Structural Change in the Western Balkans

Editors: Stormy-Annika Mildner, Tina Bories, and Avi Shapiro

Aspen Western Balkans Initiative
Engagement for Progress and Stability

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The Aspen Institute Germany, in cooperation with the Ministry for Europe and Foreign Affairs of the Republic of Albania, hosted the conference “Structural Change in the Western Balkans” in Tirana in October 2025. Aspen Germany’s regional conferences aim to foster connections and collaboration among experts from various fields, creating new opportunities for engagement and partnership across the Western Balkans. The conferences are accompanied by publications which compile the expertise of various experts.

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Editors and Project Management: Dr. Stormy-Annika Mildner, Tina Bories
Editorial Support: Jannis Jakubowski, Avi Shapiro

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Table of Contents

Foreword

Structural change is crucial for economic and societal development, helping societies adapt to future challenges and opportunities. In the Western Balkans, deep economic transformations are underway, driven by shifts in agriculture, industry, and services, influenced by the digital revolution, energy transition, and geopolitical challenges. Key factors include technological innovation, demographic shifts, climate pressures, migration, and economic competition. These interconnected forces accelerate structural adjustments.

While presenting challenges, these changes also offer opportunities to address the region's geopolitical dynamics. The digital revolution, transition to renewable energy, and modern transportation systems are reshaping industries and economies. Businesses must adapt to evolving regulations, labor market shifts, and changing cost structures, which have significant social and economic implications. Given the region's history of political and economic transition, coupled with European integration, a strategic approach to structural change is vital. Long-term planning that fosters innovation, economic resilience, and rule of law, while minimizing disruption, is essential.

EU accession is central to the region's development, offering an opportunity for the Western Balkans to implement reforms that strengthen governance, institutions, and economies. These reforms should be pursued on their own merit, not merely as a formality for accession. Linking reforms to regional cooperation will boost economic performance, foster collaboration, and diversify business models. A common regional market, reduced trade barriers, and harmonized regulations will drive long-term growth. Mutual recognition of certificates and qualifications will improve cross-border mobility, streamline market functioning, and create a more connected economy.

After years of stagnation, there is now a real opportunity to advance the EU accession process for the Western Balkans. Despite geopolitical instability, the war in Ukraine and rising authoritarianism, progress is clearly evident. I encourage everybody to join efforts to undertake reforms – especially in fighting corruption, organized crime, and upholding democratic values.

Germany's policy aims to foster sustainable economic growth, strengthen social cohesion, and promote democratic governance. Key priorities include investments in digital infrastructure, renewable energy, skills development, regional cooperation, and the creation of a common regional market – all vital for a successful European integration. Germany seeks to help the Western Balkans navigate their transformation, turning challenges into opportunities for inclusive and stable development.

Finally, I would like to acknowledge the Aspen Institute Germany for their continued collaboration. Multiple high-level events in Berlin and the region have facilitated valuable dialogue among the Western Balkans, international organizations, the EU, and the U.S. The German Federal Foreign Office values these exchanges as they inform policy and contribute to practical reforms and European integration.

Gunther Krichbaum
Minister of State for Europe
German Federal Foreign Office

Structural Transformation in the Western Balkans: Between Integration and Resilience[1]

Stormy-Annika Mildner, Tina Bories, Avi Shapiro

The Western Balkans Six (WB6: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) stand at a critical juncture: while the region is experiencing a revival of reform efforts, progress remains uneven across the WB6. Several countries have made tangible progress, from economic and public administration reforms to steps toward greater regulatory alignment and deeper regional cooperation. Others, however, continue to lag behind, hindered by political fragmentation, governance shortcomings, or stalled reform agendas. This divergence highlights both the region's capacity for forward movement and the persistent structural vulnerabilities that still shape its trajectory toward EU integration.

As the WB6 work to join the EU, structural change represents a serious challenge. Structural change refers to tectonic shifts in the underlying foundations of a society: deep transformations of economic, social and institutional systems as underlying conditions shift over time. Described by the economist Simon Kuznets as a "controlled revolution" in his 1971 Nobel Prize lecture, structural change now encompasses many factors driving fundamental transformations.[2] Structural change can include technological progress, evolving market structures, demographic and migration pressures, environmental stress, and growing geopolitical competition. These forces rarely act in isolation; rather, they intersect and reinforce one another, creating strong currents that unsettle established arrangements and compel policy makers to redefine strategic priorities. Left unaddressed, structural change can impose severe, destabilizing consequences.

The countries of the Western Balkans face many different problems. The region's economic structures remain characterized by low productivity and limited diversification. Traditional industries are struggling to compete as the region draws closer to the EU's single market. Weak transport and connectivity infrastructure fragments already small markets, undermining the potential of larger-scale regional value chains. Demographic decline driven by sustained emigration of young and skilled workers further constrains the capacity for innovation and long-term growth. Environmental pressures, including coal-dependent energy systems and exposure to climate-related risks, demand costly transitions that many governments are only beginning to address.

These structural constraints are reinforced by uneven speeds of digitalization across countries. Below-potential adoption of advanced digital technologies by businesses (in particular small and medium sized businesses) and insufficient digital skills continue to hold back productivity and competitiveness. At the same time, the region faces a complex geopolitical environment shaped by competing external actors, which places additional pressure on already fragile institutions and further complicates efforts to align with EU standards.

These overlapping challenges necessitate an urgent and comprehensive structural reform agenda for the WB6. New approaches must confront institutional weaknesses heads-on, recognizing that effective and credible public administrations are essential for managing complex transitions. The WB6 faces a persistent pattern in which weak rule of law,

1 In accordance with institutional standards for academic integrity and transparency, artificial intelligence tools were employed mostly for linguistic and editorial purposes. Their use was limited to helping identify the most important key-take aways in the papers of this edited volume as well as in correcting grammar and refining style.

2 Simon Kuznets, Modern Economic Growth: Findings and Reflections, December 11, 1971, https://www.nobelprize.org/prizes/economic-sciences/1971/kuznets/lecture/ (accessed November 19, 2025).

politicized state institutions, and limited administrative capacity undermine policy implementation and erode public trust. This credibility gap is exacerbated by sustained disinformation campaigns, originating both from domestic actors seeking short-term political advantage and from external actors aiming to weaken democratic resilience and dilute support for EU alignment. These factors amplify the challenge of managing structural change, reinforcing the need for reforms that strengthen transparency, enhance accountability, and rebuild public trust.

Against this backdrop, the EU accession process remains the most important external anchor for structural change in the Western Balkans, offering both clarity of direction and a framework for accountability. The EU's acquis communautaire, together with the Copenhagen criteria, provides not only a roadmap for structural reform but also a powerful set of incentives that help sustain momentum when domestic political falters.

Progress toward EU accession continues, but the pace and depth of reform differ across the WB6. Montenegro and Albania are considered frontrunners in the negotiations. Montenegro has opened all chapters and provisionally closed several, though progress in the rule-of-law cluster remains decisive for further movement. Since October 2024, Albania has opened all six clusters, with judicial reform remaining a key prerequisite for further progress.[3] North Macedonia has opened accession negotiations and continues to align with EU standards, yet bilateral disputes and domestic political volatility have slowed progress in key reform areas. Bosnia and Herzegovina, which received candidate status in 2022 and was invited to open negotiations in 2024, still faces significant obstacles due to deep political fragmentation. Kosovo is designated by the European Union as a potential candidate for membership and support for EU accession in the country is high.[4] While making progress on many issues, Kosovo still faces major hurdles, most notably the normalization of relations with Serbia. Serbia has been negotiating EU accession since 2014, but progress remains limited, with concerns over rule-of-law reform, media freedom, foreign-policy alignment, and the normalization of relations with Kosovo continuing to slow the pace of negotiations.[5]

On the EU side, enlargement has increasingly become intertwined with broader questions about the EU's internal architecture and future direction. While there is renewed political recognition that enlargement is strategically necessary, particularly in light of geopolitical shifts and Russia's war against Ukraine, translating this into concrete steps has proven difficult. The unanimity requirement for key decisions, ongoing debates about treaty change, and concerns about the EU's ability to absorb new members without undermining cohesion or decision-making capacity have all contributed to a cautious approach. While some EU member states see institutional consolidation as a prerequisite for accepting new members, others argue that the enlargement process itself can act as a catalyst for institutional modernization. As consequence, the EU has struggled to translate strategic intent into a fully predictable process. Restoring credibility on both sides is therefore essential for creating the stable, predictable conditions needed to advance integration and deepen cooperation.

The following policy papers build on the Aspen Institute Germany's long-standing engagement with the Western Balkans. Through its "Western Balkans Initiative: Engagement for Progress and Stability", funded by the German Federal Foreign Office, Aspen Germany aims to foster dialogue among policy makers, civil society, and experts from across the region, the EU, the United States and international organizations to advance reform, coop-

3 Council of the European Union, EU Opens Last Accession Negotiating Cluster with Albania on Resources, Agriculture and Cohesion, November 17, 2025, https://www.consilium.europa.eu/en/press/press-releases/2025/11/17/eu-opens-last-accession-negotiating-cluster-with-albania-on-resources-agriculture-and-cohesion/ (accessed November 17, 2025).

4 European Western Balkans, Highest Support for EU in Kosovo, Lowest in Serbia, September 12, 2025, https://europeanwesternbalkans.com/2025/09/12/highest-support-for-eu-in-kosovo-lowest-in-serbia/ (accessed November 17, 2025).

