up and the removal of individuals from their position in some cases. Several CSOs and news portals have started campaigns to raise awareness and help citizens recognize fake news, creating a dialog among the public. They were also instrumental in putting pressure on authorities to increase testing capacities and break up illegal ‘corona parties’, including some that were attended by politicians who were eventually fined. At the same time, the already weak financial position of journalists in BiH became worse during the pandemic. Many media outlets reported that income from marketing decreased significantly.³⁸ Some investigative journalists expressed they are uncertain about foreign funding in coming years due to global trends. Today, the media and civil society are in a difficult financial situation. Many media organizations have shut down or reduced their number of employees, and many civil society organizations are in the process of liquidation, because they do not possess sufficient funds.³⁹ Moreover, when it comes to government support and assistance, there are no clear solutions to helping the civil society organizations or media.

The media, civil society and medical experts in the country played important roles as watchdogs, reminding authorities to respect democracy, rule of law, and human rights. However, government authorities have once again failed to take full advantage of their potential and expertise. The involvement of CSOs in the creation of economic measures through a consultation processes was not seen. Research centers and academic representatives have warned about an economic collapse that will occur if the government and economic experts do not cooperate and jointly create an economic recovery program for the country. However, the role of trade unions and employers’ associations has been important, especially in discussion on the economic impacts of Covid-19. Their presence in the media has put pressure on authorities to develop other appropriate measures to help the economy as a whole.

³⁷ Internal media analysis, conducted by compiling various media reports on the matter (i.e. N1 BiH).

³⁸ BH Novinari, COVID-19 and economic consequences for the media in BiH, Survey with media owners, 2020, https://bhnovinari.ba/wp-content/uploads/2020/07/Anketa-sa-vlasnicima-medija_-COVID-19-i-ekonomske-posljedice-na-medije-u-BiH-BHS.pdf, (accessed 30 October 2020).

³⁹ Ibid.

Conclusion

This crisis has tested an already fragile state of democracy and rule of law in BiH, highlighting the complexity of the governance structure and the difficulty to achieve a working level of coordination and harmonization among authorities. Certain freedoms and rights have been violated to an extent by preventive measures, but there has been a sign of good judiciary practice in addressing this matter. On the other hand, local elections brought in new violations, which directly affect the democratic process in the country. While some institutions showed resilience, and in some instances, authorities reacted to pressure from the public, it is difficult to expect trends in BiH to shift significantly in the coming months and years. For this purpose, a continued effort by politicians to refrain from nationalistic agendas is needed, in addition to professionals within the judiciary and the institutions, combined with pressure from the civil society, media and the public, as well as support from the outside. The shift in ruling parties in some of the key cities in BiH indicates a political change that might speed up reform delivery. However, economic and social consequences of the pandemic are expected to be significant and will influence the majority of future reform processes.

Recommendations

- Cooperation and harmonization of preventive measures between all levels of government – openly cooperating with businesses, academia, CSOs, international organizations, and media is essential and should be explored further;
- Cooperation between the government and the EU could contribute to forming a comprehensive and effective system of public procurement, which would allow for transparency and preventing the possible abuse of public resources; monitoring of support funds and effective allocation of resources, in particular the ones coming from the EU, is crucial;
- The EU should increase its financial and political support for investigative media and CSOs in the coming period, since both played important and multiple roles during the pandemic;
- Particular attention should be paid to the digitalization process, especially the development of adequate mechanisms for protection and regulation of data in cooperation with the EU.

Kosovo

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Context

After nine cases of Covid-19 emerged, a state of public health emergency in Kosovo was declared on March 15, 2020, acting on the request of Ministry of Health. In the ongoing, unprecedented health crisis situation, Kosovo was caught in political turmoil⁴⁰ which led to insecurity and disunity among citizens of Kosovo, paralyzed parliamentary life, and stalled reform processes. President Hashim Thaçi urged the parliament to declare a state of emergency, strongly opposed by the then Prime Minister Albin Kurti,⁴¹ but surprisingly supported by the Minister of Internal Affairs, Agim Veliu (coalition party minister). Veliu was dismissed by Kurti the next morning, leading to the initiation of a no-confidence motion by LDK (Democratic League of

⁴⁰ P.Isufi, Kosovo Lawmakers Put Politics Ahead of Pandemic, Balkan Insight, 26 March 2020, <https://balkaninsight.com/2020/03/26/kosovo-lawmakers-put-politics-ahead-of-pandemic/>, (accessed 25 May 2020).

⁴¹ Xh. Bami, J. Robinson, M. Stojanovic, Kosovo PM and President Clash Again Over Virus Crisis, Balkan Insight, 24 March 2020, <https://balkaninsight.com/2020/03/24/kosovos-pm-and-president-clash-again-over-virus-crisis/>, (accessed 25 May 2020).

Kosovo). The opposition in Kosovo fueled tensions between the President and the Prime Minister, with 82 MPs ultimately voting for the no-confidence motion that led to the government collapse.⁴²

Additionally, opposition parties in Kosovo were highly critical of the government's management of the Covid-19 crisis, especially the exclusivity of the Emergency Fiscal Package and the insufficient testing of potentially infected citizens. In addition, measures undertaken that restricted the freedom of movement were all criticized as unconstitutional by the opposition, arguing that they breach the guaranteed fundamental human rights. The measures undertaken by the government and ongoing political clashes manifested a constitutional crisis, as a number of government decisions were questioned by the President and opposition parties.⁴³ President Thaçi's request to declare a state of emergency made clear his intention to take control of the state.

After more than 20 days and the exchange of five letters, the President concluded that LVV (Vetëvendosje) was refusing to send a new nominee for the position of the Prime Minister⁴⁴ and therefore started consultations with all other political parties. As a result, a Constitutional Court ruling affirmed the constitutionality of the President's decree and paved the way for the new government to be formed. The then caretaker government led by Kurti took a decision to replace the precautionary measures with a gradual re-opening of three phases.⁴⁵ However, on June 1, the succeeding government lifted all measures leading to a spike of infection rates in July and an increase of deaths in August, rendering Kosovo one of the deadliest countries in the world.⁴⁶ As of October 2020, above 1,500 tests have been conducted daily out of which 500-700 on average were positive. Over the following two months as testing frequency increased considerably, so has the number of reported infections. Number of deaths started to increase during the third week of October, peaking in mid-November with up to 95 deaths per week.⁴⁷ As the infection rates increased, the government adopted new measures, limiting movement and economic activity from 5am-7pm in municipalities with high infection rates.⁴⁸

The Long-term Impact on Institutions: Rule of Law and Good Governance

The government undertook mild restrictions even before the first cases of Covid-19 appeared in Kosovo. As the number of infected cases increased, the measures became more stringent, and on March 15, a state of emergency was declared which remained in place until mid-May 2020. The government decided to restrict movement by limiting the time citizens were allowed outdoors, and most businesses were forced to close.⁴⁹ The measures resulted in limited access to medical care, which is an even more concerning breach of the fundamental rights of citizens in need of immediate healthcare. Allegedly, many citizens with chronic diseases were prevented from receiving appropriate medical care due to the focus on Covid-19 cases. During summer months, Kosovo's mass testing was at its lowest levels, only those with severe symptoms had the opportunity to be tested. This led to a major public debate claiming that citizens are being unfairly discriminated, while political elites are tested regularly.

⁴² L. Krasniqi-Veseli, A. Konushevci, The Kurti government falls, Radio Free Europe, 25 March 2020, <https://www.evropaelire.org/a/30508373.html>, (accessed 25 May 2020).

⁴³ T. Osmani, Thaci Sends to the Constitutional Court the Government Decision to Restrict Freedom of Movement, Kallxo.com, 24 March 2020, <https://kallxo.com/lajm/thaci-e-dergon-ne-kushtetuese-vendimin-e-qeverise-per-kufizimin-e-levizjeve/>, (accessed 25 May 2020).

⁴⁴ A. Sopi, Kurti Demands for the President to Answer his Request, Kallxo.com, 17 April 2020, <https://kallxo.com/lajm/kurti-kerkon-qe-presidenti-se-pari-ti-pergjigjet-kerkeses-se-tij/>, (accessed 20 May 2020).

⁴⁵ Evropa e Lire, Kosovo cilitates isolation measures, <https://www.evropaelire.org/a/30585652.html>, (accessed 25 November 2020).

⁴⁶ M. Day, Kosovo currently the deadliest country for Coronavirus, despite having the youngest population in Europe, Telegraph.co.uk, 22 August 2020, <https://www.telegraph.co.uk/news/2020/08/28/kosovo-currently-deadliest-country-coronavirus-despite-having/>, (accessed 14 December 2020).

⁴⁷ World Health Organization (WHO), Covid Emergency Dashboard, <https://covid19.who.int/region/euro/country/xk>, (accessed 2 December 2020).

⁴⁸ Kosovo 2.0, Report on Government New Anti-Covid 19 Measures, <https://kosovotwopointzero.com/en/the-government-adopts-new-anti-covid-19-measures/>, (accessed 2 December 2020).

⁴⁹ ICLG.com, Chronological Description of Preventive Measures, <https://iclg.com/briefing/11948-kosovo-general-prevention-measures>, (accessed 25 May 2020).

The work of judiciary has been extremely affected by the pandemic situation. Specifically, the work of courts and prosecution has halted, with the exception of emergency services such as detention, domestic violence, and cases that risk the statutory limitation.⁵⁰ This has severely limited access to justice and risks increasing the existing backlog of cases. These issues will persist if the Kosovo Judicial Council (KJC) does not come forward with a strategy on how to handle the situation promptly. Furthermore, some judges have started trying cases at home, a practice highly criticized by civil society, due to the risk of destruction and concealment of case materials.⁵¹ As the Covid-19 restrictions began to relax, KJC made the decision to expand the activities of all courts to try cases where the presence of parties involved is not required.

The Covid-19 crisis added to the existing challenges encountered by the judicial system for many years, including transparency, accountability and organization of court hearings, in general. In the long term, the pandemic could negatively affect implementation of the ongoing rule of law reforms, if relevant institutions do not put serious efforts in pushing forward these key processes that remain a precondition for well-functioning justice systems. As per the Criminal Procedure Code, if there were no sessions held for a particular trial within a three-month period, the trial will be restarting from the beginning. As a result, a considerable number of criminal trials will be sent back to the initial phase – this will affect many criminal cases, including those involving high profile officials.

On a positive note, in June 2020, the Kosovo Judicial Council drafted the Emergency Plan for Crisis Management⁵² which was shared with all courts in Kosovo. The Emergency Plan aims to ensure a smooth functioning of the judicial system during emergency situations such as health crises, natural disasters and other ‘force majeure’ circumstances when restrictive measures are in place.⁵³ What remains crucial is that courts abide by this Plan in order to avoid a potential increase of backlog cases, which even under normal circumstances remains a persistent challenge of the justice system in Kosovo.

Parliaments, the Role of the Opposition, and Public Opinion

The pandemic crisis in Kosovo has created social polarization due to the ongoing political clashes between the Kurti government, opposition parties, and the President. The opposition parties in the parliament have refused to vote for the legal amendments or initiatives necessary to properly manage with the health crisis.

Overall, the public trust towards government institutions during the pandemic has been steady, and curfew measures implemented by the government were largely respected. UNDP survey data published in June 2020 suggest that around 79% of citizens are satisfied with the response of public institutions to the crisis caused by the Covid-19 outbreak.⁵⁴ The Kurti government’s call on the Kosovar diaspora to donate money was well received with more than 700,000 EUR donated so far.⁵⁵ This reconfirms the diaspora’s key role and their readiness to contribute in times of crisis but is also indicative of trust granted to Kurti’s government to manage these funds. However, uncertainty among citizens increased due to the fall of the government, which left the public unsure of how the pandemic would be handled.

⁵⁰ Kosovo Judicial Council, Courts are Functioning at Limited Capacities, <https://www.gjyqesori-rks.org/2020/04/06/gjykatat-e-kosoves-po-funksionojne-me-kapacitete-te-limituara/>, (accessed 20 May 2020).

⁵¹ A. Luta, The Practice of Some Judges to Analyse Cases in Home During the pandemic is Being Criticized, *Koha.net*, 20 Maj 2020, <https://www.koha.net/arberi/222637/kritikohet-praktika-e-disa-gjyqtareve-qe-gjate-pandemise-moren-lendet-ne-shtepi/?fbclid=IwAR2IPLq4Tzyh0ty82SX0R2ysaQINnJEHRVZ6n2XtBefITzBtW3VpbjzmN0>, (accessed 30 May 2020).

⁵² Kosovo Judicial Council (KJC), Official Website, <https://www.gjyqesori-rks.org/2020/te-henen-fillon-puna-ne-gjykata-dhe-kgj-ke-perputhje-dhe-respektim-te-masave-per-parandalimin-e-perhapjes-se-covid-19/>, (accessed 10 November 2020).

⁵³ Kosovo Judicial Council, The KJC Emergency Plan for Crisis Management, https://www.gjyqesori-rks.org/wp-content/uploads/reports/69352_KGJK_Plani_veprimit_per_menaxhimin_krizes.pdf, (accessed 14 December 2020).

⁵⁴ UNDP, Public Pulse 18, 2020, https://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/public-pulse-xviii.html?fbclid=IwAR1hvk4zamasOHfq376RSjmmj9gb1ep3P5clh2Vh-9czcKz47cB_t_bM1fE, (accessed 3 June 2020).

⁵⁵ Zeri.info, The Diaspora Sent Nearly 700,000 Euros to Fight Coronavirus in Kosovo’, 28 April 2020, <https://zeri.info/ekonomia/345249/diaspora-dergoi-afere-700-mije-euro-per-te-luftuar-koronavirusin-ne-kosove/>, (accessed 30 May 2020).

This uncertainty deepened further when the Assembly failed to pass the Law on Economic Recovery for the sixth time in November⁵⁶ in the wake of another virus wave due to a fragile ruling coalition and ongoing lack of quorum. Unfortunately, political divisions and interests have overshadowed efforts for economic recovery. Coalition parties have blamed the opposition for not casting their vote for the Law on Economic Recovery, whereas opposition members argued that their recommendations have not been taken into account. Furthermore, they argued that the economy and businesses could have been helped already by other means. The situation changed when the draft law on Economic Recovery was finally passed on December 4, 2020 with 72 votes, including those of the opposition party PDK (Democratic Party of Kosovo).⁵⁷ The latter cast their votes only after four of their proposals were included in the draft law.

While failing to move forward a vast majority of the legislative agenda, the Assembly has also failed to properly exercise its oversight role, mainly due to lack of quorum and constant political clashes. Looking ahead, the passivity of the Assembly will have major consequences for the progress of key reform processes and hinder socio-economic recovery in the aftermath of the pandemic.

The Situation of Civil Society and the Media

Civil society (CS) is one of the sectors that continued to play an active role during the pandemic. Apart from humanitarian activities, CS also provided evidence-based analysis that examined different sectors impacted by the situation. Despite political chaos and in the wake of a no-confidence motion, CS publicly appealed for political unity and to avoid institutional crises in critical times for Kosovo's citizens.⁵⁸ In a public letter, CS publicly called for focus across the political spectrum on issues pertaining to the prevention of the virus spread, rather than political strife.⁵⁹ Additionally, CS regularly engaged in awareness campaigns to inform and educate citizens on available tools and mechanisms to report any kind of violations of human rights, including domestic and gender-based violence, discrimination, and child abuse.

Overall, the sector was less impacted by the Covid-19 situation and the majority of activities adapted through online means. Most organizations were able to maintain their staff, while donor contracts were not endangered substantially. Amid social distancing, CS managed to enable an environment for protesting from home which was a novelty in terms of forms of protesting. Firstly, calling for institutional and political unity, citizens across Kosovo protested for six days in a row, banging pots from their balconies.⁶⁰ On May 16, as the situation worsened, CS activists prepared the main square in Pristina by marking two-meter distanced standing points to enable potential protests at citizen will.⁶¹ In October and November, new government measures triggered the reaction of the gastronomy sector, demanding a more serious approach to tackle the devastating impacts of the Covid-19 measures.⁶²

In a professional and real-time approach, the media sector has ensured the news is properly and regularly provided to the public at large. Cooperation with the responsible institutions is to be applauded. However, the independent media sector was seriously affected by the pandemic. A majority of media outlets reported declining revenues due to a lack of advertising, which led to journalists and other workers being fired during the pandemic. According to a survey of the Association of Kosovo Journalists, 43% (out of 120) of respondents have received support from the government's Fiscal Emergency Package, 46% did not, whereas the remaining

⁵⁶ Insajderi.com, The Draft-law on Economic Recovery Fails for the Sixth Time, <https://insajderi.com/desh-ton-perseri-projektligjiper-rimekembjen-ekonomike/>, (accessed 30 November 2020).

⁵⁷ L. Krasniqi-Veseli, The Assembly Votes on the Draft Law on Economic Recovery, *Evropa e Lire*, 4 December 2020, <https://www.evropaelire.org/a/30983947.html>, (accessed 14 December 2020).

⁵⁸ Koha.net, Civil society calls for institutional unity instead of political clashes, 18 March 2020, <https://www.koha.net/arberi/213875/shoqeria-civile-kerkon-unitet-institucional-ne-vend-te-percarjeve-e-perplasjeve-politike/>, (accessed 20 May 2020).

⁵⁹ Ibid.

⁶⁰ E. Travers, Prishtina Protests from its Balconies, *Prishtina Insight*, 19 March 2020, <https://prishtinainsight.com/prishtina-protests-from-its-balconies/>, (accessed 25 May 2020).

⁶¹ Telegrafi.com, Standing Points Pained Again in Skenderbeu Square in Prishtina, 16 May 2020, <https://telegrafi.com/skuqen-serish-pikat-e-protestes-ne-sheshin-skenderbeu-ne-prishtine/>, (accessed 25 May 2020).

⁶² *Ekonomiaonline*, On the Symbolic Activity of the Gastronomy Sector Against Covid Measures, <https://ekonomiaonline.com/nacionale/gastronomet-me-aktivitet-simbolik-protestojne-kunder-masave-anti-covid/>, (accessed 14 December 2020).

claimed that only the employer has benefited.⁶³ This means that almost half of the sector employees did not benefit from the emergency funds. Despite circumstances, media outlets have continued to professionally conduct their work to keep citizens regularly informed. In response to the decline of revenue, funds for the media sector are expected to increase in the near future, with some donors already starting to provide emergency funds for the independent media.

Conclusion

The political battle between the President and the Prime Minister led to political and social polarization in Kosovo. Amidst a worldwide pandemic, power clashes resulted in a constitutional crisis and even higher levels of uncertainty among the public. What remains crucial is the implementation of a proper strategy to prevent further economic crisis and an even higher unemployment rate. The suspension of parliamentary activities led to insufficient oversight, and hindered any efforts to put forward any legal initiatives. Additionally, rule of law institutions were functioning with limited capacities, which will undoubtedly result in an increased backlog.

Recommendations

- It is crucial for the Government of Kosovo to focus their efforts on identifying applicable solutions to offer concrete support to businesses and vulnerable social groups that have been heavily affected by the pandemic. It is an immediate necessity for the government to design a long-term institutional strategy that ensures those most vulnerable are granted tailored support in order to prevent long-lasting poverty effects;
- The justice sector in Kosovo should ensure proper mitigation mechanisms are put in place in order to avoid an increased backlog of cases, and ensure adequate access to justice for their citizens. Rule of law institutions should not contextualize the situation with the pandemic outbreak to postpone numerous ongoing reforms that remain crucial towards improving the overall functioning of the system;
- The government must make additional efforts to design concrete policies that will result in increased investments in the healthcare system in Kosovo, which currently remains at critical levels and fails to provide decent services for the citizens;
- The government should employ an inclusive approach when designing policies to address the consequences of the pandemic. It is crucial for the government to involve all relevant parties, including civil society, academia, field experts, the international community and citizens, among others.

⁶³ L. Demiri, Association of Journalists of Kosovo, The Impact of COVID-19 Pandemic on the Financial Situation of Journalists, Cameramans and Photo Reporters, October 2020, (accessed 14 December 2020).

Montenegro

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Context

Montenegro was the last country in Europe to confirm Covid-19 cases in mid-March 2020 and managed to become the first Covid-free country by the end of May. Nonetheless, its eradication proved to be short-lived, with new outbreaks of Covid-19 in late June. By October 31, Montenegro became one of the most affected countries in Europe, relative to its population, with a total of 18,341 cases since the virus outbreak and 301 deceased.⁶⁴

On August 30, 2020 national elections took place resulting in a historically unprecedented peaceful power shift in the country. Rising unemployment, a result of the Covid-19 outbreak, and a poor tourism season are believed to be partial factors in the election result. However, the key political struggle emerged over the property of the Serbian Orthodox Church, which was challenged by the 2019 Law on Religious Organizations.

The aftermath of the elections further undermined the official handling of the crisis. Institutions failed to prevent mass gatherings of those who won and lost elections and failed to condemn their organizers. During the largest event on September 6, live Facebook streams of the gatherings were broadcast on the page of the head of the National Coordination Body for Communicable Diseases (NKT), allegedly by an administrator's mistake. Nonetheless, this stands as an illustration of the evolution of Montenegro's response to the pandemic: from very harsh measures to selective and unpredictable moves from the state, adding to the overall disorientation of citizens and lack of authority in handling the crisis.

The Long-term Impact on Institutions: Rule of Law and Good Governance

Like many countries, Montenegro moved from the initial stricter lockdown to a more flexible approach, still insisting on physical distance, masks, and hand hygiene. In October 2020, the government introduced once again more restrictive lockdowns, depending on infection rates in the most affected municipalities. However, this approach was met with protests, especially by restaurant and café owners, and some measures for tourism hubs on the coast were reversed.

Leading the fight against the pandemic in Montenegro is the National Coordination Body for Communicable Diseases (NKT). However, its composition was disputed from the very start, as it did not correspond to the one prescribed by the relevant legislation. Instead of being led by the minister of health, this body has been directed by the vice-president of the government. The sidelining of the health minister, who came from a minor coalition partner in the government, stands as an illustration of his overall negligent role and low visibility during the crisis. The faces of the fight against Covid-19 were top government officials from the long-serving Democratic Party of Socialists (DPS) and heads of the Institute of Public Health and Clinical Centre of Montenegro, also officials of the DPS.

The most controversial move of the NKT was the decision to publish data on people in self-isolation in the first wave of the pandemic.⁶⁵ The measure mirrored the initial government approach, which seemed to be decisive to contain the pandemic but with not much consideration to the rule of law. The President of the

⁶⁴ Institute for Public Health of Montenegro, October 31, 2020, <https://www.ijzcg.me/me/novosti/covid19-presjek-stanja-31-oktobar-u-1730h>, (accessed 14 November 2020).

⁶⁵ According to the recommendations of the World Health Organization, self-isolation means staying at home for 14 days, without contact with other people. In Montenegro, the measure of obligatory self-isolations is usually delivered to people who were in contact with the person infected by Covid-19, or to people who traveled to affected areas.

Government openly stated that it was no time for “legal nuances”⁶⁶. Following the affirmation of the agency tasked with personal data protection, the government disclosed the data of more than 1,800 people in self-isolation. The data were subsequently used by a private company for the creation of a special tracing application. Also in this case, the agency failed to properly investigate a potential breach of privacy rights.

The move to publish personal data also challenged the role of Montenegro’s judiciary in protecting human rights. The reaction of the Constitutional Court came too late: the Court ruled that the decision was unconstitutional and annulled it, more than four months after the complaint was filed and two months after the government abolished the practice.⁶⁷ In other cases, the constitutional court managed to prevent the government from breaching human rights, by ruling against restrictions on voting for people in hospitals, institutional quarantine, and self-isolation. It also prevented additional restrictions placed on vote by mail. Therefore, while not particularly proactive in ensuring the constitutionality and legality of the government’s decisions, it did provide some checks and balances.

The Supreme Court of Montenegro stated that it was satisfied with the courts’ performance during the crisis; however, it noted that the poor infrastructure was one of the key impediments during the period.⁶⁸ The courtrooms are mostly small, making it difficult to ensure necessary physical distance. On the other hand, the European Commission noted in its 2020 report on Montenegro that salaries of over 200 judges and prosecutors were cut in half for the months of May and June as part of the government measures introduced due to curb the effects of the Covid-19 pandemic.⁶⁹

Poor detention conditions were worsened by the health crisis. In May, a bishop and seven priests of the Serbian Orthodox Church (SOC) were detained for allegedly organizing a large street procession, which breached the anti-pandemic measures. The Ombudsman issued an opinion in October that the rights of the detainees were breached, and that two of them were not even provided with beds, since the detention room was overpopulated.⁷⁰ This case came in the midst of conflict over the law on religious organizations and numerous protests against it by the SOC, joined by citizens and opposition. As such, the case further politicized measures to contain the pandemic.

The State Electoral Commission issued recommendations for epidemiological measures prior to elections. Its attempts to restrict the right to vote for people in self-isolation and quarantine and to introduce additional conditions to vote by mail were criticized by civil society and blocked by the Constitutional Court. The overall conclusion of the OSCE/ODIHR was that the elections were generally competitive, but highly polarized on issues of church and identity, and that the ruling party gained an undue advantage through misuse of office and state resources. The Covid-19 pandemic contributed to this unfair advantage, for instance the electoral law was changed in April to lift restrictions placed on the government in allocating social benefits during an election year in cases of an epidemic or pandemic.

Despite short-term effects of the Covid-19 crisis, emergency circumstances are not expected to have lasting effects on the rule of law. Problematic decisions of both the government and judiciary have been temporarily exacerbated during the crisis, but the evolving political environment lessens the possibility of a long-term susceptibility to such practices. A positive lasting effect on good governance has resulted from an increased

⁶⁶ Vlada Crne Gore, Premijer Duško Marković: Mjere donosimo da zaštitimo građane, neće biti praštanja za nepoštovanje pravila (Government of Montenegro, Prime Minister Duško Marković: We bring measures to protect citizens, there will not be forgiveness for disrespect of rules), 22.03.2020, <https://www.gov.me/vijesti/223147/Premijer-Dusko-Markovic-Mjere-donosimo-da-zastitimo-gradane-nece-bit-prastanja-za-nepostovanje-pravila.html>, (accessed 26 October 2020).

⁶⁷ Odluka Ustavnog suda Crne Gore o ukidanju odluke Nacionalnog koordinacionog tijela za zarazne bolesti o objavljivanju imena lica u samoizolaciji, U-II br. 22/20 (Decision of the Constitutional Court of Montenegro on revoking the decision of the National Coordination Body for Communicable Diseases on publishing the names of persons in self-isolation), <http://www.ustavnisud.me/ustavnisud/objava/blog/4/objava/180-odluka-ustavnog-suda-crne-gore-o-ukidanju-odluke-nacionalnog-koordinacionog-tijela-za-z-arazne-bolesti-o-objavljanju-imena-lica-u-samoizolaciji-u-ii-br-22-20>, (accessed 26 October 2020).

⁶⁸ Vrhovni sud Crne Gore, Predsjednica: Uprkos teškim uslovima, rezultati sudova dobri, 5. oktobar 2020. godine, (Supreme Court of Montenegro, President: Despite the harsh conditions, the courts' results are good), <https://sudovi.me/vrhs/sadrzaj/nO6E>, (accessed 26 October 2020).

⁶⁹ European Commission, Montenegro Report 2020, Brussels, 6.10.2020.

⁷⁰ S. Kajosevic, Montenegro Ombudsperson Accuses Police of Rights Violations in Pandemic, October 14, 2020, <https://balkaninsight.com/2020/10/14/montenegro-ombudsperson-accuses-police-of-rights-violations-in-pandemic/>, (accessed 26 October 2020).

discussion of digitalization and e-services. The e-Health portal introduced new options for service provision. The government encouraged electronic communication and the submission of electronic documents as substitutes of hard copies, which is not usually the case. The importance of the digitalization of courts was also reiterated; yet, with growing concerns on data security and privacy.

Parliaments, the Role of the Opposition, and Public Opinion

The parliament has been sidelined from key decisions on the pandemic response. The Committee for Health, Labor and Social Care held one consultative hearing of key officials handling the pandemic, but with no follow-up conclusions or recommendations. The parliament's oversight role was also affected by the ongoing boycott of some opposition parties. The sidelining of the parliament was thus not exclusively an outcome of the predominance of the executive branch in handling the pandemic, but has dominated the entire period since the 2016 election.

The moves of the government are reflected in the deteriorated perception of its work: in August 2020, the percentage of citizens dissatisfied with the government's work slightly increased in comparison to the same survey conducted in late 2019. In 2020, there were more people who thought that the performance of the NKT was very or mostly poor (44.8%) than those who thought that it was very or mostly good (36%).⁷¹

As time passed, the opposition increasingly confronted the government's decisions, especially its reluctance to open borders with Serbia and its ban on political and religious public gatherings. Controversies regarding the pandemic response increased in the period surrounding elections. One week prior to elections, opposition members participated in the protest against the Law on Religious Organizations, which consisted of a convoy of cars on the streets of Podgorica. The police prevented people from other towns from entering Podgorica, with no legal justification for such a move. Following the elections, citizens organized mass celebrations, which were not subject to similar police reactions.

The failure of institutions to enforce rules consistently culminated when groups associated with the Democratic Party of Socialists of Montenegro, which lost in the elections for the first time after 30 years, organized a protest on September 6, 2020. Contrary to its role in opposition gatherings, police regulated traffic for citizens joining the protest rather than prevent them from joining. The police issued an estimate that 50,000 people attended the event, while failing to condemn it. Government officials also attended the event. The turn of events had a more lasting effect on the behavior of citizens, who became disoriented and without clear authority for handling the crisis. A protracted transition of power further added to this polarizing climate. The composition of the NKT, whose most prominent members are closely affiliated with the DPS, is expected to change significantly upon the formation of the new government.

The Situation of Civil Society and the Media

Civil society remained vibrant throughout the pandemic and its scrutiny of institutions continued. It worked to suspend the public debate on the sensitive Law on Freedom of Information, which was scheduled in the midst of the pandemic. Furthermore, Institute Alternative, a civil society organization, demanded the government publish its expenditure of donations made by citizens and companies to the NKT, which amounted to more than 8.2 million EUR as of October 28, 2020.⁷² The government partially complied with the demand, publishing weekly transactions from the account of the NKT, although not disclosing accompanying documents, such as contracts, decisions, etc. The Network for Affirmation of Non-Governmental Sector (MANS) also raised concerns over public procurement of equipment for health institutions, while other NGOs

⁷¹ Centre for Democracy and Human Rights (CEDEM), Political public opinion, August 2020, <https://www.cedem.me/publikacije/istrazivanje/politicko-javno-mnjenje/send/29-politicko-javno-mnjenje/1975-politicko-javno-mnjenje-avgust-2020>, (accessed 26 October 2020).

⁷² Information available at the Official Government Website on Covid-19, <https://www.coronainfocg.me/me/donacije>, (accessed 26 October 2020).

observed elections. A particularly prominent role was played by the Union of Doctors of Medicine, an NGO urging for more effective protection of health workers during the pandemic.

Nonetheless, NGOs faced many problems in their work throughout the crisis. Results from a survey conducted by the Centre for Development of NGOs (CRNVO) in April demonstrated that the pandemic has had a negative effect on the work and activities of NGOs, including layoffs, an inability to implement activities, and the suspension of services to thousands of beneficiaries (e.g. persons with disabilities).⁷³ Despite these negative effects, NGOs were not the subject of government measures, which could have facilitated their operations and financial sustainability. Moreover, the government ignored specific demands of NGOs for support during the crisis and it was criticized for lacking substantial understanding of the importance of NGOs.⁷⁴ Service provision to vulnerable groups, such as women suffering domestic violence, Roma, or people with disabilities, usually conducted by NGOs, was increasingly needed during the crisis. However, the government's overall response to countering the effects of the crisis was mostly financial, while neglecting a wide range of issues of social cohesion and targeted support to vulnerable groups. Therefore, the pandemic is expected to contribute to the deepening of social divisions in the long term.

The media in Montenegro, which are usually polarized over political issues, were united in amplifying the messages of key health institutions on the importance of containing the pandemic. Unlike their assistance to NGOs, the government provided multifaceted support to the media, which included direct financial assistance, delay of or relief from certain financial obligations, pay subsidies, favorable loans, and free protective equipment for journalists.⁷⁵

Conclusion

The Covid-19 pandemic is expected to deepen social divisions in Montenegro, especially due to the lack of targeted support for vulnerable groups. The undemocratic practices of the government have been exacerbated by the emergency circumstances, especially during the early stages of the crisis. Nonetheless, the shift of power might prove a critical juncture and alleviate the effects of the crisis on democracy and rule of law in the country, but it is too early to estimate how. On the other hand, the needs exposed by the crisis can further push the government's digitalization agenda, which can increase cost-effectiveness, transparency, and efficiency of service provision.

Recommendations

- The government, judiciary and other institutions should continue their digitalization efforts in order to adapt to the changing conditions caused by the pandemic and ensure provision of public services;
- The government and parliament should review and amend current legislation on communicable diseases, including the structure and operation of the main coordination body based on the evaluation of results in countering the pandemic;
- The government should ensure the inclusion of NGOs into the measures, policies, and decision-making bodies aimed at countering negative effects of pandemic;
- The government should provide targeted support to vulnerable groups worst affected by the pandemic, such as women, people with disabilities, and the Roma community.

⁷³ A. Novaković Đurović, R. Mušović, Uticaj Covid-19 na rad nevladinih organizacija u Crnoj Gori, Centar za razvoj nevladinih organizacija, april 2020. godine.

⁷⁴ Vijesti online, CRNVO: Vlada i dalje ne razumije ulogu NVO, 1. jul 2020, <https://www.vijesti.me/vijesti/drustvo/447349/crnvo-vlada-iznova-ignorise-zahtjeve-nvo>, (accessed 28 October 2020).

⁷⁵ Služba za odnose sa javnošću Vlade, Vlada finansijski pomogla medijima u toku pandemije koronavirusa, 14.06.2020, <https://www.gov.me/vijesti/227299/Vlada-finansijski-pomogla-medijima-u-toku-pandemije-koronavirusa.html>, (accessed 26 October 2020).

North Macedonia

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Context

North Macedonia entered the Covid-19-crisis with a dissolved parliament and a ‘technical government’ composed of both position and opposition ministers, one month away from holding pre-term elections. Therefore, when the pandemic erupted, the only option to initiate Covid-19-related measures was for the President to declare a state of emergency, which gave the government the power to adopt legally binding decrees.⁷⁶

The state of emergency, which lasted between March and June 2020, was challenging. Such a decree had never before been put into practice and the general constitutional provisions were not further regulated, leaving legal gaps. Pressed for time and a prompt reaction, these gaps were filled without proper public dialog, and exacerbated by the lack of a functional parliament for most of the pandemic.

Despite concerns for their organization, orderly elections were held in July and a new government took office in early September. The elections unfortunately pushed other pressing issues to the background. The crisis revealed disparities in the enjoyment of fundamental rights⁷⁷ as well as the limited information and communication technology capacity of state institutions as they instructed a majority of workers to work from home.⁷⁸ Since autumn, the country has been experiencing a significant rise in the number of Covid-19 cases.

The Long-term Impact on Institutions: Rule of Law and Good Governance

Government transparency was highly affected and challenged throughout the Covid-19 crisis. As to the former, while regular and open press conferences were held,⁷⁹ and special websites⁸⁰ and applications⁸¹ were put to use, overall transparency seems to have suffered. Firstly, there was a period when government decrees were not freely available to the public.⁸² Second, institutional responsiveness slowed down, including on issues with legally prescribed deadlines such as free access to information. The state institutions already lacked the human and financial capacity to operate in the new circumstances, especially to mobilize a rapid response. Thus far, no systemic solution has been found for executing timely and quality responses. The crisis further exposed these existing shortcomings, as well as an urgent need for interventions in ICT (information and communication technology) capacities. Thus, increased public (or at least civil society) pressure for increasing the efficiency and effectiveness of the public administration is to be expected. Third, key documents which help the public monitor the government’s actions were not made public. This includes a report from the Government to the President regarding the actions it has undertaken to address the state of emergency.⁸³ While

⁷⁶ Official Gazette of RNM, No.142/2020, Decision Establishing State of Emergency [Одлука за утврдување на постоење на вонредна состојба].

⁷⁷ See for example: Kamberi, EPI Roma COVID-19 Brief.

⁷⁸ Official Gazette of RNM, No.107/2020 § (2020), Decision Amending the Decision on Working Hours Scheduling for the Government of the Republic of North Macedonia, the Ministries and the Other Organs of State Management [Одлука за изменување на одлуката за утврдување распоред на работното време во Владата на Република Северна Македонија, министерствата и другите органи на државната управа].

⁷⁹ Official Governmental Covid-19 Website (blog), Press Conferences, n.d., <https://koronavirus.gov.mk/vesti>, (accessed 26 November 2020).

⁸⁰ Official Governmental Covid-19 Website, n.d., <https://koronavirus.gov.mk>, (accessed 26 November 2020).

⁸¹ Official Government Covid-19 App, n.d., <https://stop.koronavirus.gov.mk>, (accessed 26 November 2020).

⁸² These were distributed to the public by an NGO with access to the paid database of the official gazette. Macedonian Young Lawyers Association, State of Emergency, n.d., <https://myla.org.mk/вонредна-состојба/>, (accessed 26 November 2020).

⁸³ dw.com, Public Insight into the Government’s Report to the President Is Necessary [Нужен е увид во владиниот извештај до Претседателот], April 2020, <https://www.dw.com/mk/нужен-е-увид-во-владиниот-извештај-до-претседателот/a-53266170>, (accessed 26 May 2020).

the urgency and novelty of Covid-19 created a need for prompt and ad hoc reactions, it did not absolve the government's obligation to transparency and accountability.

The Covid-19 crisis postponed the implementation of some measures outlined in the Judicial Reform Strategy 2017-2022. The Action Plan had been amended already before the Covid-19 crisis to set a more realistic timeline to allow sufficient time for a comprehensive debate on policy proposals regarding systemic laws.⁸⁴ Some of the judicial reform legislation was not adopted by the previous parliamentary composition, both due to the difficulties in reaching cross-party consensus where necessary and due to the scheduling of early parliamentary elections at the end of 2019.⁸⁵ However, these laws are expected to be adopted by the new parliamentary composition. The preparation of amendments and new laws has also been a challenge during the Covid-19 crisis, although some of the working groups are holding online sessions. Planned public consultation processes are likely to be further delayed.

The Covid-19-related decrees affected the efficiency and course of court proceedings by freezing procedural deadlines during the state of emergency,⁸⁶ thus broadly affecting access to justice. The issuance of referral acts for imprisonment of up to three years was postponed until September 1, 2020, except for cases where there was a danger of surpassing the statute of limitations for the execution of the sentence.⁸⁷ The Constitutional Court struck down some of the measures introduced by the Government during the state of emergency as unconstitutional, signaling a functioning system of checks and balances on its side.⁸⁸

A welcome change was the increased use of ICT by the judicial community, for instance the first online trial was conducted;⁸⁹ and online webinars, consultations, and meetings took place.⁹⁰ If further supported, this may have a positive impact in a longer term. However, ensuring the right to a fair trial has been challenging during the pandemic.⁹¹ Improving the quality of IT equipment in the judiciary is essential in the short term in order to provide for the rights guaranteed in Article 6 of the European Convention of Human Rights, especially the right to a fair hearing, public hearing and effective defense.