5 Directorate-General for Enlargement and Eastern Neighbourhood, 2025 Enlargement Package Shows Progress Towards EU Membership for Key Enlargement Partners, European Commission, November 4, 2025, https://enlargement.ec.europa.eu/news/2025-enlargement-package-shows-progress-towards-eu-membership-key-enlargement-partners-2025-11-04_en (accessed November 13, 2025).

eration, and integration. Part of the Initiative are regional conferences with the goal of strengthening networks and collaboration across sectors, creating opportunities for exchange and partnership throughout the Western Balkans. Each conference is accompanied by a publication that brings together expert analyses and insights. In this context, Aspen Germany, in cooperation with the Ministry for Europe and Foreign Affairs of Albania, hosted the conference "Structural Change in the Western Balkans" in Tirana in October 2025.

The publication reflects Aspen Germany's conviction that transformation in the region depends on trust and understanding built through frank discussion of difficult issues. By connecting analytical research with policy dialogue, Aspen Germany seeks to promote values-based leadership and to strengthen regional capacities for decision making. This edited volume thus continues Aspen Germany's broader mission: to accompany the Western Balkans on their path toward resilient governance, sustainable prosperity, and EU Integration.

The following "Key Takeaways"[6] are derived from the collection of policy papers within this edited volume and the discussions during the 2025 conference "Structural Change in the Western Balkans."

Key Takeaways for Structural Transformation in the Western Balkans

1. Restoring Accession Credibility: Making Enlargement Work on Both Sides

After a decade of stagnation, enlargement has re-entered the European agenda with renewed political momentum. Russia's full-scale invasion of Ukraine, the opening of accession talks with Ukraine and Moldova, and the EU's recognition that its own security depends on a stable neighborhood have redefined enlargement as a strategic rather than technocratic project. This shift has revived engagement with the Western Balkans, prompting the EU to frame enlargement as a driver of resilience and competitiveness for the entire continent. The EU's new Growth Plan for the Western Balkans 2024–2027, together with new openness to partial integration into the EU single market before full membership, signals a more pragmatic approach. By rewarding reform with tangible benefits, a renewed enlargement approach can drive faster progress in the accession process.

Yet, in spite of new momentum, EU enlargement faces a credibility gap. On the EU side, differing interests among EU member states and institutional caution have produced slow timelines, and at times, contradictory signals. On the WB6 side, incomplete rule-of-law reforms, politicization of public administration, and recurring episodes of state capture have slowed structural reforms. These asymmetries have undermined trust and fed frustration on both sides.

Restoring credibility requires a renewed understanding between the EU and the Western Balkans. Politically, the EU should more clearly frame enlargement as a strategic investment in Europe's stability and resilience, rather than allow it to be treated as a predominantly administrative process. Technically, progress should be made more visible and predictable through clearer benchmarks linked to phased access to parts of the single market, EU programs, and financing, while maintaining reversibility mechanisms to safeguard the credibility of the process.

In the Western Balkans, building credibility requires sustained progress on the rule of law. While formal alignment with EU standards has advanced across the region, implementation continues to vary. In many cases, institutions still face political and economic pressures that allow discretion to override established rules. Rebuilding credibility therefore hinges not only on legal reforms but also on consistent enforcement and demonstrable evidence that laws are applied impartially and institutions act in the public interest.

6 These key takeaways do not necessarily reflect the views of the Aspen Institute Germany or the German Federal Foreign Office.

2. Competing on Productivity, Not Only Proximity: Upgrading Firms and Value Chains

The proximity of the WB6 to the EU remains one of its greatest comparative advantages. The region sits within Europe's industrial geography, connected by supply chains and labor mobility, and offers competitive production costs alongside growing logistical connectivity. This, together with domestic reforms, has attracted investment in manufacturing and services, positioning parts of the region as a near-shore platform for European industry.[7]

However, proximity alone cannot guarantee convergence. Sustainable growth requires converting proximity into productive capacity. Current growth trajectories exemplify the vulnerabilities of the region. The World Bank projects economic growth in the WB6 to slow to 3.0 percent in 2025, down from 3.6 percent in 2024.[8] Limited growth potential reflects both external and internal factors. Where the region has built trade and investment linkages with the EU, countries are acutely sensitive to economic slowdowns in EU member states. Within the WB6, low productivity, investment, and innovation dampen growth prospects.[9] Demographic pressures, driven by the continued emigration of highly skilled workers, further undermine long-term competitiveness. At the same time, governance shortcomings, such as uneven rule-of-law performance and regulatory unpredictability, continue to dampen investor confidence. The lack of effective regional cooperation on essential issues such as energy security, digital interoperability, and environmental management further undermines collective progress.

While the WB6 have made gradual progress in narrowing the economic gap with the EU, it thus does not come as a surprise that the region still lags behind its EU neighbors in many areas. According to the Organisation for Economic Co-operation and Development (OECD), convergence has been more pronounced in areas such as infrastructure development and digitalization. By contrast, progress in the green transition has lagged behind the EU. Human-capital development shows a mixed picture: gains in education and employment have supported some catch-up, but the region continues to underperform in skills, productivity, and research and development.[10]

Building competitiveness therefore requires both national reform and genuine regional coordination. Overcoming fragmentation is key: through harmonized customs procedures, interoperable digital systems, shared certification standards, strengthened governance, and improved transport corridors that physically and economically connect the Western Balkans to one another and to the EU. However, while deeper regional integration can help unlock growth and facilitate structural change, it cannot substitute for full integration into the EU's single market. Ultimately, integration with the EU offers far greater opportunities for long-term prosperity and convergence.

3. Energy Transition as Competitiveness Policy: From Coal Exit to Grids and Markets

The energy and green transitions are no longer optional for the Western Balkans; they are both an environmental necessity and an economic imperative. The impacts of climate change are already tangible across the region. Heatwaves, droughts, floods, and severe air pollution are imposing real costs on growth, public health, and national budgets. At the same time, the persistence of carbon-intensive energy systems, ageing grids, and outdated management structures keeps the region locked into low productivity and high vulnerability.

Transforming energy systems in the Western Balkans is financially, technically and politically difficult. After years of underinvestment, utilities have

7 OECD, Economic Convergence Scoreboard for the Western Balkans 2025, June 2025, https://www.oecd.org/en/publications/economic-convergence-scoreboard-for-the-western-balkans-2025_bc0babf3-en/full-report/business-environment-cluster_5d7aef9e.html (accessed November 14, 2025).

8 World Bank, Towards Better Jobs, Western Balkans Regular Economic Report, 2025, https://documents1.worldbank.org/curated/en/099100625100539134/pdf/P512916-fe1dc2c8-b236-4cfe-ad18-88303a06122e.pdf (accessed November 14, 2025).

9 OECD 2025.

10 Ibid.

limited capacity to modernize grids or scale renewables, while state-owned energy companies often operate under weak governance and political influence. Coal-dependent regions fear job losses and economic decline, creating resistance to change in the absence of credible transition plans. At the same time, regulatory frameworks are uneven and cross-border energy markets poorly integrated. Fiscal constraints and volatile global prices further complicate long-term planning.

The Western Balkans Green Agenda provides a concrete framework for aligning the region's policies with EU environmental and climate standards. It steers countries toward decarbonization, renewable energy, energy efficiency, and a circular economy, in line with the European Green Deal and the ambition of achieving carbon neutrality by 2050.

However, despite the Green Agenda, according to the 2025 OECD convergence scoreboard, the WB6 economies reach only around 47 percent of the EU average in the "Greening" cluster, underscoring a significant divergence from EU environmental performance. While the region has adopted green-transition strategies and increased renewable-energy deployment, implementation gaps remain substantial. Carbon monoxide (CO) emissions intensity is still more than twice the EU average, reflecting slow progress in decarbonization. Energy productivity stands at roughly 80 percent of the EU benchmark, pointing to persistent inefficiencies and structural constraints in energy use. At the same time, municipal waste sent to landfills is over 3.5 times higher than in the EU, highlighting deep-seated weaknesses in circular-economy practices and waste management.[11]

Yet, the potential of the energy transition in the Western Balkans is considerable. The region has strong clean energy resources – solar, wind, and hydropower – that could enhance energy security, reduce price volatility, and lower dependence on imported fuels. Modernizing grids and improving efficiency would cut costs for households and firms, strengthening competitiveness. With clearer regulations and better governance, the transition could attract significant private investment, deepen integration with the EU electricity market, and open opportunities in emerging green industries.

Realizing this potential will require closer alignment with EU energy and climate policies. Prioritizing regulatory stability, accelerating permitting for renewables, and strengthening grid integration with the EU would help mobilize investment and reduce volatility. In addition, a more coordinated regional energy market – supported by EU technical and financial assistance – could create economies of scale and improve security of supply.

4. Digital Governance and Trust: Implementing the Acquis with Capacity

Digitalization has become one of the defining dimensions of structural change. It alters how economies create value, how governments deliver services, and how citizens interact with institutions, transforming communication, service delivery, production processes, and access to information. For the WB6, it offers a chance to leapfrog stages of development by modernizing administration, strengthening competitiveness, and reconnecting citizens with public institutions. Yet, without effective governance, it can also deepen fragmentation, amplify inequality, and create new forms of dependence.