Parliaments, the Role of the Opposition, and Public Opinion

The crisis does not seem to have had an impact on the dynamics which often drive apart the largest ethnic Macedonian political parties, ultimately halting political processes.⁹² The parliamentary elections took place on July 15, 2020 after being postponed from April due to the Covid-19 pandemic. The elections were considered fairly administered with genuinely competitive campaigns, although legal stability was undermined by substantial revisions to the electoral legal framework and subsequent government decrees.⁹³ On August 4, at the constitutive session, the Assembly verified the mandates of the members of parliament (MPs) belonging

⁸⁴ I. Conevska, I. Kamberi, Shadow Report on Chapter 23 for the Period June 2019 - March 2020 [Извештај во сенка за Поглавје 23 за периодот јуни 2019 - март 2020 година] (Skopje: European Policy Institute – Skopje, April 2020), https://epi.org.mk/wp-content/uploads/2020/05/Izvestaj_vo_senka_2020.pdf, (accessed 26 June 2020).

⁸⁵ Ibid.

⁸⁶ Official Gazette of the Republic of North Macedonia No. 84 § (2020), Decree with Legal Force for Deadlines in Court Proceedings during the State of Emergency and the Actions of Courts and Public Prosecutors [Уредба со законска сила за роковите во судските постапки за време на вонредната состојба и постапувањето на судовите и јавните обвинителства].

⁸⁷ Ibid.

⁸⁸ Constitutional Court of the Republic of North Macedonia (blog), Leading Cases, n.d., http://ustavensud.mk/?page_id=5228&lang=en, (accessed 26 November 2020).

⁸⁹ Basic Court Kavadarci, Information for Online Trial of Detainee Case, Judicial Portal of the Republic of North Macedonia, April 2020, <https://bit.ly/2M6Axn8>, (accessed 26 November 2020).

⁹⁰ Academy of Judges and Public Prosecutors, Program for Studying the Basics of Immigration Detention in Cooperation with UNHCR [Програма за изучување на основите за имиграциско задржување во соработка со УНХЦР], April 2020, <https://jrcademy.gov.mk/programa-za-izuchuvane-na-osnovite-za-imigracizisko-zadrzhuvane-vo-sorabotka-so-unhczr/?fbclid=IwAR1TMsKM9Op1kXi6t4Lh-XglH-pkxdZmKvFSr1OcqWwYooQa5VuUCdGOcbM>, (accessed 26 November 2020).

⁹¹ L. Bianku, N. Mole, H. Smith, Covid-19 and the Impact on Human Rights An Overview of Relevant Jurisprudence of the European Court of Human Rights, <https://rolplatform.org/wp-content/uploads/2020/10/covid-guide-eng.pdf>, (accessed 26 November 2020).

⁹² Radio Free Europe, Uncertain End of the State of Emergency and the Elections Date [Неизвесни и вонредната состојба и датумот за избори], May 2020, <https://www.slobodnaevropa.mk/a/vonredna-sostojba-izbori/30639087.html>, (accessed 26 June 2020).

⁹³ ODIHR Special Election Assessment Mission Final Report Early Parliamentary Elections North Macedonia, https://www.osce.org/files/f/documents/b/e/465648_2.pdf, (accessed 26 November 2020).

to the tenth parliamentary composition. Due to cases of Covid-19 among the MPs, debates over the online work of the Assembly have intensified. The ruling majority proposed changes in the Rules of Procedure of the Assembly in that regard, but the opposition has considered the changes unconstitutional. Given the slim parliamentary majority, the work of the parliament during the pandemic continues to be a matter of concern.

Although the public was largely supportive of the government measures in the early months of the pandemic, discontent arose as the government failed to sanction violations during religious ceremonies over the summer. A public opinion poll taken in spring 2020 revealed exceptional support (over 70%) for the preventive measures in place, for the handling of the crisis by state institutions, and for the Minister of Health.⁹⁴ The initial response indicates that the public was willing to accept stricter measures or tolerate limitations of their rights in addition to lower transparency of the state institutions due to uncertainty and fear, similar to what has been identified in some EU countries as well.⁹⁵ This is a point of concern for the future. However, the rise in the number of Covid-19 infections in autumn 2020 was accompanied with increasing discontent with some of the measures re-introduced, including the obligations to wear masks in all public spaces.

The Situation of Civil Society and the Media

In an opaque manner, as part of the economic measures for re-directing state budget funds toward addressing the crisis, the government cut funds already allocated and awarded to civil society organizations (CSOs) in April 2020. Although the government eventually granted support for civil society actions dealing with Covid-19, CSOs are likely to be significantly affected by this decision.⁹⁶

As in other countries, the government decrees affected fundamental rights and freedoms in many respects. Firstly, the country deviated from the European Convention on Human Rights.⁹⁷ The freedom of movement limitations,⁹⁸ prohibition of public gatherings, cancellation of all public events and closing of venues,⁹⁹ and imposing self-isolation¹⁰⁰ were some of the adopted measures. These preventive measures have had a negative impact on the socio-economic lives of citizens and their ability to exercise various fundamental rights, such as access to health services and education. Marginalized communities, such as Roma, persons deprived of freedom, and victims of domestic violence have faced persisting, if not enhanced, systemic discrimination in access to services, including health care.¹⁰¹ Women are predominantly engaged in essential services and in hospitality, thus they are both more at the forefront of the fight with the pandemic and the first to lose their jobs.¹⁰² This has been coupled with worries and reports of increased domestic violence.¹⁰³ Hate speech as well

⁹⁴ Sitel TV, Detector: Do we need stricter measures for protection from the corona virus? [Детектор: Дали ни се потребни строги мерки за заштита од корона вирусот?], May 2020, <https://www.youtube.com/watch?v=31rwyfckNxo>, (accessed 26 June 2020).

⁹⁵ European Union Agency for Fundamental Rights, Coronavirus Pandemic in the EU - Fundamental Rights Implications – Bulletin 1, April 2020, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2020-coronavirus-pandemic-eu-bulletin-1_en.pdf, (accessed 26 May 2020).

⁹⁶ European Policy Institute - Skopje, CSOs Call on the Government of North Macedonia to Change the Decision of Drastical Reduction of Financial Support for the Civil Society, April 2020, <https://epi.org.mk/post/14785>, (accessed 26 May 2020).

⁹⁷ Derogation from: Article 8 (right to respect for private and family life), Article 11 (freedom of assembly and association), Article 2 of Protocol 1 (right to education) and Article 2 of Protocol 4 (freedom of movement). The derogation lasted from April 02, until June 30, 2020. Source: Convention for the Protection of Human Rights and Fundamental Freedoms (ETS No. 5): Notifications under Article 15 of the Convention in the context of the COVID-19 pandemic, Council of Europe Official Website, <https://www.coe.int/en/web/conventions/full-list/-/conventions/webContent/62111354>, (accessed 26 November 2020).

⁹⁸ Official Gazette of RNM, No. 72 § (2020), Decision on Prohibition and Special Regime of Movement on the Territory of Republic of North Macedonia [Одлука за забрана и посебен режим на движење на територијата на Република Северна Македонија].

⁹⁹ Official Gazette of RNM, No. 71 § (2020). Decree with Legal Force for Application of the Law on Public Assemblies in State of Emergency [Уредба со законска сила за примена на Законот за јавните собири за време на вонредна состојба].

¹⁰⁰ Official Gazette of RNM, No.72 § (2020) Decree with Legal Force for Application of the Law on Protection of the Population from Infectious Diseases during State of Emergency [Уредба со законска сила за примена на Законот за заштита на населението од заразни болести за време на вонредна состојба].

¹⁰¹ Kamberi, EPI Roma COVID-19 Brief.

¹⁰² On unpaid work and workers' rights during the pandemic, see: Reactor, Research in Action, Paid and unpaid work, gender-based discrimination and workers' rights at times of Covid-19 [Платена и неплатена работа, родово-базирана дискриминација и работнички права во време на КОВИД-19] (Reactor, April 2020). On the impact of the crisis on Roma women, see: Kamberi, EPI Roma COVID-19 Brief.

¹⁰³ Xh. Bami et al., COVID-19 and Domestic Abuse: When Home is not the Safest Place, BIRN, <https://balkaninsight.com/2020/04/21/covid-19-and-domestic-abuse-when-home-is-not-the-safest-place/>, (accessed 26 November 2020).

as biased and somewhat discriminative media reporting has also been present. There were no significant developments regarding the situation of the media in the country. Thus, at present, no specific media trends arising from or being shaped by the Covid-19 crisis can be identified in North Macedonia.

Conclusions

The Covid-19 crisis will have several very important direct and indirect consequences which the country must address. Highlighted here are six main concerns: (1) This crisis has underscored the importance of having a built and well working system of government, one which does not depend on individual persons and which even in times of crisis will not circumvent important rule of law principles, such as transparency. (2) It has revealed the need for fast and quality investment in human and other ICT capacities for state institutions, in order to provide public services even in challenging conditions. (3) It has slowed down all reform processes, including the judicial reform. (4) The crisis will deepen social and economic inequalities, more so for women and marginalized groups. At present, aside from isolated individual measures, there does not seem to be a comprehensive grasp of this situation and a plan to address it. (5) While media freedom has been largely unaffected by the crisis, civil society was directly affected through the removal of vital funding. (6) The initially mobilized public trust, mainly driven by uncertainty and fear, leaves room for imposing limitations of citizen and human rights as well as lesser transparency of the state institutions.

Recommendations

- National authorities in North Macedonia should invest significant efforts to ensure the respect of the principles of transparency and accountability, even under challenging conditions;
- National authorities should invest more efforts in the digitalization of all public services, including the judiciary, in order to allow for the functioning of state institutions during pandemic conditions;
- National authorities should invest significant efforts in developing a comprehensive analysis of the impact of the Covid-19 crisis on social and economic inequalities, especially for women and marginalized groups.

Serbia

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Context

A state of emergency (SoE) was declared in Serbia from March 15 until May 7, 2020 in response to the Covid-19 pandemic. The SoE imposed controversial restrictions on freedom of movement, with curfews extending as long as 80 hours over several weekends, as well as restrictions on freedom of assembly to promote physical distancing and the interests of public health. When the state of emergency was lifted in May (some six weeks ahead of general elections), Serbian authorities abruptly relaxed all preventive measures making Serbia one of the most 'open' countries with regards to pandemic precautions in the observed period (up to November 2020). Overall, the analyzed period (March-October 2020) was marked by an increased concentration and abuse of power by the President of the Republic. This led to the further polarization of Serbian society and political parties as well as the continued erosion of democracy. How the state of emergency was declared¹⁰⁴ (by the President and Prime Minister instead of the Speaker of the Parliament) and the lack of any parliamentary

¹⁰⁴ Government of the Republic of Serbia, State of emergency declared throughout Serbia, 15 March 2020, <https://www.srbija.gov.rs/vest/en/151398/state-of-emergency-declared-throughout-serbia.php>, (accessed 26 May 2020).

sessions or oversight during the pandemic has raised a number of questions by legal experts¹⁰⁵ over whether the country is still a functional democracy or a rapidly evolving authoritarian political regime.¹⁰⁶ Reported irregularities surrounding the general elections held in June 2020 further confirm an authoritarian trend.¹⁰⁷ At the same time, allegations over data manipulation on the number of Covid-19 cases during the election campaign,¹⁰⁸ coupled with poor pandemic management during the ‘second wave’ (June-August 2020), gave rise to greater public mistrust toward the responsible authorities and escalating social tensions. Surveys conducted in November 2020 demonstrate an overall public mistrust in the government, media, and public institutions.¹⁰⁹

The Long-term Impact on Institutions: Rule of Law and Good Governance

The Covid-19 crisis further undermined constitutional checks and balances, i.e. the separation of powers. The most controversial measure related to the functioning of the judiciary has been the so called ‘Skype decree’,¹¹⁰ which permits criminal proceedings before a court to be held via video conference call. This manner of handling court proceedings, albeit technologically progressive, proved to be in violation of international human rights standards as well as the Constitution of Serbia.¹¹¹ Such proceedings are potentially unfair to the accused and may cause numerous problems for those standing trial: the lack of proximity to lawyers or bad internet connections may potentially lead to breaches of the right to fair trial. The European Court of Human Rights (ECHR) has dealt with similar problems in the past, and ruled that limiting the communication of applicants with their lawyers is a breach of the right to fair trial.¹¹² In addition, the pandemic crisis is further exacerbating the high number of backlog cases, negatively impacting the efficiency of the judiciary in the long term.

When it comes to the National Assembly, its inferior position compared to the executive branch of power has long been a matter of concern.¹¹³ However, the introduction of the state of emergency additionally degraded the parliament’s control function and further disabled it from fulfilling its mandate. Several days before the state of emergency was declared, the government banned public gatherings of more than 100 people.¹¹⁴ This decree effectively disabled the National Assembly from convening and approving the state of emergency by

¹⁰⁵ See (in Serbian): B. Trivić, Da li je vanredno stanje izgovor za suspenziju parlamenta, *Slobodna Evropa*, 20 April 2020, <https://www.slobodnaevropa.org/a/vanredno-stanje-parlament-srbija-korona-virus/30565668.html>, (accessed 26 May 2020); Z. R. Tomić, Vanredno stanje i ustavnos, *Danas*, 26 March 2020, <https://www.danas.rs/drustvo/vladavina-prava/vanredno-stanje-i-ustavnost/>, (accessed 26 May 2020); Nedeljnik, Vanredno stanje u Republici Srbiji uvedeno na protivustavan način, odluka ne sadrži obrazloženje: Saopštenje Advokatske komore Srbije, 2 April 2020), <https://www.nedeljnik.rs/van-redno-stanje-u-republici-srbiji-uvedeno-na-protivustavan-nacin-i-ne-sadrzi-obrazlozenje-saopstenje-advokatske-komore-srbije/>, (accessed 26 May 2020).

¹⁰⁶ A. Riha, Serbia, coronavirus, and autocracy, *Osservatorio Balcani e Caucaso*, 8 April 2020, <https://www.balcanicaucaso.org/eng/Areas/Serbia/Serbia-coronavirus-and-autocracy-200873>, (accessed 26 May 2020).

¹⁰⁷ See, among others, reports by ODIHR, CRTA, European Commission 2020 Country Report.

¹⁰⁸ BIRN, Korona: Broj umrlih i zaraženih višestruko veći od zvanično saopštenog, 22 June 2020, <https://javno.rs/analiza/korona-broj-umrlih-i-zarazenih-visestruko-veci-od-zvanicno-saopstenog>, (accessed 26 June 2020).

¹⁰⁹ Demostat, Javno mnjenje Srbije o kovidu-19, 1 November 2020, <https://demostat.rs/sr/vesti/istrazivanja/javno-mnjenje-srbije-o-kovidu-19/1010>, (accessed 15 November 2020).

¹¹⁰ Official Gazette of the Republic of Serbia, no. 49 of 1 April 2020, Decree on the Manner of Participation of the Accused in the Main Trial in Criminal Proceedings Held during the State of Emergency; In Serbian: Uredba o načinu učešća optuženog na glavnom pretresu u krivičnom postupku koji se održava za vreme vanrednog stanja proglašenog 15. marta 2020. godine ("Službeni glasnik RS", broj 49 od 1. aprila 2020.).

¹¹¹ The right to a fair trial is one of the foundations of rule of law in all countries in the world, and, as articulated in Article 32 of the Constitution, “everyone shall have the right to a public hearing before an independent and impartial tribunal established by the law within reasonable time, which shall pronounce judgement on their rights and obligations, grounds for suspicion resulting in initiated procedures. and accusations brought against them.” Constitution of the Republic of Serbia (Official Gazette of the Republic of Serbia, no. 98/2006).

¹¹² *Cases Stanford v. U.K.* (No. 16757/90), Eur. Ct. of H.R. (1994) and *Castravet v. Moldova* (No. 23393/05), Eur. Ct. of H.R. 60 (2007). In *Stanford* the applicant complained that he could not hear the evidence against him very well and therefore respond promptly and the ECHR found this matter to be a breach of his right to fair trial. In the *Castravet* case, on the other hand, the applicant could not communicate properly with his lawyer due to the glass separating them and therefore was limited in his ability to seek legal counsel.

¹¹³ See, for example: European Parliamentary Research Service, *Serbia at Risk of Authoritarianism?*, May 2019, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637944/EPRS_BRI\(2019\)637944_EN.pdf?fbclid=IwAR1irVOQ0Lyrix8HNnute555Y79WRg8yFBWaz6OarDkOfPW3FBExJB_PWs](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637944/EPRS_BRI(2019)637944_EN.pdf?fbclid=IwAR1irVOQ0Lyrix8HNnute555Y79WRg8yFBWaz6OarDkOfPW3FBExJB_PWs), (accessed 26 June 2020).

¹¹⁴ Decision available at the website of the Government of the Republic of Serbia: <https://www.srbija.gov.rs/vest/450366/vlada-donela-nove-mere-u-cilju-suzbijanja-koronavirusa.php>, (accessed 26 May 2020).

majority vote, and thus violated the Constitution.¹¹⁵ It is possible that this turn of events could have been avoided as existing technologies allow for online gatherings during extraordinary circumstances, as the experience of many parliaments across Europe has shown. Considering that the Constitution includes the principle of the separation of powers and that the National Assembly is the “supreme representative body and holder of constitutional and legislative power in the Republic of Serbia”¹¹⁶, it is questionable whether the executive branch of government may restrict the functioning of the legislative body for any reason whatsoever.

Furthermore, as Covid-19 infections began to drop during the ‘first wave’ of the pandemic, the decision to lift the suspension of the Assembly at the end of April was announced by the President of the Republic, instead of by the Speaker (as prescribed by law),¹¹⁷ which further downgraded the significance of the Assembly in policy and decision-making. Parliament was again side-lined from decision-making when the executive branch produced a Decree amending the Law on the Budget for 2020 to curb the effects of the pandemic just four days before announcing that Parliament would resume its work. In addition, since it took over six weeks to constitute the Assembly and more than three and a half months to form the Government following the June elections, the Parliament has actually been inactive for more than nine months in 2020.

Within the Serbian political system, the Covid-19 pandemic has probably dealt its hardest blow so far to the reputation of the National Assembly and its supposed institutional weight. Given the EU’s insistence on the greater role of national parliaments in light of the revised methodology (i.e. the introduction of roadmaps on democratic governance), the current position of the Serbian Parliament in the political system might turn into an unexpected obstacle of the EU accession process.

The Role of the Opposition and Public Opinion

An absolute majority of citizens (92%) endorsed the restrictive measures introduced in response to the Covid-19 pandemic in April.¹¹⁸ During the state of emergency, a record-high public support for President Vučić was recorded, according to opinion polls conducted in April.¹¹⁹ However, based on the public opinion poll published in early November, the President of Serbia has recorded an 8-points higher percentage of people who do not trust him or his decisions in the fight against Covid-19 (31% who trust and 19% who do not trust him).¹²⁰ The perceived success in managing the first wave of the pandemic is believed to have helped consolidate the Serbian Progressive Party’s (SNS) dominance on the political scene and ensured them a landslide victory at the general elections.¹²¹ However, the handling of the pandemic in the months that followed, especially in the context of the general election, has induced a further deepening of political polarization in Serbia. The violent clash between two groups of citizens in front of the National Assembly just several days after the end of the state of emergency, coupled with violent protests in response to new restrictive measures in July 2020,¹²² point to deep political rifts in Serbian society and the absence of functional institutions, forcing citizens to seek solutions ‘on the streets’.¹²³ The opposition parties – fragmented, disillusioned, and disunited over the issue of the boycott of the elections – have not been able to capitalize on

¹¹⁵ For more details on legal background and unconstitutionality of the introduction of the state of emergency, please see: T. Branković, T. Tepavac, Democracy and introduction of state of emergency – case of Serbia, FES, 20 April 2020, p.29, <http://library.fes.de/pdf-files/bueros/belgrad/16119.pdf>, (accessed 26 May 2020).

¹¹⁶ Constitution of Serbia, Article 97.

¹¹⁷ Law on the National Assembly (“Official Gazette of the Republic of Serbia”, no. 9/2010), Article 19; In Serbian: Zakon o Narodnoj Skupštini („Službeni glasnik Republike Srbije“, br. 9/2010), https://www.paragraf.rs/propisi/zakon_o_narodnoj_skupstini.html, (accessed 26 May 2020).

¹¹⁸ Nova.rs, Gradjani najviše veruju Vučiću, podržavaju i mere, 22 April 2020, <https://nova.rs/politika/ipsos-gradani-najvise-veruju-vucicu-podrzavaju-i-mere/>, (accessed 26 May 2020).

¹¹⁹ Ibid.

¹²⁰ Demostat, op.cit.

¹²¹ European Parliament, Impact of the Pandemic on Elections Around the World: From safety concerns to political crises, 2020, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652017/EPRS_BRI\(2020\)652017_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652017/EPRS_BRI(2020)652017_EN.pdf), (accessed 26 November 2020).

¹²² Only on the basis of what was recorded by television cameras on the night between July 7 and 8, dozens of pure cases of police abuse and torture were recorded, L. Marinković, N. Anđelković, N. Mitrović, Srbija, protesti i policija: Kratak pregled prekomerne upotrebe sile, BBC News, <https://www.bbc.com/serbian/lat/srbija-53338083>, (accessed 26 November 2020).

¹²³ N1, Da li je Srbija na ivici građanskog rata?, 12 May 2020, <http://rs.n1info.com/Vesti/a598753/Tenzije-i-sukobi-ispred-Skupstine-Srbije.html>, (accessed 26 May 2020).

citizens' grievances, as the outcome of the general elections shows. Eventually, none of the parties which ran in the elections managed to pass the 3% threshold, except one which eventually decided to join the new government. With only 49% turnout, this means that more than half of the Serbian population is not represented in the parliament.

The Situation of Civil Society and the Media

The way the pandemic has been handled has also severely challenged freedom of expression and independent media reporting. In the first weeks of the pandemic, the government issued a conclusion to ban the dissemination of information on Covid-19¹²⁴ in Serbia by sources other than the core government crisis response team. In the context of this decision, a journalist was placed in police detention for 48 hours after allegedly spreading panic with an article discussing unprotected medical staff and the lack of medical equipment in one of Serbia's hospitals.¹²⁵ Following the swift public mobilization of the media, civil society, and international organizations the ban was soon lifted. This attempt to centralize the right to provide information can be understood as a direct violation of the freedom of expression as well as an attempt to limit the media in their function as 'watchdogs' of society.

Even though this decision was lifted, Serbian citizens were virtually unable to find any opposition voices or critiques of the government on the five major TV channels broadcast nationwide during the state of emergency. Representatives from the ruling majority dominated prime-time programming with a shocking 99% of presence in first two weeks of the state of emergency and 92% in the first half of April 2020.¹²⁶ Other research has shown that during the 52 days of the state of emergency, President Vučić was criticized for a total of 13 seconds on RTS (Radio Television of Serbia), Serbia's public broadcaster, and not by any Serbian opposition figure, but by the Montenegrin Minister of Health.¹²⁷ Research also reveals the monopoly of the President and his ruling party on TV during the election campaign, leaving barely any screen time for the opposition parties.¹²⁸ Given that around 87% of Serbia's population relies on TV as the most popular form of media,¹²⁹ these figures indicate an extremely challenging realization of the freedom of expression and the right to be informed.

Serbian civil society organizations (CSOs) contributed to helping vulnerable populations during the state of emergency. Moreover, CSOs were active in providing free legal aid, informing the public, and scrutinizing authorities. The government's Office for Cooperation with Civil Society, along with the National Convention to the EU, recommended local self-governments to involve CSOs in their activities.¹³⁰ Nevertheless, the pandemic has once again shown the state and local authorities' inability to fully take advantage of the potential and expertise of CSOs in fighting and alleviating the consequences of the pandemic. In this respect, the city of Šabac stands out as an exception and a positive example.¹³¹

¹²⁴ Official Gazette of the Republic of Serbia, no. 48 of 31 March 2020, Conclusion; in Serbian: Zaključak (Službeni glasnik RS, broj 48 od 31. marta 2020).

¹²⁵ RS.N1 info.com, Novinarki portala Nova.rs određeno zadržavanje do 48 sati, 2 April 2020, <https://bit.ly/2Rj20F2>, (accessed 26 May 2020).

¹²⁶ Monitoring data provided by NGO 'CRTA', <https://www.istinomer.rs/analize/za-vlast-rezervisano-99-odsto-tv-programa/>, (accessed 30 October 2020).

¹²⁷ Monitoring provided by BIRODI. Danas, RTS kritikovao Vučića čitavih 13 sekundi za mesec i po dana, 29 May 2020, <https://www.danas.rs/drustvo/rts-kritikovao-vucica-citavih-13-sekundi-za-mesec-i-po-dana/>, (accessed 30 October 2020).

¹²⁸ The President was represented with 170 hours, while 68 hours of the program were dedicated to the SNS electoral list. Behind him was Prime Minister Ana Brnabić with 33 hours and 45 minutes of participation in all programs. Broadcasters, more specifically 12 of them that were analyzed, dedicated 367 hours and 27 minutes of their program to government officials, while spending a total of 344 hours and 24 minutes discussing electoral lists. Danas, REM: Na televizijama tokom kampanje Vučić 170, a SNS 68 sati, <https://www.danas.rs/drustvo/uns-na-televizijama-tokom-kampanje-vucic-170-a-sns-68-sati/>, (accessed 30 November 2020).

¹²⁹ Findings from 2017. Source: IPSOS Focus: Serbia F&F 2017, May 2018, p.19, <https://bit.ly/34iDIWz>, (accessed 30 October 2020).

¹³⁰ Documents available at: <https://cutt.ly/ByFy9Ns>; and <https://cutt.ly/tyFy8o3>.

¹³¹ The activists of local NGO 'Duga' cooperated with the city's Institute for Public Health in information sharing and coordination of activities related to testing and hospitalization of the citizens. More details available at: Resurs Centar, COVID 19 je doneo i glad, 13 April 2020, <https://rc.gradjanske.org/covid-19-je-doneo-i-glad/>, (accessed 30 October 2020).

The state of emergency and the period that followed has also seen the further consolidation and increased influence of government-sponsored CSOs (so-called GONGOs), which have long pursued defending the policies of the current government and discrediting the work of genuine CSOs.¹³² Overall, the deterioration of the state of democracy in Serbia, deepening cleavage among political actors, coupled with an expected decrease in funding opportunities, are likely to further compromise the position of CSOs in Serbia and produce long-term repercussions on their sustainability.

Conclusions

The state of emergency introduced in response to the Covid-19 pandemic has limited freedom of movement and freedom of assembly, and has also led to severe breaches and limitations of the right to freedom of expression, the right to fair trial, and the right to be informed. As a result, the judiciary has come under a heavy burden. The National Assembly has been de-facto suspended by the majority of MPs, ruling itself out of any meaningful debate, becoming a ‘members club’ that supports the power of authoritarianism over the will of the people and ideas. Lack of political will and the failure to recognize the importance of broader public dialog about the future of democracy exemplify a state which is held hostage by political parties and interest groups that reject the need to introduce changes in Serbia.

Finally, political and social divisions have sharpened as the ruling coalition continues to dominate the political scene and monopolize the media, stripping away their role as watchdogs of society. With the overwhelming ruling majority inside parliament and scattered opposition outside, there is no indication that the negative trends in the rule of law, accelerated by the pandemic context, would take a different direction in the foreseeable future. Such developments are already taking their toll on the EU integration process, whereby a single negotiating chapter has not been opened in the last year due to the stagnation on critical rule of law issues.¹³³

Recommendations

- The pandemic crisis should not be used as an excuse for failing to deliver on essential rule of law issues in the framework of the EU accession process. The negative trends regarding the state of the media, the judiciary and the national parliament induced by the pandemic must be reversed for any advancement towards the EU membership;
- Opposition parties should devise new strategies to become more politically relevant actors in the Serbian society as well as to mobilize the electorate ahead of the announced early elections in 2021;
- Special attention needs to be dedicated to supporting the most vulnerable social groups, such as unemployed, disabled, Roma, and migrants.

¹³² Some of the most blatant examples include the justification for the arrest of the journalist Ana Lalić by the NGO ‘Council for Monitoring, human rights and fight against corruption – Transparency’; or the alleged contribution of ‘Association for protection of the youth’ in a violent campaign against the pot-banging during curfews, more information: Krovna organizacija mladih Srbije (KOMS), Saopštenje povodom zloupotrebe mladih i njihovih udruženja, 5 May 2020, <https://koms.rs/saopstenja/saopstenje-povodom-zloupotrebe-mladih-i-njihovih-udruzenja/>, (accessed 30 October 2020).

¹³³ The Negotiating Framework for Serbia on the accession negotiations with the EU explicitly states that the entire negotiations might be stalled if no progress is made in Chapters 23 and 24, which cover the rule of law issues.

Road Ahead

The Covid-19 pandemic and the ensuing state of emergency have challenged the functioning of the countries of the Western Balkans and highlighted systemic weaknesses in their political systems. Parliaments in all countries of the region were de facto suspended or have not properly conducted their legislative functions during the pandemic, which has further weakened their oversight capabilities and has allowed the region's governments to increase their power.

Activities in judicial reform are being postponed as a result of the pandemic, while halted or slowed judicial proceedings are resulting in a backlog of cases, coupled with an expected further influx of cases regarding breaches of fundamental rights during the pandemic. Freedom of expression and of the media has been a particular issue of concern, especially in Serbia, Montenegro, and Albania.

Marginalized groups – including Roma, disabled persons, victims of domestic violence, and migrants – have been additionally imperiled in the context of the Covid-19 pandemic. Given their predominant engagement in essential services and in the hospitality industry, women were disproportionately present at the pandemic's frontline as well as the first to lose their jobs.

CSOs across the region contributed to alleviating the impacts of the pandemic but also faced restrictions in their work. An environment that is already disabling to their work, coupled with an expected decrease in funding opportunities, are likely to further compromise the position of CSOs. In most of the countries of the region, political and social polarization has intensified, which calls for attention in light of general and local elections in North Macedonia, Serbia, Montenegro, and Kosovo in 2020.

Ultimately, the Covid-19 crisis represents an opportunity for greater engagement between the EU and the Western Balkans. The EU's ambitions to become a stronger geopolitical player and to reduce economic dependence on China require a stronger political and economic presence in this region. In the current circumstances, a genuine EU membership perspective will undoubtedly be the most effective driver of positive change in the Western Balkans. Addressing challenges to rule of law is a prerequisite for achieving this win-win scenario, as limitations in this area threaten to pull both the region and the EU away from progress they have both long invested in.

Recommendations

- Upcoming assessments of EU-related reforms by member states and European institutions need to take the impact of the Covid-19 crisis into consideration, without compromising on key principles of rule of law, such as transparency. The European Economic and Investment Plan within IPA III might serve as an effective means of rewarding or punishing the region's governments based on their performance in fundamental areas. This approach is in line with the rationale of the first cluster of negotiating chapters of the announced revised accession methodology;
- The EU should therefore apply more robust mechanisms for monitoring and evaluating the state of play in this area. Such an approach would render the costs of non-compliance with the EU's requirements too high for governments in the region, making them publicly visible. At the same time, it would boost the credibility and legitimacy of the enlargement policy both in the eyes of the citizens of the region and of the EU;
- The EU should communicate its values clearly and provide constructive criticism of government policies that exclude democratic deliberation. In this respect, national parliaments, civil society, and the media as counterbalances and watchdogs of the executive branch need greater empowerment and a larger role in the region's EU integration process;

- Financial and political support for the media and CSOs should increase in the coming period as both are indispensable actors in the democratization process of the region from the bottom-up perspective. Free and impartial media, coupled with vibrant civil society and an active citizenry, can ensure durable democratic transformations that stretch beyond simply attaining EU membership;
- Political parties in EU member states and political groups within the European Parliament should be more vocal towards their counterparts in the Western Balkans in promoting dialog and respect for basic democratic principles. Affiliation in political party families should not represent a shortcut for bypassing or breaching fundamental values and freedoms and thus further undermining the state of democracy in the region;
- To alleviate the growth of socio-economic inequalities as a result of the Covid-19 pandemic, the EU and bilateral support provided to the region to deal with the crisis should include funds earmarked for women and marginalized groups. Particular attention should be paid to addressing the crisis-induced challenges facing vulnerable groups, such as women and children who are victims of domestic violence.

THE ROLES OF KEY INTERNATIONAL ACTORS IN THE REGION AMIDST THE COVID-19 CRISIS

Workshop Report

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On September 24, 2020 the Aspen Institute Germany hosted the second issue of its Online Expert Workshop Series “The Covid-19 Pandemic in the Western Balkans: Consequences and Policy Approaches.” The series was organized in the framework of Aspen’s Regional Dialog on the Western Balkans, kindly supported by the German Federal Foreign Office. The closed-door workshop focused on “The Changing Roles of Key International Actors in the Western Balkans Amidst the Covid-19 Crisis” and gathered a select group of regional and international experts as well as high-level representatives of the U.S., EU Member States, and from EU institutions. The goal was to assess the situation and jointly develop recommendations on how to respond to the current dynamics regarding the roles of China, Russia, and Turkey in the Western Balkans.

During the introductory remarks it was stated that the pandemic constituted a solidarity test in which close cooperation among all actors was needed. While it was admitted that the EU was overwhelmed in the first weeks of the crisis (for instance banning exports of medical supplies including to the Western Balkans), EU representatives stressed that in the meantime the EU had provided considerable assistance and was preparing a large recovery plan for the region. At the same time, given the fact that the region is confronted with political and economic influences from other international actors, it was reaffirmed that the EU expects its partners in the region to respect required standards and insisted on the respect of the EU’s basic values. While the EU generally supports good relations of the Western Balkan countries with other actors, not all cooperation projects are in line with EU transparency and sustainability standards such as fast-track infrastructure projects. Furthermore, the importance of alignment with the EU’s Common Foreign and Security Policy was stressed.

After short presentations of input papers, the participating experts were divided into working groups, each focusing on the role of one of the following foreign actors in the wake of the crisis: China, Russia, and Turkey.

The Role of China

During the crisis, China pursued a rather successful strategy of ‘mask diplomacy,’ through which it gained strong media presence in some of the Western Balkan countries. It was able to present itself as a success story, as a country that managed to get the pandemic under control and was even able to help other affected countries, including in the Western Balkans. The pandemic also revealed how essential China is in global medical supply chains, including within the EU, and is working to establish a ‘Health Silk Road.’ Additionally, during the pandemic China managed to further increase its presence in the region by pursuing new paths of cooperation: Serbia, for instance, is the first European country which purchased a missile defense system from China in the wake of the crisis. Based on experiences from the last economic crisis, it is expected that the Corona crisis will once again open the doors for increased Chinese investments in the region.

In this context the issue of strategic rivalry vis-à-vis cooperation with China in the region was debated. Participants stressed that Chinese investments in the region are not per se malign and do not necessarily oppose EU integration. There are indeed several areas where cooperation can be beneficial, for instance concerning much-needed infrastructure projects. However, by offering loans to political leaders in the region ‘without strings attached,’ China undermines the EU’s conditionality approach, which requires governments to respect criteria of transparency, accountability, and public procurement standards to access funding. Therefore, political elites in the region have the option to approach China for funds and projects which they would probably not get from the EU due to rule of law or environmental concerns. Furthermore, financial arrangements with China oftentimes include risky debt for equity swaps, resulting for instance in the selling of critical infrastructure when debts cannot be repaid. The economic impact of the crisis, which will leave the

countries of the region financially weakened, will further exacerbate this problem, as it is likely to lead to an increase in public debt, and therefore potentially increase economic and financial dependencies.

Some participants also pointed to an accelerating process of disillusionment with China, citing for instance the recently signed agreements between the U.S. government and some countries in the region in order to push back untrustworthy vendors in the realm of 5G. However, since these agreements are legally non-binding and do neither explicitly mention China or Chinese providers nor a deadline for implementation, several participants questioned the real intention of some of the governments to abide by these agreements.

Based on these deliberations, experts called on the EU to identify areas of joint interest where cooperation with China is beneficial (e.g. connectivity), in order to use available funding for economic recovery. However, the larger vision of a democratic Western Balkans should not be lost over geopolitical competition, which is why the EU must at the same time strictly insist on the conditionality criteria for assistance in order to promote the reform process and to prevent state capture. Furthermore, public authorities in the region should be better trained in investment screening and public finance management, and Western Balkan governments should be supported in drafting strategic roadmaps to define their objectives of engagement and cooperation with China. It was also recommended that the EU improve communication, also publicly, on the difference between EU grants and Chinese loans. The EU should not let governments of the region play one international actor off against the other, but rather make clear to regional governments that in certain areas they need to make a strategic choice.

The Role of Russia

Concerning the role of Russia during the crisis, participants agreed that China largely outperformed Russia both in terms of actual assistance and publicity. Unlike during previous natural disasters, where Russia could capitalize on its existing emergency infrastructure in the region, during this crisis Russia failed to ‘sell itself’ as it initially ignored the coronavirus outbreak and only reacted at a much later stage. Once provided, Russian aid seemed to be promoted less and was less visible during the pandemic than during previous disasters. Consequently, some experts stated that during this crisis there was a large gap between Russia’s aspiration to play an important role in the region and reality.

However, the Russian-developed vaccine was regarded as an asset providing potential leverage for Russia in the region if it were to outpace other vaccine providers. Furthermore, it was affirmed that Russia continued to play its ‘geopolitics of emotion,’ appealing to cultural proximity, using its existing channels and contacts (e.g. the church, certain parties, etc.). Therefore, several experts stressed that despite the current circumstances one should not underestimate Russian influence, as Covid-19 might represent just an episode and the current impression that China is the main actor in the region might be misleading. This might also be partly due to the fact that Serbia, which particularly nurtured close ties with China during the crisis, is often (erroneously) taken as representative of the region. Certain experts also voiced the suspicion that Serbia might be overstating its relations with China to publicly downplay its dependence on Russia. Elites from the Western Balkans also oftentimes use Russia to provoke the EU.

With regard to the actual role Russia played in the region during the pandemic, the issue of disinformation was also discussed. Experts reported that Russia’s disinformation apparatus has been active throughout the pandemic, with Russia having a long history of disinformation in the region, especially regarding health issues. This further added to the spread of false information and conspiracy theories across the region. As an example, it was reported that currently around 50% of Kosovo’s population believe that Covid-19 is a conspiracy. Participants thus called for the EU to increase its efforts to fight disinformation and strengthen digital literacy of citizens.

The Role of Turkey

While China and Russia tried to use the pandemic to increase their influence in the Western Balkans region, experts concluded that Turkey used its activities in the region in the wake of the crisis less for foreign policy interests but rather for domestic purposes. The support given to the Western Balkans by Turkey served as a domestic propaganda tool: personalized aid packaging was designed to promote the generosity of Turkey's President abroad, and Turkey's capability to help its neighbors during a worldwide pandemic was hailed in the domestic media as a sign of strength and resilience of the country. However, the aid was provided in a non-transparent manner, with no information on what kind of support and how much was actually delivered, prompting several experts to speak of a stark contrast between the public appearance and actual aid given. Furthermore, in the wake of the crisis, 'health tourism' from the Western Balkans, especially from Albania, to Turkey intensified.

During the crisis, Turkey appealed to its historical links and cultural proximity with the Western Balkans – a development which has generally intensified since the AKP came to power – considering itself not as an external actor in the region, but rather regarding the Western Balkans as its '*Hinterland*' and assuming the role of a 'protector' of the Muslim populations. Furthermore, experts pointed to the strongly personalized political relations between Turkey's President and the leaders of the countries of the region, which also played a role during the pandemic. For instance, it was mentioned that complicated relations between the Turkish President and the President of Serbia delayed Turkey's assistance to Serbia.