Digitalization holds considerable potential for the Western Balkans. In recent years, the region has made visible progress in modernizing public administration, strengthening competitiveness, and integrating more deeply into European value chains. Yet, the region still lags behind the EU in key areas such as digital skills, cybersecurity resilience, data governance, and the quality of digital infrastructure, especially outside major urban centers. Convergence with EU digital standards is advancing but remains uneven between WB6, reflecting broader disparities in institutional capacity, investment, and regulatory alignment.

11 OECD, Economic Convergence Scoreboard for the Western Balkans 2025. 6. Greening Cluster, https://www.oecd.org/en/publications/economic-convergence-scoreboard-for-the-western-balkans-2025_bc0babf3-en/full-report/greening-cluster_2a8a946e.html (accessed November 14, 2025).

These shortcomings also heighten the risks associated with rapid digitalization. Weak cyber defenses and uneven institutional safeguards leave public administrations, critical infrastructure, and private firms exposed to increasingly sophisticated cyber-attacks. In several instances across the region, breaches of government databases, hospital systems, energy grids, and financial networks have highlighted persistent vulnerabilities. Many institutions still rely on outdated software, limited encryption, and insufficient incident-response mechanisms. The economic costs can be substantial, but the political consequences – loss of public confidence, compromised data integrity, and weakened state capacity – are equally profound.

Information manipulation presents another serious challenge. Domestic actors and foreign influence networks alike exploit digital platforms to deepen societal divides, delegitimize reform processes, and weaken democratic institutions. Disinformation campaigns spread quickly in an environment marked by high social-media use, uneven media literacy, and fragile regulatory oversight. These campaigns can distort electoral debates, inflame identity-based tensions, and cast doubt on the credibility of the EU accession process. By eroding trust in public institutions and independent media, they create an environment in which constructive policy making becomes more difficult and polarization intensifies.

To harness the benefits of digital transformation while managing its risks, the WB6 and the EU should prioritize a shared agenda for digital resilience. This means strengthening cybersecurity capacities, advancing alignment with EU digital and data-governance standards, and investing in secure, interoperable infrastructure. Expanding digital-skills programs, improving media literacy, and ensuring transparent oversight of online platforms are key to countering disinformation. Enhanced regional cooperation, supported by EU funding, can accelerate common standards, joint incident-response mechanisms, and the development of integrated digital markets.

5. Labor Markets Under Demographic Pressure: From Brain Drain to Mobility for Development and Skills

Demography is a central driver of structural change in the Western Balkans. Economic modernization ultimately depends on people: their skills, adaptability, and prospects for a stable future. Yet, the region's population is shrinking and its talent increasingly mobile. What was once seen as temporary emigration has become structural, as young and highly skilled workers leave in search of opportunity while aging populations and low labor market participation erode the domestic workforce.

These demographic pressures are reinforced by weaknesses in skills and labor markets. The 2025 OECD Convergence Scoreboard shows that, despite some improvement, the WB6 remain well below EU benchmarks in the "Skills" cluster, reflecting persistent mismatches between education outcomes and labor market needs.[12] Employers across the region report shortages of qualified workers even as educational attainment rises, and women's participation remains constrained by gaps in childcare, transport, and social infrastructure. As a result, outward mobility continues to drain talent faster than domestic systems can replace it.

The causes of this migration stem from both push and pull factors. On the push side, the region is burdened by high unemployment among youth, low wages relative to EU member states, weak rule of law, and limited career prospects at home. On the pull side, strong labor demand abroad, established migration networks, and relatively easy access to EU labor markets make emigration more feasible. Return migration remains limited. Although some migrants do engage in circular work or study abroad, many hesitate to return permanently, citing concerns about career advancement, institutional quality, and socio-economic stability at home.

Transforming this picture requires investing in human capital and opportunity at home. Expanding childcare, modernizing vocational training, and ensuring merit-based progression in public services

12 Ibid.

can help retain and attract talent. Ultimately, mobility and migration should be circular rather than one-way.

Addressing these challenges also requires closer policy coordination with the EU. The WB6 are deeply affected by EU labor-market dynamics, visa regimes, and mobility incentives. However, the region remains only partially integrated into EU instruments that could help manage skills flows, support vocational training, or encourage circular migration. Strengthening EU initiatives such as Talent Partnerships, mobility schemes, and diaspora engagement frameworks would offer opportunities to mitigate brain drain.

Integrating the Western Balkans with the EU Economy: New Plan, Old Problems

Matteo Bonomi
Istituto Affari Internazionali (IAI)

Over the past two decades, the Western Balkans have deepened their ties with the European Union (EU) through trade liberalization, market opening, regulatory alignment, and financial assistance. However, increasing integration has not produced substantial economic convergence. Beneath the surface of export growth and increased foreign direct investment lies weak structural transformation, reflected in limited productive capacities, insufficient innovation, and persistent institutional fragilities. The EU's new Growth Plan for the Western Balkans offers renewed engagement but largely repackages existing instruments without addressing core structural challenges in the region. Without a coherent agenda for structural change, including strategic investment in skills, innovation, and domestic industrial ecosystems, the region's growth model remains fragile and potentially unsustainable in the long run. National governments must take ownership of reforms that go beyond formal EU compliance and focus on genuine structural transformation, while the EU must match its ambitions with stronger political will, institutional innovation, and financial support. Regional cooperation is important but cannot substitute for real EU accession. A credible, development-oriented approach, backed by structural reforms, is essential to ensure lasting convergence and to restore public trust.

Open Markets, Stalled Convergence

Setting the Stage

Over the past two decades, the Western Balkans have undergone a profound transformation driven by wide-ranging domestic reforms and increasing integration into international markets. A central catalyst behind these changes has been the process of European integration, which since 2000 has significantly deepened the region's economic, financial and institutional ties with the European Union (EU). Countries in the region have been progressively drawn into the EU's economic orbit through preferential trade arrangements, financial assistance, and broad regulatory alignment under the Stabilisation and Association Process (SAP). Trade liberalization and the prospect of eventual EU membership have served as key pillars of post-conflict recovery and economic development in the region.

At the core of this strategy has been a firm belief in the power of market integration to catalyze convergence with the EU. Through the signing of Stabilisation and Association Agreements (SAAs), countries in the region have gained privileged access to the EU Single Market, enabling tariff-free exports of industrial and most agricultural goods and gradual liberalization in areas such as services, public procurement, and capital flows. This has been complemented by sustained financial support through instruments like the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) and, later, the Instrument for Pre-accession Assistance (IPA), which aimed to bolster institutional reform and improve economic governance.

As a result, the EU has emerged as the Western Balkans' dominant economic partner. By 2024, 77.8 percent of the region's exports of goods were absorbed by EU markets, while 58.4 percent of imports originated from the EU.[1] In parallel, foreign

1 European Commission, European Union, Trade in Goods with Western Balkans 6, Directorate General Trade and Economic Security, May 8, 2025, 8, https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_western-balkans-6_en.pdf (accessed July 31, 2025).

direct investment (FDI) from EU-based companies has underpinned the growth of new industrial activities, particularly in manufacturing and services. At face value, these trends would suggest a successful trajectory of regional integration, with the Western Balkans firmly embedded in European economic structures.

Yet, beneath these impressive headline figures lies a much more ambivalent reality. Despite years of market access and regulatory approximation, the Western Balkans have largely failed to achieve meaningful economic convergence with EU living standards, remaining at less than half of the EU's average Gross Domestic Product (GDP) per capita in purchasing power standards (PPS).[2] Economic growth has been erratic, productivity levels remain low, and the structural transformation of these economies has been modest at best. In short, the Western Balkans have become open economies without achieving significant development.

This disconnect reveals a deeper paradox at the heart of the EU's enlargement and integration model in Southeast Europe. Namely, while trade liberalization and market opening have proceeded rapidly, the underlying foundations of economic development, including structural change in productive capacity, innovation, and institutional quality, have evolved slowly. The promise of prosperity through integration has translated into uneven gains and growing economic dependence on FDI and external finance rather than sustainable, internally driven growth.

Against the backdrop of persistent structural challenges and unfulfilled integration promises, the European Commission unveiled its new Growth Plan for the Western Balkans in November 2023[3] and began full-scale implementation in 2025.[4] Building on renewed attention to enlargement as a geostrategic imperative, spurred by Russia's war against Ukraine, the plan aimed to revitalize the EU's engagement with the region by accelerating gradual access to the EU Single Market, fostering regional cooperation, and strengthening reform conditionality. Crucially, the plan has been presented as a concrete instrument to deepen both the quantity and quality of economic integration between the Western Balkans and the EU, bridge the region's development gap, and drive economic convergence.

Whether the Growth Plan can succeed where previous initiatives have failed remains uncertain. Despite the rhetoric of acceleration and renewed commitment, the plan appears more as a modest adjustment within the existing EU-Western Balkans framework, primarily shaped by the SAAs, than a genuine strategic shift. Indeed, it offers neither a substantial intermediate step toward membership nor a meaningful opportunity to significantly deepen economic integration. While it gestures toward closer cooperation and introduces some procedural innovations reflecting current geopolitical interdependencies,[5] it lacks the political ambition and institutional creativity needed to mark real progress. Without confronting structural weaknesses or moving beyond the incremental logic that has long defined EU policy in the region, the new Growth Plan risks merely reproducing the status quo. Its success will ultimately depend not just on technical implementation, but on whether both EU institutions and Western Balkan governments can mobilize the political will and long-term vision needed to overcome enduring structural barriers to convergence with the EU.

2 European Bank for Reconstruction and Development, Can the Western Balkans Converge Towards EU Living Standards?, February 2024, 5, https://www.ebrd.com/home/news-and-events/publications/can-the-western-balkans-converge-towards-eu-living-standards.html (accessed July 31, 2025).

3 European Commission, "Communication on New Growth Plan for the Western Balkans," COM(2023) 691 Final, November 8, 2023, https://enlargement.ec.europa.eu/document/download/8f5dbe63-e951-4180-9c32-298cae022d03_en?filename=COM_2023_691_New%20Growth%20Plan%20Western%20Balkans.pdf (accessed July 31, 2025).

4 See European Commission key milestones of the Growth Plan for the Western Balkans at https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en (accessed October 22, 2025).

5 Matteo Bonomi, The EU Single Market in Bits and Pieces: Limits of the 'Growth Plan for the Western Balkans', EUI, RSC, Working Paper, 2025/29, 6, [Global Governance Programme], Southeastern Europe, https://hdl.handle.net/1814/93022 (accessed July 31, 2025).

Structural Weaknesses Behind the Facade of Integration

Policy Responses in the WB6

A closer look at the region's economies, beyond trade volumes and investment flows, reveals persistent structural challenges. While trade liberalization has opened new opportunities for export-led growth, national governments largely confined their strategies to opening markets and attracting FDI, without complementary policies to foster industrial or technological upgrading.

The region's economies remain narrowly specialized in low- and medium-low-tech goods such as textiles, metals, and agricultural products. Export baskets are relatively undiversified and lack complexity, limiting their potential for value creation and technological upgrading. In some cases, like Serbia, export growth has even led to a re-primarization of the economy, with increasing reliance on raw materials and basic processing industries.[6]

Labor markets continue to face structural rigidities including high unemployment, especially among youth and low-skilled workers, and a large informal sector.[7] The region has also experienced sustained emigration of its most educated citizens, resulting in chronic shortages of human capital and continuous brain drain. This trend not only undermines the region's potential for growth and domestic innovation but also intensifies social and demographic pressures with far-reaching political implications, such as weakened state capacity, diminished trust in institutions, and reduced incentives for reform.

Meanwhile, FDI, though significant in volume, has largely concentrated in services and labor-intensive, low value-added sectors. Investments in high-tech industries, research and development, or in knowledge-intensive services remain scarce. Moreover, linkages between foreign firms and domestic suppliers are often weak or inexistent, limiting spillover effects and reinforcing a pattern of segmented industrialization, where production is disconnected from local ecosystems.[8]

Crucially, these economic challenges are further compounded by institutional weaknesses. Across the Western Balkans, public administrations are frequently plagued by limited capacity, clientelism, and lack of accountability. Rule of law deficits, political interference, and widespread corruption hinder the development of a predictable business environment and undermine trust in institutions.[9]

Despite short-term gains, the growth model of the Western Balkans, built largely on external investment and low-cost production, is revealing increasing structural fragilities. In 2024, declining exports, rising imports driven by domestic demand and public investment, and a widening current account deficit pointed to mounting macroeconomic constrains. Tourism slowed after years of steady expansion, remittances declined, and export performance has weakened, though unevenly across countries.[10] These developments highlight a deeper vulnerability rooted in excessive dependence on external drivers and heightened exposure to global disruptions, from shifting supply chains to the economic slowdown in the Eurozone, particularly in Germany, a key regional partner of the Western Balkans. Reflecting these mounting pressures, the European Commission revised downward its GDP growth forecasts for Western Balkan economies in 2025.[11]

These issues directly affect economic performance of the Western Balkans by deterring investment,

6 Jakob Weizman and Šejla Ahmatović, "Is Serbia turning into an EU mining colony?" in: Politico, April 18, 2025, https://www.politico.eu/article/serbia-lithium-reserve-eu-mining-colony-electric-vehicles/ (accessed October 22, 2025).

7 World Bank and Vienna Institute for International Economic Studies, "Western Balkans – Labor Market Brief 2023," Washington, D.C., 2025, 12, http://documents.worldbank.org/curated/en/099061725062028120 (accessed September 10, 2025).

8 Milica Uvalić, "Challenges of Economic Development in the Western Balkans," in: Magazine IDEES 63, January 23, 2025, https://revistaidees.cat/en/reptes-per-al-desenvolupament-economic-als-balcans-occidentals/ (accessed August 12, 2025).

9 On this issue see World Bank's Worldwide Governance Indicators: https://www.worldbank.org/en/publication/worldwide-governance-indicators.

10 World Bank, "Adapting for Sustainable Growth," in: Western Balkans Regular Economic Report No. 27 – Spring 2025, 14-15, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099042325021511545 (accessed July 31, 2025).

11 European Commission, Directorate-General for Economic and Financial Affairs, "EU Candidate Countries & Potential Candidates Economic Quarterly (CCEQ). Western Balkans and Türkiye, 2nd Quarter 2025," in: Technical Paper 82, July 2025, 5, https://economy-finance.ec.europa.eu/document/download/aa724f62-be13-4a26-a5ef-305bc3742b93_en?filename=tp082_en.pdf (accessed September 9, 2025).

distorting resource allocation, and preventing the formulation of coherent industrial strategies.

Albania

Albania has opened up gradually and still has a relatively low exports of goods and services-to-GDP ratio, in comparison with most other countries – at 37.2 percent in 2022.[12] Its exports have concentrated mainly on services and some processed food exports. FDI has been in services, such as tourism, energy, and infrastructure. Governments have incentivized foreign investment through tax breaks, simplified procedures, and sector-specific policies, yet domestic industrial capacity remains weak. The focus on low-cost, labor-intensive activities has perpetuated dependence on external capital while offering limited pathways to broad-based economic upgrading.

Bosnia and Herzegovina

Bosnia and Herzegovina has maintained a relatively large manufacturing sector and has succeeded in increasing its exports of goods and services-to-GDP ratio from 32.4 percent in 2013 to 48.3 percent in 2022.[13] Yet FDI-driven dynamics comparable to other countries are hampered by a dysfunctional state characterized by institutional fragmentation and persistent political deadlock. While industrial zones and incentives for FDI exist, ongoing political crises and contested legitimacy have undermined their effectiveness, resulting in isolated areas of economic activity and slow structural transformation.[14] International support has helped maintain macroeconomic stability, but job creation, domestic value chain development, and innovation remain limited. High emigration exacerbates human capital shortages, intensifying structural vulnerabilities relative to the other countries.[15]

Kosovo

Kosovo, as the smallest and least developed among the Western Balkans countries, remains dependent on trade with countries in the region, rather than the EU. Its degree of openness is among the lowest: its export of goods and service-to-GDP ratio was 38.6 percent in 2022.[16] Exports are concentrated in services and some miscellaneous manufactured goods. FDI has mostly gone in labor-intensive and service sectors, with limited investment in manufacturing. Government incentives exist, but institutional capacity and market size constrain the effectiveness of these policies. Domestic firms remain weakly integrated into global value chains, and structural challenges such as high unemployment and emigration persist, reinforcing the dependence on external drivers for economic growth.

Montenegro

Montenegro is a relatively more open economy, as its good and services export-to-GDP ratio rose from 41.3 percent in 2013 to 51.5 percent in 2022.[17] However, insufficiently diversified exports and limited competitiveness have hampered a faster increase in trade with the EU, so the regional market remains equally important. FDI has primarily targeted services, particularly tourism, real estate and infrastructure projects. Government policies have focused on promoting these sectors through fiscal incentives and infrastructure development, rather than fostering industrial diversification.[18] As a result, the manufacturing sector remains underdeveloped, limiting the country's capacity to benefit from broader value chain integration or technological upgrading.

North Macedonia

North Macedonia liberalized its markets earlier and more rapidly, resulting in the highest export-to-GDP ratio in the region: 72.8 percent in 2022 (in 2013, it was only 43.2%).[19] The business environment for enterprises has been improved earlier than in the other countries. The government has actively

12 World Bank, World Bank Online Data, https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS (accessed July 31, 2025).
13 Ibid.
14 Vesna Bojicic-Dzelilovic and Fikret Čaušević, Post-war Reconstruction in Bosnia and Herzegovina. Lessons for Ukraine, Friedrich-Ebert-Stiftung, July 2025, 9, https://library.fes.de/pdf-files/bueros/ukraine/22212.pdf (accessed July 31, 2025).
15 Bojicic-Dzelilovic and Čaušević, 2025.
16 World Bank, World Bank Online Data, cit.
17 Ibid.
18 See, for instance: Montenegrin Investment Agency, Investment Incentives Montenegro 2025, https://mia.gov.me/en/invest-in-mne/register-of-incentive-measures-for-investments/ (accessed October 22, 2025).
19 World Bank, World Bank Online Data, cit.

promoted FDI through fiscal incentives and streamlined regulatory procedures, aiming to integrate the country into regional and EU value chains. However, its export base remains narrow, as foreign trade is dominated by few sectors: chemicals and allied industries; metals; machinery and mechanical appliances.[20] Although North Macedonia reports a relatively high FDI-to-GDP ratio, the small scale of its economy means that these inflows remain limited in absolute terms, reducing their broader developmental impact. Weak governance further constrains long-term development prospects.