Conclusion and Recommendations

After discussing the roles of the different actors in the working groups, the workshop participants convened to discuss the concrete implications of recent developments for the EU's involvement in the region. It was stated that the EU's credibility in the region had suffered strongly due to its inward-looking behavior in the beginning of the pandemic, especially since China, in comparison, was publicly promoting its assistance. While the EU is by far the largest donor in the region, this is not mirrored in the public opinion or media attention of some Western Balkan countries. Citizens of the Western Balkans often take EU support for granted while help from other actors attracts more attention. In addition, domestic elites often downplay EU support, which comes with transparency and accountability criteria, as opposed to support by other actors. The crisis highlighted the central role of the local communication channels in this regard, as the EU faced serious difficulties to get its emergency support presented in local media due to a lack of independent press in some countries of the region.

In this context participants pointed out that the EU needs to decrease its dependency on local elites for media attention by strengthening independent media. Furthermore, the EU needs to better promote its investments and support packages so that positive stories reach ordinary people. In this area, the EU could potentially learn from other actors to be quick, blunt, and personal in its actions and messaging. Along these lines the EU should increase its personal and political presence in the region, which currently does not match its economic presence. It was recommended that key member states should pay more physical visits and give more interviews on the highest political level including to mainstream media to increase their visibility and to show their commitment.

Finally, government representatives of the EU and the U.S. conveyed their strong intentions to closely cooperate and coordinate their reactions regarding third actors in the region. Furthermore, their continued engagement in the Western Balkans and their commitment to the enlargement process was reaffirmed.

The Role of China in the Western Balkans During the Covid-19 Pandemic

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Introduction

At the beginning of August 2020, eight of the ten European countries with the fastest-rising Covid-19 infection rates were located in the Balkans.¹ Crisis management during the pandemic has exposed familiar structural deficits in the region, including underfunded public health systems, unreliable official data reporting (e.g. of infection rates), and limited financial resources to mitigate the economic consequences. But Covid-19 has also highlighted a pre-existing condition in the Western Balkans, namely the growing fault line between EU aspirations and increasing cooperation with China.

The following paper addresses a number of developments relating to the expanding Chinese influence in the Western Balkans, before and amidst the Covid-19 pandemic. In the course of the past decade, China has invested in and lent to five² countries in the region. These activities have been supplemented by institution building efforts such as the 17+1 Network³ and soft power initiatives associated with for instance Confucius Institutes. Corporate investment and lending for ambitious infrastructure projects as well as the establishment of an institutional architecture of bilateral cooperation in the Western Balkans are embedded in China's flagship foreign policy project, the Belt and Road Initiative (BRI).⁴

Since its official launch in 2013 by President Xi Jinping, the BRI invests in land-based and maritime projects on a global scale, primarily through transport connectivity and trade enhancing infrastructure. Under the aegis of the BRI, Beijing promises “shared prosperity” and alleges “win-win cooperation” with participating countries. China's BRI combines unprecedented amounts of capital investment and loan funding for ambitious infrastructure projects across continents, regions, and individual countries. Beijing-based policy banks are the primary providers of funding arrangements for these projects. Still, this contribution argues that the BRI is *not* a coherent grand initiative, nor does China have a regional master plan for the Western Balkans.⁵ The BRI sounds visionary, but in practice it does not resemble a comprehensive strategy. Much of Xi Jinping's thoughts and speeches about the BRI have yet to be translated into concrete policies and sustainable facts on the ground.

For the European Commission and individual EU member states the BRI raises profound questions concerning their political relationship and investment arrangements with China. While the Commission seeks to develop a coherent response vis-à-vis China's BRI ambitions, Beijing is busy offering loan facilities, Chinese labor and services for the construction of bridges, highways and railways, the acquisition of ports, and building coal-fired power plants across Europe. The ability of the EU to speak with one voice in negotiations with China is being challenged through institutional settings such as the 17+1 Network, which includes twelve EU Member States and five countries from the Western Balkans.

¹ The Economist, Balkan Governments Said the Coronavirus was Under Control, 8 August 2020, <https://www.economist.com/europe/2020/08/08/balkan-governments-said-the-coronavirus-was-under-control>, (accessed 13 August 2020).

² They are Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia. China is not invested in Kosovo and strictly adheres to Serbia's position of non-recognition of the neighboring state.

³ The 17+1 Network (initially called the 16+1 Network or 16+1 Framework) was established in 2012. It's a cooperation network comprising China and 16 Central and Eastern European countries that was formed after then Chinese Premier Wen Jiabao's visit to Poland. After Greece joined the Network in 2019 at the summit in Dubrovnik, Croatia the name changed to 17+1 Network.

⁴ A word about terminology for clarification. Since its inception by President Xi Jinping in 2013, China's representatives use the term One Belt – One Road (OBOR). The label Belt and Road Initiative (BRI) was introduced in 2016 and is a compromise to the English language. For our analysis we use the BRI terminology.

⁵ We rather argue that the BRI is a loose collection of foreign [economic] ‘policy envelopes’. Nor do we interpret the BRI as being decided by a few Chinese leaders through top-down decisions. Multiple agencies, public financing institutions and ministries (of Defence, of Commerce, of Finance, of National Development, etc.) are involved in multi-level and – at times contentious – bargaining processes. See L. Jones and J. Zeng, Understanding China's ‘Belt and Road Initiative’: Beyond ‘Grand Strategy’ to a State Transformation Analysis, *Third World Quarterly*, vol. 40, no. 8, 2019, p.1415.

China as a Norm-Setter During the Covid-19 Pandemic

In the course of 2020, China's outreach activities in international relations include promoting positive narratives relating to its Covid-19 assistance. In March 2020, the authorities in Beijing officially expanded the rationale for the BRI to include the construction of a "Health Silk Road."⁶ This recalibration was subsequently illustrated by China's so-called 'mask diplomacy' vis-à-vis countries participating in the 17+1 Network. The donation of medical supplies, provision of personnel protective equipment (PPE) and the availability of embedded Chinese health advisors constitute new characteristics of China's engagement with countries in Central, Eastern and Southeast Europe.

In March 2020, cargo planes from China began arriving in Athens, Milan, Tirana, Sarajevo, and Belgrade. The evolving depth of this Chinese health diplomacy was a direct consequence of serious mistakes made during the initial stages of the coronavirus crisis management in Europe. China rapidly took advantage of the exposure of these fault lines. The EU initially set limits on exports of medical equipment to non-EU countries, including accession countries currently negotiating EU membership. To illustrate: when Serbia faced acute shortages of medical supplies and protective gear it was China that filled the void.⁷ In March 2020, Beijing flew six doctors as well as medical masks, test kits, and ventilators to Belgrade. These supplies were partly donated while others were sold at discounted market prices.⁸ President Aleksandar Vučić made his rejection of the EU's policies clear when stating "I believe in Chinese help. The only country that can help us is China. To the others, thanks a lot for nothing."⁹

President Vučić's criticism of the EU's initial crisis management implied that China became the partner of first resort for Serbia. Such outreach activities point to how China is using the pandemic as a further opportunity to highlight the advantages of its model of crisis management in international relations. In addition, the Chinese cargo planes landing in Southeast European capitals loaded with face masks, pharmaceutical supplies, and protective gear illustrate China's capacity to intervene in other countries' medical supply chains. With its 'donation diplomacy', Beijing was able to widen the perimeter of engagement in the Western Balkans and beyond. Such diplomacy illustrates to an international audience China's leverage in health supplies and European countries' dependence on Chinese pharmaceutical manufacturing.

Moreover, it appears, and not for the first time, that the EU is involved in and losing a major PR campaign vis-à-vis Beijing. Perceptions matter during the coronavirus pandemic and in this information contest, even if the facts on the ground may contradict them. The EU's mismanaged initial response to the coronavirus and failure to coordinate with countries in the Western Balkans created windows of opportunity for Beijing to present itself to decision makers in Belgrade, Tirana, and Skopje as a more reliable partner than Brussels. Even as multilateral efforts by European institutions have been introduced (see next section), China's influence campaigns during the initial stages of the Covid-19 pandemic in countries of the Western Balkans continue to resonate and will take time to reverse.

More generally, we argue that China is using the Covid-19 pandemic and the provision of medical supplies to increase its reputational capital among European countries and establish new norms¹⁰ of bilateral cooperation. In doing so, it mobilized considerable health-related resources but at comparatively low financial cost. Put differently, compared to China's initiatives, European institutions are providing higher volumes of financial assistance to countries in the Western Balkans during the pandemic. But it was Beijing that received public recognition by policy makers in Belgrade or Tirana in March/April 2020, not Brussels.

⁶ Xinhua, Xi Says China to Send More Medical Experts to Italy, 17 March 2020, http://www.xinhuanet.com/english/2020-03/17/c_138886179.htm, (accessed 19 April 2020).

⁷ U. Ladurner, Schritt für Schritt zum Brückenkopf Chinas, 18 March 2020, <https://www.zeit.de/politik/ausland/2020-03/serbien-coronavirus-china-europae-ische-union-eu-beitritt>, (accessed 19 April 2020).

⁸ It should be noted that some of these items from China proved substandard, defective or incompatible with the operational requirements in emergency wards of hospitals in recipient countries.

⁹ M. Seghier, The Coronavirus Pandemic Lets China Score a Win in Serbia, *Transatlantic Take*, 23 March 2020.

¹⁰ This perspective is linked to a debate about how to interpret China's activities and initiatives, i.e. "whether China should be seen as a norm taker, a norm challenger or even a norm producer" in international relations. See L. Benabdallah, *Contesting the International Order by Integrating it: The Case of China's Belt and Road Initiative*, *Third World Quarterly*, vol. 40, no. 1, 2020, p.92.

The institutional capacity building efforts China has undertaken over the course of the past decade in the region assist these endeavors. China is using the 17+1 Network to organize video conferences on Covid-19 with the 17 participating countries from Central, Eastern and Southeastern Europe. However, the signature event in 2020 with China in the three regions had to be postponed because of the pandemic. The ninth annual summit of the 17+1 Network was scheduled to take place in mid-April 2020 in Beijing. President Xi Jinping was to deliver the keynote speech and meet the participating heads of state from across the three regions. The fact that President Xi himself was to host the April event underscored the political significance Beijing is giving to the 17+1 Network in Europe.

How Has the European Union Reacted to China's 'Politics of Generosity'?

In the context of these developments, the question emerges: what are European institutions doing in the Western Balkans regarding the consequences of the Covid-19 pandemic? China's "play for influence"¹¹ in regions such as the Western Balkans rests on presenting itself as a pro-active, responsible global leader helping other countries in times of urgent need. Chinese assistance in delivering medical supplies to Albania, Greece, Serbia, Slovenia, Bosnia and Herzegovina, and Turkey during the pandemic underscores its efforts at repositioning itself diplomatically and with substantial, on the ground support.

In March 2020, the European Union High Representative Josep Borrell explicitly criticized China for the way in which its "politics of generosity" was being instrumentalized for geopolitical purposes in "a global battle of narratives."¹² Moreover, in June 2020, the European External Action Service (EEAS) accused China and Russia of a concerted effort to spread disinformation about the coronavirus pandemic, stating that both countries "have engaged in targeted influence operations and disinformation campaigns in the EU, its neighborhood, and globally."¹³

Borrell's rhetorical pushback against China was subsequently backed up by tangible resources. In April 2020, the European Commission pledged an emergency assistance package to the Western Balkans countries totaling more than 410 million EUR (European Commission 2020).¹⁴ This coronavirus support package for the Western Balkans includes over 93 million EUR for Serbia, the single largest recipient country. Moreover, in September 2020 the European Union agreed macro-financial assistance (MFA) programs with countries of the region in the context of the Covid-19 pandemic. To illustrate, Albania's government will receive 180 million EUR in the form of soft lending facilities, i.e. indicative interest rates of about 0.5% and long repayment maturities. The MFA funds are available for 12 months. In total the EU's MFA resources to countries in the Western Balkans amount to 740 million EUR to mitigate the economic impact of the coronavirus pandemic. The funding is conditional on prior Memoranda of Understanding (MoUs) with partner countries in the region and the timely implementation of agreed policy measures.

Another European institution providing considerable financial assistance during the Covid-19 pandemic is the European Central Bank (ECB). More specifically, the ECB is making special credit facilities available to countries in the region, despite not being part of the Eurozone. In July 2020, the ECB made two credit lines available to Serbia and Albania via so-called repurchase agreements ('repos') and swap facilities. The Serbian

¹¹ L. Rosenberger, China's Coronavirus Information Offensive, Foreign Affairs, 22 April 2020, <https://www.foreignaffairs.com/articles/china/2020-04-22/chinas-coronavirus-information-offensive>, (accessed 26 June 2020).

¹² J. Borrell, The Coronavirus Pandemic and the New World it is Creating, 23 March 2020, https://eeas.europa.eu/headquarters/headquarters-homepage/76379/coronavirus-pandemic-and-new-world-it-creating_en, (accessed 27 April 2020).

¹³ European External Action Service, Tackling Coronavirus Disinformation – Getting the Facts Right, 10 June 2020, https://eeas.europa.eu/topics/countering-disinformation/80676/tackling-coronavirus-disinformation-getting-facts-right_en, (accessed 26 October 2020).

¹⁴ 38 million EUR are being made available in immediate support for the Western Balkans to tackle the health emergency. An additional 374 million EUR from the Instrument for Pre-Accession Assistance are being re-directed to assist the socio-economic recovery of the region, see European Commission, EU Response to the Coronavirus Pandemic in the Western Balkans, April 2020, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/coronavirus_support_wb.pdf, (accessed 21 May 2020).

repo line¹⁵ totals 1 billion EUR and the Albanian¹⁶ one is capped at 400 million EUR. These lending facilities are available to the central banks in Belgrade and Tirana until at least June 2021. The EU member states Bulgaria¹⁷ and Croatia¹⁸ each secured 2 billion EUR from the ECB's backstop facility in the context of the coronavirus crisis in April 2020, while Romania¹⁹ has had access to the 4.5 billion EUR (!) repo line since June 2020. Hungary can receive up to 4 billion EUR from the ECB since July 2020.²⁰

The combined provision of substantial precautionary euro credit lines to central banks outside the Eurozone by the ECB and the European Commission's macro financial assistance package to the Western Balkans stand in stark contrast to Beijing's assistance during the pandemic. Despite such tangible – yet belated – solidarity, the initial narrative of coronavirus related health diplomacy in the region was shaped by Beijing and not by Brussels or Frankfurt. China capitalized on EU disunity after the pandemic hit Europe. Its cargo planes and donations amplified the message that Europeans were not showing enough and immediate solidarity. The importance of creating such “discourse power”²¹ could be seen in Belgrade in April 2020. Various large-scale billboards praised President Xi for China's efforts to assist Serbia in its measures to fight the Covid-19 pandemic. No such advertisement was visible regarding the European Commission's package of support schemes or the ECB's euro liquidity interventions.

At present, there is no coherent response from the Western Balkans to China's activities in the region. However, the debates around effective crisis management during the pandemic contributed to an important side-effect. They have proved to be a catalyst for looking more closely into how Chinese entities have permeated specific sectors of countries in the Western Balkans. From the initial focus on transport infrastructure over the energy sector to commercial trade, China's influence is now also being felt in supply chains in the health sector. This sectoral expansion is of a transformative nature in Sino-Balkans relations. European institutions cannot afford to further play catch-up to this development taking place in Belgrade, Tirana, Sarajevo, Skopje, and Podgorica.

China's engagement in the Western Balkans has diversified into sectors that were considered unlikely only two years ago. Bilateral cooperation now even includes security arrangements. In the Summer of 2019, Chinese officers were engaged in joint police patrols with their counterparts in selected cities in Croatia and Serbia. China's telecommunications company Huawei is the provider of facial recognition cameras and software for three ‘Smart (Safe) City’ projects in Serbia and in Bosnia and Herzegovina.²² China is also opening new channels of cooperation by entering into the European arms market. In June 2020, Serbia's air force received six CH-92A combat drones armed with laser-guided missiles. Serbia is the first European country to deploy Chinese unmanned aerial vehicles.

Outlook

This contribution concludes with some reflections on the future course of interaction between countries in the Western Balkans and China. We have tried to shed light on what the Covid-19 pandemic tells us about Beijing's perception of international relations, in particular in the region of the Western Balkans. Given the duration of the pandemic, the mantra of business as usual with China calls for a fundamental re-assessment.

¹⁵ European Central Bank, ECB and National Bank of Serbia set up Repo Line to Provide Euro Liquidity, press release 17 July 2020, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200717_2~7d1fb908e4.en.html, (accessed 28 August 2020).

¹⁶ European Central Bank, ECB and Bank of Albania set up Repo Line to Provide Euro Liquidity, press release 17 July 2020, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200717_1~f143ca1c56.en.html, (accessed 28 August 2020).

¹⁷ European Central Bank, ECB and Bulgarian National Bank set up Swap Line to Provide Euro Liquidity, press release 22 April 2020, <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200422~962a743486.en.html>, (accessed 28 August 2020).

¹⁸ European Central Bank, ECB and Hrvatska Narodna Banka set up Swap Line to Provide Euro Liquidity, press release 15 April 2020, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200415_1~92fe0267b1.en.html, (accessed 28 August 2020).

¹⁹ European Central Bank, ECB and National Bank of Romania set up Repo Line to Provide Euro Liquidity, press release 5 June 2020, <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200605~530c053484.en.html>, (accessed 28 August 2020).

²⁰ P. Skolimowski, V. Gulyas, ECB, Hungarian Central Bank set up Line for Euro Liquidity, 23 July 2020, <https://www.bloomberg.com/news/articles/2020-07-23/ecb-hungarian-central-bank-set-up-repo-line-for-euro-liquidity>, (accessed 28 August 2020).

²¹ N. Rolland, China's Vision for a New World Order, The National Bureau of Asian Research, Special Report, January 2020, #83, https://www.nbr.org/wp-content/uploads/pdfs/publications/sr83_chinasvision_jan2020.pdf, (accessed 11 September 2020).

²² M. Živanović, China's Growing Role in Serbia's Security Field, Bosnia Daily, 22 August 2019, p.12.

China's infrastructure diplomacy during the implementation of the BRI in the course of the past years is now subject to recalibration in light of the Covid-19 pandemic.²³

Before the onset of the pandemic in the Western Balkans, China was increasingly invested in and diversifying its engagement in the region. Infrastructure and lending diplomacy have now been supplemented with a pro-active health diplomacy. China's official rhetoric seeks to underline that its provision of medical supplies, video conferencing equipment and embedded health advisors are effective crisis management instruments to advance mutually beneficial Sino-Balkan cooperation.²⁴ In doing so Beijing is creating alternative norms and practices to confront the Covid-19 crisis with partner countries in the Western Balkans. The consequences of these interventions are potentially far-reaching. They include Beijing's capacity to generate new norms in international health policies during a pandemic and attract attention to the presumed advantages of China's crisis management response.

Beijing's efforts at agenda-setting during the pandemic present a major policy challenge for different European institutions. After initial missteps they are now providing tangible assistance to countries in the Western Balkans. But despite this increased (financial) support there is little conclusive evidence that the European Commission or the ECB are shaping the narrative and receiving public recognition in Belgrade, Tirana or Sarajevo. In short, perceptions in favor of Beijing can override facts on the ground.

Since early 2019, China is facing a much more pro-active European Commission. This new assertiveness first became apparent when the Brussels executive recalibrated its strategic outlook vis-à-vis China. In March 2019, the Commission labelled China "*simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance*" [emphasis added by the author].²⁵

To back up such rhetoric, the Commission adopted new regulations that established a framework for screening non-EU foreign direct investment (Regulation 2019/452). The regulation does not explicitly mention China. It entered into force in April 2019 and fully applies from mid-October 2020 onwards. The 12 EU countries that are part of the 17+1 Network had to adapt their national investment legislation to reflect the Commission's new screening regulations. Such regulation illustrates that the European Union succeeds in setting up *defensive* policies vis-à-vis China in areas where it has leverage.

There are a number of unknowns which countries with rising lending exposure to China have to confront in light of the medium-term commercial and economic consequences of the Covid-19 pandemic. In the Western Balkans particularly Montenegro, Serbia, and Bosnia and Herzegovina have borrowed considerable amounts from Chinese policy banks to finance large-scale infrastructure projects in the transport industry (e.g. bridges, highways, rail connectivity), the energy sector (e.g. coal-fired power plants) and commercial retail (e.g. in Belgrade). The timely repayment of these loans could present a serious policy risk and subsequently contribute to calls for debt restructuring, write-offs or debt-for-equity swaps.²⁶ In light of this potential development, Chinese companies and banks would have to reconsider their lending practices and strategic investment priorities in countries of the Western Balkans.

One further area of cooperation with Beijing which countries will have to address concerns tourist arrivals and overnight stays from China. Over the course of the past decade countries such as Greece, Croatia, Montenegro, and Serbia have increasingly focused their tourism policies on the accommodation of Chinese citizens visiting their cities, historic sites, and coast lines. Given existing travel restrictions and limitations on freedom of movement, the decline of tourism will adversely impact domestic airlines, airports, cruise ships, restaurants, hotels, museums, etc.

²³ J. Bastian, Southeast Europe in Current Chinese Foreign Economic Policy, Südosteuropa Mitteilungen, vol. 60, no. 3, 2020, p.13.

²⁴ It remains to be seen if such alleged gains are mutually beneficial for both sides or if it is more a case of China winning twice.

²⁵ European Commission, High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament, the European Council and the Council. EU-China – A Strategic Outlook, 12 March 2019, JOIN(2019) 5 final.

²⁶ In the case of the controversial the Bar-Boljare highway project in Montenegro, the Chinese side has inserted such debt-for-equity swaps into the construction and financing contract.

China's engagement in the Western Balkans during the past decade has belatedly, but selectively, caught the attention of the U.S. administration. Furthermore, in 2017, the former EU foreign policy chief Federica Mogherini warned that the "Balkans can easily become one of the chessboards where the big power game can be played."²⁷ In big power games countries in the region have limited leverage. They are caught in the middle with overlapping and at times conflicting loyalties vis-à-vis Brussels, Moscow, Washington, and Ankara.

Gradually, a policy reset is emerging in Washington. Over the course of the past 16 months, eight European countries, including Poland, Slovenia, Romania, Serbia, and Kosovo, have signed legally non-binding agreements with the U.S. government to remove 5G equipment provided by "untrusted vendors" from their mobile networks and to prohibit such vendors from bidding in public tenders in the future. Serbia's pivoting toward the U.S. could alienate its older partner Russia and more recently its expanding strategic relationship with China. Serbia's 5G licensing auction is scheduled for 2021.

Although a decade behind and under a significantly altered investment landscape in the Western Balkans, the U.S. administration is starting to pull strings and attempt to nudge countries in the region towards greater distance from Beijing's investment profile. This renewed urgency by Washington will create policy dilemmas for individual countries. They find themselves in the middle of a growing tug of war between Beijing and Washington. The U.S. administration is trying to put the brakes on burgeoning investment ties between China and the Western Balkans. For its part, China continues to expand and diversify its engagement in the region. The future will show if and how these countries can continue to cultivate investment ties with both Beijing and Washington. It remains a delicate balancing act.

In the course of the past decade China has expanded its maritime reach and cross-border connectivity through the BRI. China's signature foreign policy project critically relies on open borders, mobility of labor, as well as the export of goods and services. The inter-connectedness of global supply chains is another cornerstone of the advancement of the BRI. All these characteristics – mobility, connectivity, and operational supply chains through new transport infrastructure – are now subject to restrictions by national governments across continents. In consequence, the continued implementation of the BRI is facing unprecedented political and institutional hurdles in participating countries. We therefore expect that the recalibration of the BRI, which was already under way before the Covid-19 pandemic, will further accelerate. In the Western Balkans we can observe in real time how the BRI is being carefully refined to now include a 'Health Silk Road'.

Recommendations

Brussels needs to invest more political capital and regulatory capacity to make Beijing change some of its policies in the Western Balkans. This should primarily apply to three areas:

- (i) The demand for greater transparency of contractual investment arrangements and lending provisions. Too often, key details of contracts between the ruling government and Chinese state-owned companies are classified as confidential and thus not disclosed to the public. This applies for example to Serbia (the Budapest-Belgrade highspeed railway project), to Montenegro with the Bar-Boljare motorway project, and the Smart City projects in Belgrade, Niš, Novi Sad, and Sarajevo.
- (ii) Where infrastructure projects are co-financed with EU funds, the Brussels executive must address distortions created by Chinese state-owned companies that are being subsidized while submitting their bids in public tenders. Anti-subsidy rules should apply to non-EU external parties.

²⁷ European Western Balkans, Mogherini: Balkans Can Easily Become One of Chessboards Where Big Power Game Can be Played, 7 March 2017, <https://europeanwesternbalkans.com/2017/03/07/mogherini-balkans-can-easily-become-one-of-chessboards-where-big-power-game-can-be-played/>, (accessed 24 October 2020).

- (iii) As China's 'mask diplomacy' and its 'politics of generosity' during the initial phase of the Covid-19 pandemic have shown, the European Commission must react with greater vigor and timely intervention to counter China's disinformation campaigns. A stronger focus on communication policy, highlighting EU-related initiatives and interventions in support of countries in the Western Balkans, is urgently recommended. Narratives and perceptions are key in addressing the pandemic.

The new administration in the U.S. under President Joe Biden faces a host of policy challenges in the Western Balkans. It is recommended that:

- (i) As a sign of determined engagement in the region the Biden administration should expand the position of special representative for the Western Balkans in the U.S. State Department. The mandate's first order of business would be consultations with the six countries in the region and the Brussels executive on future transatlantic policy coordination, e.g., in areas such as support for vaccination logistics, new impetus for the Kosovo-Serbia dialog, and possible constitutional changes to the Dayton Peace Agreement 25 years after its signing in December 1995.
- (ii) Complementing this engagement 'reset' must be feasible action and project finance on the ground. In cooperation with EU institutions such as the EEAS, the U.S. International Development Finance Corporation (DFC), the U.S. Agency for International Development (USAID), and the Export-Import Bank of the United States (EXIM) should identify priority areas for funding assistance in a post-Covid-19 environment, e.g. the transport and distribution of vaccines for countries in the Western Balkans. Campaigns to promote safe vaccination programs among citizens in the region should be part of these joint endeavors.
- (iii) The new U.S. administration in cooperation with its European partners in NATO should emphasize that Chinese arms sales to Serbia not only represent a security challenge for the five NATO members in the region, but also endanger the credibility of Belgrade's defense cooperation with NATO, including the participation of Serbia in the 'Partnership for Peace' process.

It is paramount for policymakers in the Western Balkans to further develop agency and institutional capacity-building in their interactions with China.

- (i) In coordination with EU institutions and the London-based European Bank for Reconstruction and Development (EBRD) the formulation of comprehensive country strategies vis-à-vis China is a matter of urgency and smart politics. Defining such a strategy must be based on the lessons learned in the course of the past decade when engaging with China.
- (ii) Bilateral initiatives with China in the context of the 17+1 Network must be transformed into a set of strategic priorities, a better understanding of the legal implications of infrastructure project finance with Chinese interlocutors, the preparation of independent feasibility studies and the importance of acquiring further administrative expertise. This is a work in progress for most countries dealing with Chinese counterparts, particularly those in the Western Balkans.²⁸
- (iii) Countries in the Western Balkans increasingly rely on China to finance (and construct) coal fired thermal power plants. Bosnia and Herzegovina is a member of the Energy Community, a regional body established by the EU to extend the bloc's energy policy to would-be members. In 2019, Bosnian lawmakers extended a government guarantee for a Chinese loan to expand the Tuzla power plant. The loan guarantee violates EU subsidy rules included in the Energy Community regulations. In cases where participating countries repeatedly violate Energy Community regulations the European Commission should identify consequences for accession negotiations and/or redirect funding programs from IPA II.

²⁸ In 2017, Slovakia's government was the first country in the 17+1 Network to develop an extensive 'Strategy for the Development of Economic Relations with China 2017-2020'. R. Turcsanyi, Slovakia's Overdue China Strategy, *The Diplomat*, 3 November 2017, <https://thediplomat.com/2017/11/slovakias-overdue-china-strategy/>, (accessed 28 August 2020).

Covid-19 and Russian Influence in the Western Balkans

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At a televised press conference on March 15, 2020 Serbian President Aleksandar Vučić declared a state of emergency in response to Covid-19. Vučić chastised the EU for blocking the transfer of medical equipment to Serbia and called European solidarity “a fairy tale.” He also blamed unnamed EU officials for pressuring Belgrade not to award public contracts to Chinese companies. Six days later, again in front of TV cameras, Vučić welcomed an airplane from China delivering face masks, personal protective equipment (PPE) and medics. The president kissed the Chinese flag. Billboards thanking “Brother Xi” sprang up in Belgrade, paid for by a pro-government tabloid.¹

Enter Russia

Though China grabbed most headlines, Russia also sought to make the most out of the emergency. Following a formal request to Russian authorities and a phone call between Vučić and Vladimir Putin, eleven Il-76 transport planes flew in 87 medical staff, as well as healthcare supplies and personal protective equipment on April 3-4, 2020. The Russian Ministry of Defense chose the Batajnica airbase to be used for joint drills by the Russian and Serbian militaries. TASS, a news agency affiliated with the Russian Federation’s government, reported that Russian teams had been deployed to Niš, Kikinda, Valjevo and Cuprija, in addition to Belgrade. And as expected, Serbia served as a regional hub. Moscow sent supplies and members of its nuclear, biological and chemical protection troops to Republika Srpska (RS), Bosnia and Herzegovina’s Serb-majority entity.²

The Russian delivery of humanitarian assistance was anything but unprecedented. Russia has a network in place: its Ministry of Emergency Situations maintains a humanitarian center near Niš in southeast Serbia. Seen by Western observers as an espionage outpost, the center coordinated a response to the floods in May 2014, where Russia also delivered emergency supplies and dispatched rescue teams to both Serbia and RS.³ The Niš center has been distributing Covid-19 aid in partnership with Serbia’s interior ministry.

The aid supplied six years ago has helped Russia’s reputation as an external donor. Multiple public opinion surveys in Serbia have ranked Moscow as a top provider of assistance on a par with the EU. This, of course, is a far cry from reality. Brussels along with the member states, but also other actors such as Japan, are far ahead in terms of funding. There are indications that China is now replacing Russia as a leading source of assistance in popular perceptions – not just in Serbia but also amongst ethnic Serbs across former Yugoslavia.⁴

Another way Russia is involved in the Western Balkans has been through the spread of disinformation. In April and May 2020, pro-Russian outlets and social media accounts propagated conspiracy theories alleging the spread of Covid-19 had been masterminded by U.S. multimillionaire Bill Gates. Stories about the link to 5G networks, which would allow Gates to exert control over those inoculated with his future vaccine containing nanochips made the rounds too. Though these conspiracy theories might have originated from the West, they were amplified by Russia along with China and Iran, according to the EU External Action Service

¹ V. Vuksanovic, *Belgrade is Embracing China as it Ditches its Russian Alliance*, Reaction, 10 July 2020, <https://reaction.life/belgrade-is-embracing-china-as-it-ditches-its-russian-alliance/>, (accessed 10 September 2020).

² Russia sends medical aid to Serbia to fight coronavirus, Reuters, 3 April 2020. <https://www.reuters.com/article/us-health-coronavirus-russia-serbia/russia-sends-medical-aid-to-serbia-to-fight-coronavirus-idUSKBN21L17H>, (accessed 10 September 2020).

³ See D. Bechev, *Rival Power: Russia in Southeast Europe*, Yale UP, 2017. D. Bechev, *Russia’s Strategic Interests and Tools of Influence in the Western Balkans*. NATO Stratcom Centre, 2019. <https://stratcomcoe.org/russias-strategic-interests-and-tools-influence-western-balkans>, (accessed 10 September 2020).

⁴ V. Vuksanovic, *Belgrade is Embracing China*; Sanja Kljajic: *Srbija: EU pomaze vise, ali je Kina “bratska”* [Serbia: EU helps more but China is a “brotherly land”], Deutsche Welle (Croatian service), 4 April 2020 <https://www.dw.com/hr/srbija-eu-poma%C5%BEe-vi%C5%A1e-ali-je-kina-bratska/a-53017342>, (accessed 10 September 2020).

(EEAS). They have wide influence and are not limited to countries in which public opinion is pro-Russian and critical of the West.⁵

However, when the Russian authorities approved a vaccine of their own, Sputnik V, it sparked enthusiasm from both Kremlin-affiliated media and pro-Russian/Western-sceptic platforms and channels in the Balkans. The vaccine is central to Russia's effort to improve its image abroad which took a blow because of its flawed response to the virus domestically and due to China's soft power offensive.

Local Responses to Russian Actions

Russia's involvement with the Western Balkans scored PR points but also caused some damage. Serbia is a case in point. On July 7, 2020 protests erupted in Belgrade after the government re-introduced restrictions to stem the uptick of Covid-19 cases – e.g. ban on large gatherings and weekend curfews. Over the following four days, unrest spread to most large and provincial cities. Rallies drew a diverse crowd, from urban liberals opposed to Vučić, to die-hard Serbian nationalists. But what was remarkable is that the media loyal to the President framed the events as a plot by the Russian deep state, carried out behind Vladimir Putin's back, to undermine Vučić. Such allegations caused friction at the official level. On July 23, Russian Ambassador Aleksandr Botsan-Kharchenko, a Balkan old hand, took to Twitter to push back – in Serbian – against headlines in the tabloid *Srpski Telegraf*.⁶ The Russian state-backed news outlet *Sputnik*, which broadcasts in Serbian, aired commentary – e.g. by analyst and host Dušan Proroković – seeking to debunk the claims of Russian foul play: “There is no such thing as a Russian deep state,” Proroković argued.⁷ He qualified the story as a plot by those in Belgrade wishing to strengthen ties to NATO, stopping short of laying the blame on Vučić.

This is the second time in less than a year that sparks have flown between Moscow and Belgrade, after a spy scandal broke out in the autumn of 2019. Coupled with Vučić's courtship of China and links to both the EU and the Trump administration in the U.S., it sheds light on the limits of the Serbian-Russian partnership. Even so, the leadership in Belgrade avoids direct confrontation with the Kremlin and remains committed to cooperation with Russia, notably on Kosovo. In a gesture to Russia, President Vučić declared in mid-August that he was willing to try the Russian vaccine – with the provision that it had to be pre-approved by Serbian experts.⁸ Vučić also attended the postponed Victory Day parade in Moscow on June 24, 2020.

Russia caused controversy in Bosnia and Herzegovina, too. In May 2020, a convoy of five military vehicles and 24 medics was stopped at the border with Serbia and prevented from reaching Mostar. The Russians were invited to disinfect the city hospital in the Herzegovinian city where many ethnic Croats live. They had prior clearance by Dragan Čović, an influential Croat leader, but the Russian Embassy's formal request was turned down by Bosnia and Herzegovina's Security Minister Fahrudin Radončić. Media and social networks raised questions about the nature of the Russian team's mission in Mostar.⁹ Thus, assistance by Moscow stoked tensions between two of the ethnic communities in a country where leaders are always keen to exploit ‘us vs. them’ fault lines. The scandal in Mostar added to the standoff between Milorad Dodik, a close ally of Moscow's, and the central state institutions in Sarajevo.

⁵ EEAS Special Report Update: Short Assessment of Narratives and Disinformation around the COVID-19/Coronavirus Pandemic (Updated 2-22 April), 24 April 2020, <https://euvsdisinfo.eu/eeas-special-report-update-2-22-april/>, (accessed 10 September 2020).

⁶ M. Samorukov, Beyond Kosovo: How Protests Transformed Serbia's Relations with Russia. Carnegie Moscow, 21 July 2020. <https://carnegie.ru/2020/07/21/beyond-kosovo-how-protests-transformed-serbia-s-relations-with-russia-pub-82342>, (accessed 10 September 2020).

⁷ Sputnik Serbia's YouTube channel, 8 August 2020. <https://www.youtube.com/watch?v=7LYoy1RXqLc>, (accessed 10 September 2020).

⁸ TASS, Serbian Leader Vucic Says Ready to be First to Take Russian Coronavirus Vaccine, 11 August 2020. <https://tass.com/world/1188387>, (accessed 10 September 2020).

⁹ J. Petrovskaya, Russia's COVID Diplomacy in Bosnia, Riddle Russia, 26 May 2020. <https://www.ridl.io/en/russia-s-covid-diplomacy-in-bosnia/>, (accessed 10 September 2020).

What Should the EU Do?

The Western Balkan response to Russian assistance illustrates the ambivalence of attitudes towards Russia. On the one hand, there are expectations in certain communities that Moscow should lend a helping hand. On the other, politicians exploit fears of Russian interference to curry favor with the West. That way they deflect attention away from governance failures, corruption scandals, and power grabs at home by shifting attention to geopolitics. This strategy is commonly deployed in the Balkans as well as in other parts of Eastern Europe, notably recently in Belarus.

Despite local criticisms, the EU did not leave the Western Balkans to fend for themselves. The first shipment of medical supplies landed in Belgrade on March 26, ten days after Serbian authorities made a request. On March 29, the European Commission set aside 38 million EUR for immediate assistance to the Western Balkans (ventilators, goggles, laboratory kits, gowns, masks, etc.), of which 15 million went to Serbia. In late March, Sam Fabrizi, Head of the EU Delegation in Belgrade, announced that Serbia had already received 7.5 million EUR worth of assistance from the EU.¹⁰

The EU is also putting forward funds to deal with the economic fallout from Covid-19. In the run-up to the Zagreb Summit on May 6 with the six Western Balkan countries, the European Commission and the European Investment Bank unveiled an aid package of 3.3 billion EUR for the Western Balkans over the next programming period (2021-27).¹¹ This figure surpasses the value of Russian material assistance to the region by a huge amount. It is also more than the soft loans extended by China as part of its Belt and Road Initiative (BRI), which are anyhow funneled to Chinese contractors. Neither Russia nor China will be underwriting the region's recovery.

But to make an impact, the EU has to be able to communicate its story through the media in order to counter disinformation. Elites in Western-oriented countries such as Albania, North Macedonia, Montenegro, and Kosovo will likely acknowledge European assistance. In Serbia, by contrast, pro-government media traditionally praise Russia and China as allies and downplay the EU. In Bosnia and Herzegovina and in Montenegro, both pro-Kremlin and pro-EU/NATO narratives have a foothold. In order to be effective, the EU must double down on efforts to promote independent and objective media with transparent ownership. Only then does it have a fair chance to receive full credit.

The European External Action Service (EEAS) should continue to monitor and expose disinformation, fake news, and conspiracy theories which permeate the information space. This should happen through collaboration with local NGOs, investigative journalists, and activists. There are multiple examples of such partnerships which are essential to combating malign influence of outside players. In case Russia tries to further instrumentalize Covid-19 to sow division and project 'sharp power,' the EU should be prepared to push back, leveraging the knowhow it has already accumulated along with its resources and networks on the ground in the Western Balkans.

¹⁰ S. Popovic, COVID-19 in the Western Balkans. European Western Balkans, 27 March 2020, <https://europeanwesternbalkans.com/2020/03/27/covid-19-in-the-western-balkans-eu-ramps-up-its-assistance-as-china-scores-points-in-the-region/>, (accessed 10 September 2020).

¹¹ European Commission, Press Release, 29 April 2020, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_777, (accessed 10 September 2020).

Turkey's Activities in the Western Balkans During the Covid-19 Crisis

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Since the beginning of the Covid-19 pandemic, the world has witnessed the struggle between the ability of nations to display their sovereignty on the one hand and to cooperate on the other hand. One might argue that the Western Balkans are among the rare locations where cooperation and conflict have been occurring at the same time because of its historical, political and geographical situation, but also its landlocked position. In this region, Turkey is a relative outsider but a very influential actor and therefore has been trying to get involved in the region at every chance, including during the pandemic.² Regarding the relationship that the Western Balkans foster with Turkey and the policy that Turkey developed during the pandemic towards the Western Balkan countries, diverse yet salient points emerge – each of which must be scrutinized in order to understand how future relations will unfold.

At the start of the Covid-19 pandemic, the situation looked rather dire for both Turkey and the Western Balkans. The weak economies of the Western Balkans and the deteriorating economic situation in Turkey made these countries vulnerable to the looming impact of the pandemic. However, in the first half of 2020, Turkey and the Western Balkans appeared to be quite successful in the fight against Covid-19, although the reliability of the reported data is highly questionable due to the lack of transparency of repressive regimes.

One can link Turkey's relative (yet disputable) initial success over Covid-19 with three reasons. First, Turkey has a robust healthcare system, within which there are numerous highly functioning emergency care units,³ although its bureaucratic and institutional capacities have gradually worsened in recent years. Second, families rather than institutions such as care homes, which often saw a rapid spread of the virus, are usually responsible for elder care. Finally, the coercive abilities (more bluntly, the authoritarian structures) of the current regime in Turkey were able to exert pressure to ensure certain guidelines were followed.⁴ Paradoxically, authoritarianism to some extent has shown effective results in fighting the pandemic, or at least has become very successful in hiding the real numbers. While not all the Balkan countries have maintained strong healthcare systems, it is true that they share the strength of familial ties as well as regimes that are able to enact harsh policies.

Despite this positive image in the beginning of the pandemic, the situation has dramatically started to change both in the Western Balkans and in Turkey. For instance, in late October, the number of cases in Montenegro (the Western Balkan country to which the virus spread last) reached 16,256 cases and 253 people had died. In North Macedonia, 25,473 people have tested positive and 874 citizens passed away. In Albania, where the population is over 2.8 million, there have been 18,250 confirmed cases and 465 deaths, while in Serbia, which has a population of around 7 million, there are 37,536 confirmed cases and 783 deaths.⁵ Indeed, the numbers were not very reliable due to sugar-coated Covid-19 figures, excluding asymptomatic infections from official tallies.⁶

¹ The author received funding from the European Union's Horizon 2020 research and innovation program under the Marie Skłodowska-Curie grant agreement No 891305 and would like to thank the donor.

² A.E. Öztürk, *Religion, Identity and Power: Turkey and the Balkans in the Twenty-First Century*, Edinburgh, Edinburgh University Press, 2021.

³ E. Balta and S. Ozel, *The Battle Over the Numbers: Turkey's Low Case Fatality Rate*, Institut Montaigne, <https://www.institutmontaigne.org/en/blog/battle-over-numbers-turkeys-low-case-fatality-rate>, (accessed 3 September 2020).

⁴ A.E. Öztürk, *Turkey and COVID-19: Success, Turmoil, Insecurity and Opportunity*, Open Access Government, <https://www.openaccessgovernment.org/turkey-and-covid-19/87164/> (accessed 3 September 2020).

⁵ For all the data please see: Worldometer, *COVID-19 Coronavirus Pandemic*, <https://www.worldometers.info/coronavirus/> (accessed 27 November 2020).

⁶ J. Hahn, *Has Turkey lost control of the coronavirus pandemic?*, 15 December 2020, dw, <https://www.dw.com/en/has-turkey-lost-control-of-the-coronavirus-pandemic/a-55952967> (accessed 16 December 2020).

Turkey and the Western Balkans: Permanently Close Relations

Despite claims that Turkey's interest in the Western Balkans grew particularly during the Justice and Development Party (*Adalet ve Kalkınma Partisi*-AKP) era, Turkey has always maintained a significant interest and some degree of influence in the region.⁷ It would be impossible to claim differently, as Turkey is in a sense the surviving legacy of the Ottoman State, which expanded and collapsed over the Western Balkans. Just as numerous Balkan-born representatives served in Turkey's founding parliamentary assemblies in 1924 and 1929, Balkan migrants hold a similar sway in Turkish domestic politics today. Likewise, Turkey was always present in different regional affairs, in the Balkan Pacts, the waves of critical junctures that began in 1950, natural disasters, and critical political events such as the Bosnian War and the breakup of Yugoslavia.

The dramatic increase of Turkey's interest and activities in the Western Balkans during the AKP era after 2002 is based on the following reasons. First, because of its growing economy, Turkey was able to more actively utilize – and increase the visibility of – the *Diyanet* (Presidency of Religious Affairs), the TİKA (Turkish Cooperation and Coordination Agency) and similar transnational state apparatuses until the early 2010s.⁸ Second, between 2004 and 2013 the AKP and the Gülen Movement⁹ joined forces in opposing Turkey's historical Kemalist and secular tradition in international settings, and to increase their influence in education, religion, trade, and culture, including in the Western Balkans.¹⁰ Third was the understanding of foreign policy as neo-Ottomanism, which Ahmet Davutoğlu, Foreign Minister (2009-2014) and later Prime Minister (2014-2016), initiated and which Turkey later began to push with a greater emphasis on history, religion, and culture. According to this policy, Turkey views the Western Balkans as a part of its historical territory and, as such, seeks to cultivate influence in the region.

These efforts by Turkey to position itself as the dominant actor in the region and, moreover, the practices that exceeded classical foreign policy were perceived by some as an example of soft power, and by others as neo-imperialism or neo-colonialism. However, the fact remains that during the AKP era, Turkey gained greater influence over Balkan societies and governments than ever before. This was because Turkey portrayed itself as desiring to be included in nearly every issue in the Balkans. This is also what occurred during the Covid-19 pandemic.

In addition to its proximity to and history with the region, the underlying reason for Turkey's more rapid and effective access to the Western Balkans, compared to other regions, is that it has always maintained a presence there through its transnational state apparatuses and other civil society structures. Undoubtedly, societal interconnectivity and an understanding of the society's desires (if only marginal) accompany this. Similarly, the AKP government and especially President Recep Tayyip Erdoğan nurture close relations with Western Balkan political leaders through alternative channels of diplomacy. Furthermore, with its institutional, geographic, historical, cultural and political advantages, Turkey is able to intervene, in some capacity, in almost every issue in the Western Balkans. Additionally, Turkish politicians and diplomats perceive the Balkans as a domestic rather than foreign issue. For instance, concerning the Gülen-AKP conflict, which progressed to new dimensions between 2014 and the violent coup attempt in 2016, the conflict continues in the Balkans, almost as if it was another Anatolian province.

⁷ D. Bechev, Turkey in the Balkans: Taking a Broader View, *Insight Turkey*, vol .14, no. 1, 2012, pp.131-146.

⁸ A. E. Öztürk, G. İstar, A Frame for Turkey's Foreign Policy via the Diyanet in the Balkans, *Journal of Muslims in Europe*, vol 7, no. 3, 2018, pp.331-350.

⁹ The Gülen Movement is referred to by its members as Hizmet (service) and defined as a peaceful movement dedicated to education, philanthropy, and intercultural dialog. The Turkish state, however, classifies the GM as a terror organization that played a role behind the July 15, 2016 coup attempt and calls it the Fethullah Terrorist Organization (FETÖ). These two opposite emic and etic depictions – Hizmet and FETÖ – reflect the highly polarized and politicized context that also informs the scholarly works on the subject. In order to maintain academic neutrality and critical distance, this text refrains from such value-laden tags and instead employs a rather neutral term, the Gülen Movement.

¹⁰ S. P. Watmough, A. E. Öztürk, From 'diaspora by design' to Transnational Political Exile: the Gülen Movement in Transition, *Politics, Religion & Ideology* vol 19, no. 1, 2018, pp.33-52.

The increased influence in the region that Turkey gained under Erdoğan's rule will lead to two separate outcomes. The first is the legitimacy of Erdoğan's Turkey based on an ethno-religious foundation along with political changes in domestic politics. Facilitating good relations with the Balkans and supporting them when necessary is not only an act of brotherhood but also helps Turkey to become a dominant actor in the region. This situation gives the impression that Turkey is seeking Ottoman perpetuity and, indirectly, is trying to break the influence of countries such as Saudi Arabia, the United Arab Emirates, and Iran, which are trying to enter a regional struggle with Turkey over other Muslim states.

Second, Turkey is not trying solely to bolster its ethnic or religious field of influence by providing aid to the Balkans. Rather, it also seeks to rupture the influence of China and Russia – undoubtedly growing stronger in the Balkans – and to become the most powerful international actor in the region. One of the most important opponents in this struggle for power is the European Union. In some situations, Turkey has cultivated influence in the region by making decisions more quickly than the EU bureaucracy, in an attempt to prove that it is a center of political strength. The following statement from AKP Spokesperson Ömer Çelik adequately summarizes this battle for power during the Covid-19 pandemic:

“They would suggest, ‘It is imperative that we hinder Turkey’s growing influence in the Balkans.’ They would speak with a political ignorance unaware of the historical bonds Turkey shares with the Balkans. And now, they have abandoned the Balkans. Turkey, however, is there. The single goal of Western European countries regarding the Balkans rests on the breaking of Turkey’s influence. Yet none of them appear when the Balkans need pandemic-related assistance. Turkey, however, sent aid to the Balkan nations during their most trying of times. The EU was unable to do what Turkey did by itself, not for Italy or Spain and not for the Balkan nations. Turkey is revealing that it is the safeguard of the European continent, as a deeply rooted and powerful European state in all its dimensions. Europe, without Turkey, is indescribable.”¹¹

With these motivations in mind, Turkey began sending medical supplies for the battle with Covid-19 at the end of March. According to statements from Foreign Minister Mevlüt Çavuşoğlu, Turkey transported material assistance to more than 130 countries, including the United Kingdom, Italy, Spain and – of course – the Balkans.

Turkey's Covid-19 Diplomacy in the Western Balkans

In April, Turkey began sending medical supplies, at the direction of President Recep Tayyip Erdoğan, to six Western Balkan countries that had requested assistance, with the goal of providing support during the Covid-19 pandemic. Turkish officials made an announcement when the military cargo airplane transporting medical supplies to North Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Albania and Kosovo had taken off from Ankara.

The first shipment was to Serbia. Serbian Defense Minister Aleksander Vulin and Turkish Ambassador to Belgrade Tanju Bilgiç greeted the initial shipment of assistance at the Nikola Tesla Airport in Belgrade. The Turkish Ministry of Health prepared the aid packages, comprising of masks, medical garments, and rapid diagnosis kits, and delivered them to Minister Vulin in Serbia. In a statement Minister Vulin noted that not only was Turkey recognized as a friendly nation, but that a positive future was apparent in arduous times. “We construct our policy for the future in the most challenging of times, such as these,” he said. “Serbia will always remember those who help her and stand by her side.” Vulin thanked President Erdoğan for this aid, which “arrived at the right time”, stressing that they would otherwise lack adequate assistance. Ambassador Bilgiç stressed the challenges they faced and expressed his desire that Serbia, a ‘friendly nation’, would emerge from this disaster with minimal damage. Evoking the Turkish proverb ‘a true friend appears on the darkest of days’, Bilgiç noted that the delivered assistance would not resolve all the health issues in Serbia, but that Turkey

¹¹ Haberturk, AK Partili Çelik: Avrupa Balkanlar'ı kendi haline terk etti, Türkiye ise orada, 9 April 2020, For details please see; <https://www.haberturk.com/ak-partili-celik-avrupa-balkanlar-i-kendi-haline-terk-etti-turkiye-ise-orada-2640643> (accessed 2 June 2020).

wanted to stand with Serbia during these challenges. Indeed, these initiatives are also reflections of Turkish-Serbian relations which have been getting warmer over the last couple of years.

The second stop for the Turkish military cargo plane carrying medical supplies to the Balkans was Bosnia and Herzegovina. Bosnian Security Minister Fahrudin Radončić and Turkish Ambassador to Sarajevo Haldun Koç were at the Sarajevo International Airport to accept the assistance. In a statement, Minister Radončić thanked Turkey for the medical supplies, which were of vital importance for Bosnia and Herzegovina, and for the solidarity shown. Ambassador Koç said that these supplies, sent at the behest of President Erdoğan, demonstrated that Turkey supported its friend and brother Bosnia and Herzegovina.

The third stop was Montenegro. Montenegrin President Milo Đukanović issued a statement from his official Twitter account, thanking Erdoğan for the assistance. Speaking about the supplies on the plane, he included a quote by the poet Mevlâna Celâleddin Rumi¹² in both Montenegrin and Turkish: “Behind despair is great hope. Behind darkness is great sunlight.”

North Macedonia was another country to which Turkey delivered aid. North Macedonia and Turkey already have very close relations, and this has continued during the pandemic. In this regard, North Macedonia’s Foreign Minister Nikola Dimitrov, Turkish Ambassador to Skopje Hasam Mehmet Sekizkök, North Macedonia’s Supreme Court Chief Justice Salih Murat and other officials and guests awaited the airplane carrying the medical supplies at the Skopje Airport. Foreign Minister Dimitrov said that the friendly nation Turkey and the Turkish people had sent assistance to all citizens of North Macedonia, among whom are Turks.

As underlined earlier, Turkey’s ethno-religious change in state identity has affected its relations with the Western Balkan countries, particularly with Albania, which aspires to join the European Union. In this regard, one might argue that Erdogan’s AKP is one of the strongest external actors in Albania, but disturbs both Muslim and non-Muslim elites in the country. Despite this relatively pejorative image, Erdogan’s Turkey supported Albania during the pandemic. A Turkish military plane carrying medical supplies was sent to Albania by Ankara and was welcomed by local authorities.

Similar events unfolded in Kosovo, the last country to request assistance. Kosovo’s health minister, the minister for infrastructure and transportation, the presidential advisor, the Turkish ambassador to Pristina, and a high-ranking official from the Turkish Cooperation and Coordination Agency (TIKA) greeted the supplies at Pristina airport. “It is good friends who appear on dark days,” Kosovo’s Health Minister said, communicating that healthcare workers would be most pleased with the assistance. “That our dear friends – themselves dealing with these problems similar to Kosovo – found the opportunity and time to aid the Kosovar people is not merely an example of solidarity, but also of humanity; it is a sacred thing.”¹³

This shows that during the Covid-19 pandemic Turkey has been pursuing a multiform and varied foreign policy using ethno-religious and cultural-based foreign policy and influential transnational state apparatuses. In this regard, it is striking that the aid by Turkey was in almost all countries greeted with reaffirmations of the “brotherly” relations and often with references to the ethnic or religious community and joint cultural heritage. Furthermore, Turkey’s activities during the pandemic underline the continuation of its claims to be a great actor in the region, with its historical, religious and cultural characteristics, in opposition to the growing regional influence of Russia and China.

¹² Mevlana Celaleddin Rumi is an Anatolian saint who gave hope and inspiration to humanity. Mevlana was born in 1207 in Khorasan, and died in 1273 in Konya.

¹³ A. Sulaj, D. Aliju, Kosovo thanks Turkey for medical aid to battle COVID-19, Anadolu Agency, 30 April 2020, <https://www.aa.com.tr/en/europe/kosovo-thanks-turkey-for-medical-aid-to-battle-covid-19/1823686> (accessed 7 September 2020).

Conclusion

It is difficult to determine the degree to which the assistance Turkey delivered to the Western Balkans was adequate in fighting the Covid-19 pandemic. Additionally, it is questionable whether Turkey has really decreased the influence of other countries such as China and Russia, or of the European Union. The support given seems to be a matter of course considering the role of the Balkans for Turkish policymakers under the AKP rule. Since the early 2000s, Turkey has been applying a new and intense policy approach based on the process of coercive ethno-nationalist *Sunnification* of the national identity and the reflection of this in its foreign policy. In this regard, Turkey has started addressing Muslim groups and other societal groups in the Balkans through state apparatuses and government-organized non-governmental organizations (GONGOs).

Under these circumstances, it is difficult for other external actors to be as influential as Turkey, but they could use their financial support for structural changes to support the Western Balkans in their democratic and economic development. Especially since almost none of Turkey's activities in the region can solve the economic problems and social underdevelopment of some groups in the Western Balkans, particularly Muslims.

Additionally, a comprehensive analysis of Turkey's Balkan policies indicates that the new elite in Ankara tends to believe that their Balkan image is the only truth and is shared by the Western Balkan governments. This is not exactly true. Further, one should note that this image of the Balkans in the eyes of Ankara and the intense strategies that follow are not unrelated to the transformation that Turkey has been undergoing. Turkey has a new, selective approach regarding its Ottoman legacy and sees some Muslims in the region as *more Ottoman* than others, and thus perceives the Muslims of the Balkans as its natural and historical components. This is why Turkey does not hesitate to intervene in domestic politics, supply humanitarian aid and generally act as a permanent influence through the elements of culture, language, religion, and economics. This is also why some Muslims in the Western Balkans do not regard Turkey as an external actor. Yet in reality, Turkey's policies have been creating certain divisions and polarizations between different socio-political groups in the Western Balkans. A more neutral policy in the region, for which the EU seems to have the capacity if it manages to understand the real needs of the region, would be more influential.

The other side of the coin is that Turkey became one of the first nations to come to the aid of the Western Balkans – as it has done for years – which can be seen as an expression of soft power. It is likely that this assistance warmed the hearts of the Balkan countries and of Muslims in Turkey, who are always watching the region. It is important to note that the fact that the assistance was provided as if coming directly from President Erdoğan illustrates the personification of the Turkish state while at the same time a public relations campaign has been conducted on a regional and global scale. This is expected to contribute to the great, generous, and influential image which Turkey is trying to project to the Turkish public. One can view this assistance as something initiated in Ankara to benefit Turkey both domestically and internationally. Finally, apart from the functionality of the assistance, it is clear that Turkey will be one of the first choices for sympathetic Muslims and political actors in the Western Balkans to establish a political partnership in the future.

ECONOMIC AND SOCIAL EFFECTS OF THE COVID-19 PANDEMIC IN THE WESTERN BALKANS

Workshop Report

Sandra Schwalen
Rapporteur

The third workshop in Aspen Germany's 2020 online workshop series on effects of the Covid-19 pandemic on the Western Balkans took place on November 11. This series was put on in cooperation with the German Federal Foreign Office and took place under the Chatham House Rule. Participants from the Western Balkans and the EU represented a diverse set of backgrounds in politics, public administration, civil society, and academia. The aim of this workshop was to compare the various economic and social effects the pandemic is having on the Western Balkans and discuss how governments, businesses, and civil society should respond. It started with a presentation of the input papers, which gave country-specific overviews of effects and responses of the pandemic. The ensuing discussion, moderated by Valbona Zeneli from the George C. Marshall Center for Security Studies, focused on domestic responses and international support to the crisis as well as potential opportunities for the region.

In the presentation of the input papers, a number of common economic and social themes stood out which remained constant across the region. In general, it was accepted that the economic shock caused by the Covid-19 pandemic was the biggest since 2008 and would cause a steep decline in GDP across the region. Furthermore, the pandemic will most likely aggravate existing challenges such as poverty, unemployment, and emigration. Some of the reasons the Western Balkans were hit so badly included common factors such as high rates of self-employment, informalized and less diversified economies, and on average lower GDPs than the rest of Europe. The pandemic, however, has had differentiated effects across the region thus far; while Montenegro was hit the worst, Serbia has seemingly suffered less from the crisis due to its larger fiscal space and its economic structure (among other things a smaller service sector and less dependence on tourism).

Several authors emphasized that because many economies in the region are based heavily on services, tourism, hospitality, and domestic consumption, they experienced heavy declines due to the lockdowns. Similarly, informal labor, which is prevalent in the Western Balkans, was hit hard, as workers without formal contracts could be easily fired and were oftentimes not eligible for unemployment benefits. Due to these large informal sectors in the region, the real impact of the crisis might not even be entirely grasped at this stage. Aside from informal laborers, women and young people were also cited as being especially vulnerable to the crisis, as many women tend to work in healthcare, the service industry, and other 'frontline' sectors. Young people often do not have formal work contracts and even if they do, starting positions tend to be the first cut in a crisis.

Due in part to the economic effects, the pandemic also had social effects across the region, such as widespread rise in poverty levels, including child poverty. Different authors cited the need for widespread government relief spending to help individuals and families who are struggling with loss of income during the pandemic. The healthcare sectors across the Western Balkans, many already suffering from lack of funding and personnel, are struggling with high rates of patients according to different authors. On top of the strain on public health systems, participants also mentioned the risk of an ensuing mental health crisis in several countries in the region due to the combinations of financial pressures and the health crisis. Education has also been impacted due to school closures, with children from poorer or rural families even more affected because of lack of access to internet or technological devices. This will most likely further increase the equality gap in the education sector. All input papers agreed that the Covid crisis called for increased targeted government action to cope with the various ensuing hardships.

The subsequent discussion focused on responses to the crisis by both domestic governments and international actors such as the EU. Participants discussed existing policies and how these could be improved. All governments had introduced some welfare policies to help individuals and subsidize businesses especially impacted by the pandemic, albeit with differences depending on the available fiscal space and at the expense of rising public debt. However, these measures could be improved in many countries to ensure that the

economy is supported for as long as necessary and so that everyone who needs financial assistance can access it. This could be achieved by lowering the requirements for social assistance, by improving external communication about available schemes, and by extending financial support for a longer period. At the same time, some experts called for better targeted policies, in order to avoid unnecessary spending and to better manage the public debt. In some cases, politicization of the crisis and internal disagreement in the governments, especially surrounding elections and the creation of new coalitions, caused delays in implementation of policies. Several participants cited this as dangerous for the economic rebuilding process and pointed out that this could increase public mistrust of the government. In general, it was agreed that policy-makers need to think more long-term in order to be able to guide their countries out of the crisis.

In countries like Montenegro and Albania high national debt, even before the Covid-19 crisis, has made government spending for crisis mitigation difficult. Fiscal responsibility after the worst of the pandemic is over will be necessary to lower the national debt and create fiscal space. This also plays a role in geopolitical terms, as the increasingly indebted countries of the Western Balkans could be even more induced to accept loans by third parties such as China or Russia, thereby increasing financial and political dependencies. The issue of remittances from the diaspora, especially in Western Europe, was addressed as well. With the exception of Kosovo, remittances fell in the wake of the pandemic, which once again highlighted the risks of an overreliance on remittances, which do not contribute to sustainable long-term economic growth.

Many participants also emphasized that the crisis may represent an opportunity to rebuild or restructure regional economies. A key factor is digitalization, which has accelerated rapidly as all professional and personal communication had to move online during the pandemic. It is believed this trend will continue after the pandemic since digital communication can be faster, cheaper, and more efficient in many cases. Improved digitalization can create opportunities to modernize the economy, attract foreign direct investments and to better integrate the region in the EU economy. Furthermore, it has the potential to render public administration more cost effective and efficient. Participants thus recommended using the momentum to implement a smart-specialization strategy to promote economic recovery and sustainable growth in the long term. However, fast-paced digitalization has also proved difficult for people living in rural areas or with limited financial resources, especially school children and students whose classes switched exclusively to digital learning. Participants mentioned the need for improved digital infrastructure across the region, including access to Wi-Fi and digital devices like laptops and smartphones.

The large gap between the Western Balkans and the EU in terms of the economy and development was identified as a key weakness for overcoming the economic and social effects of the pandemic. Investment from the European Union and its member states could greatly help the region get through the current crisis. It would also offer the EU a strategic advantage to gain influence in a region that is so close geographically, especially given the upswing in Chinese investment here in recent years. Nearshoring may also represent an opportunity for EU-based companies and the Western Balkans alike, according to the discussion. With the interruption of international supply chains during the pandemic, many companies are looking to relocate their supply chains closer to home. Participants agreed that attracting foreign investment in the form of nearshoring could be a great opportunity for the region. Lower labor costs and better connectivity in terms of energy and transport to the Western Balkans make the region attractive to investors. However, as several speakers pointed out, governments need to diversify and modernize their economies, develop infrastructural links, and diminish risks for investors, especially through rule of law reforms to attract sustained investment. The countries of the region should thus develop a strategic approach regarding potential FDI to ensure it contributes to sustainable development and to prevent a race to the bottom within the region.

Finally, the EU accession processes should not be overlooked even in such a time of economic crisis and uncertainty. While participants acknowledged that the lack of EU membership caused the region to be hit harder by the pandemic than other parts of Central and Southern Europe, this did not mean countries should give up hope or stop their efforts. On the contrary, the crisis may represent an opportunity to diversify regional economies, and to invest in infrastructure and digitalization in line with the EU Smart Specialization Policy. Final recommendations from the speakers highlighted the need for regional and international cooperation to overcome the effects of the pandemic and to further promote EU integration.

The Impact of Covid-19 in Albania: How to Turn the Crisis into an Opportunity

Ornela Liperi
Editor-in-chief
Monitor Business Magazine

Introduction: The Impact of Covid-19 in Albania

Albania has been severely hit by the Covid-19 pandemic. The National Statistical Institute, INSTAT, revealed the Albanian economy fell by 10.2% in the second quarter of 2020, compared with the same period of 2019.¹ This is the sharpest decline since 1997, when the country was hit by the crisis caused by the fall of pyramid schemes.² The sectors trade, transport, and hospitality were the most severely hit. These sectors decreased by 26.3% compared with the second quarter of 2019.³ Trade is the second largest contributor to GDP, with 11% of total GDP, transport and hospitality contribute about 3% of GDP each.

Official data from the tax office⁴ show the number of business entities (mostly small ones) that have passed into passive status (i.e., suspended activities) was up by more than 40% during the May-August 2020 period, compared with the same period in 2019. Most of them blame the Covid-19 crisis and the fall of purchasing power for their failures. This was to be expected in a country where small trade and services businesses were crucial for employment. For example, there are about 18,000 bars and restaurants which represent 16% of total businesses in the country, as per INSTAT data.⁵

The pandemic has had a devastating effect on the Albanian budget as well. By mid-2020 public debt stood at its highest record ever, at 80% of GDP, 14 percentage points higher than at the end of 2019. In June 2020, Albania issued a 650 million EUR Eurobond to help cover the financing needs.

Structural Weaknesses Exacerbated by the Crisis

Even before the crisis, Albania, one of the poorest countries in Europe, with a GDP per capita of only 31% of the European Union average, was performing poorly (Figure 1). This level has remained unchanged in recent years indicating the country has stalled in the so-called convergence process. This level of poverty is considered to be one of the main factors of the high emigration rate and may also be a contributing factor to high crime rates related to drugs, smuggling, etc.

¹ INSTAT, Gross Domestic Product, Q2 – 2020, 30 September 2020, <http://www.instat.gov.al/en/themes/economy-and-finance/national-accounts-gdp/publication/2020/gross-domestic-product-q2-2020/>, (accessed 30 October 2020).

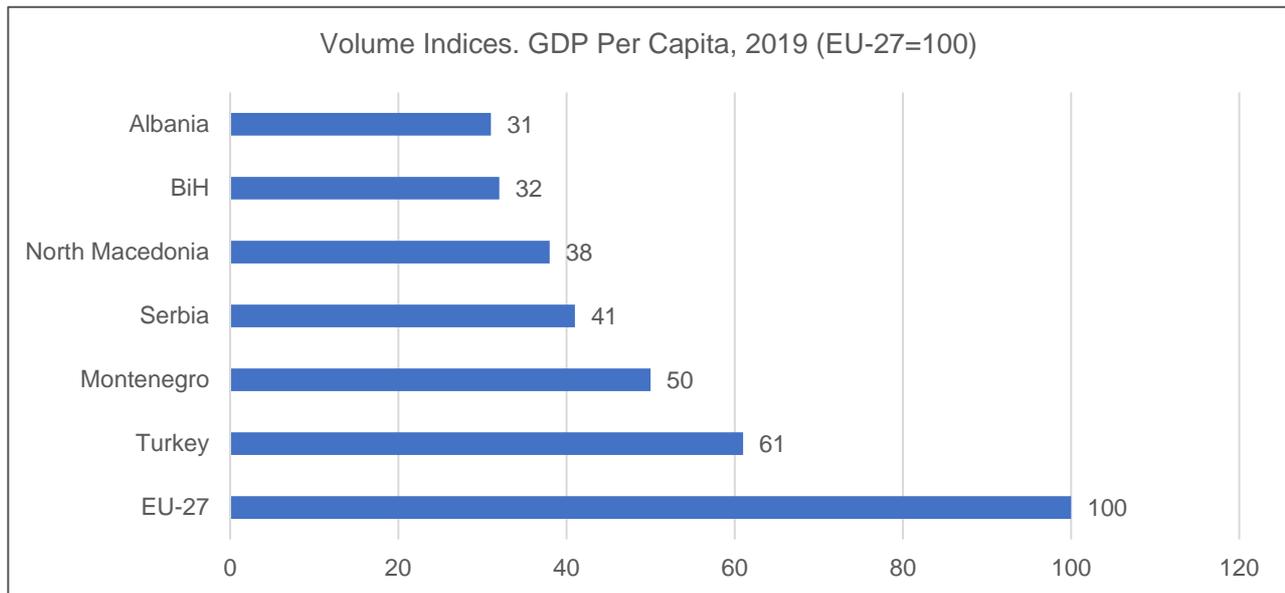
² Pyramid schemes in Albania were Ponzi schemes that precipitated the 1997 unrest in Albania. The unrest of the year 1997 came as a tragic consequence of the bankruptcy of around 25 firms. The face value of the schemes' liabilities is estimated at 1.2 billion USD.

³ INSTAT, Gross Domestic Product, Q2 – 2020, 30 September 2020, <http://www.instat.gov.al/en/themes/economy-and-finance/national-accounts-gdp/publication/2020/gross-domestic-product-q2-2020/>, (accessed 30 October 2020).

⁴ General Directorate of Taxes, List of subjects that have suspended their activities, referred as passive subjects. The list is updated daily from Tax office in its website, <https://www.tatime.gov.al/c/8/129/132/subjekte-pasive>, (accessed 30 October 2020).

⁵ INSTAT, Economic indicators by Economic activity, published in February 2020, http://databaza.instat.gov.al/pxweb/en/DST/START__EE/a sn_NEW11/?rxid=e9863fb7-7441-4e2f-bd30-e161819db55f, (accessed 30 October 2020).

Figure 1: Comparison of GDP per capita (2019)

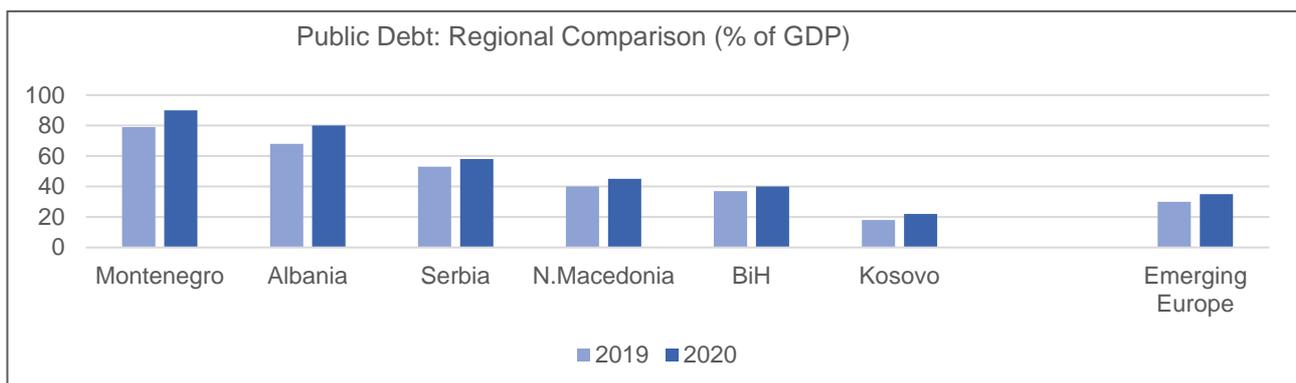


Source: Eurostat⁶

Growth already slowed down to 2% in 2019, from 4% the previous year, impacted by a strong earthquake that hit central Albania on November 26, 2019 and the decline of energy production due to drought. In 2019, hydro energy production contributed to almost half of GDP growth.⁷

Public debt was at unsustainable levels of around 70% of GDP at the end of 2019, leaving less fiscal room for policymakers compared with other countries in the region, like Serbia (52%) or North Macedonia (39%).⁸ The IMF projected the fiscal deficit to increase to about 7% of GDP and the public debt to slightly above 83% of GDP by the end of 2020 (Figure 2).

Figure 2: Public debt regional comparison⁹



Source: IMF¹⁰

⁶ Eurostat, Real GDP per Capita, last update 17 November 2020, https://ec.europa.eu/eurostat/web/products-datasets/-/sdg_08_10, (accessed 19 November 2020).

⁷ INSTAT, Gross domestic Products Final 2017 Semi final 2018, published on 27 March 2020, <http://www.instat.gov.al/en/themes/economy-and-finance/national-accounts-gdp/publication/2020/gross-domestic-products-final-2017-semi-final-2018/>, (accessed 19 November 2020).

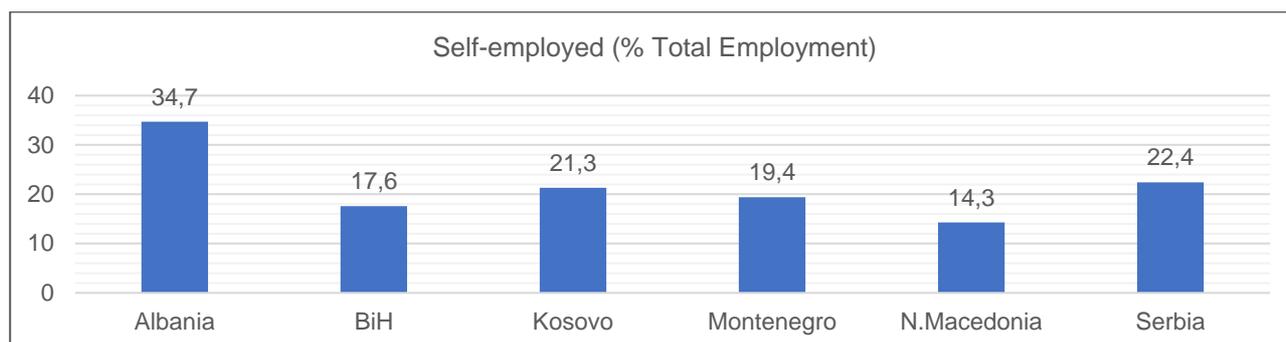
⁸ European Commission, EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ) – 2nd Quarter 2020, published on 16 July 2020, https://ec.europa.eu/info/publications/eu-candidate-countries-potential-candidates-economic-quarterly-cceq-2d-quarter-2020_en, (accessed 19 November 2020).

⁹ Emerging Europe: Central, Eastern, and Southeastern Europe (CESEE).

¹⁰ IMF, General Government Gross Debt. Last update October 2020, https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOORLD, (accessed 3 November 2020).

Structural weaknesses also became more apparent during the pandemic. Poorly paid and informal jobs were widespread. The average remuneration rate of Albanian workers is the lowest among all Western Balkan countries (in terms of purchasing power parities), according to the World Bank. Over 30% of jobs are informal. The share of part-time jobs and self-employment is the highest in the region (34.7% of total employment, see Figure 3). The World Bank warned in the beginning of April that Albania was particularly vulnerable to the crisis due to its large informal labor force and high rate of self-employment, as countries with informal or temporary labor markets and high self-employment are likely to be confronted by job destruction, which will cause considerable hardship, especially if the social safety net is not adequate.¹¹

Figure 3: Rate of self-employment, regional comparison, 2018



Source: World Bank¹²

The agriculture sector in Albania accounts for close to 40% of total employment and is characterized by low productivity, while manufacturing and services are underdeveloped. Low wages are the main competitive advantage of exporters, with footwear and textile commodities exported mostly to Italy. Exports to Italy, Albania's main trading partner, fell by more than 40% year-on-year during the most severe lockdown period (March to May 2020), and by 15% year-on-year in June-July. Overall, total exports of goods during the ten months of 2020 were 12% lower in year-on-year terms.¹³

Tourism, one of the main drivers of the Albanian economy, managed to survive with the 'help' of tourists from Kosovo, which composed 52% of foreign arrivals from January-September 2020, compared with 37% the same period of the previous year.¹⁴ But their impact on the economy was irrelevant, compared with previous years when this sector was booming. The number of foreign arrivals to the territory of Albania in the first nine months of 2020 fell by 61%, compared with the same period of 2019. Charter flights declined by about 70% in the seven months of 2020 compared with the previous year, according to Tirana International Airport, the only operating airport in the country.¹⁵

Economic downturn is expected to further increase poverty in Albania. According to the World Bank, prior to the Covid-19 crisis, close to four in ten Albanians still lived on less than 5.5 USD per day.¹⁶ Early projections of poverty following the earthquake and the Covid-19 pandemic suggest that poverty will continue to hover around 40% in 2020, essentially wiping out any poverty reduction from growth in recent years, according to the World Bank.

¹¹ World Bank, Western Balkans Regular Economic Report, No.17, Spring 2020, The Economic and Social Impact of COVID-19, <http://documents1.worldbank.org/curated/en/301261588088338100/pdf/The-Economic-and-Social-Impact-of-COVID-19-Setting-the-Stage.pdf>, (accessed 3 November 2020).

¹² Ibid.

¹³ INSTAT, International Trade in Goods, last update 17 November 2020, <http://instat.gov.al/en/themes/international-trade/international-trade-in-goods/#tab2>, (accessed 19 November 2020).

¹⁴ INSTAT, Movements of Citizens in Albania, last update 23 September 2020, http://www.instat.gov.al/media/7609/movem-of-citizens-shta_tor_2020.pdf, (accessed 3 November 2020).

¹⁵ Tirana International Airport, Market Statistics, last update July 2020, <https://www.tirana-airport.com/l/6/108/business-to-business/tia-market-statistics/>, (accessed 3 November 2020).

¹⁶ World Bank, COVID-19 and Human Capital, Europe and Central Asia Economic Update, Fall 2020, https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf?cid=ECA_EM_region_EN_EXT&deliveryName=DM80617, (accessed 3 November 2020).

Government Countermeasures to Keep the Economy Afloat

The government initially announced some direct and indirect support packages for people and businesses affected by the Covid-19 pandemic worth a combined 45 billion Albanian Lek (ALL), or 360 million EUR (2.8% of GDP), financed from the national budget.

Two main schemes aimed at directly supporting businesses, mostly small ones, were introduced, worth a total of 110 million EUR (0.8% of GDP). The first scheme, introduced at the end of March 2020, of about 47 million EUR covered the salaries of employees and the self-employed working in those small businesses that are part of the list of activities published by the Ministry of Health which were forced to suspend their activities during the period of March 10 to mid-May (e.g. bars and restaurants, shops, etc.). The compensation was equal to the monthly minimal salary (26,000 ALL or 210 EUR) and was provided for three months.

The second package, introduced on April 18, was for ca. 56 million EUR and aimed to give a one-time support check of 40,000 ALL (320 EUR) to employees of small businesses that did not profit from the first package (excluding professions like economists, lawyers, or individuals with incomes over 2 million ALL per year). The second package included financial aid for employees in big businesses for the first time, in sectors such as call centers, textile and footwear manufacturing, and tourism, provided they lost their jobs before May 16, 2020. Those who have lost their jobs after May 16 did not get any compensation, except from transport industry that received an additional support equal to one monthly minimal wage (26,000 ALL or 210 EUR).