Serbia

Serbia, as the largest economy in the region, offers a particularly illustrative example of these processes. Between 2013 and 2022, exports of goods and services rose from under 40 percent to over 60 percent of GDP,[21] with the EU accounting for two-thirds of trade. Over the past decade, FDI has flown into export-oriented manufacturing, attracted by generous government subsidies and other favorable conditions. The dominant orientation of Serbia's industrial policy has been the use of direct subsidies, the establishment of free zones, and a broad set of fiscal and legal incentives, formalized in the 2015 Investment Law and implemented through the Serbian Development Agency. Subsidies have been explicitly tied to job creation, with municipalities competing to host investors by offering increasingly generous packages.[22] While these measures have succeeded in attracting multinational companies and boosting exports, they have mainly reinforced production in less sophisticated sectors and sustained islands of industrialization with limited upgrading of domestic productive capacities. As a result, export composition has changed only marginally. Low- and medium-tech goods still dominate, while high-tech products remain negligible, rising from just 2.1 percent to 6.8 percent of exports between 2005 and 2020. Key export sectors, such as rubber and automotive parts, offer limited technological sophistication. Meanwhile, productivity growth in manufacturing has stagnated since 2013.[23]

Similar trajectories are evident across the Western Balkans, where FDI-driven export growth has outpaced domestic capacity-building.

Regional Integration as a Substitute Strategy[24]

Cooperation within the Region

Against this backdrop of persistent structural weaknesses and continued economic pressures, the European Commission's new Growth Plan for the Western Balkans has arrived at a critical moment. Framed as a bold pivot in EU enlargement policy, the new Growth Plan is an attempt to inject fresh momentum into a region that has long lingered in the EU's waiting room. The war in Ukraine has sharply redefined Europe's geopolitical priorities, and Brussels now seems eager to turn attention back to its immediate periphery. With enlargement fatigue hanging over the bloc since Croatia's accession in 2013, this plan is intended to signal a genuine reengagement.

At first glance, the Growth Plan appears promising: it seeks to deepen the economic integration of the Western Balkans into the EU by expanding access to the Single Market, boosting investment, and tying financial support to structural reforms. Framed as a means to narrow the development gap and make EU accession more tangible, the plan envisions greater integration in sectors such as goods, services, and energy.

However, the Growth Plan offers little genuine innovation. Instead of introducing a substantive strategic

20 Silvana Mojsovska and Predrag Bjelic, Non-tariff Measures in CEFTA 2006: Perspectives of North Macedonia and Serbia, Proceedings of the 3rd International Conference Economic and Business Trends Shaping the Future, 2022, 217 https://www.researchgate.net/publication/365807248 (accessed July 31, 2025).

21 World Bank, World Bank Online Data, cit.

22 Besnik Krasniqi and Jasmina Ahmetbasic, Will Bartlett, Foreign Direct Investment and Backward Spillovers in the Western Balkans, in: Southeastern Europe 46, 2022, 8, https://eprints.lse.ac.uk/115391/1/Foreign_Direct_Investment_Backward_Spillovers_Western_Balkans_2022.pdf (accessed July 31, 2025).

23 Milica Uvalić, "Serbia's Trajectory towards Sustainable Export-led Growth," in: Ivan Vujacic (ed), The Post-Socialist Transition of Serbia – Economic Transition, Democracy and EU Integration, London, Palgrave Macmillan, 2025, 1-23 (forthcoming).

24 This section, together with the following one, draws on Bonomi (2025). For a more in-depth and systematic analysis of the issues addressed, see: Matteo Bonomi, The EU Single Market in Bits and Pieces: Limits of the 'Growth Plan for the Western Balkans', EUI, RSC, Working Paper, 2025/29, [Global Governance Programme], Southeastern Europe, https://hdl.handle.net/1814/93022 (accessed July 31, 2025).

shift, the plan once again places significant emphasis on regional cooperation as a presumed driver of modernization and regulatory convergence. In particular, the creation of a Common Regional Market (CRM) is presented as a more immediately actionable path toward integration. By promoting the free movement of goods, services, capital, and people within the region, the CRM is intended not only to stimulate intra-regional trade but also to unlock some of the benefits envisaged in other parts of the plan, thus providing an alternative route for closer integration with the EU Single Market.

Still, this reliance on regional cooperation as a pathway to EU integration rests on uncertain foundations. Although regional initiatives have played an important role in fostering post-conflict normalization and supporting economic recovery since the end of the 1990s, in recent years they have struggled to deliver substantial results. The implementation of regional initiatives has frequently been obstructed by unresolved bilateral political disputes, particularly between Belgrade and Pristina, and continues to suffer from the lack of efficient institutional mechanisms to ensure compliance or resolve disagreements.

More fundamentally, there is no direct link between progress in regional integration and concrete steps toward EU accession. Recent examples of successful regional cooperation, such as the introduction of green lanes during the COVID-19 pandemic to reduce border delays, or the 2019 regional free roaming agreement, clearly demonstrate the missing links.[25] While these measures may contribute to technical preparedness, they do not guarantee that the EU will respond with improved market access or an acceleration of accession talks.

In addition, the Growth Plan substantially overstates the economic potential of regional integration. The often-repeated claim, including by the European Commission's President Ursula von der Leyen, of a possible ten percent GDP gain across the Western Balkans from regional integration,[26] rests on a misreading of World Bank research, which actually points to far more modest and uneven benefits. The study in question estimates small welfare gains from reduced border delays, with only minimal added value from coordinated regional action.[27] These findings fall well short of supporting the bold projections promoted by the European Commission. By contrast, separate World Bank analyses show that deeper integration with the EU Single Market would yield significantly higher returns.[28] This confirms that the Western Balkan regional market, while useful, remains a second-best solution, especially for products with limited competitiveness on EU or international markets.

This mismatch between ambition and reality undermines the credibility of the CRM as a source of motivation in the Western Balkans. Although regional cooperation can support the path to European integration, it cannot replace it, nor can it serve as the main instrument for regulatory alignment. Placing excessive emphasis on intra-regional initiatives in the Western Balkans risks distorting priorities, duplicating efforts, and diverting limited resources from the more transformative objective of full EU membership.

The experience of Central and Eastern European countries further reinforces this point. In these countries, regional economic integration gained traction only after EU accession. This confirms that participation in the Single Market itself, rather than pre-accession regionalism, serves as the real engine of integration. By failing to fully acknowledge these facts, the Growth Plan risks confusing intermediate tools with strategic goals and overestimating the capacity of the CRM to deliver lasting results.

25 See Bonomi 2025, op. cit., 10.

26 Milica Uvalic, "Fostering Serbia's Economy through a more Diversified Industrial Policy: Unlocking the Potential of Internal Sources of Growth," in: Economic Annals, September 2025 (forthcoming).

27 Gomez Ortiz, Maria Del Mar, Zarate Vasquez, David Roman, and Daria Taglioni, The Economic Effects of Market Integration in the Western Balkans, Policy Research Working Paper No. WPS 10491, 2023, World Bank Group, Washington, D.C., 25-26, available at https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099544006202322289/idu062c50b5106fe8046d1080530898bbe45d6fa (accessed July 31, 2025).

28 Alan Mulabdic, Michele Ruta, Effects of a Deeper Central European Free Trade Agreement, March 2018, World Bank Group, Washington, D.C., https://documents1.worldbank.org/curated/en/717941646720980197/pdf/Effects-of-a-Deeper-Central-European-Free-Trade-Agreement.pdf (accessed July 31, 2025).

The New Growth Plan: Big Expectations, Small Offer

Cooperation with the EU

In parallel to its focus on regional cooperation, the Growth Plan places major emphasis on measures to deepen the Western Balkans' integration with the EU Single Market, including free movement of goods, services and workers, access to Single Euro Payments Area (SEPA), facilitated transport, energy and digital-market integration, and inclusion in EU industrial supply chains. Yet, many of its proposals echo long-standing commitments already embedded in earlier initiatives, notably the Economic and Investment Plan (EIP) for the Western Balkans.[29] While the EIP aimed to mobilize investment and align the region with EU priorities, including the twin green and digital transitions, the new Growth Plan largely repackages these objectives without introducing a clear strategic upgrade.[30] It remains constrained by the existing regulatory framework of the SAAs and falls short of offering mechanisms for meaningful policy coordination or implementation.

Despite years of trade preferences, technical assistance, and financial support, countries in the region continue to lag behind in competitiveness, institutional quality, and living standards. Structural obstacles such as inefficient border procedures, opaque regulations, and unresolved issues around the recognition of qualifications continue to frustrate businesses. Although the Growth Plan acknowledges these challenges, it offers few concrete solutions, relying instead on vague promises that it will "accelerate their accession process"[31] without detailing how such progress will be delivered or enforced. In the absence of a more coherent and enforceable framework, the plan risks replicating the shortcomings of past EU efforts.

One of the more relevant proposals is the potential conclusion of new agreements on conformity assessment with the Western Balkans, which would eliminate the need for double certification of industrial goods and promote mutual recognition. In principle, this could ease market access significantly. However, the lack of clarity regarding its scope, timeline, and implementation raises doubts about the EU's commitment to making it operational. The idea itself is far from new. Similar initiatives have circulated since the early 2000s, including proposals under Javier Solana to reduce non-tariff barriers and boost alignment of regulatory frameworks through protocols to the SAAs.[32] These ambitions, however, never materialized into binding commitments or effective mechanisms short of full membership.

Nonetheless, there are some encouraging developments. The region's inclusion in the SEPA brings a concrete and immediate economic benefit. SEPA membership allows low-cost euro payments across borders (currently much more expensive than within the EU), facilitating transactions for businesses and individuals alike. Albania, Montenegro, North Macedonia, and Serbia have already joined, and the estimated savings for the region could exceed €500 million annually.[33] It is a rare example of a measure with both technical feasibility and direct relevance to citizens and firms in the region.

Another innovative component of the Growth Plan lies in the establishment of the Reform and Growth Facility, formalized in May 2024.[34] Modelled on the EU's pandemic recovery instrument, the so-called NextGenerationEU, the Reform and Growth

29 European Commission, Communication on an Economic and Investment Plan for the Western Balkans, Brussels, 6.10.2020 COM(2020) 641 final, https://eur-lex.europa.eu/resource.html?uri=cellar:d32825b0-08ad-11eb-a511-01aa75ed71a1.0002.02/DOC_1&format=PDF (accessed July 31, 2025).

30 For a comprehensive overview of these issues, where they are discussed in datils, see: Will Bartlett, Matteo Bonomi, and Milica Uvalic, Economic and Investment Plan for the Western Balkans: Assessing the Possible Economic, Social and Environmental Impact of the Proposed Flagship Projects, Study Requested by the AFET Committee, European Parliament, May 2022, https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2022)702561 (accessed July 31, 2025).

31 European Commission, "Communication on New Growth Plan for the Western Balkans," op. cit., 1.

32 Council of the European Union, Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) – Commission Staff Working Paper, SEC (2004) 1071, Brussels, 19 October 2004.

33 World Bank, "Retaining the Growth Momentum," in: Western Balkans Regular Economic Report No. 26 - Fall 2024, 53, https://documents1.worldbank.org/curated/en/099101424043012347/pdf/P5067421db658a06b1a82c1811f0301d818.pdf (accessed July 31, 2025).

34 Council of the European Union, "Regulation (EU) 2024/1449 on Establishing the Reform and Growth Facility for the Western Balkans," in: Official Journal of the European Union L, 24 May 2024, https://eur-lex.europa.eu/eli/reg/2024/1449/oj/eng (accessed July 31, 2025).

Facility offers EUR 6 billion (EUR 2 billion in grants and EUR 4 billion in loans) contingent on the implementation of economic and institutional reforms. Western Balkan countries are required to submit detailed reform agendas to access these funds, with biannual payments tied to specific milestones. All countries except Bosnia and Herzegovina have successfully submitted reform agendas and received their first disbursements by the European Commission.

While the mechanism introduces some procedural innovations and extends access to loans under conditions previously reserved for EU member states, its overall impact risks being more symbolic than substantive. The limited timeframe (tied to the current EU budget cycle ending in 2027), weak administrative capacities and the proliferation of targets connected with the reform plans threaten to dilute the focus on economic development and may result in conditionality that is either inconsistently applied or reduced to a superficial checklist of compliances.

Moreover, when compared to the scale of EU support for socioeconomic development within its own member states, the Reform and Growth Facility appears extremely modest. Even when combining the grants available through the Economic and Investment Plan and the Growth Plan, the Western Balkans are expected to receive up to EUR 11 billion in grants between 2021 and 2027. This amount is significantly smaller than the support allocated to neighboring EU countries. On a per capita basis, citizens in Southeastern EU member states such as Bulgaria, Croatia, Greece, Hungary, Romania, or Slovenia receive between six and nine times more EU funding than those in the Western Balkans. This disparity has increased for the 2021-2027 period, as EU funding for member states expanded through NextGenerationEU and Multiannual Financial Framework revisions, while the Western Balkans saw only a modest boost from the Growth Plan, widening the funding gap from one to six to one to seven.[35] Such an imbalance not only undermines the credibility of the Growth Plan as a tool for convergence but also raises broader concerns about the EU's willingness to provide sufficient resources to support structural transformation and enable real socioeconomic progress in the region.

Conclusions and Recommendations

Despite two decades of integration efforts, the economic trajectory of the Western Balkans remains marked by a structural disconnect between external openness and internal economic development. The region's integration into the EU's economy has brought visible gains through trade and FDI, but these have not translated into meaningful convergence of the Western Balkans with EU living standards. Beneath the surface of export growth lies a more troubling reality: weak productive capacities, limited technological upgrading, and persistent institutional fragilities, all of which continue to constrain long-term economic development. Without strategic investment in innovation, skills formation, and the strengthening of domestic industrial ecosystems, the current growth model is neither economically sustainable nor politically viable.

Governments of the Western Balkans (National Level)

- Moving beyond formal EU compliance: Governments should stop treating EU integration primarily as a legal or administrative exercise. Reforms must aim at genuine structural transformation, focusing on productivity, innovation, and domestic capacity building rather than short-term alignment.
- Rebuilding productive capacities: Economic policy should prioritize industrial diversification, technological upgrading, and domestic value chain development to reduce excessive dependence on low-cost labor and foreign capital.
- Undertaking strategic investment in skills and innovation: Education, vocational training, and Research and Development (R&D) must be aligned with economic modernization goals to address skills shortages, reduce brain drain, and support knowledge-intensive sectors.
- Strengthening state capacity and rule of law: Institutional weaknesses – clientelism, corruption,

35 For detailed figures, see Bonomi 2025, op. cit., 14-15.

lack of accountability – must be addressed as a precondition for credible industrial policy and private sector development.
- Reducing FDI dependency: Investment attraction strategies should be reoriented from subsidy-driven, low-tech activities toward fostering linkages between foreign investors and domestic firms, encouraging spillover effects and upgrading.[36]

Civil Society and Business Sector of the Western Balkans (National Level)

- Demanding structural reforms: Civil society and the private sector should act as drivers of accountability, pushing governments to go beyond surface-level compliance and pursue transformative policies.
- Championing competitiveness and innovation: Business associations and professional networks should advocate for measures that support domestic entrepreneurship, R&D, and workforce development.
- Building pressure for institutional change: By mobilizing public debate, monitoring governance, and engaging in policy dialogues, non-state actors can help shift political incentives toward long-term development rather than clientelist practices.
- Strengthening regional business linkages: Private sector cooperation across borders can help build value chains and increase bargaining power and competitiveness in accessing the EU market.

Regional Level

- Using regional cooperation as a complement, not a substitute: Initiatives such as the CRM should support, not replace, the EU accession process. Overreliance on regionalism risks diverting attention from the main strategic objective of full EU membership.
- Delivering tangible economic benefits: Regional mechanisms must overcome political blockages and focus on practical outcomes – such as reduced border delays, regulatory simplification, and improved labor mobility – to retain credibility.
- Avoiding inflated expectations: Policymakers should align regional initiatives with realistic economic gains, recognizing that deeper integration with the EU Single Market yields greater benefits than intra-regional trade alone.
- Linking cooperation to structural upgrading: Regional agreements should be designed to strengthen productive capacity and competitiveness, not just facilitate trade flows.

EU

- Rethinking the integration model: The EU must acknowledge that convergence cannot be achieved through market access and trade liberalization alone. A more ambitious strategy is needed to address structural transformation in the region.
- Deepening access to the Single Market: Accelerated and sectorally targeted access to the Single Market should be prioritized, going beyond existing Stabilisation and Association Agreements.
- Enhancing financial support: EU assistance remains modest compared to funding for member states. Reducing the funding gap is essential to ensure a real developmental impact.
- Introducing institutional innovation: Conditionality frameworks should be made more credible and enforceable, linking disbursements to measurable outcomes rather than formal checklists.
- Embedding geopolitical commitment: The EU should match its enlargement rhetoric with political will and financial instruments that reflect the region's strategic importance, moving beyond symbolic engagement.
- Supporting state capacity-building: Assistance should also target administrative reform, rule of law, and regulatory effectiveness, creating the conditions for sustainable economic upgrading.

Ultimately, the success of integration will hinge not only on economic indicators but on whether citizens feel that it delivers real, tangible improvements in their lives. The current gap between the promises of EU enlargement and the slow, uneven pace of change on the ground threatens to undermine trust both in Brussels and in Western Balkan national institutions. Rebuilding that trust requires a more credible, inclusive, and development-ori-

36 Uvalic, 2025

ented approach, one that treats the Western Balkans not merely as a periphery to be managed but as future members whose success is vital to the stability and prosperity of Europe as a whole.

A Secure Digital Path for the Western Balkans

Blerton Abazi
University for Business and Technology – UBT, Kosovo

Digitalization in the Western Balkans (WB6) offers major opportunities for democratic transformation, institutional modernization, and economic convergence with the European Union (EU). Yet the transition also exposes vulnerabilities, including cyber threats, disinformation, fragile institutions, and uneven levels of digital literacy. Comparative indices show that the region continues to lag behind EU averages in connectivity, human capital, and digital public services, with notable variation among WB6 countries. Without deeper reforms and stronger cooperation, these gaps risk slowing structural change. National governments have begun to modernize e-governance, strengthen cybersecurity, and align with EU frameworks, yet progress is fragmented. Civil society and bilateral partnerships support these efforts, but the lack of a coordinated regional strategy limits impact. The EU's Digital Decade and Cybersecurity Strategy offer a clear framework, but successful convergence requires regional ownership and synchronized implementation across governments, civil society, and the private sector. Key priorities include aligning national strategies with EU rules (Digital Services Act (DSA), Digital Markets Act (DMA), NIS2 Directive), strengthening cyber resilience, promoting digital literacy, expanding fact-checking and civic-tech initiatives, adopting cybersecurity standards in Small and Medium Enterprises (SMEs). Regional cooperation and clear EU benchmarks are crucial; digital governance must be treated as a cornerstone of sustainable democracy and convergence.