Yet, after the wage support ended in June, unemployment rose sharply. Official data from INSTAT reported that about 50,000 people remained unemployed during the first half of 2020, or about 6% of the total working force in the private sector. This was the sharpest decline in at least a decade. About 60% of those unemployed were younger than 29 years.¹⁷ Therefore, the direct support schemes were not sufficient to maintain jobs.

Beside direct wage subsidies, two state guarantee funds were approved, on April 9 and May 13 respectively. The first fund, valued at about 90 million EUR and guaranteeing 100% of loans, was aimed at companies that were having difficulties to pay their workers. In addition to guaranteeing the loan, the government took over the interest costs. The second fund, worth approximately 140 million EUR (0.9% of GDP) provided loans for working capital (liquidity needs) for all private companies that were tax-compliant and solvent before the pandemic. The government guaranteed 60% of the loans with an interest rate of 5%.

By the end of September, about 60% of the first guarantee scheme and only 41% of the second had been utilized by businesses, as per official data from the Ministry of Finance.¹⁸ Those schemes were not very popular with businesses, as they estimated that they would be unable to repay it. On the other hand, if they fail to repay the loan, the state has the legal prerogative and can sell the assets. The second scheme was less favorable due to the relatively high interest rate.

Other supporting measures included the possibility to postpone loan payment to the banks for three months (if the client reached an agreement with the bank) and the possibility to postpone rent payment for two months (regulated via the tax office). The government has also adopted tax deferral measures, allowing all companies (except banks, telecommunication companies, public enterprises, and companies in the supply chains of essential goods) to defer payment of corporate tax until after September. Tourism, active processing, and call centers as well as small businesses with yearly revenues of 110,000 EUR or less can defer tax payments to next year. There are still no data about the usefulness of the tax deferral for businesses, but official data show due to those measures and the effect of the crisis, revenues from corporate tax fell 27% on annual basis during January-September 2020.¹⁹

¹⁷ INSTAT, Administrative Data on Labour Market, last update July 2020, <http://instat.gov.al/en/themes/labour-market-and-education/administrative-data-on-labour-market/#tab2>, (accessed 3 November 2020).

¹⁸ Ministry of Finance and Economy, Reports for Covid-19, last updated October 2020, <https://financa.gov.al/raporte-per-covid-19/>, (accessed 3 November 2020).

¹⁹ Ministry of Finance and Economy, Monthly Fiscal Statistics, last update October 2020, <http://financa.gov.al/statistika-fiskale-mujore/>, (accessed 3 November 2020).

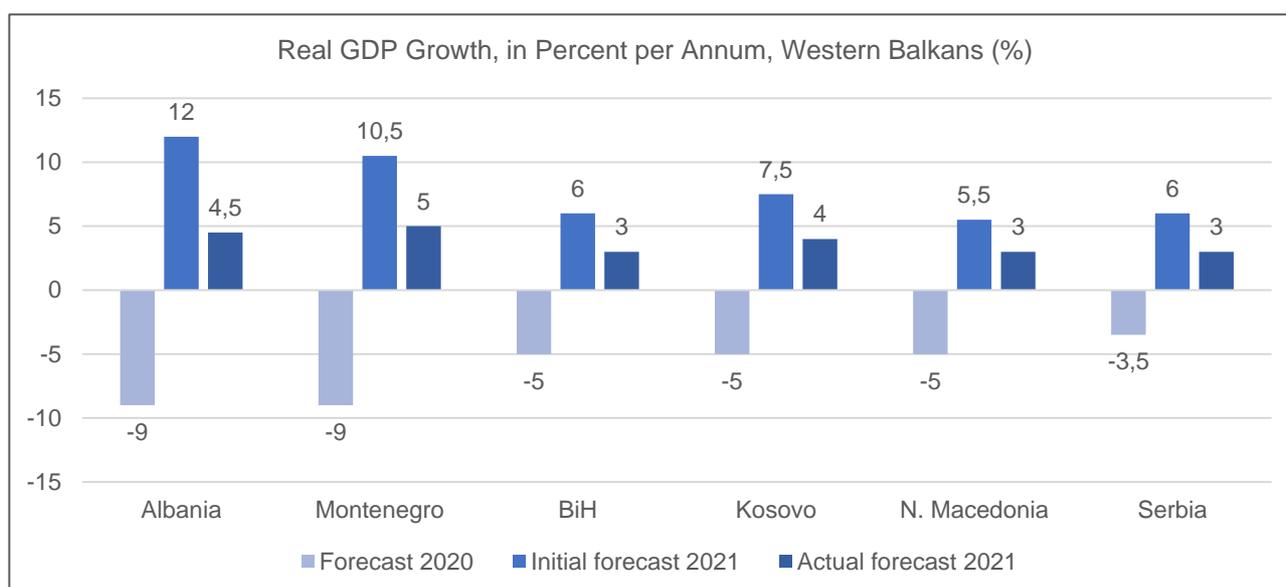
Recovery Will Not be as Easy as Expected

Initial hopes for a fast recovery are fading fast. The European Bank for Reconstruction and Development (EBRD) forecasts in its latest “Regional Economic Prospects”²⁰ that Albania and Montenegro will have the sharpest economic declines in 2020, with -9% each, due to their strong dependence on tourism. Serbia will suffer less with a decline of only -3.5%, followed by North Macedonia, Bosnia and Herzegovina, and Kosovo (5% each). The whole Western Balkan economy is predicted to decline by 5.1%, more than the -3.9% decline forecast for EBRD regions.²¹ While the forecast for 2020 remains unchanged compared with its earlier report in May, the EBRD’s expectations for the Albanian economy in the next year has declined by 7.5 percentage points. Its economy is projected to grow only 4.5% next year, compared with the initial forecast of 12%. This is the sharpest downturn not only of all Western Balkans countries, but of all EBRD regions.

The International Monetary Fund (IMF) is also pessimistic. In its Staff Concluding Statement of the First Post-Program Monitoring Mission, the IMF revised its predictions for 2020, from -5% in its April Economic Outlook to -7.5%,²² reflecting the country’s dependence on tourism and remittances. The IMF also revised its growth forecast for 2021 to 5.3%, compared with 8% in the April Outlook. The World Bank was the third institution to revise its predictions for economic growth in Albania from -5% at the beginning of the crisis to -8.4%.²³

This is a signal that a strong recovery (V-shape curve) is almost impossible. Although it is expected that the economy will recover by the end of 2020 and strengthen gradually over 2021 as the impact from the shock subsides and earthquake reconstruction continues, return to normality will take longer than expected.

Figure 4: Forecasts of GDP growth, regional comparison



Source: EBRD²⁴

²⁰ European Bank for Reconstruction and Development, Regional Economic Prospects, September 2020, <https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html>, (accessed 3 November 2020).

²¹ List of EBRD members: <https://www.ebrd.com/where-we-are.html>.

²² IMF, Albania: Staff Concluding Statement of the First Post-Program Monitoring Mission, 28 September 2020, <https://www.imf.org/en/News/Articles/2020/09/28/mcs092820-albania-staff-concluding-statement-of-the-first-post-program-monitoring-mission?cid=em-COM-123-42060>, (accessed 3 November 2020).

²³ World Bank, COVID-19 and Human Capital, Europe and Central Asia Economic Update, Fall 2020, https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf?cid=ECA_EM_region_EN_EXT, (accessed 3 November 2020).

²⁴ European Bank for Reconstruction and Development, Regional Economic Prospects, September 2020, <https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html>, (accessed 3 November 2020).

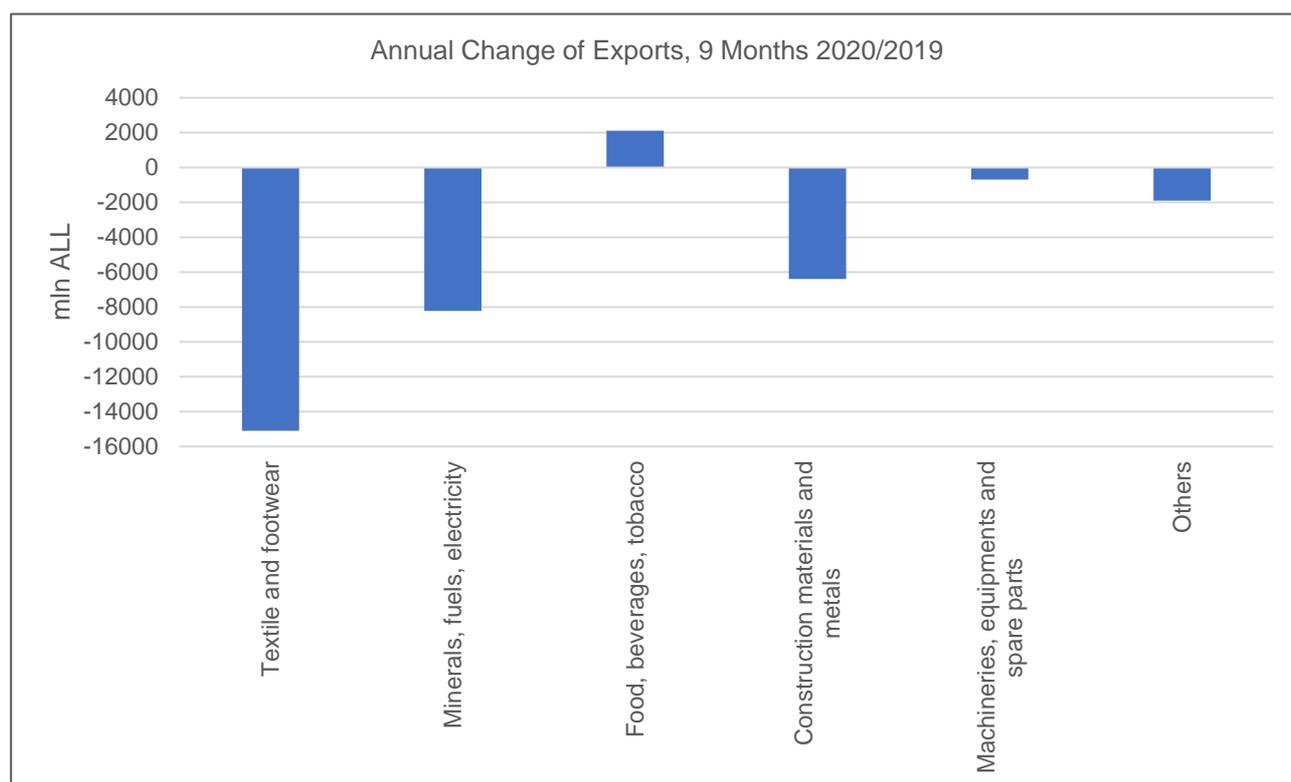
Conclusions and Suggestions: How to Turn the Crisis Into an Opportunity

Due to its high dependence on Italy for its exports, the low sophistication of Albanian-made products, the fragmented economy, and the low value added of most of the processing industry, Albania is expected to suffer deeply from the Covid-19 crisis. This is a time to reflect and reimagine the entire economy. It is also a time for the government to act responsibly, focus on fiscal consolidation, and prioritize those sectors where Albania has comparative advantages.

Below are some main suggestions:

Albania should reduce its dependency on exports to Italy and diversify its product range. About 50% of its exports went to Italy during 2019,²⁵ of which 64% were textiles and footwear. Therefore, Albanian exports were hit especially hard when Italy entered the crisis in March. Demand from Italian partners is expected to continue to be low in the near future. While exports of other group commodities recovered in recent months (August-September), textiles and footwear fell by 17% between January-September y-o-y (see Figure 5). Closing production cycles (most of Albanian companies today do not produce only nationally) should help the industry expand to states other than Italy. Albania also has the highest share of agriculture (19% of GDP) in Europe, compared with 12% in Kosovo, the second highest, and the 2% EU average²⁶, and should therefore increase the value added of agricultural products.

Figure 5: Change in exports, 2019-2020



Source: INSTAT²⁷

²⁵ INSTAT, International Trade in Goods, last update 17 November 2020, <http://instat.gov.al/en/themes/international-trade/international-trade-in-goods/#tab2>, (accessed 19 November 2020).

²⁶ World Bank, Agriculture, Forestry, and Fishing, value added (% of GDP) statistics, <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>, (accessed 3 November 2020).

²⁷ INSTAT, International Trade in Goods, last update 17 November 2020, <http://instat.gov.al/en/themes/international-trade/international-trade-in-goods/#tab2>, (accessed 19 November 2020).

The Albanian government should work to gain advantage from the shortening of global trade chains. Albania should work to create the right conditions for business, by quickly implementing a justice reform,²⁸ fighting corruption, and drafting a strategy to increase businesses' competitiveness (for example via guaranteed loans). If this happens, remote suppliers might relocate to Albania or be replaced with those located geographically closer to manufacturers in Europe. This is especially true for the automotive industry which Albania is in the first steps of developing.

The Albanian government should work towards sustainable development and fiscal consolidation. Albania entered into crisis with the highest public debt in the region (except for Montenegro), due to its reckless spending in good times. Due to the high debt at the beginning of the crisis, the country had very limited capacities to support the economy in bad times. The IMF estimates Albania had the lowest fiscal support policy in Europe (in terms of new spending measures and tax deferrals) encompassing less than 1% of GDP.²⁹ While high spending is now necessary in the short term to help the economy recover from the crisis, the Albanian government should be more cautious of public spending in the future. Next April Albania will have general elections which are typically marked by reckless and unnecessary electoral spending, which risks pulling the already weakened economy in a vicious circle of high public debt and increased arrears.

Investment in education is crucial for the future of the country in order to improve value added sectors, to invest in information technology, to attract Foreign Direct Investments and to gain from the advantages of the new post-Covid era.

²⁸ Euralius, an EU project, Consolidation of the Justice System in Albania, <https://euralius.eu/index.php/en/28-justice-reform>, (accessed 3 November 2020).

²⁹ International Monetary Fund, Regional Economic Outlook: Europe, October 2020, <https://www.imf.org/en/Publications/REO/EU/Issues/2020/10/19/REO-EUR-1021>, (accessed 3 November 2020).

Covid-19 in Bosnia and Herzegovina – From Lockdown to Recovery?

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Introduction

After several years of relatively stable and positive macroeconomic trends, the Covid-19 pandemic heavily hit Bosnia and Herzegovina's already fragile economy. The economic situation in 2020 was aggravated by strict lockdown measures, largely due to a decline in both domestic and foreign demand, and interruptions in supply chains during the crisis. The most optimistic prognoses are that GDP will decline by 3.5% in 2020, while some experts predict a decline of 9.5% in the worst-case scenario.¹

This worst-case scenario becomes even more likely when keeping in mind the recent situation and an exponential increase in the number of Covid-19 cases reaching a new all-time high in late October. At the end of October, Bosnia and Herzegovina (BiH) ranked 41st in the world for the number of confirmed cases (1,230.4 cases per 100,000 inhabitants), 32nd globally in terms of the number of active cases (431.2 cases per 100,000 inhabitants) and 32nd regarding fatalities (32.1 cases per 100,000 inhabitants).

BiH governments² are faced with an extremely challenging situation to act in a state of emergency on multiple tracks simultaneously. The most urgent priority is to address and manage the public health needs while flattening the pandemic's curve and, at the same time, to understand and mitigate the social, economic and political impacts of the crisis. The cherry on the top is the fact that local elections in BiH were held in mid-November, right at the peak of the second Covid-19 wave. The election results indicate changes in the political composition which might additionally affect the decision-making processes at all government levels. It seems that the Bosnian path from lockdown to recovery will be extremely uncertain in the years to come.

Economic Consequences of the Covid-19 Crisis

Before considering the economic consequences of the Covid-19 crisis, several important characteristics of BiH's economy should be noted. In the first place, BiH's economy is small, open, and strongly dependent on international (global) supply chains bearing in mind that foreign trade represents more than 81% of GDP.³ BiH is faced with a chronic foreign trade deficit and high unemployment, while at the same time it is heavily dependent on public consumption and inflows of remittances. Within the overall structure of the economy, the industrial sector contributes to both GDP and employment between approximately 20-25% and it is the main contributor to the country's exports.

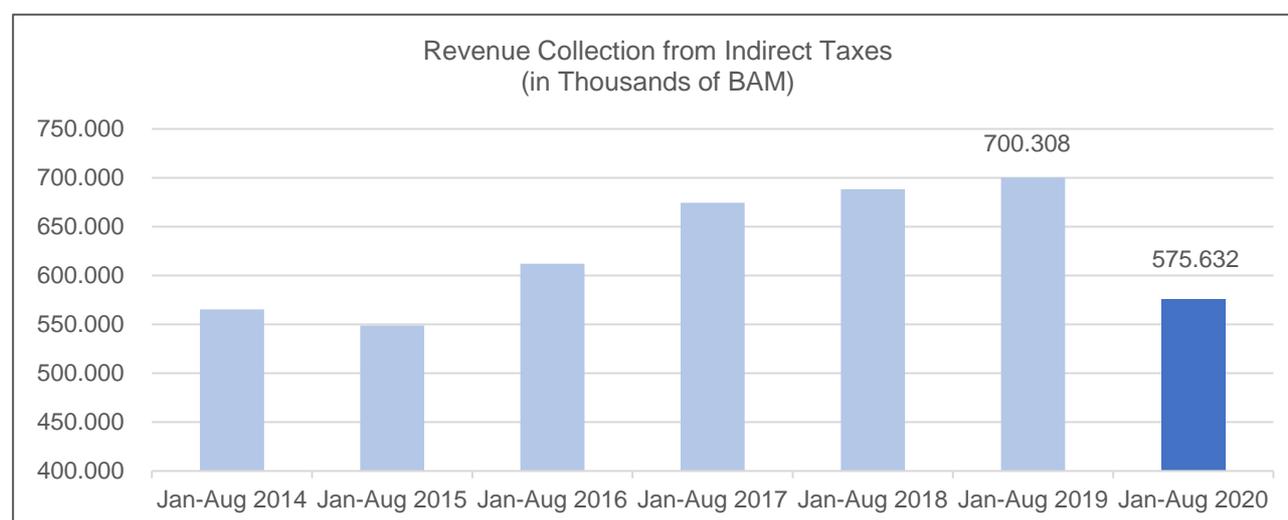
¹ A. Čavalić et al, Covid-19 – Ekonomske posljedice za Bosnu i Hercegovinu, mjere i rješenja, Friedrich Nauman Stiftung, 2020. p.21-22. The most recent IMF estimations for BiH predicted 6,5% GDP decline.

² Due to its complex administrative structure, Bosnia and Herzegovina has 13 governments on different levels (cantonal, entity and the level of state).

³ UNDP Bosnia and Herzegovina, Economic Impact Assessment of Covid-19 in Bosnia and Herzegovina, 2020. https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home/library/publications/EconomicImpactAssessment.html, (accessed 17 November 2020).

It is worth mentioning as well that the main source of public spending comes from indirect taxes, including VAT (Value Added Tax), and customs and excise duties on import and export goods. Revenues from indirect taxes are an illustrative indicator of economic activity and Figure 1 shows that Bosnia and Herzegovina has already experienced a sharp decline in the first eight months of 2020.

Figure 1: Revenue collection from indirect taxes in BiH

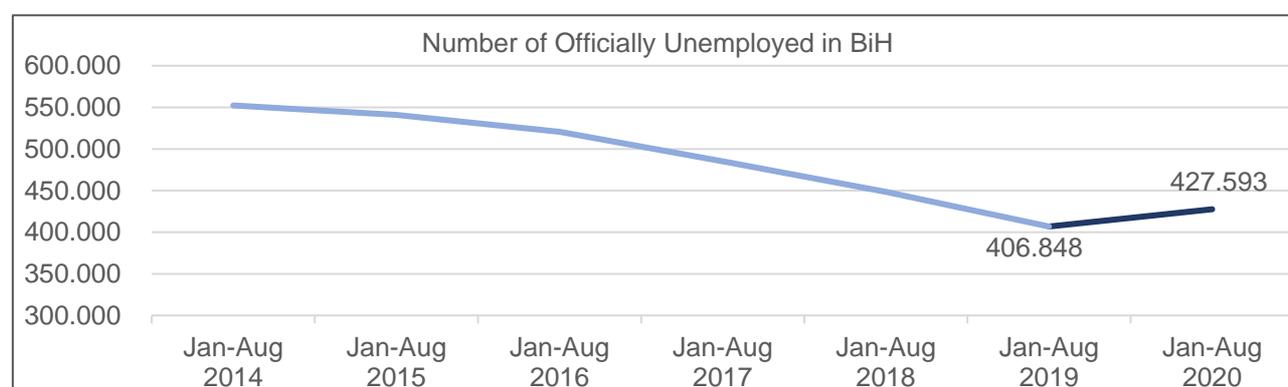


Source: Indirect Taxation Authority BiH official data⁴

This significant revenue shortfall will put additional pressure on all levels of government which are already faced with urgent requests for more public spending (for health care, social programs, business recovery measures, capital investments on infrastructure, etc.)

Another dimension of the problem is unemployment. An already high unemployment rate is increasing further as a result of the Covid-19 crisis (registered unemployment rate for July 2020 was 34.4%, comparing to 33,1% in July 2019).⁵ Figure 2 shows that more than 20,000 jobs have been lost in Bosnia and Herzegovina since the start of the pandemic. In comparison to the same period of the previous year, unemployment in BiH increased by 5.1%.

Figure 2: Unemployment in BiH



Source: Labour and Employment Agency of Bosnia and Herzegovina⁶

⁴ Indirect Taxation Authority Bosnia and Herzegovina, <http://www.new.uino.gov.ba/en/Revenues%202020>, (accessed 17 November 2020).

⁵ Labour and Employment Agency of Bosnia and Herzegovina, Labor market overview, situation as of 31 August 2020, <http://www.arz.gov.ba/statistika/mjesečni/default.aspx?id=4972&langTag=en-US>, (accessed 17 November 2020).

⁶ Labour and Employment Agency of Bosnia and Herzegovina, http://www.arz.gov.ba/Default.aspx?langTag=en-US&template_id=151&pageIndex=1, (accessed 17 November 2020).

According to recent UN research,⁷ workplaces have been directly affected in sectors related to accommodation, food service, and transport, while textiles and metal processing sectors experienced the worst hit with regards to supply chain disruptions. However, in the upcoming months, the indirect impact of the crisis is expected to significantly affect the entire economy.

The negative effects of the Covid-19 pandemic on businesses might be twofold, depending on the size of a company. Micro and small businesses are exposed to the risks of negative effects from the internal market due to the fall in domestic demand, for instance, and thus a fall in revenues since they usually have less resources and internal reserves. Therefore, they are less prepared to deal with the forthcoming direct and indirect impacts on the domestic market. On the other hand, medium and large companies are less confronted with the problem of fall in demand (as they have enough resources or depend less on the domestic market), but they are faced with the risk of losing their position in existing international supply chains caused by external shocks on foreign markets and decreased demand.

When it comes to consequences for the labor market, the above-mentioned UN research also includes a survey-based analysis which found that the most vulnerable group are employees with routine-task jobs that require little formal education and experience.⁸ So far, they have been negatively affected by the pandemic-induced economic downturn. Results from the same research also indicate that Covid-19 might have an adverse impact on workers in part-time and precarious jobs, which are oftentimes occupied by young people and unskilled laborers.

Also, in accordance with the research results, the most directly affected sectors, particularly accommodation and food services, employ mostly female workers. Therefore, the document puts strong emphasis on the position of female workers since it seems that they are more affected by the Covid-19 crisis than their male counterparts.

Social Impacts of Covid-19

Early assessments show that the economic factors and the epidemiological measures in the country, such as the health policies, mobility restrictions, closure or reduction of businesses and services except for essential businesses, as well as the introduction of remote learning, strongly interacted with factors of poverty, level of education, gender, age, etc. resulting in severe social consequences. In this situation those who were already vulnerable were the most affected and became even more vulnerable. The full social impact is far from being understood at this stage.

A UN survey of 2,182 households in July 2020,⁹ showed 48.5% reported a worsened financial situation of whom 12% experienced significant hardship. The hardest hit were people considering themselves already vulnerable. Citizens engaged in several methods to cover their basic needs, such as borrowing money, subsistence agriculture and animal husbandry, and some even turned to public kitchens for the first time. 22% of all households and 34% of those most vulnerable reported to have decreased their food intake. The survey also showed that 12.9% of respondents were concerned about eviction because of their inability to pay their mortgage; some already applied for a mortgage moratorium at the bank. 49% live in fear that the Covid-19 crisis will have long-term consequences for them.

The survey results also indicate limitations in the access to education, as 55% of the households found it challenging to make the transition to e-schooling mode due to lower quality of interaction with teachers, lack of technological devices or IT skills among parents or teachers, necessity for parents to be with children during classes, etc. Parents of children with disabilities were seriously concerned about their children's access to education.

⁷ UNDP BiH, Economic Impact Assessment of Covid-19 in Bosnia and Herzegovina, 2020, https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home/library/publications/EconomicImpactAssessment.html (accessed 17 November 2020).

⁸ Ibid.

⁹ UNDP BiH, Social Impact of COVID-19 in Bosnia and Herzegovina: Household survey, October 2020; https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home/library/publications/SocialImpactAssessment.html, (accessed 17 November 2020).

Covid-19 placed a significant burden on the already fragile health sector in BiH (affected by debts,¹⁰ emigration of health workers,¹¹ etc.) not only in addressing the current pandemic, but also in providing regular health services to citizens. While challenges to respond to Covid-19 and provide quality services are obvious, there is a huge risk of not paying sufficient attention to other diseases and conditions in the population, or reduced or interrupted immunization among the population. A dual-track health system management (Covid-related and continuity of non-Covid-related services), poses a serious challenge.¹²

A potential crisis concerning mental health due to Covid-19 restrictions is still insufficiently researched, however, there are already indications of increased pressure on mental health services and search for psychological and psychotherapeutic support.¹³

Social protection systems in BiH suffer from low levels of coverage and spending, and unequal access to benefits for the poor and socially excluded populations. The pre-Covid-19 targeted social assistance programs in BiH had lower coverage than the other countries in Europe and Central Asia. Fiscal pressures on social protection budgets pose a significant risk to protection of the most vulnerable population parts. The Covid-19 crisis has already cut some pre-approved budget allocations (for example: only 5% remained from 20 million BAM originally allocated for the implementation of the Law on Support to Families with Children in the Federation of Bosnia and Herzegovina) as well as other budget funds allocated to support social protection and inclusion of the most vulnerable (people with disabilities, etc.).¹⁴

Shelters for women and children who are victims of domestic violence reported an increase in emergency calls and struggled in the first months of the epidemic, and particularly during the strict lockdown, with scarce resources, protective equipment, and disinfectants. They also struggled to keep the protection services running at all, due to unclear procedures for shelters in the situation of emergency, how to ensure testing and be able to accept victims, etc.¹⁵

The direct and indirect impact of Covid-19 on human rights has not been sufficiently observed, yet. Although financially impacted by the pandemic civil society organizations continued to monitor the human rights situation and to contest the governments' decisions together with citizens promptly after enforcement. A group of citizens and civil society organizations (CSOs) legally challenged the decision of the Federation of BiH to ban all outdoor activities for people below 18 and over the age of 65 in April. The Court decided the decision violated the Constitution and the European Convention on Human Rights. Following appeals where the Constitutional Court decided that the decision violated the constitution and the ECHR,¹⁶ the authorities relaxed some of the measures.

¹⁰ The World Bank estimated that liabilities in the Federation of Bosnia and Herzegovina (FBiH) were approximately 128 million USD in 2015, and in Republika Srpska (RS) over 608 million USD, WB project appraisal on emergency response to COVID at United Nations in Bosnia and Herzegovina, 2020, COVID-19 Socio-Economic Response and Recovery Offer, https://reliefweb.int/sites/reliefweb.int/files/resources/BIH_Socioeconomic-Response-Plan_2020.pdf, (accessed 17 November 2020).

¹¹ Media published information of the State Employment Agency of BiH, that 5,325 health workers left the country since 2013 only, based on the Employment Agreement signed with Germany. Source: E. Ahmetasevic, 1 July 2020, Ko Će Nas Lijećiti? Iz BiH U Njemačku Otišlo Preko 5.000 Zdravstvenih Radnika, hayat.ba, <https://hayat.ba/ko-ce-nas-lijeciti-iz-bih-u-njemacku-otislo-preko-5-000-zdravstvenih-radnika/88404/>, (accessed 17 November 2020).

¹² United Nations in Bosnia and Herzegovina, COVID-19 Socio-Economic Response and Recovery Offer, July 2020.

¹³ According to the national coordinator for mental health of Republika Srpska there is an increase of cases of anxiety and depression and increased intensity in people already suffering from these, Source: D. Maksimović, Mentalno zdravlje u doba korone, October 10, 2020, <https://www.dw.com/bs/mentalno-zdravlje-u-doba-korone/a-55226673>, (accessed 17 November 2020); Associations of Psychologists of RS and FBiH report about provided telephone and online support to citizens during lockdown.

¹⁴ United Nations in Bosnia and Herzegovina COVID-19 Socio-Economic Response and Recovery Offer, July 2020.

¹⁵ UN Women Bosnia and Herzegovina, Impact of COVID-19 on Functioning of Safe Houses in Bosnia and Herzegovina, <https://eca.unwomen.org/en/digital-library/publications/2020/06/impact-of-the-covid19-pandemic-on-functioning-of-safe-houses-in-bosnia-and-herzegovina>, (accessed 17 November 2020); Request of the safe houses in Republika Srpska to Crisis Management Team of the RS for clarification of procedures and continuation of health and social services to victims, March 2020, <http://unitedwomenbl.org/wp-content/uploads/2020/04/Upit-za-MPOS-30-03-2020.pdf>, (accessed 17 November 2020).

¹⁶ Constitutional Court of Bosnia and Herzegovina, 106th session of the Grand Chamber, 22 April 2020 <http://www.ccbh.ba/novosti/sjednice/?id=8df4d385-2c8c-494f-88c0-588d1ce062a2&lang=en>, (accessed 17 November 2020).

The attempt of the authorities in Republika Srpska to adopt measures related to fighting disinformation in the time of the pandemic caused protest by CSOs, journalists, and international organizations over concerns that the measures were in fact targeting freedom of expression, and the decision was soon revoked. Some decisions to publish names of infected people and their contacts by different levels of authority were revoked by the Agency for Personal Data Protection of BiH. Some citizen's appeals about labelling the envelopes of decisions on isolation delivered by post with "Caution! Infected by Covid" were accepted by the Ombudsman Institution and recommendations were issued to protect private data and avoid stigmatization.

Government Response to the Covid-19 Crisis

When it comes to government responses to the Covid-19 crisis different kinds of measures have been taken so far, in accordance with the levels of government in BiH. At the state level, BiH institutions do not have many instruments for the implementation of certain measures in the field of economics or social protection, as these lie within the competences of lower levels of government, primarily the entities. In line with this, below is a summary of recovery measures taken by the respective two entity governments, the Government of the Federation of Bosnia and Herzegovina (FBiH) and the Government of the Republika Srpska (RS).

At the beginning of the crisis, both houses of the Parliament of the Federation of Bosnia and Herzegovina adopted the Law on Mitigation of Negative Economic Consequences in an emergency procedure. The law ceases to apply 60 days after the date of the declaration of termination of a state of emergency. The following measures were introduced by the law:

- subsidizing mandatory employers' contributions for workers' health and social security;
- cessation of calculation and payment of default interest on public revenues;
- abolition of the obligation to make corporate income tax advance payments;
- abolition of the obligation to pay personal income tax advance payment, from an independent business activity (i.e. self-employment);
- suspension of calculation of default interest on late payments, in debtor-creditor relations;
- suspension of enforcement of pecuniary claims by the government towards businesses;
- keeping the stability of individual payments through liquidity measures;
- establishment of a Guarantee Fund.

At the same time the FBiH government devoted around 50 million EUR to mitigate the economic consequences of the Covid-19 pandemic in the FBiH. Those funds were mainly directed to the tourism and catering sectors, export-oriented agricultural production, the transportation sector and companies in the field of energy, mining and industry. The FBiH government also intervened through the Guarantee Fund of the FBiH Development Bank, which provides commercial banks with loan guarantees, mainly for large companies (with more than 250 employees).

Similar economic and fiscal measures have been introduced in Republika Srpska. The President of RS adopted a Decree Law on Tax Measures for Mitigation of Economic Consequences of Covid-19, which compiles earlier decisions on deferred filing and payment of tax liabilities; postpones deadlines for payment of forestry fees, firefighting fees, and certain republic and local taxes; defers the payment of the first instalment of real estate transfer tax; and reduces the lump sum of the annual personal income tax. Also, for businesses whose activities are currently prohibited, the payment of taxes and contributions on net salaries for March 2020, and the payment of the minimum salary, taxes and contributions for April 2020 have been secured from the Solidarity Fund. The government of RS also decided to establish the Fund for Economy Aid. During 2020 the RS

government invested more than 50 million EUR in the health system to build new hospitals, extend the capacities of the current ones, open PCR (polymerase chain reaction) laboratories, and purchase necessary equipment and PCR tests.

Conclusions and Recommendations

Keeping the health and social security system stable while limiting the economic damage from the Covid-19 crisis remains the main priority for decision-makers in Bosnia and Herzegovina. Unfortunately, there is no evidence that the governments in BiH have learned from the first wave of Covid-19 to be more resilient in the second one. They rather apply generally accepted epidemiological measures, and balance between public health protection and protection of the economy that has been fragile even before. For instance, decisions on closing or opening hours of businesses, closing of schools, etc. did not follow a clear rationale presented to the public.

On the other side, limited fiscal capacities do not allow space for decisive interventions on strengthening the economic fundamentals and faster recovery. In this context reliance on external support and international aid became the prevailing approach.

The UN in BiH, which processed both international and part of the domestic financial assistance for the Covid-19 response in Bosnia and Herzegovina, identified the key priorities for reacting to the crisis. They include the support to the health system and the protection of health services during the crisis (dual track); the provision of social protection and basic services, particularly helping those most vulnerable and most affected, including migrants and asylum seekers; the economic recovery, protecting jobs, supporting small and medium enterprises and most vulnerable productive actors; and maintaining social cohesion and resilience through social dialog, media initiatives and youth engagement. Digitalization, energy efficiency and protection of the environment remain long-term priorities.

Bearing in mind that Covid-19 is a global crisis, the speed of recovery will depend on how the pandemic evolves, the availability of the vaccine, economic normalization, and recovery of the main trading partners of BiH in the Western Balkan region (Serbia and Croatia) and the EU (Germany, Austria, Italy, and Slovenia). However, the negative economic and social consequences of the crisis on Bosnia and Herzegovina could be reduced if governments take a more active approach with adjusted and well targeted measures, in accordance with findings from recent Covid-19 research and impact assessments. Generally, these call for:

- Supporting firms in financial distress;
- Better coordination with international development stakeholders in channeling of international assistance to priority areas: economy, social sector (primarily health and education);
- More investments in digitalization and capacities of public services and citizens to use digital services. Benefits from digitalization should not be seen only from business perspective (reducing costs, boosting sales) but also through easier access and more efficient public services to citizens which is particularly important during pandemic;
- Openness and active partnership with civil society and the business community in defining the specific support measures.

Measures should take into account gender and social vulnerability aspects and need to be clearly presented to the public in order to get the necessary trust and support. From that perspective, the Covid-19 crisis might be recognized as an opportunity, as well as a spark for necessary comprehensive socio-economic reforms that have been delayed for years.

Socio-Economic Effects of the Covid-19 Pandemic in Kosovo

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Introduction

The vast majority of economists consider Covid-19 as the greatest economic shock since the Great Depression in the 1930s. The Covid-19 pandemic shock is exogenous and is impacting economies around the world more or less through the same channels (i.e. reduced household spending, contraction of investments due to increased business uncertainty, etc.). The economic crisis that the world is facing now consists of a mix of supply and demand shocks, while the global economic growth is projected to be -4.4% in 2020.¹ In March 2020, similar to most of the countries in the region and Europe, the government of Kosovo took restrictive measures in response to the Covid-19 pandemic, which in turn have caused significant decline in the country's economic activity. These measures included restriction of movement and suspension of business activity in many sectors for several months. Currently, Kosovo is facing a serious economic recession for the first time in two decades. The persistent decline in investments and private consumption as well as services exports have deepened the economic contraction in 2020. This paper highlights the economic and social impact of Covid-19 in Kosovo as well as policy responses to mitigate the adverse effects of the crisis.

Contraction and Challenges for Economic Growth

Prior to the pandemic, the World Bank projected an economic growth of around 4% in Kosovo in 2020.² A similar growth rate was recorded also in 2019 and was mainly driven by investments (mostly domestic) and exports growth. Following the widespread emergence of Covid-19 throughout Europe and the Western Balkans, and the respective containment measures to halt the spread of the virus, the updated predictions for Kosovo's economy were gloomy. In April 2020, under the assumption that the economy will be gradually released from the lockdown in the second half of the year, it was projected that Kosovo would face a negative growth of around 4.5% in 2020.³ The sharp decline in aggregate demand due to the restrictive measures was followed by a drop in investment, which most contributed to the contraction.

Among the most affected sectors in Kosovo were construction, recreation and hospitality, and manufacturing in general. Small and medium-sized enterprises are a major source of employment in Kosovo,⁴ so supporting these is vital in order to maintain jobs and reduce poverty. Limited fiscal space as well as political uncertainty, which delayed the implementation of the emergency package, reduced public investments.

Recent predictions indicate that the negative economic growth will reach almost 9% in Kosovo.⁵ The economy would have contracted further without the systematic increase in remittances during 2020. Initially, it was predicted that remittances would also follow a negative trend during the pandemic.⁶ However, recent data published by the Central Bank of Kosovo show that the level of remittances increased by 10% for the first

¹ IMF, World Economic Outlook, October 2020: A Long and Difficult Ascent, 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>, (accessed 5 November 2020).

² World Bank, The Economic and Social Impact of COVID-19 – Western Balkans Outlook, Western Balkans Regular Economic Report, 2020, p. 2., <http://documents1.worldbank.org/curated/en/606131588087679463/pdf/The-Economic-and-Social-Impact-of-COVID-19-Western-Balkans-Outlook.pdf>, (accessed 5 November 2020).

³ Ibid.

⁴ OECD, SME Policy Index: Western Balkans and Turkey 2019, 2019, p.606, <https://www.oecd-ilibrary.org/docserver/dd53f292-en.pdf?expires=1603987130&id=id&accname=guest&checksum=78133B2301988F643B48164439DB78C8>, (accessed 5 November 2020).

⁵ World Bank, An Uncertain Recovery, Western Balkans Regular Economic Report, 2020, p.57, <https://openknowledge.worldbank.org/bitstream/handle/10986/34644/153774.pdf>, (accessed 5 November 2020).

⁶ World Bank, The Economic and Social Impact of COVID-19 – Western Balkans Outlook, Western Balkans Regular Economic Report, 2020, p.2, <http://documents1.worldbank.org/curated/en/606131588087679463/pdf/The-Economic-and-Social-Impact-of-COVID-19-Western-Balkans-Outlook.pdf>, (accessed 5 November 2020).

eight months of 2020 compared to the corresponding period in 2019. The countercyclicality of remittance inflows to Kosovo might be explained theoretically by the ‘smoothing hypothesis’ which suggests that the level of remittances increases when recipient countries face a negative shock.⁷ It should be noted that Kosovo is the only country in the Western Balkans that has experienced an increase in remittance inflows. The pandemic shock has negatively affected remittances dramatically in other countries in the region.

Nevertheless, the pandemic crisis is a global shock and is also affecting countries where the Kosovo diaspora is concentrated, even though the adverse effects are stronger in more fragile countries such as Kosovo. Fortunately, most of Kosovo’s diaspora is located in well-developed economies (i.e. German speaking countries, Scandinavian countries, and the U.S.) which have been proactive and managed the consequences of the pandemic relatively well. Another explanation is that diaspora spends a significant proportion of their savings when visiting Kosovo. Due to movement restrictions, only a small fraction of the diaspora visited Kosovo in 2020. Therefore, they might have sent a part of their savings in form of remittances.

Effects on Employment, Social Welfare, and Education

Following the outbreak of the virus in early spring, the main goal of the government was to prevent overloading the health care system. The health system in Kosovo remains vulnerable as it has been neglected by all governments over the last two decades.⁸ Kosovo has the lowest rate of public spending on the public health system as a share of GDP in the region.⁹ Currently the total budget dedicated to public health is equivalent to 3% of GDP while the average in the region is around 8%. The biggest amount of public spending in the health sector is used to finance health expenditures at the central level (i.e. tertiary healthcare such as University Clinical Center of Kosovo) while only one fifth of the total health budget is used for primary and secondary healthcare, namely family medicine centers and regional hospitals.¹⁰ Another important issue regarding healthcare is the low capacity of human resources. Over the past years, Kosovo has experienced a high level of emigration of health workers to EU countries due to better working conditions. This has worsened the current situation; during the pandemic the remaining health workers in Kosovo are working overtime due to lack of sufficient professional staff. The emergency fiscal package, approved by the government in late March, includes a bonus for health care professionals. Although this was positive news, it does not address the problem in the long run. The government should immediately develop a long-term program for implementing far-reaching reforms in the health system.

Besides the direct health and economic effects, the pandemic is having social consequences as well. First of all, the poverty rate is likely to increase significantly: according to recent data published by the World Bank the poverty rate is expected to increase somewhere between 4 to 10 percentage points in Kosovo.¹¹ Moreover, the middle class is going to shrink by as much as 100,000 people.¹² Under these circumstances, the government should expand the coverage of existing social schemes through cash transfer programs in order to support people falling into poverty. However, given the fiscal constraints, the introduction of new social schemes will impose an additional burden on the state’s modest budget.

The sectorial structure of (un)employment as well as high level of informality makes Kosovo even more vulnerable to the pandemic situation. Countries depending on the service sector often have high levels of informal labor, an underdeveloped income protection insurance, and experience higher levels of job losses

⁷ The smoothing hypothesis simply suggests that remittances are countercyclical with respect to income in the recipient countries (i.e. migrant’s country of origin), while procyclical with respect to income in the migrant’s host country.

⁸ Riinvest Institute, *Living with COVID-19: Three Pillars of Recovery*, 2020, p.14, https://www.riinvestinstitute.org/uploads/files/2020/August/04/Bashkejetesa_me_COVID_-19_Tri_shtyllat_e_rimekembjes1596539010.pdf, (accessed 5 November 2020).

⁹ Ibid.

¹⁰ GAP Institute 2019, *2019 Draft Budget: An Analysis of Income and Expenses*, p.8, https://www.institutigap.org/documents/57498_2019draftbudget.pdf, (accessed 5 November 2020).

¹¹ World Bank, *The Economic and Social Impact of COVID-19 – Poverty and Household Welfare, Western Balkans Regular Economic Report*, 2020, p.7, <https://openknowledge.worldbank.org/bitstream/handle/10986/33670/The-Economic-and-Social-Impact-of-COVID-19-Poverty-and-Household-Welfare.pdf?sequence=13&isAllo%20wed=y>, (accessed 5 November 2020).

¹² Ibid.

during an economic shock such as Covid-19.¹³ The crisis is expected to have a significant impact on the labor market as most businesses have already cut their business hours and operations. The most affected sectors, such as construction, hospitality, and wholesale and retail, account for more than one third of formal employment in Kosovo.¹⁴

Education is another important sector that will largely be affected by the crisis. It is estimated that the current shock will cause learning loss and it will widen the equality gap in education.¹⁵ The learning loss will likely occur due to the long time many students spent out of school. During the previous academic year (2019/20) learning activities switched to virtual learning, namely televised and online learning, for almost four months. The televised teaching is not interactive, which makes it an ineffective learning method. A significant proportion of pupils, especially those from poor families in remote regions, did not have access to a computer they could use for online learning. Even after re-opening the schools, instruction time is shorter than before the pandemic which is another challenge when it comes to quality of education. These challenges may result in an increase in the number of dropouts and reduce literacy rates, which would further worsen the situation in the education sector in Kosovo.

Political Instability and Policy Responses

The year 2020 was marked by political chaos and changes in government in Kosovo which have further hindered the institutional response to the crisis. Following the early elections in 2019, the newly elected government took office in early February 2020, just few weeks before the first infections emerged in the region.¹⁶ However, persistent disagreements between the coalition partners led to dismissal of the government in late March. After the successful vote of no confidence, an interim government was in charge until the subsequent government took office in early June.¹⁷

During this period, the interim government proposed and approved an emergency fiscal package equivalent to 2.5% of the country's GDP or approximately 180 million EUR. Among other things, the package consists of measures that aim at supporting individuals already under the social schemes, as well as those who have lost their jobs, and firms facing difficulties. The package gives additional financial support to firms that register existing or new employees with minimum one-year contracts and ensures financial liquidity for micro enterprises and self-employed individuals. However, this package was only partially implemented as it exceeded the original 2020 budget, thus requiring further amendments which needed the approval of the majority in the Assembly.

The new government proclaimed post-pandemic economic recovery as a top priority for the period 2020-2021 and proposed a law consisting of several interventions of roughly 400 million EUR during this period in a comprehensive recovery program, which will also include the undisbursed funds from the emergency package. Intended interventions of the economic recovery plan aim to: (i) facilitate access to finance, (ii) reduce the tax burden, (iii) support employment, (iv) support agriculture, (v) stimulate aggregate demand, (vi) increase the effectiveness of publicly owned enterprises and investments, and (vii) mobilize funds (internal and external) to support the implementation of the plan.

¹³ International Labour Organization, A Policy Framework for Tackling the Economic and Social Impact of the COVID-19 Crisis, 2020, p.3, https://www.ilo.org/wcmsp5/groups/public/-dgreports/-dcomm/documents/briefingnote/wcms_745337.pdf, (accessed 9 November 2020).

¹⁴ Agency of Statistics 2020, Employment According to Activities, Kosovo, https://askdata.rks-gov.net/PXWeb/pxweb/en/askdata/askdata__Labour%20market__01%20Quarterly%20labour%20market__Pun%c3%absimi/tab1.8dhe1.9.px/?rxid=c1ad4d3-1082-49e6-94b2-dc991ac0ba67, (accessed 5 November 2020).

¹⁵ World Bank, The Economic and Social Impact of COVID-19 – Education, Western Balkans Regular Economic Report, 2020, p.1, <http://documents1.worldbank.org/curated/en/590751590682058272/pdf/The-Economic-and-Social-Impact-of-COVID-19-Education.pdf>, (accessed 5 November 2020).

¹⁶ The government was run by the coalition between the two most voted political subjects, namely Vetëvendosje (LVV) and Democratic League of Kosovo (LDK).

¹⁷ Following the vote of no confidence, LDK formed another coalition with the opposition including Alliance for the Future of Kosova (AAK), The Social Democratic Initiative (NISMA) as well as minority parties.

Although the government approved the Law on Economic Recovery in late July, it was only adopted in October since it failed to get the approval of the Assembly of Kosovo several times. The late approval of this law, mainly for political reasons, delayed the implementation of interventions in the economy and thus prevented the most affected from benefiting from the recovery program.

Conclusion and Recommendations

The pandemic crisis has plunged Kosovo into recession for the first time in its new history. As a result of restrictive measures, economic activity is projected to contract by an estimated 8.8% in 2020. Considering socio-economic consequences triggered by the Covid-19 pandemic shock, the government should act swiftly in order to mitigate the adverse effects of the crisis. The following recommendations are proposed to improve the effectiveness of the planned recovery measures:

- First and foremost, radical reforms in the health sector are of crucial importance. The government should develop a reform program and significantly increase the level of public spending in this sector.
- The government should activate the necessary financing, including external sources such as the IMF and World Bank, and use them in an optimal way by investing in projects that guarantee high return of investments in order to cope with recession and get back on a positive growth trajectory.
- Social transfers should be further increased in order to protect those living in poverty as well as those that are falling into poverty due to the pandemic. The support should also include the most disadvantaged groups in the labor market, such as informal workers and workers in most affected sectors.
- Considering the contribution of the diaspora and the role that remittances play in Kosovo's economy, the government needs to introduce new policies aimed at channeling remittances toward investment rather than consumption in order to create more domestic job opportunities and reduce poverty.
- Special attention needs to be paid to the affected pupils and students from poor families during the pandemic in order to prevent dropouts and further widening of the equality gap in education.
- The political parties that are part of Kosovo's Assembly should be more constructive and support the government in order to fully operationalize the recovery plan.

Covid-19 – Can Montenegro Reshape its Economy?

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Introduction

The first Covid-19 case in Montenegro was officially confirmed on March 17, 2020. The pandemic had been declared six days prior by the WHO.² Most countries implemented social distancing measures. The response of the Montenegrin authorities to Covid-19 was both timely and comprehensive. Numerous activities such as sport and cultural events were suspended; businesses with close contact to clients, such as restaurants and cafes, were shut, and schools and pre-schools were closed.³ Travelling was suspended as well. This ensured that the health system was not faced with the risk of overexertion. Between early May and mid-June, Montenegro had no registered active cases, and the borders were gradually opened for citizens of countries that had less than 25 active cases per 100,000 inhabitants. However, since mid-June there has been a surge in new cases and as of mid-October Montenegro had one of the highest rates of active cases per 100,000 inhabitants.⁴ This is mainly due to the importation of the virus and to the political cycle including the August election which increased local transmission. The death toll has also picked up. With the number of cases exploding in Europe, the pressure on the health sector in Montenegro may also increase.

The question that arises at this stage is: what effects will Covid-19 have on the Montenegrin economy and could it cause a reshaping of the economy? There has been a lot of debate about whether a neoliberal or social market approach is more appropriate for Montenegro. Inevitability of the reforms in the early transition (liberalization or privatization) caused the shift towards a service-oriented economy. Being a small and supposedly flexible open economy means that external shocks can have great effects, but it also means the economy may recover faster after the crisis. However, in a time when humanity struggles between climate change and the need to achieve sustainability on the one hand and how to handle Covid-19 on the other, it is difficult to know which approach to take.

Point of Departure

Classical monetary policy measures are unavailable in Montenegro because of the use of the Euro as a legal tender (since the early 2000s). The limited fiscal space and the relatively high level of public debt along with the current level of economic development exacerbate the vulnerabilities of the Montenegrin economy in the case of an economic shock, such as the current one.

The process of transition from a socialist country to a market economy, which started in the 1990s, was delayed due to international sanctions, the wars in the region, and the unresolved issue of Montenegrin independence. On the eve and then in the wake of the 2006 referendum, many aspects of the transition picked up pace. The Association and Stabilization process with the EU further solidified the political stability and put in place the

¹ I had the pleasure of co-authoring a UNDP commissioned report on the Covid-19 business sector impact assessment in Montenegro. This short paper is partially based on: UNDP, Assessment of the Impact of COVID-19 on the Business Sector and the Growth Prospects of the Montenegrin Economy, October 2020, prepared by UNDP with contributions from UNESCO and UN Women, <https://www.me.undp.org/content/dam/montenegro/docs/publications/Covid19/Economic%20Impact%20Assesment%20Final%200report%20ENG.pdf>, (accessed 10 November 2020).

² The World Health Organization (WHO) declared Covid-19 a pandemic on March 11, 2020.

³ The Government of Montenegro introduced a lockdown on March 15, following the session of the National Coordination Body for Communicable Diseases.

⁴ Between March 17 and June 14, 324 cases were registered, and 9 deaths confirmed. From mid-June however there have been more than 25,000 cases and already more than 350 deaths, according to the Institute for Public Health, www.ijzcg.me. Being a country with a population of 620,000, the numbers of registered cases and deaths put the country and the health system under severe strain.

prerequisites for the country to increase its economic activity.⁵ The accession process to NATO has provided the necessary security. All of the above led to vibrant economic growth and greater competitiveness of the national economy. The growth was interrupted during the great recession in 2009 and then in 2012 (double dip) but continued to grow until 2020. After the first recession, it took two years for the economy to recover, in the latter case, the GDP growth had already made up for the value lost in 2013.⁶

Ahead of the epidemic, the growth of the economy averaged 4.6% between 2017-2019. According to the 2019 Labor Force Survey,⁷ the average unemployment rate fell to 15.1%, on a downward trend for some years. However, both the activity and employment rates remained low due to the structural impediments of the economy, characterized by the relatively high labor inactivity, which affects women in particular. This is due to the process of the transition from socialism which laid off many former industrial workers and changed the social patterns.⁸

Nevertheless, despite the solid growth rates, it should be noted that the level of GDP is still only 50% of the EU average based on purchasing power, while according to the standard of actual individual consumption expressed in terms of purchasing power, it is 60% of the EU average.⁹ This indicates that the process of catching up with income levels has been relatively slow. Even the relatively small growth of the average GDP in the EU, albeit from a higher basis, leaves this income gap quite sizeable.

It is also noteworthy that the Montenegrin economy is traditionally seen through the lens of regional disparities, and as such is divided into the coastal or southern, central, and northern regions. Although under the European standards, or the NUTS¹⁰ classification, Montenegro is treated as a single region, the differences within the country are huge.¹¹

Economic and Social Effects of the Crisis and Countermeasures Taken

As expected, the economic and social consequences have been significant. Many business sectors, particularly the ones offering accommodation and food services, transport services and retail, have encountered protracted difficulties in their operations that may generate adverse impacts such as decline in revenues or an impeded collection of receivables. Companies are clearly facing declining productivity due to lower demand, a lack of financial resources, and a shortage of employees. Some were forced to suspend their operations altogether and use their reserves in order to maintain liquidity. Since March 2020 the companies have increasingly decided to delay capital spending which will inevitably affect future investments, new employment and, in turn, impede the collection of the budget revenues.¹² The World Bank estimates the GDP of Montenegro may fall by 12.4% and, despite a strong growth forecast for 2021, it will take some time before the economy returns to the 2019 level.¹³ At the same time, the reduction of poverty is expected to reverse its positive trend of the recent years.

As is the case with other countries where tourism plays a major role, Montenegro has already witnessed substantial economic difficulties due to Covid-19 given that tourism revenues normally account for more than

⁵ I. Lukšić, M. Katnić, Transition in Montenegro: The Making of a State, The Cato Journal vol.36 No 3 p.689-709, The Cato Institute, Washington DC 2016.

⁶ For more details please refer to the Statistical Office of Montenegro (Monstat) website, www.monstat.org.

⁷ Labor Force Survey is a quarterly product of the Montenegrin Statistics Office, Monstat, www.monstat.org.

⁸ At the same time every year a significant number of construction or tourism workers arrive from the countries in the region to satisfy the demand of the businesses.

⁹ These are early Eurostat estimates published by Monstat in June, www.monstat.org.

¹⁰ NUTS stands for Nomenclature of territorial units or statistics and is based on Regulation (EC) No 1059/2003 ec.europa.eu.

¹¹ Thus, the development index of, for example, Andrijevica in the northern region is 37.92, and for the industrial town of Pljevlja it is 70.74, while for the central region, for Podgorica it amounts to 141.13 and for Nikšić 95.03, while all the coastal municipalities, with the exception of Ulcinj (75.44), have a value above 130 – in the case of Budva it is as high as 331.73. Source: Government of Montenegro, Regional Development Strategy 2014–2020, June 2014.

¹² The percentage of firms expressing their intention to delay capital spending has grown from 48% to 60% between May and September 2020 according to the IPSOS conducted poll. UNDP, Assessment of the Impact of COVID-19 on the Business Sector and the Growth Prospects of the Montenegrin Economy, October 2020.

¹³ World Bank Europe and Central Asia Economic Update, COVID-19 and Human Capital, <https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf>, (accessed 5 November 2020).

20% of its GDP.¹⁴ The structure of the economy is such that the direct contribution of tourism (accommodation and food services) is 7.7%. However, tourism also generates demand in the transport sector, in wholesale and retail, construction, and real estate operations, which is why the economy tends to decline more with such a shock.

The government has adopted measures to help mitigate the economic and social impacts of the pandemic. These measures followed the general recommendations of international financial organizations such as the IMF to ensure additional liquidity and the continued flow of loans to the real economy. This is achieved by relaxing the financial terms and trying to maintain a balance between financial stability, support to the economy, and security of the banking sector. Fiscal policy is expected to provide substantial support to companies and citizens to ease the period during the outbreak, with the recommendation for further coordination of efforts at the global and regional levels.¹⁵

With three packages, the government of Montenegro supported the economy with a set of financial and temporary tax relief measures, including the wage subsidies to furlough endangered jobs. The budget payments and new loans through the state-owned Investment Development Fund are worth about 3% of the estimated GDP for 2019. Temporary tax and loan repayment relief have additionally supported the business sector.

However, the social impact is already serious as there has been a considerable decline in formal employment.¹⁶ The decline in March 2020 compared to March 2019 was 5%, while the decline in April 2020 vs. April 2019 was close to 8%. In the summer months due to the slow tourist season employment declined 18-19% compared to the previous year. The administrative¹⁷ unemployment rate in early October 2020 stands at 18.7%¹⁸ of which 60% of the newly registered are women, a 30% growth compared to October 2019.

The World Bank estimates that the crisis could push the poverty rate up by between 1.5 and 3 percentage points, depending on how long it lasts, and thus revert poverty to the levels of 2015 or even 2013.¹⁹

On the other hand, the new circumstances have sped up the use of new technologies which were previously only talked about but not implemented, bringing change to some social patterns. The epidemic has forced a faster than expected rise of the use of digital platforms, especially in the education sector with schools and universities moving to online classes. A growing number of companies also report a rise in the share of online sales, which account for up to 20% of all sales. In the near future we may also expect a rise in digital banking and public services.²⁰

¹⁴ The Government of Montenegro, The Economic Reform Programme 2020–22, January 2020.

¹⁵ IMF, Policy Steps to Address the Corona Crisis, March 2020, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/03/16/Policy-Steps-to-Address-the-Corona-Crisis-49262>, (accessed 5 November 2020).

¹⁶ While the GDP in Q2 fell by 20.2% (one of the biggest drops in Europe) MONSTAT also presents several figures indicative of the crisis and its severe impact on the economic system in the year to August. For instance, the index for exports was 87.7, while in the case of imports, the index was 80.2. this is due to the weak summer season as the index of arrival was only 22.1 and night-over index 19.1. The liquidity is under strain, too, as the banking deposits show a decrease. After the deep drop in the second quarter the industrial production has stabilized. Source: Monstat, www.monstat.org.

¹⁷ The data provided by the National Employment Office through the reporting system of the different administrative sources, www.zzzcg.me, (accessed 5 November 2020).

¹⁸ Data from the National Employment Office for 30 April 2020, www.zzzcg.me, (accessed 5 November 2020).

¹⁹ World Bank Group, Western Balkans Regular Economic Report No. 17, Spring 2020, The Economic and Social Impact of COVID-19, Outlook, (accessed 5 November 2020).

²⁰ The rise in internet sales is still not major, but the trend is visible in the past six months when it comes to the efforts of the companies. However, 2/3 of the firms still do not use digital platforms for the business operations and of those who use them, most use them for marketing purposes. Source: UNDP, Assessment of the Impact of COVID-19 on the Business Sector and the Growth Prospects of the Montenegrin Economy, October 2020.

The Need to Reshape the Montenegrin Economy

Over the years the composition of the GDP in Montenegro has been equally distributed among the industries. However, certain interesting trends are also noticeable. Over a 10-year period between 2008 to 2019, the hospitality sector grew significantly. Such growth pushed this sector's share from 4.2% to 7.7% of GDP, ranking it second in terms of its GDP share (trade being the largest at 12.6%). At the same time, agriculture saw a decline from 7.5% to 6.3%, real estate from 6.9% to 5.6%, and the construction sector was down from 6.7% to 6.2%. There is an evident increase in the education, health and social protection sectors, which increased cumulatively from 6.2% to 7.2%, while the share of the federal administration dropped to 6.6%. The decline in GDP share of the information and communications sector from 5.4% to 3.7% is quite interesting, though. The rise of digitalization and use of the internet will probably lead to a drop in the use of older telecommunication services (i.e. land lines or even Global System for Mobile Communications (GSM) against the calls via internet, which reduces the revenues of the telecommunication companies and the printed media.²¹

Strong reliance on tourism has become a burden for the economy and the Covid-19 crisis raises the need to modify economic policy in order to restructure the Montenegrin economy. An obvious choice is to follow the EU's Green Deal, which has already begun to spread in the Western Balkans through the Economic and Investment Plan.²² The Plan focuses on major infrastructure, but also on digital transformation and youth policies, which aim to help countries overcome the impact of the Covid-19 crisis, and also to reduce the income gap between the Western Balkans and the EU. The plan highlights green and sustainable projects in different fields, including the so-called 'youth guarantee' in order to de-carbonize and digitally transform the society. The EU is also pushing for an advanced regional market and wants to foster the establishment of the rule of law as a key precondition. A major step forward was made when the Multiannual Action Plan, which sets the tasks for the countries to set up a Common Regional Market, was endorsed by the leaders of the Western Balkans Six countries at an online summit co-hosted by Bulgaria and North Macedonia in November 2020.

Foreign Direct Investment (FDI) has been and will continue to be an important driver of economic development, but the key to sustained recovery will be the **inclination of the Montenegrin society to innovations**. The period of market reforms, privatization and liberalization was inevitable and necessary in order to put Montenegro back on track, but a new quantum leap is needed. A more dynamic system that relies on attracting talent should be the focus. Montenegro should follow European trends by further extending the outreach of its Smart Specialization Strategy 2019-2024.²³

The strategy identifies Montenegrin priorities for sustainable value chains in which newly emerging or existing businesses could further focus on:

- renewable energy and energy efficiency;
- sustainable agriculture and food value chains;
- new materials and sustainable technologies;
- sustainable, medical and wellness (such as spa and welfare) tourism;
- ICT, as a cross-cutting sector, since it provides business and technological support to other priority sectors.

The economic growth and development based on value chains generated out of the above sectors could increase the resilience of the economy and help it prepare for similar future external shocks.

²¹ National Statistics Office, www.monstat.org, (accessed 5 November 2020).

²² European Commission, An Economic and Investment Plan for the Western Balkans, European Commission, 6 October 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1811, (accessed 5 November 2020).

²³ The Ministry of Science, Smart Specialisation Strategy of Montenegro (2019-2024) Smart Specialization, https://mna.gov.me/en/ministry/Smart_Specialisation/, (accessed 5 November 2020).

Conclusion and Recommendations

The reshaping of an economy does not happen overnight, however. It takes a vision and consistent commitment. Given the political changes in the country after the August 30, 2020 election and the first complete change of government since the transition began, it remains to be seen what course the government will take. The current pandemic combined with climate change poses many challenges.

Both the economic and health situations are dire, and more measures must be taken in the short, mid and long run. As suggested by the UNDP's report, there are a number of policy recommendations that can be implemented at the national level.²⁴ Those may include the following:

Short run

- Develop alternative macroeconomic and budget scenarios and revisit the assumptions underpinning the selected policy decisions of Montenegro, which, given the soaring public debt, put public finance management under the limelight;
- Increase the effectiveness of public and private entities to maintain business continuity until Covid-19 is under control (or any natural or man-made disaster occurs in the future);
- Support economic activity and mitigate liquidity problems;
- Define more cohesive entry requirements for travelers and tourists based on the so called forward guidance until the end of 2021 to mitigate negative impacts on the next summer season;
- Engage in a more dynamic economic and social dialog among the key stakeholders (government, trade unions, employer representatives).

Medium to long run

- Strengthen the strategic framework for sustainable economic recovery (especially related to the Sustainable Development Goals, the UN 2030 Agenda, and the Smart Specialization Strategy);
- Further reform the education sector;
- Innovative financing of green business (including e-mobility, retrofitting and clean energy) and digital economic recovery;
- Further improvement of the business environment, social and investment policies with focus on the green transition and decarbonization, including sustainable infrastructure investments;
- Necessary analysis and introduction of a carbon tax;
- Structural reforms, especially of the pension system.

As noted in the UNDP commissioned report, these measures should not only include those that directly affect companies. The improvement of the macroeconomic framework, such as a stable public finance environment, a better administrative environment, reduction of the tax burden or the addition of stabilizers that could absorb the shock of similar situations in the future would be the cornerstones of a more resilient economy.

²⁴ UNDP, Assessment of the Impact of COVID-19 on the Business Sector and the Growth Prospects of the Montenegrin Economy, October 2020.

It is vital to understand the importance of areas such as education. Thus, programs focusing on skill-building for teachers and further expansion of digital forms of instruction are significant for making a gradual transition towards new business practices, which will boost productivity in the long run. This would foster the process of further restructuring and diversifying the economy.

The possibilities offered by improved regional cooperation should not be overlooked either. This does not only mean the free flow of goods, but also the possibilities for countries to streamline the procurement of medical equipment and supplies, and to resolve the issue of strategic reserves of certain commodities. These issues could be discussed and implemented as part of the actions to form the common regional market.

Each crisis comes with uncertainties about current and future operations, and thus affects future investment plans. Support for business development planning, the addition of various financial assistance schemes, and expansion of the financial system (i.e. stock exchange reform) could be useful here. At the same time, these new schemes need to be seen against the backdrop of modern European trends, such as the green transition and digital transformation, which may help rebalance Montenegro's economy.²⁵

²⁵ UNDP, Assessment of the Impact of COVID-19 on the Business Sector and the Growth Prospects of the Montenegrin Economy, October 2020, p.77.

Review of the Existing Evidence on the Socio-Economic Effect of Covid-19 in North Macedonia

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Introduction

Several years of stable economic growth and downward trends in unemployment and poverty rates were disrupted by the crisis caused by Covid-19 in North Macedonia, which began to spread in early March 2020. While citizens practiced social distancing from the very beginning of the outbreak, with the closure of the education system on March 11, 2020 the government of North Macedonia commenced a series of measures to slow the spread of the virus to prevent health system failure and to minimize the number of lives lost.

At the time the virus began to spread, the country was ruled by a technical government due to elections scheduled for April 2020. Due to the inactive parliament at the time, the president declared a state of emergency on March 18, which allowed the government to issue decrees with the power of law. Subsequently, a number of restrictive measures were adopted, such as quarantine, curfew, travel ban, complete closure of the hospitality sector, restrictions in other sectors, paid time off from work for one parent of children of up to 10 years, etc. This led to a drastic decline in the country's economic activity, as some sectors were completely closed, and others operated with limited capacity. Part of the economy significantly contracted due to the border closure and restriction of movement, affecting mainly the hospitality and transport sectors. Many companies whose supply chains were interrupted due to the movement restrictions experienced a reduction in the production volume or even temporary cessation of production.

In May 2020, Finance Think projected a total economic decline in 2020 of -3.8%, with the most intense decline in Q2 of -12.7%, and economic consolidation in the subsequent months. Current forecasts by national and international institutions for GDP growth in 2020 range between -3.2% and -5.4%, but due to significant risks, the growth rate may easily deteriorate if the negative consequences of the Covid-19 pandemic intensify. By late 2020, local transmissions of Covid-19 within North Macedonia are on the rise again. The increasing number of infected persons (on average 1,000 per day), fatalities, shrinking space in hospitals, and the lack of medical staff may require new restrictive measures that will adversely affect economic activity.

The aim of this paper is to review existing evidence on the impact of the Covid-19 crisis on the labor outcomes and poverty in North Macedonia, and to describe the set of measures undertaken by the government in order to decrease the negative consequences of the crisis. The following part reviews the impact of the Covid-19 crisis on the labor market in North Macedonia. The two subsequent sections provide a review of the existing research on the relationship between Covid-19 and poverty in the country and describe the governments' responses to the crisis and analyze their effectiveness on decreasing the negative consequences.

Covid-19 and Labor Market Outcomes

Restrictive measures affected both employers and employees. Employers responded to the crisis by reducing working hours, sending workers on a forced annual leave, while some positions were cut completely. According to ILO/EBRD, 83% of the companies in North Macedonia were affected by the crisis, 43% of the companies experienced a reduction of revenues by more than half, 11% of all companies and 17% of micro companies were forced to close completely.¹ The following sectors were the most affected by the crisis: hospitality, retail, transport, warehousing, personal services, food manufacturing, and construction.

¹ ILO/EBRD, Covid-19 and the World of Work: North Macedonia. Rapid Assessment of the Employment Impact and Policy Responses, Geneva, 2020, International Labour Organization.

Two thirds of companies (69%) decreased working hours as an immediate response to the contracted economic activity. The number of hours lost is equal to 85,500 full-time jobs, which is 11.5% of the total employment. According to Finance Think, estimations, the total number of jobs that would have been lost due to the crisis is 75,000.² However, statistics on registered unemployment show that in the period March-September 2020, only around 44,000 persons lost their jobs, most of whom (around 25,000) were employed in the sectors most affected by the crisis, namely hospitality, textile production, tourism, and wholesale. The difference between the predicted and the actual number of jobs lost is due to the job retention measures undertaken by the government (see section on government response).

Workers faced severe circumstances that endangered their incomes and standards of living. According to a survey we conducted in April/May 2020, 25.6% of workers faced pay cuts, 14.4% were sent on a forced leave, and 17% lost their jobs. Some categories of workers were particularly seriously affected by the crisis.³

(1) Women are one of the the most affected groups, since most of the employees in the frontline of the response to Covid-19 (medical staff, caretakers, pharmacists, shop assistants, etc.) are women. During the crisis they also spent increased hours in unpaid work, mainly due to the increased workload, care for the children out of school and/or for elderly family members. According to UN Women, the government's measure for paid leave of one parent of children under 10 was used mainly by married women from urban areas, or single mothers.⁴ This may further aggravate the gender-based discrimination in the labor market and the risk of job loss if the institutional prevention is inefficient. The analysis of ILO/EBRD⁵ shows that when only women are considered, 41.6% of the total workforce is highly vulnerable to the Covid-19 crisis, compared to three times lower number of jobs for the total workforce. Additionally, female workers are more often exposed to a possible infection since they are overrepresented as workers in the labor-intensive industry, like the textile industry, where infections spread more easily due to the crowded workplaces and public transport from and to the workplace.

(2) Youth are generally more sensitive to economic shocks, mainly because they are less experienced, less protected, and more frequently on temporary employment contracts, which make firing easier. According to the ILO, 34.7% of the young employees in North Macedonia possess employment contracts with a limited duration, compared to 17% of the adult employees.⁶ The estimation of the age-related vulnerabilities by ILO/EBRD shows that when young people are taken into consideration, the number of sectors highly affected by the crisis increases significantly accounting for 60% of the total employment.⁷

(3) Informal workers are overrepresented in the labor market of North Macedonia. Of almost 130,000 informal workers (out of a total of 811,000 employed), one quarter works in the most affected sectors like catering, retail, transport, and warehousing. This means that around 30,000 informal workers are at immediate risk to lose their job due to the pandemic with no access to unemployment insurance. Additionally, due to the informal character of their jobs, they are not eligible for the government's job retention measure that saved many other formal jobs. Incomes of informal workers are likewise more sporadic and lower than income from similar formal jobs, suggesting that informal workers will be harshly hit by the crisis.

(4) The self-employed are particularly hard hit by the crisis, facing a significant decline in their revenues (55%) and/or a temporary closure of their micro-businesses (49.3%). Almost 26,000 self-employed persons work in the sectors most affected by the crisis.

² Finance Think, Was it Necessary to Provide Financial Support to Companies to Retain Jobs During the Covid-19 crisis? Policy Brief No. 41, 2020, Finance Think – Economic Research and Policy Institute.

³ Finance Think, The Economic Effects of the Corona-Crisis. Quality of Life No.2, 2020, Finance Think – Economic Research and Policy Institute.

⁴ UN Women, The Impact of Covid-19 on Women and Men in North Macedonia, 2020.

⁵ ILO/EBRD, Covid-19 and the World of Work: North Macedonia. Rapid Assessment of the Employment Impact and Policy Responses, Geneva, 2020, International Labour Organization.

⁶ International Labor Organization Database. Employment by age and contract type.

⁷ ILO/EBRD, Covid-19 and the World of Work: North Macedonia. Rapid Assessment of the Employment Impact and Policy Responses, Geneva, 2020, International Labour Organization.

The crisis likewise hit the unemployed, largely deteriorating their employment prospects, followed by a decline in the family income on which they relied. One niche characteristic of young unemployed people is the inability to depart abroad for a summer work, due to movement restrictions, which will additionally strain their living standards and their households' financial conditions.

Covid-19 and Poverty

Income fallouts due to reduced wages, loss of secondary income and lost jobs weigh on poverty. Before the crisis, North Macedonia recorded a solid pace of poverty reduction, from 27% in 2010 to 21.9% in 2018.⁸ However, before the crisis about 450,000 people lived under the threshold of relative poverty, while nearly 100,000 people were extremely poor, living with less than 1.9 USD per day (Purchasing Power Parity, PPP).

The impact of the crisis caused by the Covid-19 pandemic is greater among the low-income population, given that they are more frequently employees in vulnerable sectors which were affected by the crisis (such as trade and transport, see previous section). They are also more likely to work in the informal economy, receive social transfers and other income that does not come from labor, as well as more likely to get remittances from their family abroad. Our estimations of the Covid-19 crisis impact on poverty show that the relative poverty rate has increased by 1.2 percentage points, meaning that 25,000 people are pushed into relative poverty due to the pandemic, eliminating progress towards poverty reduction made in the past five years.⁹

More alarming is that an additional almost 100,000 people will fall below the poverty line of 5.5 USD per day, PPP. On the other hand, the rate of extreme poverty (below 1.9 USD per day, PPP) will decrease by 1.4 percentage points (pp.) during the crisis, mainly due to the reformed social security system and the relaxed conditions for acquiring the right to a guaranteed minimum income (see section on government response).

Along the same lines, Petreski et al. explain that the crisis has exacerbated child poverty in the country: 16,000 children are expected to fall below the poverty line, which is equal to an increase of the child poverty rate of 4 pp. from 29.3% to 33.3%, a rate not seen since 2010.¹⁰

Government Response to the Covid-19 Crisis

On top of the globally consistent measures to cope with the spread of Covid-19, the government of North Macedonia devised two broad sets of measures between March and September 2020 to decrease the economic risk (risk of income loss and decline of living standard) in four subsequent economic packages.

The first set included measures to support private-sector liquidity and job-retention, including: subsidizing wages and social contributions, the deferral of profit tax pre-payments, loans at favorable terms (with zero or subsidized interest), loan guarantees and some sector-specific support. Two key employment-retention measures involved a subsidy from April-June for the companies experiencing more than 30% decline in revenues compared to their 2019 average during the pandemic, with a monthly amount of 14,500 MKD per worker (the minimum wage at the time). There was also a subsidy of 50% for social contributions up to the level of the average wage in the hardest hit sectors (tourism, hospitality, and transport). According to our estimations, 80% of the 75,000 jobs that were at immediate risk to be lost were retained due to the measure, which is why the government decided to extend the measure for an additional three months until December 2020.¹¹

⁸ State Statistical Office of North Macedonia, Laeken Indicators.

⁹ Finance Think, The Impact of Covid-19 on the Poverty in North Macedonia. Policy Brief No. 43, 2020, Finance Think – Economic Research and Policy Institute.

¹⁰ M. Petreski, B. Petreski, A. Misovska-Tomovska, M. Mitev-Gerovska, M. Parnardzieva-Zmejtkova, V. Dimkovski, and N. Morgan, The Social and Economic Effects of Covid-19 on Children in North Macedonia: Rapid Analysis and Policy Proposals, 2020, Finance Think Policy Studies 2020-07/30, Finance Think – Economic Research and Policy Institute.

¹¹ Finance Think, Was it Necessary to Provide Financial Support to Companies to Retain Jobs During the Covid-19 crisis? Policy Brief No. 41, 2020, Finance Think – Economic Research and Policy Institute.

The second set of measures was directed toward maintaining the standard of living among the most vulnerable citizens through increasing the access to services and temporarily lowering the eligibility criteria for guaranteed minimum assistance (GMA) and unemployment benefits. The lowering of the GMA criteria now allows for home ownership of where the household resides, a car older than five years, and a construction land parcel smaller than 500m², all of which made applicants ineligible before. In addition, the income criterion was to be assessed on the previous month's income, rather than on the previous three, thereby allowing for rapid entrance of households in the GMA system after their income fell due to Covid-19. This was particularly important to quickly facilitate a safety net for informal workers. As discussed in the previous section, this would result in a decline of the absolute poverty rate (1.9 USD per day, PPP) by 1.4 pp., so that almost 24,000 people would be saved from extreme poverty. As of July, this measure has been used for 65% of its potential, which means that additional effort is needed to raise awareness among (newly) eligible citizens. This set of measures includes lowering the criteria for obtaining unemployment benefits to all individuals who lost their jobs for any reason in March and April, and a one-time financial support to different vulnerable groups (GMA recipients, active job seekers, low-paid workers, students and pupils), ranging between 3,000 and 9,000 MKD.

To finance the provided measures, the government borrowed a significant amount at favorable terms after the outbreak of the pandemic, nearly 1 billion EUR (9% of GDP), of which not all has been spent as of October 2020. Although the government claimed the value of the first three packages was 550 million EUR, and the value of the fourth just recently announced will be 470 million EUR, estimates suggest that only 200 million EUR (1.8% of GDP) has been spent so far. This leaves space for increased realization of the announced measures, as our analysis suggests that measures are suitably designed, but their execution faces setbacks and significant delays.¹² Moreover, state funding and liquidity are particularly relevant as two Eurobonds mature in the next nine months, worth a total of 770 million EUR. Therefore, the management of public finances must be prudent and rational, with special care of the debt that inevitably surges in such circumstances.

Conclusion

The Covid-19 crisis hit North Macedonia during a period of stable development, and of unemployment and poverty reduction. Although its impact has a broad range, the crisis especially impacted women, young people, and the low-income population, groups which face loss of income, risk of losing employment, risk of falling into (extreme) poverty and deteriorated employment prospects. The negative consequences would be even higher without the government responses for job retention and maintaining the living standard. Both measures saved almost 60,000 jobs that were at immediate risk to be lost due to the pandemic and have the potential to lift 24,000 people out of extreme poverty.

Therefore, we recommend an extension of the measure for job retention until December 2020, precisely targeted and with a component to facilitate the return of the fired workers to their jobs. The recommendation was already adopted by the government, which in the fourth package envisaged subsidies of 14,500 to 21,200 MKD to all companies that faced a drop in revenues higher than 30% and commit to retaining the same number of workers three months after receiving the subsidy.

To maintain the standard of living of the most vulnerable citizens, we advise policymakers to take intensive action to use the potential of the measure facilitating conditions for guaranteed minimum assistance by informing and raising awareness among the potential recipients. Additionally, we recommend an introduction of a temporary GMA supplement and a temporary additional facilitation of income-related requirements in order to cover, in addition to the poorest, a part of the vulnerable strata of the population.

At the end, we recommend careful and rational spending of budget funds, with special care of the public debt that continuously grows and is currently above 60%. Last, but not least, a timely implementation of the envisaged economic measures is needed to reduce the level of uncertainty among economic subjects and citizens.