Digital Transformation and Democratic Resilience in the Western Balkans

Setting the Stage

Digital technologies are reshaping political systems, economies, media ecosystems, and social interactions across the globe. In the Western Balkans, this transformation unfolds within a fragile context marked by unresolved post-conflict tensions, democratic stagnation, weak institutions, media capture, and geopolitical competition.

The digital transition brings two opposing dynamics. As an enabler, it can drive inclusion, innovation, and economic modernization by opening new markets, attracting investment, and improving public service delivery through e-governance. As a disruptor, however, it can widen socioeconomic divides, displace traditional industries, and deepen polarization when labor markets and governance structures fail to adapt to technological change.

Digitalization in the Western Balkans is increasingly intertwined with the region's structural transformation. While the Information and Communication Technology (ICT) sector are expanding particularly in Serbia, Albania, and North Macedonia, the overall digital economy remains small, dominated by outsourcing and low-value-added services. Automation and platform economies are reshaping labor markets, generating opportunities for skilled youth in software and digital marketing while leaving others behind, particularly in rural and aging communities. This uneven transition risks reinforcing existing structural weaknesses such as brain drain, informality, and gender gaps in the tech workforce.

Moreover, most WB6 economies still depend heavily on traditional manufacturing, agriculture, and public administration, where digital uptake remains limited. The lack of a coherent regional approach to digital upskilling and innovation ecosystems constrains productivity growth and regional competi-

tiveness. Without sustained investment in digital skills, research, and innovation, the region risks being locked into a peripheral role within Europe's digital single market.

These challenges converge across three critical dimensions. Firstly, media landscapes in most WB6 countries remain highly politicized with limited editorial independence, opaque ownership structures, and growing online disinformation networks. Secondly, from ransomware attacks on public institutions to foreign-sponsored campaigns targeting elections, the region's cybersecurity posture remains fragmented and under-resourced. Thirdly, digital literacy levels remain uneven, and national legal frameworks for data protection, content moderation, and online accountability are either outdated or only partially aligned with EU standards.

The absence of a coordinated regional strategy and institutional asymmetries among the WB6 exacerbates these vulnerabilities. External actors including Russia and China leverage digital platforms and media channels to undermine democratic norms, promote authoritarian narratives, and exploit regulatory vacuums. Domestic actors, meanwhile, struggle to develop comprehensive policies to safeguard the digital domain and to balance innovation with protection, and competitiveness with social equity.

Addressing these multifaceted risks is not simply a technical necessity; it is a strategic imperative for democratic resilience, economic modernization, and the credibility of the WB6's EU accession path. As the EU advances its Digital Decade initiative and strengthens its cybersecurity and digital services frameworks, the Western Balkans must accelerate alignment to avoid further divergence. Ensuring that digitalization acts as a driver rather than a divider of structural change and democratic development is a key prerequisite for sustainable regional stability.

National Policy Directions

Policy Responses in the WB6

Albania

Albania has taken steps to modernize digital infrastructure and e-governance through platforms like e-Albania, which centralizes public services. However, cyber vulnerabilities remain acute, as demonstrated by the 2022 cyberattacks attributed to Iran, which disrupted government systems and exposed data protection gaps.[1] The country adopted a National Cybersecurity Strategy (2020–2025) and approximated the General Data Protection Regulation (GDPR) in its data law.[2] Still, challenges persist in terms of media freedom, political pressure on journalists, and institutional independence of the data protection commissioner. EU support and North Atlantic Treaty Organization (NATO) cyber cooperation have improved Albania's digital readiness, but capacity-building needs remain high.

Bosnia and Herzegovina

Bosnia and Herzegovina suffers from extreme institutional fragmentation which limits unified digital policies. Cybersecurity efforts are underdeveloped and primarily reactive. Media capture, online hate speech, and disinformation particularly along ethnic lines are prevalent. While some entity-level digitalization initiatives exist (e.g., e-Governance in Republika Srpska), a coherent national strategy is lacking. EU support through Pre-Accession Financial Assistance (IPA) projects and Regional Cooperation Council (RCC) coordination has provided minimal harmonization. Digital literacy remains low, especially among youth and marginalized communities.[3]

Kosovo

Kosovo has made progress in digital governance, introducing e-Kosova services and passing a Cy-

1 North Atlantic Treaty Organization, Statement by the North Atlantic Council Concerning the Malicious Cyber Activities Against Albania, https://www.nato.int/cps/en/natohq/official_texts_207156.htm (accessed September 29, 2025).

2 Erion Braçe, Decision No. 1084, on Adopting the National Cybersecurity Strategy and its Action Plan 2020-2025, December 24, 2020, https://aksk.gov.al/wp-content/uploads/2023/06/National-Cybersecurity-Strategy-and-its-Action-Plan-2020-2025.pdf (accessed September 29, 2025).

3 Aleksandar Draganic, Accelerating Digital Transformation in Bosnia and Herzegovina. A Coordinated Path Forward, OSF WB-Alumni Network, https://osfwb.org/wp-content/uploads/2025/06/Accelerating-Digital-Transformation-in-Bosnia-and-Herzegovina-A-Coordinated-Path-Forward-1.pdf (accessed September 29, 2025).

bersecurity Law in 2022.[4] However, implementation is slow due to institutional weaknesses and political instability. The country faces persistent disinformation targeting ethnic and political divisions, often linked to foreign influence campaigns. For example, a 2024 study found that Kosovo's inter-ethnic relations are one of the most vulnerable domains to disinformation and foreign malign influence.[5] The report noted that ethnic Serbs in Kosovo are heavily exposed to narratives from Serbian and Russian media that portray Kosovo Albanians as aggressors or NATO as biased towards Albanians. Kosovo is not a member of major international organizations with digital and cybersecurity relevance – such as the International Telecommunication Union (ITU), which shapes global Information and Communication Technologies (ICT) standards, or Interpol, which coordinates cross-border cybercrime efforts. However, bilateral partnerships and civil society initiatives have helped strengthen resilience.

So far, the education system offers only limited digital literacy programs, making structural reforms essential for preparing the workforce for the digital economy. Comparative indices such as the Western Balkans Digital Economy and Society Index (WB DESI) and the Organization for Economic Co-operation and Development (OECD) Economic Convergence Scoreboard show Kosovo lagging behind the EU average and regional peers in connectivity, human capital, and digital public services, underscoring the urgency of advancing both cybersecurity capacity and broader digitalization.

Montenegro

Montenegro adopted a Strategy for Cybersecurity (2023–2026) and has upgraded its Computer Incident Response Team (CIRT).[6] Recent cyberattacks, including a major 2022 incident reportedly backed by Russian actors, exposed structural weaknesses in critical infrastructure protection.[7] The country is relatively advanced in e-government but faces threats from media concentration and opaque political influence. Digital literacy is underdeveloped, and there is no comprehensive strategy for countering disinformation. Cooperation with the EU and NATO on cyber matters is robust, but national resilience remains uneven.

North Macedonia

North Macedonia has taken important steps, including GDPR[8] alignment, a dedicated cybersecurity agency, and partnerships with the EU[9] and NATO.[10] The country has implemented digital identity systems and is piloting Artificial Intelligence (AI)-based services in healthcare and education. Nevertheless, online disinformation and hate speech are increasing,[11] often intersecting with ethnic tensions. Media freedom is fragile, and platform accountability is minimal. The government has launched media literacy[12] campaigns, but broader integration into the education system is still lacking.

Serbia

Serbia is digitally advanced in areas like e-government and 5G infrastructure, but democratic digital governance lags behind. The state's close ties with

4 Official Gazette of the Republic of Kosovo, Law No. 08/L-173 on Cyber Security, 2023, https://gzk.rks-gov.net/ActDetail.aspx?ActID=70933 (accessed September 29, 2025).

5 Democracy Plus (D+), 2nd Vulnerability Index of Disinformation in Kosovo, July 2024, https://dplus.org/wp-content/uploads/2024/07/25-07-2024_Index-of-Disinformation.pdf (accessed September 29, 2025).

6 Ministry of Public Administration, Digital Society and Media, Montenegro Digital Transformation Strategy 2022-2026. With Action Plan 2022-2023, December 2021, https://wapi.gov.me/download/59dcab9b-b0e8-48b7-830b-6e4eab690521?version=1.0 (accessed September 29, 2025).

7 Samir Kajosevic, "Montenegro Still Assessing Damage From Mystery Cyber Attacks," in: Balkan Insight, August 29, 2022, https://balkaninsight.com/2022/08/29/montenegro-still-assessing-damage-from-mystery-cyber-attacks/ (accessed September 29, 2025).

8 AIBEST, North Macedonia Implements the GDPR, https://aibest.org/tpost/0igtedtm2n-north-macedonia-implements-the-gdpr (accessed September 29, 2025).