¹² Finance Think, How did Market Assess Government's Economic Measures?, Policy Brief No. 44, 2020, Finance Think – Economic Research and Policy Institute – forthcoming.

Covid-19 and Serbia's Economy: A Differentiated Impact Calls for a Differentiated Policy Response

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The Covid-19 pandemic hit Serbia's economy just when its recovery from the protracted effects of the global financial crisis (GFC) had begun to gather steam for the first time. The recovery from the economic implosion of the 1990s had progressed rapidly after the regime change in 2000, but was then slowed by the global financial crisis. At first, Serbia was one of the least affected European transition economies. However, the recession was followed by a protracted period of extremely sluggish and erratic growth, so that by 2017 its GDP stood only 8% above the GDP of 2008. Now Serbia again seems to be more mildly impacted by Covid-19 than most European countries – the IMF has revised its projection for 2020 growth from -3% up to -2.5% – while the government insists (and we would not be surprised if) the decline will be even less. Will the resilience also prove to be short-lived this time?

After describing the impact of Covid-19 on Serbia's economy, I point to some key Serbia-specific factors that differ this time compared to the GFC. I argue that this time it is not so much the immediate growth potential that is at risk, but rather the quality and sustainability of Serbia's long-term development. Much depends on political will, and on the public administration's capacity to pursue differentiated and targeted policies in support of the more affected and vulnerable segments of Serbia's economy.

Recent Real Sector Performance

After a protracted stagnation, Serbia's GDP growth began to pick up in 2018, with a marked acceleration in the second half of 2019, bringing the average growth rate for 2019 to 4.2%.² By all accounts, the growth momentum exhibited at the beginning of 2020 continued to support this performance. Growth in the first quarter of 2020 continued to be strong despite the economy already being significantly affected by the unfolding crisis (see Table 1). Exports and tourism began to suffer already in February. Moreover, Serbia's lockdown started during the first quarter, on March 15, and the first two weeks hit the economy the hardest because it took time to adjust to the new circumstances of operation.³ We estimate that, during the lockdown, revenue of private businesses declined by approximately 25%, and even more for smaller businesses, with those in 'lockdown sectors' essentially down by -75% to 100%. The lockdown was lifted in early May, and by all indications most sectors enjoyed a strong recovery in the subsequent weeks. Overall, total gross value added (GVA) declined by 6.3% in the second quarter of 2020.

The recovery continued in the third quarter of 2020 (Q3), albeit dampened by a second wave of the epidemic that started in late June and peaked in late July. This second wave was jumpstarted by the complete neglect of health policy measures in the month leading up to the elections on June 21, 2020. Interestingly, this second wave was under control by mid-August without resorting to extreme measures. A new wave is just gathering steam at the beginning of November – about a month later than in neighboring countries. For Serbia, this is a

¹ This paper draws heavily on analysis contained in World Bank, *The COVID-crisis and Serbia's SMEs: Assessment of Impact and Outline of Future Scenarios*, August 2020, prepared by CEVES, <https://ceves.org.rs/wp-content/uploads/2020/11/WB-Covid-19-Report-final.pdf>, (accessed 13 November 2020). For the purposes of this study representative surveys of 1,087 enterprises and 500 sole-proprietorships were conducted focusing on the impact of the March-April 2020 lockdown on Serbia's MSMEs. The enterprise survey was conducted in early May and the sole-proprietorships one late in May and early June. All the references are drawn from this source, if not specified otherwise.

² This figure is somewhat inflated due to an inflated assessment of the performance of construction.

³ The pandemic control measures involved a state of emergency with curfews that severely limited citizen movement and a partial lockdown of the economy ('lockdown', in further text). Hotels, restaurants, and catering (HORECA), public and intercity transport, shopping malls, entertainment and gambling and personal services such as hairdressers and gyms were under full lockdown (the 'lockdown sectors'). Cultural institutions, schools, and pre-school childcare were also closed, but fall outside the scope of this study as they are overwhelmingly public institutions.

third wave, while for others it is their second. It remains to be seen if the second wave taught Serbia some lessons that will help it bring this wave under control sooner and more effectively.

Table 1: Serbia: Economic sector real growth, first half 2020

	GVA	GVA			Revenues ³
	2019	Q4 19	Q1 20	Q2 20	Lockdown
		% of tot.	y-o-y rates		
		in %			
Total Economy	100,0	6,8	5,2	-6,3	...
Business sector	74,2	...	4,9	-11,4	...
Industry	24,3	3,1	4,3	-7,7	...
Manufacturing ¹	17,5	...	6,1	-8,3	...
Food ¹	3,1	...	4,1	-1,5	-9,0
Other manufacturing ¹	14,4	...	6,5	-9,8	-28,0
Construction	5,4	48,3	20,4	0,1	-18,0
ICT	5,8	8,2	11,4	5,4	-14,0
Professional services	16,0	4,1	2,6	-20,6	-11,0
HORECA ²	1,9	...	4,6	-40,9	-71,0
Personal and other services	2,4	1,5	3,2	-32,0	-50,0
Trade & transport ²	18,5	6	2	-14,0	-30,0
Other sectors, total⁴	25,8	1,8	5,7	3,9	...

¹ Based on industrial output index

² Based on sales data

³ Average of revenue shortfall experienced by companies during the March-May 2020 state of emergency, weighted by size of revenues. Retrieved from representative survey in (World Bank/CEVES)

⁴ Other (non-business) sectors are comprised of agriculture (about 6% of GVA), government administrative and social services, financial services. Real estate services are also included here for technical reasons, although they do belong to the business sector.

Source: World Bank. (Based on SORS data and CEVES estimates)

There is little doubt that in Serbia the Q2 and subsequent economic performance are strong compared internationally (GDP declined by 9.3, 13.1 and 15.4 respectively in Bosnia and Herzegovina, Slovenia, and Croatia). However, it is far from homogeneous. First of all, it is important to distinguish between the performance of the business sector (including enterprises and sole proprietorships) and other sectors of the economy. The latter, including mainly agriculture, finance, and government services, stood nearly 4% above 2019 levels, even in Q2. While the growth of agriculture and financial services is large, the largest contribution was made by public services, due to a sharp increase in public wages at the end of 2019, not due to an actual increase in the volume (or quality) of the public services provided.

Meanwhile, the value added of the business sector declined by approximately 10% in Q2 year-on-year (YoY). While it has since continued to recover, exports of goods and services in August still remain more than 10% below 2019 levels. Within the private business sector, particularly strong performances have been exhibited by the IT sector (+5.4%) and construction (+0.1%). While manufacturing was strongly affected during the lockdown, many sectors showed signs of a fast recovery in its aftermath. At the other extreme are the 'lockdown sectors' (defined in footnote 3). Hotels, restaurants and catering (HORECA) as well as personal services suffered declines of as much as 41% and 32% respectively.

The remaining services can be divided in two groups – professional services (ranging from marketing agencies and scientific research to private security and cleaning services) and traditional services other than the

lockdown sectors (commerce and transport). Professional services fared reasonably well, divided between those that performed rather unobstructed, such as the so called ‘smart services’ – engineering, consulting, technology development, and design – and those affected by the implosion of demand, such as employment agencies. Finally, commerce and transport largely reflect the economy’s average, as they follow the performance of the goods that they intermediate, some better some worse.

It is remarkable that, with very few exceptions (some hotels and rental car companies) there have so far been virtually no cuts in formal employment during the lockdown or in its aftermath. While government measures discussed below have undoubtedly played a role, a representative survey and other interviews conducted by CEVES with business representatives suggest this is above all a manifestation of the extent to which labor markets were tight at the outset of the crisis.⁴ The interviewees repeatedly stated that skilled workers are hard to find and train, and expressed strong reluctance to let them go under any circumstances.

In fact, formal employment increased throughout May-August 2020 by approx. 16,000 employees, while informal employment declined, clearly having been used as a buffer. Informal employment in Serbia has been significant, peaking at about 210,000 persons throughout 2017-2018 (excluding agriculture), thus accounting for 9-10% of total employment (also excluding agriculture). However, it has since begun to decline, down to 191,000 persons in 2019. As expected, informal workers were particularly vulnerable during the crisis and contrary to the strong performance of formal employment, informal employment declined significantly both during the lockdown and in its aftermath – by 15% and 35% in Q1 and Q2 2020 (YoY), respectively. It is most likely that informal employment will follow a U-shaped curve: falling by around 80% during the lockdown, and then recovering to approx. 80% of its usual level in its aftermath, although most likely at lower levels (and consequently at lower wages). The impact on poverty and social exclusion is unknown so far, but the outlook is undoubtedly bad, especially since the informally employed usually earn 30% less than the formally employed and tend to have less favorable socio-demographic characteristics (such as lower education, vulnerable age/gender groups, etc.).⁵

The Government’s Response

To analyze the response of Serbia’s government we categorize the measures undertaken so far into two groups. The first package of measures consisted of the early liquidity loosening measures undertaken by the Serbia’s National Bank. This was followed with considerable delay by the government’s adoption of a support package and revised budget in April. The latter adjusted spending to make room for the assistance as well as spending in the health sector, and the development of new bank credit support schemes (see text box below for a full list). The new budget foresaw that the total fiscal deficit would reach approx. 7% of GDP by the end of 2020, compared with the initially planned deficit of 0.5% of GDP.

The measures under the first package were extended in July with what we call ‘follow up measures’ (see text box). As a result, the public debt has already increased from 52% of GDP at the end of 2019 to 57%, recorded at the end of August 2020, with the possibility that it will reach ca. 60% by the end of the year. The increased financing needs have so far been met by borrowing at the local and international debt markets, and no additional access to financial assistance from bilateral or multilateral sources has been sought.

⁴ See footnote 1.

⁵ SIPRU, Impact of COVID-19 on labour market – Focus on vulnerable employment, forthcoming report, prepared by CEVES.

Text box. The measures taken by the National Bank of Serbia (NBS) and the Serbian government aimed at providing additional liquidity to the banking sector and to the real economy:

1. The first package:

- **Radical liquidity easing by the NBS:** a reduction of the key rate by 1 full percentage point to 1.25% between March and October 2020; **provision of additional liquidity to the local banking sector** through additional currency swaps (EUR/RSD) and repo (RSD) auctions and a decrease in deposit and lending facility rates.
- **NBS moratorium** on debt payments – on both principal and interest – between end of March and end of September 2020.
- **A guarantee scheme** introduced as an **instrument based on risk shared by the government and the local banking sector**. The government allotted ca. 1% of GDP (ca. 480 million EUR) as a guarantee for potential losses, with the expectation that the banking sector will disburse approx. 2 billion EUR of loans to agricultural holdings and Micro, Small, and Medium-Sized Enterprises (MSMEs). So far, slightly over one half of this amount has been utilized, as of end of September 2020.
- **Direct support to all MSMEs** in the form of transfers to each employee in the amount of three monthly net minimal wages (1.7% of GDP or 0.8 billion EUR), on condition that the company does not reduce employment by more than 10% for the duration of the transfer and three subsequent months.
- **Direct support to large companies** in the amount of 50% of net minimal wages (for the duration of state of emergency), per furloughed employee.
- **Employment tax and social contribution deferrals to all companies** for a period of three months, extended in the follow-up to end of September.
- **Increase of average pensions** by 6% starting from January 2021 and **increase of wages in the public health sector** by 10% in April 2020.
- **Additional funding for small loans to MSMEs** through the Development Fund (0.4% of GDP or 0.2 billion EUR). However, as of the end of September the fund has disbursed only 75 million EUR.
- **Provision** of a lump sum of **100 EUR to each citizen**, incurring a cost of approx. 1.5% of GDP (ca. 0.6 billion EUR).

2. 'Follow-up measures':

- **Direct support to all MSMEs** in the form of transfers to each employee in the amount of 60% of net minimum wages in August and September, on condition that the company does not reduce employment by more than 10% for the duration of the transfer and three subsequent months.
- **Direct support to large companies** in the amount of 50% of net minimal wage per furloughed employee.
- **Direct support to all registered companies founded between March 15 and July 20, 2020** (there are around 13,550 such entities) in the form of one-time transfer in September, amounting to 120% of net minimal wages. These companies may also enjoy formerly mentioned means of direct support introduced as 'follow-up measures'.
- Finally, limited one-off **support to hotels** as of August, in the amount of 350 EUR per bed and 150 EUR per room.

The Factors of Future Performance

Looking forward, the growth momentum evidenced at the start of the year is likely to continue supporting important sectors of the economy. This clearly largely depends on continued export growth and inflows of FDI, and as long as the Covid-19 pandemic persists, a reasonably successful management of health policies. Export demand is likely to have a positive effect despite the downward pressure that will be exerted by the performance of the auto industry and related industries. Motor vehicle exports comprise 10% of Serbia's merchandise exports and are expected to perform particularly poorly over the medium-term. The effect of this will be limited, however, due to the sector's limited integration with the domestic economy, and the fact that even when other related industries are included (wire harnesses, auto seat covers) they contribute only 0,8% to Serbia's GVA. Moreover, information gathered from key informants suggests that none of the automotive-linked companies are contemplating closure or even major layoffs yet.

The majority of other exports, such as other electrical equipment, plastics, furniture, and paper products appear to be recovering, and stand 5-10% below last year's level (cumulative to August). The exports of food, chemicals, pharmaceuticals, and some other smaller industries already stand higher than last year's total by August. But even if current exports do not recover fully or quickly, Serbia's chances are enhanced by the significant probability that Covid-19 will accelerate the process of nearshoring of European industries from which the country has already been profiting. Inward FDI may flow even if the global economy is not fully recovered, i.e. it may allow Serbia's exports to beat a relatively sluggish international environment.

A key lesson of the second wave of the epidemic, however, has been that a full rebound or normalization of activity will not be sustainable as long as Covid-19 has not been brought under control. The activities of companies in most lockdown sectors will have to be carefully managed to protect the nation's health and are likely to remain at reduced capacity for the duration of the pandemic. The lockdown sectors contribute 3,6% to Serbia's GVA and employ 68,000 people. Fluctuations in their activity, as well as of those dependent on them for business – such as food and beverage production, or creative and urban services related to tourism – will continue to drag down the economy, and particularly MSMEs. According to our estimates, the activity of the lockdown sectors is likely to remain between 19% and 30% lower in Q4 2020 compared to a year earlier, and only slightly better in 2021. They are hence likely to bring down the GVA of the overall economy by 1.3-2.6% in 2021. This impact is not so large to fully offset the positive effects of the factors underpinning the momentum. We do assume in these calculations, however, that policies will prevent massive bankruptcies and layoffs of HORECA. As discussed below however, this may not necessarily be the case should the pandemic last longer than currently hoped for, as the situation could become much more difficult in this case.

The risk for Serbia today is not so much in whether its economy will return to growth but what kind of mark the pandemic will leave on its different sectors. If the global markets grow, Serbia's economy will grow as well. Possibly it will exhibit some growth even if global markets remain sluggish. The real question, however, is what will the structural and distributional effects of this growth be like if current policies are maintained? The growth model followed by Serbia thus far has eventually resulted in the increase of exports and employment, as well as acceleration of growth itself, but at the expense of a decline in average productivity, and a neglect of the development potential of Serbia's SMEs, predominantly owned by domestic capital. The Covid-19 crisis and the government's policies in response to it threaten to exacerbate this problem.

Policy Assessment and Recommendations

Not only is the global crisis context today very different from that of the global financial crisis, but the factors supporting Serbia's growth momentum also differ significantly from those in the preceding period. Principally, growth was then driven by credit-fueled domestic demand, whereas today the steady main driver has been exports. Domestic demand has only recently added impetus.

The GFC was followed by a strong adjustment of Serbia's private sector, with exports resuming growth already by 2010. Thereafter, what growth Serbia's economy did enjoy was based on conquering international market share. Initially, the effect of this export growth did not make a marked contribution to GDP performance

because it started from rather low levels (or the value-added of exports was low). However, both merchandise and service exports have tended to grow faster than their markets for nearly a decade and eventually increased their GDP share to 51% from 30% in 2010. Importantly, exports have been driven not only by FDI, but also to a remarkable extent given their small size, by the market reorientation of the domestically-owned companies that survived the carnage caused by the crisis.⁶

On the other hand, today's domestic demand (the construction boom) has been largely supported by a long-awaited increase in public investment in infrastructure, by FDI into the real-estate sector, and by the investment phases of efficiency-seeking, export-oriented FDI. The public sector share until the Covid-19-related intervention was not on account of a significant fiscal deficit.

One phenomenon manifested in the current crisis, however, may have actually been present both then and today. SMEs have so far exhibited a remarkable resilience to the Covid-19 blow. In the survey conducted at the end of the lockdown, only 1% of interviewed companies, including those in the lockdown sectors, felt they would need some debt forgiveness to ensure survival if business returned to normal after the lockdown. This resilience seems to be based on SME preparedness for shocks, a habit of maintaining reserves and diversified business portfolios, even when they are very small. Reserves, however, are being used up. If Covid-19 continues affecting behaviors over the medium-term, eventually, without strategically directed assistance, businesses will begin to fail, and this will weaken a sector that already operates against many odds.

Two aspects of current policies in Serbia are problematic, and Covid-19 may exacerbate them. On the one hand, since the early 2000s Serbia's growth model has been based on a rather simplistic attraction of foreign investment. On the other, its policies in support of the SME sector have tended to be limited, fragmented, and completely linear, i.e. not targeting special needs of specific types of enterprises, but rather rationing those that get help based on strict administrative criteria and a first-come-first-served principle. This time the government's response to the Covid-19 crisis, we must acknowledge, has been generous to Serbia's SMEs. In fact, it has been unnecessarily generous, because it has continued to be linear, i.e. it was extended to each SME willing to observe the layoffs limitation as long as they applied, even if they did not really need it. This has resulted in unnecessary and unsustainably high fiscal costs that could undermine the government's capacity to provide the sustained and effective support that the most affected business sectors will need throughout the length of the crisis.

The most affected sectors should now be most supported not only to survive, but in order to adjust their operations to changes brought about by the pandemic. The most affected sectors are nearly completely comprised of SMEs in the lockdown sectors, as well as some other closely linked parts of the service sectors. The changes they need to make will not become obsolete when the pandemic is over: digitalization, the capacity to provide remote services, adjust premises, and maintain and improve the skills of critical employees. SMEs in the manufacturing and construction sectors that are currently not faring as badly in terms of revenues also need to ensure they adapt.

The government should pursue strategic and targeted policies, as this will allow it to more substantively support the most affected sectors for a longer period – with the same assistance package. This will make a significant difference in the ultimate medium- to long-term outcome for the survival and development of the SME sector. Illustrative simulations suggest that simple and reasonable targeting (by sector) would allow the rescue of three times as many businesses in the heavily affected HORECA sector than the current linear approach, while still helping other businesses in reasonable proportion to their needs. Such assistance could cost close to 1 billion EUR over five quarters (to end 2021), half a billion EUR less than if the current untargeted package were to be maintained. Alternatively, if only the most affected sectors were targeted, the cost of the package could be reduced to EUR 260 million over five quarters.

⁶ CEVES, Serbia 2009-2016: Real Sector Performance and Competitiveness – Some Stylized Facts and Open Questions, 2018, https://ceves.org.rs/wp-content/uploads/2018/07/Perform_New-Performance-and-Competitiveness-SF_2017-1.pdf, (accessed 13 November 2020).

Serbia has invested a considerable effort in creating a fiscal space since 2015, but it has not been accompanied by a concomitant effort to build the institutional framework and policy capacity to use it well. A crisis such as this is precisely when fiscal space should be used – but strategically. A broad and linear approach to the assistance was publicly justified by the government and many observers with the need to act quickly very early in the pandemic. Given that the measures came at least two weeks later and were *less* targeted than those of neighboring countries, this argument is hard to accept. Besides, the government has had ample time to prepare more targeted measures for the follow up, but with the exception of the impromptu lifeline thrown to hotels, these were more of the same measures of the first package. Rather, I believe this reflects the government’s broader reluctance to pursue targeted policies, partly out of concern that it may be unpopular among constituencies, as well as concern that this would open government institutions to abuse. The latter, in my opinion, is indeed a significant problem. However, this only indicates how important it is to have true political will to build strong institutions. In other words, Covid-19 is now helping us measure the costs of the absence of such institutional capacity and political will. Pre-electoral considerations surely weighed in heavily as well.

The ad-hoc approach has characterized Serbia’s longer-term development policies throughout the recent past. A shift to deliberate and strategic development policy-making would require the building of public administration capacity, which in recent years has in fact been weakened rather than strengthened. It would also require the strengthening of the rule of law, so as to secure public trust and institutional participation needed to get strategic policies right. Without these, the effectiveness of the resources with which Serbia confronts the effects of the Covid-19 pandemic is significantly reduced. Moreover, the pandemic will be yet another blow to Serbia’s SME sector, and to its population’s overall productivity and prosperity over the medium to long term.

Covid-19 Fallout in the Western Balkans: Old Problems, New Challenges, and Looking for Opportunities in the Post-Pandemic World

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Introduction

The economic fallout from the Covid-19 pandemic caused the biggest peacetime decline in global GDP since the 1930s. According to the IMF, global GDP will decline by over 4% in real terms in 2020.¹ For Central, Eastern and Southeast Europe (CESEE), 2020 will be the worst year on aggregate since the 1990s.² Naturally, the countries of the Western Balkans³ are far from immune from these developments. However, the range of outcomes within the region is fairly large, reflecting the very different nature of economic structures and therefore exposure to the pandemic fallout. By any regional or global comparison, Serbia will get off fairly lightly, with strong fiscal stimulus helping to limit the 2020 real GDP downturn to around -2%. By contrast, tourism-dependent Montenegro is likely to register one of Europe's biggest recession in 2020. There is huge uncertainty regarding the shape and speed of the recovery, and the many serious challenges ahead. Nevertheless, it is also possible that the Western Balkans will find opportunities in the post-pandemic world.

Assessing the Initial Fallout

For the Western Balkans, as for much of the global economy, the initial fallout from the pandemic arrived in the second quarter of 2020 and was severe. The economic aspect of the crisis manifested itself in three main ways: first, through domestic lockdowns which curtailed economic activity; second through the impact on external demand for goods and services; and third via a negative hit to business and consumer confidence, which at least partly persisted even after economies and borders were re-opened.

Domestically, most Western Balkan countries started to restrict economic life in early March, even though at that time there were very few confirmed cases of Covid-19 in the region. The Oxford Blavatnik School of Government Stringency Index⁴, which measures how tight restrictions on economic life are on a scale of 0-100 (where 0 = no restrictions and 100 = maximum restrictions), rose from an average of 9 for the Western Balkans on March 1, 2020 to 76 by the end of the same month, and peaked at 80 in late April. It has since fallen back to around 50 in early November, before rising again to around 63 at the time of writing.⁵ This reflected a host of measures including the cancellation of major sporting events, bans on public gatherings, and the closure of borders, schools and some shops. Data show that the Western Balkan countries generally locked down their economies at a point when the actual spread of the virus was very limited. This likely reflects a particular concern about the weak capacities of healthcare systems in at least some countries of the region, and a fear that this capacity could have been quickly overwhelmed.

Externally, the impact was felt via many channels. Global trade was heavily disrupted, reflecting weak demand but also major dislocation in regional and global supply chains. The total nominal value of the six countries' exports fell by 36% year on year in April and a further 28% in May. Tourism was even more badly affected,

¹ IMF, World Economic Outlook, October 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> (accessed 28 October 2020).

² R. Grieveson, 2. Regional Overview, Monthly Report No. 5/2020, wiiw Monthly Report, No. 5, Vienna, May 2020, pp.8-28.

³ In this paper the 'Western Balkans' refers to Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.

⁴ T. Hale, N. Angrist, E. Cameron-Blake, L. Hallas, B. Kira, S. Majumdar, A. Petherick, T. Phillips, H. Tatlow, S. Webster, Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, 2020.

⁵ The Western Balkans average used here is composed of Albania, Bosnia and Herzegovina, Kosovo and Serbia. Data for Montenegro and North Macedonia are not available.

with arrivals from abroad falling by almost 100% in the second quarter of 2020. This was particularly painful for Montenegro and Albania, where tourism directly and indirectly accounts for 20-25% of GDP.⁶

One positive outcome so far has been the support of international organizations in helping Western Balkan countries to deal with the fallout of the pandemic. This probably indicates that many relevant actors have learned the lessons from the 2008 crisis. The IMF agreed to Rapid Financing Instruments (RFIs) for Albania, Bosnia and Herzegovina, Kosovo, and North Macedonia in April 2020, and for Montenegro in June.⁷ Support for the region has also come from the EBRD, the World Bank, the EU, and other important international bodies. Many countries also successfully issued Eurobonds to further bolster fiscal resources, taking advantage of historically low interest rates on international capital markets.

A First Look at the Recovery

The region's economies staged a fairly pronounced recovery in the third quarter of 2020, in line with wider European trends. High frequency indicators show the trough of the downturn in April-May 2020, and a clear up-tick since, albeit with large variations depending on the sector. External trade in goods and domestic activity such as retail spending and industrial output have generally recovered more strongly, whereas tourism and purchases of bigger-ticket items have been much slower to rebound. Some sectors, notably agriculture, appear to have weathered the crisis quite well. The establishment of the 'Green Corridor' to support the flows of goods within the Western Balkans and between the region and the EU was certainly important in helping the recovery of external trade.

The shape, speed and durability of the recovery from here, however, faces huge uncertainty. Everything depends on the further spread of the pandemic, how strongly governments restrict economic life in an attempt to contain it over the winter months, and the continuation of fiscal support. The Vienna Institute for International Economist Studies (wiiw)'s baseline forecast is for a gradual recovery, meaning that economic activity will take at least a couple of years to fully get back to 2019 levels except in Serbia.⁸ Moreover, the upturn is highly unlikely to proceed in a straight line, with various ups and downs related to phases of tightening and easing of lockdown measures. The Western Balkans' strong trade and investment ties with the EU also mean that a regional recovery is highly contingent on the performance of countries like Germany and Italy.

What is Really New About This Crisis?

Some of the things about this crisis in the Western Balkans are truly unique and will affect the economies of the region in different ways compared to, for example, the 2008 global financial crisis and its aftermath. However, these new challenges do not have to be automatically negative, at least not over a medium-term timespan. In assessing what is truly new about the current crisis, three things stand out.

First, the crisis has brought a major negative shock to the tourism sector, effectively wiping out around a decade of growth in a couple of months. Over the past decade, the tourism sector in the Western Balkans had enjoyed sustained growth each year. This was most obvious in Montenegro and Albania, but also countries such as Bosnia and Herzegovina have seen robust growth in the tourism sector, which accounts for a growing share of overall economic activity. Directly and indirectly, travel and tourism accounts for 7-10% of GDP in Bosnia and Herzegovina, Serbia, and North Macedonia. The current crisis and the drastic reduction in tourism arrivals therefore deals the whole region a heavy blow. Many of the firms involved in tourism are small and medium-sized enterprises (SMEs), which do not typically have large amounts of savings to get through a

⁶ All data taken from wiiw Monthly Database based on Eurostat and national sources.

⁷ IMF, COVID-19 Financial Assistance and Debt Service Relief, <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker> (accessed 28 October 2020).

⁸ V. Astrov, A. Bykova, R. Dobrinsky, R. Grieveson, D. Hanzl-Weiss, P. Heimberger, G. Hunya, B. Jovanovic, N. Korpar, S. Leitner, I. Mara, O. Pindyuk, L. Podkaminer, S. Richter and C. Ströhm, No Quick Recovery in Sight, with Coronavirus Risks Looming Large, wiiw Forecast Report No. Autumn 2020, November 2020.

period of sharply reduced demand. Although restrictions on international travel were mostly lifted in the third quarter of 2020, activity did not rebound to anything like normal levels. Total overnight stays in Montenegro, for example, fell by 85.5% year on year in July and 78.7% in August – an improvement on Q2, but still a huge decline from a year earlier.

Second, the pandemic has delivered a digital shock, and suddenly caused a lot more remote work. Available evidence shows that accommodating this is easier for wealthier countries than less developed ones.⁹ However, the reality for the Western Balkans is a bit more nuanced. Although the ability to do more work online and the general development of the digital economy cannot be compared to, say, the Baltic states, there are some relative success stories in the region. Even before the crisis, for example, 5.8% of work was done remotely in Montenegro, a figure above the EU average (5.5%). Serbia meanwhile ranks 11th in the world for the share of freelancers in the total population, an area of work that is typically done remotely.¹⁰ On the other hand, digital skills are quite low by European standards in Bosnia and Herzegovina, and both this country and Montenegro show a relatively low level of access to the internet among the population. According to Eurostat, the share of households with access to the internet in Montenegro and Bosnia and Herzegovina was 74% and 72%, respectively, in 2019. The rest of the region is closer to the EU average of around 90%.

Third, the crisis has prompted a lot of discussion about potential nearshoring opportunities for CESEE, including the Western Balkans. In basic terms, the hypothesis is that the collapse in supply chains in Q2 2020 will make Western European investors warier about long production chains stretching out to Asia in the future. This in turn will cause them to weigh proximity higher in their investment decisions (favoring CESEE over Asia) and to weigh factors such as labor costs lower (where Asia generally has an advantage over CESEE). Although EU member states in CESEE may benefit more from this trend, it seems quite likely that the Western Balkans will also be able to profit in the coming years.

Impact of the Crisis on Existing Challenges Faced by the Region

Although there are certainly new challenges for the Western Balkans as a result of the current pandemic, it seems likely that much of the most important fallout will concern the effect of the virus on existing challenges that the region faces. These include large-scale outward migration (combined in most cases with low birth rates); a high dependency on capital flows (in the form of remittances or volatile ‘hot money’); a geographical distance from ‘core’ Europe and weaker value-chain integration relative to many other parts of CESEE; and geo-economic competition in the region between the EU, U.S., China, Russia, and Turkey.

In all of these cases, the pandemic fallout does not have to be negative. For Kosovo, remittance inflows have increased since the start of the pandemic for example, providing an important buffer against the economic downturn.¹¹ The boost to the digital economy could make the Western Balkans’ relative distance from, and poor transport connections to wealthier parts of Europe less important.

However, the pandemic is likely to make many challenges even more difficult in the next couple of years. Faced with the severe economic fallout, for example, governments will have to devote large shares of their spending to crisis-fighting, further reducing the funds available for important public infrastructure spending. There is also a risk that the pandemic will lead the EU to focus even more on internal issues (much as happened during the euro area crisis of the early 2010s), reducing the relative focus on enlargement, to the detriment of the Western Balkans’ EU accession hopes. In the context of competing outside influence in the region from countries such as China and Russia (in an economic but also broader political/security sense) this is of even greater importance.

⁹ J. I. Dingel and B. Neiman, How many jobs can be done at home?, *Journal of Public Economics*, Volume 189, September 2020.

¹⁰ Global Internet Freelance Market Overview for 2018, <https://analyticshelp.io/blog/global-internet-freelance-market-overview-2018>, (accessed 28 October 2020).

¹¹ Kosovo may be something of an outlier here, potentially reflecting the fact that it is a small and relatively poor country with a diaspora often in extremely rich countries like Switzerland. Increased remittances in 2020 may also simply represent money that would have been spent during a visit to the country in a non-pandemic year.

Policy Proposals: Grasping the Opportunities and Managing the Risks

The current crisis is unprecedented and will create difficulties for the inhabitants of the Western Balkans in the coming years. Governments face the unenviable task of dealing with the pandemic fallout amid existing structural challenges faced by the region. In addressing the challenges at hand governments should take the following steps.

First, governments must use all available fiscal resources to mitigate the economic and social fallout of the pandemic. Countries with good access to international capital markets (such as Serbia) should take the opportunity to borrow money to fund crisis-relief spending, taking advantage of the current historically low interest rates due to massive monetary loosening and liquidity injections by major global central banks. For those with less access to long-term international capital, the various support offered from international institutions should be fully utilized, making sure to direct this money to sectors where it is most needed, for example healthcare (where the region is suffering from the emigration of professionals to the EU). It is important that as much permanent damage as possible is avoided, which means using fiscal policy in a counter-cyclical manner to the maximum extent possible.

Second, governments should do whatever they can to help the region seize the opportunities of the fast-growing digital economy which the current crisis has created. Unlike in sectors such as manufacturing, few countries in CESEE are very digitally advanced, and so the Western Balkan countries face less of a relative disadvantage here. Countries in the region should be able to attract a relatively higher share of outsourcing investment in the digital and wider services sectors from Western Europe than has been the case for manufacturing. Existing success stories, such as the IT hubs in many of the region's cities, should be promoted and built upon, and resources should be allocated to help SMEs make the digital transition. Governments should also focus on the development of e-governance (where the region currently lags behind much of the rest of CESEE) and IT-related infrastructure. Improvements in the quality of education, but also the matching of education outcomes with the needs of the post-pandemic labor market, must also be of high priority. Here, much can be learned from successful vocational training systems in other parts of Europe such as Germany and Austria.

Third, governments in the region should also be active in trying to attract any 'near-shoring' investment as a result of the pandemic. This will be a challenge: Western firms in many sectors will probably continue to favor the Visegrád countries and Slovenia. However, there may still be opportunities for the Western Balkan countries. Serbia and North Macedonia have already shown that the region can attract FDI in manufacturing, and have integrated somewhat into EU value chains. While the whole region can learn from this, the post-pandemic world is likely to create more opportunities to attract near-shoring investment across a wider group of economic sectors, including in services.

Fourth, when the economies begin to recover, governments should be much more careful in adjusting fiscal policy than was the case after 2008. At that time, excessive austerity (it should be said, with a quite strong international consensus on this issue) contributed to a particularly weak recovery in most of the Western Balkans. Considering that real interest rates are likely to remain at historically low levels for many years, governments can act differently this time, and should refrain from imposing strict fiscal austerity policies, to prevent a damaging economic and social fallout. Most countries in the Western Balkans have something close to a flat income tax, and a change in these regimes towards more progressive taxation should be seriously considered as part of future fiscal consolidation.

Fifth, governments should continue to work as much as possible towards meeting the conditions for EU accession. Crises often represent an opportunity to push through difficult reforms, and the current situation could provide such a window to deliver on some of the more difficult requirements for EU accession. Although this process is not easy and may still take many years, further integration into the EU is the best way to ensure economic and social development in the Western Balkans. This should include engagement with the EU's 'Smart Specialization' strategy, as part of further integration into EU value chains.

While recognizing the constraints on the EU side (enlargement does not enjoy much popular support at present), Brussels and the key member states should be as supportive as possible of further integration into the EU. There are plenty of options to deepen the Western Balkans' integration into the EU ahead of full accession, including more access to the EU budget, entry into the customs union and single market, an expansion of existing Stabilization and Association Agreements (SAAs), and more direct EU support for innovation and industrial development in the region.¹²

Conclusions: Slowly Out of the Crisis

The pandemic has delivered the biggest collective negative economic shock to the Western Balkan countries since the 1990s. All have suffered serious recessions in 2020, and the recovery is likely to be slow and subject to great amounts of uncertainty. The winter months will be particularly difficult from a public health perspective, which in turn will further weigh on economic growth. Although the crisis has both exacerbated some existing challenges and created new difficulties for Western Balkan countries, there are also potential opportunities for the region.

Managing the risks and taking advantages of the opportunities will require governments to do three important things. First, to use fiscal policy sensibly to manage the acute phase of the crisis, and then to only withdraw this support gradually as the economy recovers. Second, to use the crisis as an opportunity to create deeper structural reforms that need to be addressed more than ever. Third, to divert resources and use available policy levers to help the region's economies take advantage of the opportunities of the crisis, most notably in the digital sphere.

¹² R. Grieveson, M. Holzner, I. Mara, D. Pichler, G. Vuksic, S. Weiss, Pushing on a String? An Evaluation of Regional Economic Cooperation in the Western Balkans', Bertelsmann Stiftung (Hrsg.), 2020.

REGIONAL COOPERATION AND THE COVID-19 PANDEMIC IN THE WESTERN BALKANS

Workshop Report

Sandra Schwalen
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The fourth and final workshop from the Aspen Institute Germany's online series "The Covid-19 Pandemic in the Western Balkans: Consequences and Policy Approaches" took place on November 12, 2020. This workshop as part of the Aspen Regional Dialog on the Western Balkans 2020 was kindly supported by the German Federal Foreign Office through the Stability Pact for South Eastern Europe. This digital workshop focused on regional cooperation in the Western Balkans in the context of the Covid-19 pandemic. Experts representing different perspectives and institutions together with decisionmakers from the EU and the Western Balkans were asked to reflect on the effects of the coronavirus crisis on existing regional cooperation, how these structures may help the region to cope with the effects of the crisis, and how the crisis might present an opportunity to strengthen regional cooperation.

The opening statement gave an overview of the situation in the Western Balkans and why regional cooperation is so important, now more than ever. The emergency measures by regional governments strained national capacities, and combined with the lockdowns, caused the worst economic downturn in 30 years. This will likely lead to a contraction of some of the economies in the region by over 9% and widens the gap between the Western Balkans and the EU even further. The countries of the region had similar pre-existing conditions which caused the pandemic to have more severe impacts. These include an informal and unvaried economic structure with relatively low productivity and competitiveness compared to the rest of Europe, as well as unemployment and low levels of foreign direct investment (FDI). According to some experts, in order to combat the effects of the pandemic, Western Balkan governments must use fiscal resources in the short term, but practice fiscal consolidation in the long term, keep up the momentum of digitalization, improve the investment environment to attract FDI to the region, and make use of the EU investment plan which must be underpinned by sustainable reforms and include oversight mechanisms. Regional cooperation on the political level, as well as in the private sector and in civil society can help to implement and streamline these recommendations across the Western Balkans Six.

The first part of the discussion focused on effects and lessons learned from the crisis and the role of regional cooperation in fighting economic repercussions, and started with the presentation of an input paper. Some positive examples of cooperation during the Covid crisis which were mentioned included increased solidarity between countries in the region to solve medical supply shortages and the intraregional decision on so-called 'Green Corridors' which allowed for smooth border crossings to keep supply chains running. In the wake of the crisis the region's agency vis-à-vis the EU was also strengthened, with the successful joint advocacy effort to be included in the EU procurement of medical equipment as an illustrative example. Furthermore, the increased use of digital communication tools improved streamlining and coordination between different regional initiatives and activities, which shall be maintained even after the crisis.

These points were echoed in the discussion, which emphasized the need for the increased cooperation and coordination that emerged in a time of crisis to extend into the post-pandemic era. Some participants also pointed to the need for deeper integration of internal markets in the region, the benefits of which could extend beyond just regional Green Corridors. For example, the increased production of added-value goods across the Western Balkans could help the region as a whole integrate better into the global market, especially if it could enter EU supply chains. The pandemic may offer an opportunity to do so as many European countries and businesses are looking to nearshore production. However, to create an attractive investment environment for foreign companies, the need for political cooperation in addition to the existing regional cooperation in the business sector was emphasized as well as rule of law reforms to improve the business environment.

The second part of the discussion focused on the future of regional cooperation beyond the Covid crisis and started with a debrief on the Berlin Process Summit in Sofia in November 2020. The summit was seen by many as a success because of the decisions on the Common Regional Market (CRM) for the Western Balkans and a Green Agenda. The Green Agenda for the Western Balkans, which was based on the EU's Green Deal, declared the Western Balkan Six's commitment to the 2050 goal of de-carbonized Europe based on five pillars: decarbonization; circular economy; depollution; sustainable food production; and protection of biodiversity and the natural environment. Other issues taken up at the summit included the extension of Green Corridors beyond the emergency context and to neighboring EU member states, the possibility to travel with ID cards within the region in order to promote the freedom of movement and to facilitate contacts, as well as the recognition of educational certificates throughout the region (e.g. diplomas, certificates). The plan to cancel roaming fees on smartphones across the Western Balkans by July 2021 in order to further promote digitalization in the region after the pandemic was praised, as was the 5G roadmap, which could help connectivity and thus facilitate further cooperation. In terms of further economic integration, the importance of joining a single European payment area was emphasized as well as joint investment action plans to attract FDI to the region.

In the ensuing discussion, many of these points were taken up and praised, although some participants warned of overambitious or unrealistic plans, and of not including clear steps to implementation. In general, it was agreed that many of these steps could help boost the economies of the region and bring about cooperation between different sectors and countries. For example, removing barriers in the form of the Green Corridors or free travel with ID cards, combined with continued digitalization was praised by representatives from the private sector, as this could boost exports as well as the tourism industry. A harmonization of diplomas and certificates across the region as well as the extension of a 5G network and the removal of roaming fees could create more jobs and stimulate cooperation and movement across the region. However, some participants in the discussion also pointed out weaknesses in these proposed plans for future regional cooperation and called for caution and proactive planning. Several participants emphasized the need for a clear implementation plan with clear deliverables and a scorecard with tangible results in order to hold governments accountable. Some participants also warned of expecting too much too soon, and advocated setting realistic, attainable goals that would be feasible given financial and human resources available. Experts also pointed to political, legal and structural barriers that hinder regional economic integration and cause competition among the Western Balkan countries. In order to remove these and to prevent bilateral conflicts from impairing progress in regional cooperation, dispute settlement mechanisms within regional initiatives are needed, as well as coherence between leadership in the region. This could be flanked by a bottom-up approach through increased social cooperation in areas such as cultural activities, youth, and sports. Furthermore, while underlining the importance of regional cooperation, several experts called for a realistic assessment of its economic potential considering market sizes and the rather competitive nature of the economies. In addition to that, there was a call for more accountability, transparency and better public communication from governments and Balkan political leaders regarding progress in regional cooperation.

Finally, the discussion highlighted the importance of EU integration in reaching the goals for regional cooperation set out at the Sofia Summit, but also how these proposals could promote EU-Western Balkan cooperation. Many of the proposals for economic and social integration of the WB region are based on EU standards, such as the Schengen Zone or the Eurozone, not to mention the commitment of the 2050 goal to decarbonize Europe. It was also strongly emphasized in the discussion that the Common Regional Market is meant to be complementary to the EU accession path for Western Balkan countries: Working together as a region to recover from the economic effects of the pandemic and to fulfill the steps of the action plan will bring the whole region closer to the EU. Further, the role of support and pressure from the European Commission and member states in the region was emphasized. All in all, the discussion concluded that there is a great potential for regional cooperation in the Western Balkans to help the region recover economically and grow closer to the EU, however, only if there is a strong political will and a clear path for implementation of measures among other things those agreed upon at the Sofia Summit.

Lessons Learned From the Crisis and the Role of Regional Cooperation in Fighting Economic Repercussions

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“Necessity is the mother of invention.”
English proverb

Introduction

Regional cooperation in the Western Balkans (WB) has numerous aspects, layers and dimensions, different actors and drivers, takes multiple forms and covers different areas. The Covid-19 pandemic had impact on all these complexities, but to different extents and in different ways.

The most analyzed aspect of regional cooperation is the relationship with the EU enlargement process. However, the first objective of regional cooperation is to provide conditions for security, stability, and prosperity in the post-conflict region.¹ The second objective is preparing the region for and facilitating its integration into the EU. The enlargement process has been one of the main incentives for regional cooperation and has been the source of political, technical, and financial support in this area in previous decades. During the pandemic, it was evident how much the region depends on EU emergency and long-term assistance, and that it would be a great mistake of the EU to ignore or isolate this part of Europe which is surrounded by EU member states. On the other hand, the pandemic also demonstrated the level of interdependence in the WB, where intensive consultations on a possible joint response and regarding relations with the EU have been going on. This resulted in some successful joint emergency measures during the pandemic.

The second crucial aspect is the relationship between political and economic cooperation in the Western Balkans. The results of economic cooperation are estimated as modest and partly successful,² having a limited impact on regional stability and on the improvement of the general political climate. However, dealing with the past, prosecuting war crimes, or reconciliation after the conflicts in the nineties has not happened to the extent that was expected. The unresolved status of constitutional issues, border disputes and property issues weigh down achievements and decrease the willingness of different actors to support regional cooperation. Political cooperation is slow, and the lack of trust prevents all potential for economic cooperation to be taken advantage of.³

The pandemic did not change the balance between the two, but it increased political solidarity in the region and resulted in fast and more effective measures with important effects on health coverage and the social and economic conditions.⁴

The cooperation evolved on different levels: local (especially in the cross-border format or through a network of local authorities in the region), as well as on the bilateral and multilateral intergovernmental levels. The local and multilateral levels proved to be suitable for successful development of different forms of cooperation in the Western Balkans. However, positive developments, particularly in the political sphere, have been more difficult on the bilateral level. The pandemic confirmed this pattern.

¹ 77% of citizens in the Western Balkans agree that regional cooperation can contribute to the political, economic, or security situation in their societies. Balkan Barometer 2020, Public Opinion Analytical Report, RCC, April 2020, p.38, <https://www.rcc.int/pubs/95/balkan-barometer-2020-public-opinion-survey>, (accessed 17 November 2020).

² S. Weiss, (ed.), Pushing on a String? An Evaluation of Regional Economic Cooperation in the Western Balkans, wiiw & Bertelsmann Stiftung, 2020, pp.24-25, http://aei.pitt.edu/103198/1/Pushing_on_a_string.pdf, (accessed 17 November 2020).

³ World Bank Group, Rising Uncertainties, Western Balkans Regular Economic Report No.16, World Bank Group, Fall 2019, p.27. <https://openknowledge.worldbank.org/bitstream/handle/10986/32532/Rising-Uncertainties.pdf>, (accessed 17 November 2020).

⁴ The Permanent Secretariat of the Transport Community, Ensuring the fast flow of goods through Green Lanes linking the EU and Western Balkan, The Permanent Secretariat of the Transport Community, Zagreb EU-WB6 Summit, 6 May 2020, <https://www.transport-community.org/wp-content/uploads/2020/05/Contribution-of-the-Permanent-Secretariat-to-the-Commission-Communication-on-WB.pdf>, (accessed 17 November 2020).

The actors of regional cooperation – politicians, administration officials, the business community, experts, professionals, civil society, and numerous external players – all contributed in different ways to the transformation of the region and the development of a more collaborative environment. According to the Regional Cooperation Council (RCC)'s annual Balkan Barometer,⁵ the business community has been the most open, interested and optimistic actor of regional cooperation, as the strongest interest group and the main driver of change. The civil society (academia, NGOs, media) from the region has not been specifically targeted in these reports but their interest, engagement, and devotion can be followed through regular regional overviews of the civil society activities. Their struggle to improve the environment in which they operate is evident in reports of the Civil Society Facility regional operator TACSO and Balkan Civil Society Development Network (BCSDN).⁶

The forms through which regional cooperation has been executed range from regional organizations established by international agreements, formalized or informal networks with or without governing structures and budgets, and multiannual regional projects with operating structures, to regional nongovernmental associations and ad hoc working groups. Around 35 of these regional organizations are well established, with stable financing and governing structures, and are more or less coordinated by the RCC and higher political bodies like Southeast Europe Cooperation Process, the Berlin Process, and the main donors (mostly the EU, some of its member states, and WB6 governments). Other regional initiatives also have an important role according to the interests of different social groups, which were established with different levels of sustainability.

The dimensions of these regional organizations, structures, and initiatives – their role, size, scope of operations, impact, effectiveness, and support received – vary greatly. There is a core group of institutions like the Regional Cooperation Council (RCC) as an overarching organization, CEFTA 2006, the Energy Community Secretariat, the Permanent Secretariat of the Transport Community, the Regional School for Public Administration (RESPA), the Education Reform Initiative in South East Europe (ERISEE), and the recently established Western Balkans Six Chamber Investment Forum (WB6 CIF). There are also organizations like the Migration, Asylum, Refugees Regional Initiative (MARRI), the Network of Associations of Local Authorities of South East Europe (NALAS), and some others which are politically and financially supported by the EU, its interested member states, and WB governments.

Finally, there are regional organizations dealing with connectivity, energy, transport and environmental policies, trade, competitiveness, skills and mobility, good governance, fighting organized crime and corruption, security, youth, and CSOs, which each have different mandates, impacts, and scopes of work.

This has more or less been the Western Balkan regional cooperation scene prior to the outbreak of the Covid-19 pandemic, which has affected all areas of social, economic and political life in the region. The pandemic exacerbated working conditions for the majority of regional structures. Those that were more mature, with more human capital, better managerial and technical skills, better equipment, and more stable financing have been coping with the crisis in a more flexible and innovative manner.

⁵ However, high expectations stemming from positive developments in 2019, could not be fulfilled due to the outbreak of Covid-19, government actions and a joint regional response are expected to contribute considerably in mitigating its consequences. Regional Cooperation Council, Balkan Barometer 2020, Business Opinion, Analytical Report, Regional Cooperation Council, Sarajevo, 2020, p.13. <https://www.rcc.int/balkanbarometer/publications>, (accessed 17 November 2020).

⁶ T. Hafner Ademi, T. Bjelanovic (eds.), EU TACSO 3 Report: Assessment on the State of the Enabling Environment and Capacities of Civil Society against the Guidelines for EU Support to Civil Society in Enlargement Region 2014-2020 for the Period 2018-2019, Balkan Civil Society Development Network, Skopje, August 2020, <http://tacso.eu/wp-content/uploads/2020/09/Regional-CS-Needs-Assessment-Report-2018-2019-final.pdf>, (accessed 17 November 2020).

The Right Time for (More) Regional Cooperation?

First reactions after the outbreak of the pandemic were selfish and shortsighted in the Western Balkans and in the EU as well. Everybody acted on their own and China, Russia, and even Turkey delivered considerable medical assistance to the WB countries in a very short period of time. Very soon joint actions followed: speakers of the parliaments⁷ and then ministers of foreign affairs from the Western Balkans made joint regional appeals to the EU for medical assistance and inclusion into the EU Joint Procurement Agreement for medical and protective equipment.⁸ The allocation of the unused Instrument for Pre-Accession Assistance (IPA) funds for the potential emergency requests from the region was negotiated. The EU also dedicated additional 3.3 billion EUR for fighting Covid-19 and its economic and social consequences in the region as well as the macro financial assistance to the majority of the Western Balkan countries, proving again to be their main donor and a reliable partner.

One of the main achievements in this period is the establishment of Green Corridors which enable the smooth border crossing of trucks from the EU to the WB, and vice versa, as well as within the WB.⁹ This was introduced for the transport of specific goods, primarily food, medical equipment and medicines, which are essential during a pandemic. The corridors became functional within one month and since the agreement was achieved, waiting time has been between five and 60 minutes for crossing the border.¹⁰ This is an example of how regional cooperation can deliver major results in a short time whenever there is political willingness in the WB6.

Following this line of shared interest and common action, the region can greatly benefit from trade facilitation and EU integration “because of a possible nearshoring trend within European supply chains – a prospect receiving more attention since the Covid-19 shock disrupted global supply chains.”¹¹ This was also repeated more explicitly in the EU’s *Economic and Investment Plan for the Western Balkans*, which underlined that the region, as an important market and transit area, has a “key role to play in the global value chains that supply the EU” and in the long term will also “contribute to the EU’s strategic autonomy.”¹²

Already in 2018, the Regional Investment Reform Agenda for the Western Balkans Six¹³ was launched by the RCC, in cooperation with CEFTA and with technical support of the World Bank Group, with the aim of attracting and promoting investment in the region through greater harmonization of investment policies in the WB6 economies with EU standards and international best practices. One of the objectives was to ensure transparent and fair competition among the economies by mitigating a ‘race to the bottom’ and encouraging development of regional value chains and integration into EU value chains.

⁷ European Western Balkans, Presidents of WB Parliaments Sent an Appeal to the EU to Help the Region Fight Coronavirus, 26 March 2020, <https://europeanwesternbalkans.com/2020/03/26/wb-assembly-presidents-sent-an-appeal-to-the-eu-to-help-the-region-fight-coronavirus/>, (accessed 17 November 2020).

⁸ European Western Balkans, Letter of WB Foreign Ministers on the Export Restrictions Sent to the Commission, 9 April 2020, <https://europeanwesternbalkans.com/2020/04/09/letter-of-wb-foreign-ministers-on-the-export-restrictions-sent-to-the-commission/>, (accessed 17 November 2020).

⁹ This initiative was agreed by the CEFTA Secretariat, Regional Cooperation Council, Transport Community, Directorate-General for Neighborhood and Enlargement (DG NEAR) and Directorate-General for Taxation and Customs (DG TAXUD) and agreed by all WB6 partners, see footnote 3.

¹⁰ M. Bregu and T. Mišćević, In Times Like These Anchored Cooperation Takes on More Importance, Op-ed, European Western Balkans, 12 October 2020, <https://www.rcc.int/docs/532/rcc-secretary-general-and-deputy-secretary-general-for-european-western-balkans-in-times-like-these-anchored-cooperation-bashkepunim-saradnja-suradnja--takes-on-more-importance>, (accessed 17 November 2020).

¹¹ The World Bank, An Uncertain Recovery, Western Balkans Regular Economic Report No.18, Fall 2020, The World Bank, 2020, p.40, <https://openknowledge.worldbank.org/bitstream/handle/10986/34644/153774.pdf>, (accessed 17 November 2020).

¹² European Commission, An Economic and Investment Plan for the Western Balkans, EC, COM(2020) 641 final, Brussels, 6/2020 p.1, https://ec.europa.eu/neighborhood-enlargement/sites/near/files/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf, (accessed 17 November 2020).

¹³ RCC, Regional Investment Reform Agenda for the Western Balkans Six, 11 May 2018, <https://www.rcc.int/download/docs/RIRA%20final%2011%20May%202018.pdf/e03b87efe764ca1a03de62b15ac0babf.pdf>, (accessed 17 November 2020).

During the pandemic and even before, there have been some other attempts to streamline work of interconnected regional and EU bodies, agencies and organizations in order to improve exchange of information, prevent overlapping and increase effectiveness of operations in some specific areas, which have also been the arena of emergency developments in the last few years.¹⁴

The RCC initiated the first (online) meeting of the Western Balkan Digital Skills Multi Stakeholder Working Group on April 27, 2020. The new Working Group was established to identify key elements for a digital skills strategy and policy based on the needs in the region.¹⁵ This initiative corresponds with urgent needs in the region to undertake faster digitalization during the pandemic and to deal with its social and economic repercussions.

Effects of the Crisis on Existing Structures of Regional Cooperation

The interviewed regional organizations¹⁶ reported that video conferences, consultations and talks with stakeholders and partners occurred almost daily with high enthusiasm to cooperate and find solutions to the common issues and new challenges related to the pandemic. Different supportive actions were initiated, such as short webinars to intensify peer learning and experience sharing. New tools, guidelines, and recommendations have been developed for the stakeholders and final beneficiaries which will remain in use by regional organizations even when the pandemic ends. Covid-19 revealed many new opportunities especially regarding digitalization and education. It is much easier to have virtual meetings, and to have them more often, which helped to consolidate relations between stakeholders, partners, and beneficiaries. There is full agreement that the 'blended' or 'hybrid' operating system will remain after the pandemic as a more efficient and effective way of fulfilling planned tasks. It was much easier to establish links with regional partner organizations or national organizations and agencies when good internet connection and necessary equipment were available, which was not always the case. Nevertheless, face to face contacts are still indispensable for networking. If the pandemic continues for several years, the contacts with people will fade away and threaten sustainability of existing regional organizations.

The Secretariat of the Education Reform Initiative in South East Europe (ERISEE) quickly transferred to online modes of operating, and modified its regional activities, together with its partners (educational agencies from the region) to the new working environment. The shift to digital business modes contributed to even more regular, faster and efficient communication among partners, development of new methodologies for regional outputs, webinars supporting the organization of education activities under the new circumstances, and online surveys and desk research for evidence-based policy making. In general, as virtual communication resulted in considerable savings, some funds of ERISEE were directed towards capacity building of the stakeholders and training teachers to use digital platforms. However, the funds for improving the quality of internet, online tools and equipment are supposed to be provided at the national level, which is at the moment the weakest link in the chain.

Online academies, learning campuses and trainings for online meetings and production of guidelines for local authorities were initiated, and webinars and online platforms have been dramatically improved in the Network of Associations of Local Authorities of South East Europe (NALAS) activities. The need for more professional facilitation led to increased engagement of external expertise. Also, the production of short videos showing

¹⁴ The MARRI works on a new platform: the Integrative Internal Security Governance (IISG), initiated by Geneva Center for Security Sector Governance (DCAF) Ljubljana Office, overtaken by the RCC, in April 2020. It has been developed together with other regional organizations and initiatives dealing with interior and security affairs and with WB6 Ministries of Foreign Affairs, in cooperation with DG NEAR, DG HOME, and European Border and Coast Guard Agency (Frontex). The platform aims to improve exchange of information, prevent overlapping and provide streamlining in fighting terrorism and organized crime, and in border security. This platform became essential due to the migration waves since 2015.

¹⁵ The meeting was attended by representatives of Western Balkan governments, agencies, academia, and the European Commission, as well as representatives from international organizations dealing with the digital skills: European Training Foundation (ETF); International Telecommunications Union (ITU); British Council; United Nations Development Programme (UNDP); the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), Education Reform Initiative of South Eastern Europe (ERI SEE); and Regional School of Public Administration (ReSPA).

¹⁶ The author interviewed officials of four regional organizations: RCC, ERISEE, NALAS and MARRI.

good practices of local governments (including how to deal with Covid-19) became a new presentation tool in order to keep webinars more attractive. Greater online exchange made more activities possible. However, local authorities in the WB had losses of several billion EUR in their budgets, which dropped to 2010 levels. This affects public and, in particular, social services in health, education and others at the local level diminishing their capacities to invest in digitalization.

For the projects demanding face-to-face contact, like fighting human trafficking, the saved funds were redirected to the provision of medical and protective equipment. Also, new projects were launched like the analysis of the impact of Covid-19 on migration in the Western Balkans, which includes changing procedures (quarantine for asylum seekers, new equipment and instruments to cope with increased illegal migration) and techniques (e.g. online interviews). In the new three-year plan of the MARRI, 70% of communication, meetings, workshops, and conferences are to be held online and only 30% in person.

The dynamics and intensity of work of regional organizations increased during the pandemic. Two to three meetings that were supposed to be held in different locations on different topics were possible to be organized online in a single day. Financial surpluses were used for new activities, and the efficiency and effectiveness of the work mostly increased. It indicates that the innovations imposed by the pandemic will most probably lead to the considerable rationalization of work in its aftermath.

Areas Which Need Increased Efforts at Regional Level in the Aftermath of the Pandemic

As the region is moving from crisis management to recovery, several areas of regional cooperation will have a key role in socio-economic development: green and digital transformation; enhanced connectivity; industrial policy to reestablish regional value chains and integrate them with European value chains; improving education, skills and innovation; fighting organized crime and corruption, and improving the rule of law.

The first area that needs increased efforts at the regional level is digitalization. Covid-19 helped to speed up the digital transformation of the Western Balkans. This is one of the preconditions for future hybrid work of regional organizations, and requires improving internet access, technical equipment and skills of the main stakeholders (national administrations and specialized agencies, as well as final beneficiaries like businesses, teachers, local authorities, security structures, etc.). The Western Balkans already recorded a great success by abolishing roaming charges, which should be completely eradicated by July 2021, and thus facilitate increased connectivity among citizens and companies in the region.

The environmental pollution in the region is extreme¹⁷ due mainly to energy production structures. Diversifying the energy supply, as well as improving energy efficiency, renewable energy, sustainable transport and industry have become the main concerns of citizens all over the region.¹⁸ Regional organizations encourage harmonization of policies, help increasing confidence of investors, and make success stories and failures more visible.

The Western Balkan Action Plan for the Common Regional Market 2021-2024, as well as the Green Agenda for the Western Balkans were adopted at the Western Balkan Summit, in Sofia on November 10, 2020 as a new step in deepening the regional cooperation in the times of pandemic.¹⁹ It is a precondition for increasing

¹⁷ "In 2016, the region's coal fleet (16 plants totaling 8 GW) emitted more sulfur dioxide pollution than the entire fleet of European coal power plants (250 equal to 156 GW), combined with equally worrying levels of particulate matter and nitrogen oxides." Z. Casey, Ed, *Chronic Coal Pollution – EU Action on the Western Balkans will Improve Health and Economies Across Europe*, Ed. Published by HEAL, CAN Europe, Sandbag and CEE Bankwatch Network and Europe Beyond Coal, Brussels, 19 February 2019, p.5, <https://www.env-health.org/wp-content/uploads/2019/02/Chronic-Coal-Pollution-report.pdf>, (accessed 17 November 2020).

¹⁸ Finalization of the Energy Community Treaty reform, adoption of 2030 energy and climate targets in line with EU decarbonization aims and adoption of the EU Clean Energy Package by the Energy Community, are expected to speed up reforms at the national level in WB6. European Commission, *An Economic and Investment Plan*, op.cit. p.9.

¹⁹ RCC, *Common Regional Market Action Plan*, Meeting Document, 9 November 2020, <https://www.rcc.int/docs/543/common-regional-market-action-plan>, (accessed 17 November 2020); RCC, *Sofia Declaration on the Green Agenda for the Western Balkans*, 10 November 2020, <https://www.rcc.int/download/docs/Leaders%20Declaration%20on%20the%20Green%20Agenda%20for%20the%20WB.pdf/196c92cf0534f629d43c460079809b20.pdf>, (accessed 17 November 2020).

trade, boosting investments, and expanding the value chains in the region and with the EU.²⁰ Increasing competitiveness and decreasing the development gap between the Western Balkans and the EU remain the main objectives behind further deepening of regional integration. The mobility of people it implies will facilitate the establishment of regional centers of excellence in education, research and innovation.

Improving the rule of law is the precondition for success in all sectors which cannot have a healthy development without transparent implementation of rules and procedures and without the protection of business and private transactions from corruption and organized crime. These are no longer exclusively national issues and regional cooperation in these fields already brings results.²¹

Next Steps to Facilitate and Strengthen Future Regional Cooperation

Regional organizations are used to operating in difficult environments and have proved to be able to cope with challenges even under the Covid-19 pandemic. By pooling know-how and restructuring available financial resources they are creating innovative solutions for problems like the pandemic.

The institutional and governance capacities must be upgraded all over the region including in regional structures which depend on the quality of institutional links with their national stakeholders. Each new step depends on political and operational consensus which has to be reached in this turbulent region. There are often strong commitments and friendly agreements with poor implementation. It is necessary that solutions are inclusive and comprehensive in order to succeed. Important institutionalized solutions often evolve for years: from the first proposal to establish the Western Balkans Six in 2013,²² which was refused, to the Berlin Process installing the WB6 format in 2014, to the Regional Economic Area adopted in 2017, to finally the Regional Common Market adopted in 2020. Deeper regional integration is taking time to dissolve political resistance and establish the operating mechanisms.

The lessons learned are as follows:

- In the last two decades, the region was affected by two immense crises – the second starting just in the moment when it was recovering from the first. All efforts and available funds of national governments, regional organizations and EU donors will have to be mobilized in order to prevent a great depression and dramatic increase of poverty in the already poorest region in Europe.
- Regional organizations have played an important role in drafting and implementing regional development and reform plans and platforms, and therefore need to be supported financially and technically by their stakeholders and donors even more in order to continue performing these tasks.
- Respect of obligations undertaken by signing the regional agreements like CEFTA (the Energy Community and Transport Community Treaty) and enforcing dispute settlement mechanisms proved to be indispensable for effective regional cooperation.
- Joint advocacy during the pandemic has shown that acting as a region vis-a-vis the EU brings benefits.

²⁰ The existing value chains with main European manufacturers, especially Germany and Italy, are expected to help recovery across the region when the pandemic ends. M. Bonomi, A. Merja, T. Töglhofer and D. Reljic, Make-or-break moment: EU Enlargement in Southeast Europe in Pandemic Times, Friedrich Ebert Stiftung, Tirana, 15 October 2020, p.6, <http://library.fes.de/pdf-files/bueros/albanien/16595.pdf>, (accessed 17 November 2020).

²¹ L. Kelly, Donor mapping in the Western Balkans: security and justice work linked to serious and organized crime, K4D Helpdesk Report 707. Brighton, UK: Institute of Development Studies, 27 November 2019, p.23, https://assets.publishing.service.gov.uk/media/5e21a08040f0b62c4a0b1314/707__Donor_mapping_Western_Balkans_security_and_justice.pdf, (accessed 17 November 2020).

²² Non-paper on the new concept of joint performance of the Western Balkan countries aimed at intensifying EU integration (Western Balkan Six – G6), April 2013, https://www.ceas-serbia.org/images/2015-i-pre/Non_paper_on_the_Western_Balkan_Six_G6_ENG_MEU.pdf, (accessed 17 November 2020).

- Regular and frequent collection and publishing of information by regional organizations should be a priority in order to secure the development of evidence-based policies in key areas of regional cooperation. It will also help providing a realistic assessment of the potential of regional cooperation.
- The pandemic strengthened and underlined the service-providing role of key regional organizations in dealing with the EU and other donors on behalf of the region, which must be extended.
- Dealing with Covid-19 and its economic and social consequences requires creative and innovative solutions. The pandemic transferred most activities into the virtual meeting room. Everyone had to adjust to virtual communication, some events were postponed or rescheduled, and some new formats were introduced. A new digital ‘universe’ was created. More often than not regional organizations successfully adjusted to these circumstances and will benefit in the future from the new skills and methods of working.
- Better internet coverage is needed to support a more active role of national stakeholders in regional cooperation.
- The more mature a regional organization is in terms of its network of stakeholders, partners and donors, the more prepared it will be to go forward through the crisis.
- There is good momentum for consolidating and streamlining existing regional organizations, as it would be very difficult to establish new ones in the current circumstances.

Working Group Report

Sarah Fischer
Rapporteur

The Aspen Institute Germany's Western Balkans Working Group convened for a virtual working session themed "What Future for EU Enlargement in Pandemic Times?" on December 9, 2020. The purpose of this working session was to discuss the current state of EU integration, identify the key challenges to the process under the present circumstances, and to discuss concrete actions to be taken by governments of the region and the EU to address these challenges. The working session brought together high-level government representatives from the Western Balkans, academic and civil society experts from the region, as well as representatives of the German government, the EU and its member states for a closed-door, informal discussion under Chatham House Rule.

Introduction: 2020 Retrospection

The session commenced with opening remarks from Valeska Esch, Deputy Executive Director and Program Director for Europe with the Aspen Institute Germany, and Christiane Hullmann, Head of the Western Balkans Division at the German Federal Foreign Office. The topic of EU enlargement and the Western Balkans was anticipated to be a hopeful one in 2020, with plans to officially launch accession negotiations with North Macedonia and Albania in the form of intergovernmental conferences (IGC) during the German EU Council Presidency. Yet, these hopes were dashed largely by Bulgaria's veto of North Macedonia's negotiation framework in late 2020, an upset for the region's future accession prospects. Several representatives of EU governments expressed disappointment that the talks and accession process did not produce the expected deliverables in 2020. However, it was reaffirmed that despite the setbacks experienced this year, the path forward is clear with the majority of member states and the EU well aware of what is at stake for the Western Balkans and wider Europe.

A number of positive developments in the Western Balkans region in 2020, despite the difficult circumstances, were also highlighted in the beginning: the resumption of an EU-facilitated dialog between Kosovo and Serbia, an agreement on a Common Regional Market at the Berlin Process Summit in Sofia, and the EU's Economic and Investment Plan for the region of up to 9 billion EUR in funding, in addition to the 3.3 billion EUR Covid-19 support package. Finally, the organization of local elections in Mostar in December 2020, the first since 2008, was praised for bringing a sense of normality back to Bosnia and Herzegovina.

It was also emphasized that the Covid-19 pandemic showed once again how important and close the Western Balkans are to the EU, also in geopolitical terms, and that the positive effects of the crisis, such as increased solidarity and reform pressure, should be capitalized on. The ensuing discussion centered largely on the methodology of the accession process, necessary reforms in the region, the EU's credibility as well as economic prospects and the path forward in 2021.

The EU Accession Process, the Role of Reforms and Other Instruments

The EU accession process and the role of reforms was a contentious subject throughout the discussion. As EU representatives reaffirmed their commitment to supporting the Western Balkan region, they underscored that countries in the region, especially North Macedonia and Albania, should speed up necessary reforms to help the accession process move faster and because the reform process is in the interest of local citizens. Reforms proved a buzzword during the working session with a view held by some that reforms surrounding rule of law and good governance were still lacking in the region, a potential barrier to the accession process.

On the other hand, representatives from Western Balkan states expressed disappointment and frustration toward the accession process and lack of progress made in 2020. It was felt that though countries can push

reforms through, a sort of ‘carrot’ or incentive is needed from the EU to reassure the region of their enlargement intentions. Conditionality and a merit-based process was perceived as poor for the Western Balkan countries. Many discussants questioned whether there can be trust in the EU accession process when a country, such as Kosovo, which has long sought EU membership and has one of the most pro-European populations in the region has not even received visa liberalization as the only country in the region, despite meeting all formal criteria? This question has important implications for (potential) candidate countries’ dedication to rule of law and governance reforms, if their implementation does not result in membership or at least in visible progress. This in turn was described as providing an excuse for politicians not to implement reforms. Such sentiments led to calls among participants for the speeding up of the accession process, more concrete priorities and guidelines for improving rule of law in those countries seeking membership, improved conditionality from the EU, and generally more realistic deliverables from the WB countries.

In the view of many participants of the working group, the credibility of the EU accession process was further diminished in 2020 by the presence of bilateral issues and their effects on the process, such as Bulgaria’s blocking of North Macedonia’s accession talks in late 2020. Many of those present urged that bilateral tensions between a candidate and an EU Member State should not be a future obstacle to EU accession. The question of how the EU intends to navigate such relationships in the future will further affect the credibility of the accession process. Along these lines multiple participants reiterated the need for greater EU unity, especially in their view toward enlargement and the accession process.

Naturally arising from this discussion was the possibility of interim steps or an alternative, a ‘Plan B’, to the current accession process to overcome the current stalemate, suggested by several experts. One suggestion mentioned was an even more detailed use of the new methodology tool of ‘phasing in’ to individual EU policies, markets, and programs as intermediate steps ahead of accession. Also suggested was the better use of available instruments like those outlined in the Stabilization and Association Agreements. However, no consensus was reached on these points; instead, many government representatives from both the EU and the Western Balkans opposed the idea as they saw it as a ‘Plan B’ and strongly reaffirmed their commitment to ‘Plan A’: the accession process.

EU Credibility and International Actors

The question of EU credibility was discussed on several fronts: the credibility of the accession process and the commitment to membership for the Western Balkans, the EU’s insulation from and management of bilateral issues, as well as visibility and communication. With the increasing presence of other international actors in the region, especially Russia and China, the EU’s credibility and positive relationship with the region is more crucial than ever.

Polls and surveys cited throughout the discussion pointed to decreasing trust among citizens of the Western Balkans with regards to EU integration. The importance of feeling connected and integrated with the EU was underscored by participants from the Western Balkans region, with the ongoing delay to grant Kosovo visa-free travel to the EU as well as the above-mentioned delays in accession talks with Albania and North Macedonia cited as weakening the Union’s credibility in the eyes of citizens. Reiterated was the need for the EU to assert the Balkans are no less part of Europe than current EU member states. Raised throughout the conversation was the potential for better communication and connection with WB citizens to include more high-level visits by the EU to the region, ease of transport and travel between the WB and EU, and the EU’s reassurance of common goals. A specific suggestion was made to include the WB in the Conference on the Future of Europe as active observers.

The delay of accession talks and disappointing outcomes in 2020, along with the lack of ‘carrots’ and progress for countries who have implemented reforms like Kosovo, ultimately called into question the EU’s commitment to accession for the Western Balkans during the discussion. However, in opening and closing remarks, EU representatives strongly reaffirmed the EU’s commitment to pursuing accession talks and membership for the Western Balkans.

As international actors, like Russia and China, deepen their ties to the region, the role of international actors and their relationships with the Western Balkans was also a frequent topic of discussion, especially in the context of Covid-19. China's involvement in the region took a new turn as the pandemic crisis offered new opportunities to pursue interests in the region and to increase visibility. Deepening trade relationships with China while at the same time confining to the EU's rules of procurement, transparency criteria, and environmental standards will be a challenge for the region moving into 2021. It was noted that the EU should not shy away from promoting its financial assistance to the region in order to maintain its standing, as such assistance is yet to be matched by Russia or China.

U.S. relations with the Western Balkans region are expected to be reinvigorated as the incoming Biden administration has given cause for a more energized outlook on future relations. Participants agreed that U.S.-EU coordination in the region remains incredibly important; also, the clear objective to ensure that the Western Balkan countries are participants in, rather than objects of, transatlantic cooperation was underscored.

Regional Cooperation and Economic Outlook

Despite disappointing outcomes in other areas in 2020, reflections on the past year were largely positive in the area of regional cooperation. Agreement on a Common Regional Market as well as a Green Agenda was cited as major achievements for the region, especially amidst the Covid-19 outbreak. After initial difficulties and delays on the side of the EU, the pandemic prompted unprecedented solidarity between the EU and Western Balkan countries but also within the region. It also made regional cooperation all the more important in 2020, as the free movement of supplies, equipment and medicine within the region, facilitate through 'Green Lanes' at border crossings, was crucial.

The EU remains the region's largest trading partner, however, the development gap between the two regions in 2020 remained staggering. The economies of the Western Balkans region experienced significant impacts from Covid-19, especially those with high rates of self-employment, dependence on the tourism/hospitality sector, a large service sector, and consumption-based economies. In light of this crisis, it was noted that without a comprehensive stimulus and development plan going forward, the development gap between the two regions will further increase.

Though the passing of a Common Regional Market agenda is hopeful, participants were quick to point out that the market was never anticipated to have a significant development outcome and predictions for economic performance are rather low. While a milestone for regional cooperation, the common market is not a substitute for a regional development plan but rather an instrument to promote regional ties and EU integration. Participants were encouraged by the announcement of the EU Economic and Investment Plan for the region, but experts from the region voiced their concerns it would still not be enough, considering the large economic convergence gap between EU member states and the Western Balkans. Given the geographic proximity, increasing integration of markets, and interests in accession, more analysis is needed to understand why economic convergence is not happening as expected.

Emigration, especially youth emigration, in the region was also discussed in the context of economic development. Emphasis was placed on increasing intra- and interregional freedom of movement and the creation of greater employment opportunities at home. Looking toward 2021, participants appeared to remain focused on strengthening the region's economies and advancing the creation of the common market, with the hopes of making progress toward accession.

Conclusion

The two-hour working session produced a range of ideas, thoughts and sentiments surrounding EU enlargement, the enlargement methodology and implications for the region going forward. Closing remarks acknowledged questions and concerns regarding alternative Plan Bs and Cs to the accession process with the reminder that the Berlin Process, intended to flank and support the accession process, would continue with a summit in Berlin in 2021. The responsibility of countries in the region to implement necessary reforms was emphasized once again.

Looking forward to 2021, recommendations on the following points emerged from the discussion:

- Need for increased EU economic support and investment in the region with a special focus on narrowing the development gap and attention to the causes of emigration;
- Importance of potential reforms to the enlargement process, including improved conditionality, defined priorities, potential interim steps, and mechanisms for resolving or insulating bilateral conflicts that might affect outcomes;
- Suggestion to increase the visibility of support and commitment from the EU to the Western Balkans region with the aim of addressing public distrust and affirming commitment to enlargement;
- Renewed commitment and action from the Western Balkan countries to implement the necessary reforms for accession;
- Increased freedom of movement within and outside the region, including easier travel to the EU from the Western Balkans, to support regional cooperation and EU integration.

Whether there exists a viable alternative to the current accession process remained a point of debate, despite stated commitments to enlargement and reminders from EU representatives. Going forward, participants underscored the importance of ongoing regional cooperation, open dialog and the support of the EU as pandemic recovery efforts and resumed accession talks will be a priority in 2021.

LIST OF ABBREVIATIONS

AKP	Adalet ve Kalkınma Partisi. i.e. Justice and Development Party (Turkey)
ALL	Albanian Lek
BAM	Bosnia and Herzegovina Convertible Mark
BiH	Bosnia and Herzegovina
BRI	Belt and Road Initiative
CEC	Central Electoral Commission (CEC)
CEFTA	Central European Free Trade Agreement
CESEE	Central, Eastern and Southeast Europe
CEVES	Center for Advanced Economic Studies
CRM	Common Regional Market
CS	Civil Society
CSOs	Civil Society Organizations
DPS	Democratic Party of Socialists of Montenegro
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECHR	European Court of Human Rights
EEAS	European External Action Service
ERISEE	Education Reform Initiative in South East Europe
EU	European Union
EUR	Euro
FBiH	Federation of Bosnia and Herzegovina
FDI	Foreign Direct Investment
GDP	Gross domestic product
GFC	Global financial crisis
GMA	Guaranteed Minimum Assistance
GONGO	Government-Organized Non-Governmental Organization
GVA	Gross Value Added
HJC	High Judicial Council (Albania)
HORECA	Hotels, restaurants, catering industries
ICT	Information and communications technology
ILO	International Labour Organization
IMF	International Monetary Fund
INSTAT	National Statistical Institute (Albania)
IPA	Instruments for Pre-Accession Assistance
IT	Information Technology
KJC	Kosovo Judicial Council
LDK	Democratic League of Kosovo
LVV	Vetëvendosje (Self-Determination Movement)
MARRI	Migration, Asylum, Refugees Regional Initiative
MFA	Macro-Financial Assistance
MKD	Macedonian Dinar
MONSTAT	Statistical Office of Montenegro
MP	Member of Parliament
MSMEs	Micro, Small, and Medium-Sized Enterprises
NATO	North Atlantic Treaty Organization
NBS	National Bank of Serbia
NGO	Non-governmental Organization
NKT	National Coordination Body for Communicable Diseases (Montenegro)
ODIHR	OSCE Office for Democratic Institutions and Human Rights

OSCE	Organisation for Security and Cooperation in Europe
PCR	polymerase chain reaction
pp.	Percentage Points
PPE	Personal Protective Equipment
PPP	Purchasing Power Parity
PR	Public Relations
Q	Quarter (of fiscal year)
RCC	Regional Cooperation Council
repos	Repurchase agreements
RESPA	Regional School for Political Administration
RFI	Rapid Financing Instrument
RS	Republika Srpska
RSD	Serbian Dinar
SAAs	Stability and Association Agreements
SMEs	Small and Medium-sized Enterprises
SOC	Serbian Orthodox Church
TACSO	Tactical Air Command System Office
TASS	Information Telegraph Agency of Russia
TIKA	Turkish Cooperation and Coordination Agency
UN	United Nations
UNDP	United Nations Development Program
USD	U.S. Dollar
VAT	Value Added Tax
WB	Western Balkans
WB6	Western Balkans Six (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia)
WB6 CIF	Western Balkans Six Chamber Investment Forum
WHO	World Health Organization
YoY	Year-on-year

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