9 European Union External Action, North Macedonia. New Security and Defence Partnership with the EU to Strengthen Capabilities and Cooperation, November 11, 2024, https://www.eeas.europa.eu/eeas/north-macedonia-new-security-and-defence-partnership-eu-strengthen-capabilities-and-cooperation_en (accessed September 29, 2025).

10 North Atlantic Treaty Organisation, NATO and North Macedonia Strengthen Responses to Cyber Threats, July 2, 2021, https://www.nato.int/cps/en/natohq/news_181656.htm (accessed September 29, 2025).

11 Vesna Kolovska, "North Macedonia Sees Surge in Online Hate Speech Around Elections," in: Balkan Insight, Analysis, June 6, 2024, https://balkaninsight.com/2024/06/06/north-macedonia-sees-surge-in-online-hate-speech-around-elections/ (accessed September 29, 2025).

12 Macedonian Institute for Media, Media Literacy in Education Enhances Critical Thinking Among Students, October 30, 2024, https://mim.org.mk/en/news-en/1533-the-need-for-integration-of-media-literacy-into-education-with-a-focus-on-critical-thinking/ (accessed September 29, 2025).

certain media outlets, high-profile surveillance cases, and inadequate data protection enforcement raise concerns. The 2021 Strategy for the Development of the Information Society includes cybersecurity goals, but implementation has been selective.[13] Disinformation campaigns, especially related to foreign policy orientation (EU vs. Russia), are widespread.[14] While civil society is active in digital rights advocacy, its influence on policymaking is limited.

Towards a Connected WB6: Building Common Standards for Cybersecurity, Data Governance, and Digital Skills

Cooperation within the Region

Regional cooperation in the WB6 remains uneven despite shared challenges and EU convergence goals. While political frictions hinder deeper integration, successful initiatives like the Western Balkans Roaming Agreement (2021)[15] and the RCC-facilitated Digital Summits[16] highlight potential for collaboration.

Several areas stand out. Regarding cybersecurity, efforts to create a Western Balkans Cyber Capacity Centre (WB3C)[17] are underway and ad hoc information sharing exists between Computer Security Incident Response Teams (CSIRTs). Still, the region lacks a joint threat intelligence platform or incident response mechanism.

Within the area of digital literacy and disinformation, the SEE Check Network[18] and fact-checking platforms such as Raskrinkavanje[19] and Faktoje[20] operate across borders. However, no formal regional strategy exists for digital literacy or coordinated counter-disinformation policies.

For data governance within the region, General Data Protection Regulation (GDPR) approximation varies widely, and cross-border data-sharing frameworks are minimal.[21] A harmonized approach to data protection, including a Regional Data Protection Council, could enhance trust and interoperability.

The same holds true for digital skills mobility: The lack of a regional framework recognizing digital skills limits workforce integration. A Digital Skills Passport,[22] which is essentially a structured, verifiable record of an individual's digital competencies, training, and qualifications, could address this gap and foster regional innovation.

Finally, platform accountability is limited. Without regional leverage, each country negotiates separately with global tech companies. A coordinated regional stance could strengthen regulatory oversight and content moderation demands.

From Compliance to Co-Creation: Aligning the Western Balkans with Europe's Digital Future

Cooperation with the EU

As the EU accelerates its digital agenda through the Digital Services Act (DSA), Digital Markets Act (DMA), Cybersecurity Act, and the AI Act, convergence from the WB6 is essential. Misalignment could create regulatory fragmentation and

13 Government of the Republic of Serbia, Information Society and Information Security Development Strategy of the Republic of Serbia for the Period 2021-2026, https://arhiva1.mtt.gov.rs/extfile/sr/35315/Information%20Society%20and%20InfoSec%20Strategy%202021-2026111.pdf (accessed September 29, 2025).

14 Michael J. Kelley, Understanding Russian Disinformation and How the Joint Force Can Address It. US Army War College, May 29, 2024, https://publications.armywarcollege.edu/News/Display/Article/3789933/understanding-russian-disinformation-and-how-the-joint-force-can-address-it/ (accessed September 29, 2025).

15 Regional Cooperation Council, Regional Roaming Agreement is Clear. Roaming Charges in The Western Balkans Are Now Zero, July 2, 2021, https://www.rcc.int/news/715/regional-roaming-agreement-is-clear-roaming-charges-in-the-western-balkans-are-now-zero (accessed September 29, 2025).

16 Regional Cooperation Council, Western Balkans Digital Summit, https://www.rcc.int/priority_areas/64/western-balkans-digital-summit (accessed September 29, 2025).

17 Western Balkans Cyber Capacity Center, https://wb3c.org (accessed September 29, 2025).

18 SEE Check, https://seecheck.org (accessed September 29, 2025).

19 Raskrinkavanje, https://raskrinkavanje.ba (accessed September 29, 2025).

20 Faktoje, https://faktoje.al (accessed September 29, 2025).

21 W. Gregory Voss, Cross-Border Data Flows, the GDPR, and Data Governance Cross-Border Data Flows, the GDPR, and Data Governance, June 23, 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3629348 (accessed October 24, 2025).

22 EPALE - Electronic Platform for Adult Learning in Europe Digital Skills Passport, https://epale.ec.europa.eu/en/content/digital-skills-passport (accessed October 24, 2025).

democratic vulnerabilities at Europe's southeastern flank.

Several EU support mechanisms are already in place, including IPA III funding for digital transformation and resilience, twinning projects supporting regulatory capacity and alignment with the DSA and GDPR, RCC and EU4Digital support for digital entrepreneurship and digital public services, and cybersecurity dialogues under the Berlin Process and NATO partnerships.

However, EU engagement often remains fragmented and overly donor driven. A more strategic approach could include structured accession benchmarks focused on digital governance as well as deeper engagement with EU agencies, including the European Union Agency for Cyber Security (ENISA), the European Data Protection Board (EDPB), and the EU AI Office, and cross-border pilot projects involving EU member states and WB6 digital regulators. In addition, inclusion of WB6 CSIRTs in the EU CSIRT Network as observers and expanded digital infrastructure support, especially for rural and underserved areas, could help drive strategic alignment between the WB6 and the EU.

Moreover, global platform governance particularly related to Meta, Google, and TikTok remains weak in the WB6.[23] EU support in negotiating regional content moderation standards, algorithm transparency mechanisms, and user redress systems would improve digital rights protection.

Stronger EU-WB6 cooperation should go beyond compliance. It should emphasize co-creation of policies, mutual learning, and democratic resilience. By investing in the region's digital transition, the EU also strengthens its own digital sovereignty and counteracts authoritarian influence in its immediate neighborhood.

Conclusion and Recommendations

The Western Balkans stand at a pivotal juncture in their digital transformation. Digital technologies offer unprecedented opportunities for modernization, economic growth, and democratic participation, yet they also expose the region to acute vulnerabilities – from cyber threats and disinformation to media capture and regulatory fragmentation. These risks are magnified by structural weaknesses, including fragile institutions, uneven digital capacities, and low levels of public trust.

Building a secure and inclusive digital future requires not only national reforms but also robust regional cooperation and deeper integration with the European Union. The EU's Digital Decade and Cybersecurity Strategy provide a strong normative and policy framework, but convergence with EU standards will only be possible with tailored support, regional ownership, and synchronized implementation across governments, civil society, and the private sector.

To advance this vision, Western Balkan governments should commit to a Regional Digital Cooperation Pact, setting common objectives in cybersecurity, disinformation resilience, and regulatory harmonization. Existing frameworks such as the Berlin Process, the Central European Free Trade Agreement (CEFTA), and the Open Balkan initiative should elevate digital governance as a strategic priority. The Regional Cooperation Council (RCC), in turn, could convene a Western Balkans Digital Governance Forum to institutionalize dialogue among ministries, civil society organizations, academia, and the private sector.

Such steps would not only strengthen digital security and policy alignment but also foster mutual trust, enhance democratic resilience, and reduce dependencies on external actors. A coordinated approach, grounded in regional solidarity and supported by the EU, can transform digital vulnerabilities into drivers of stability, growth, and integration.

23 Alba Brojka, Why the Digital Services Act is needed in the Western Balkans: An institutional and market perspective - European Western Balkans, in: European Western Balkans, June 4, 2025, https://europeanwesternbalkans.com/2025/04/04/why-the-digital-services-act-is-needed-in-the-western-balkans-an-institutional-and-market-perspective/ (accessed October 24, 2025).

Below are targeted recommendations for key stakeholders involved in shaping a secure, inclusive, and democratic digital future for the Western Balkans.

Governments of the Western Balkans (National Level)

- Align national digital strategies with EU frameworks: Western Balkan countries should ensure that their national digital agendas are harmonized with the EU's key legislative frameworks, notably the Digital Services Act (DSA), Digital Markets Act (DMA), and NIS2 Directive. Such alignment will enhance interoperability across borders, create a predictable regulatory environment for investors, and signal the region's political commitment to EU integration. The process should also involve mapping gaps between existing national laws and the EU digital acquis, establishing coordination mechanisms between ministries and regulatory agencies, and promoting open standards to facilitate cross-border data flows.
- Strengthen institutional capacity and cyber resilience: Digital transformation can succeed only if institutions have the operational capacity to manage risks and ensure security. Ministries responsible for digitalization, regulatory authorities, and Computer Security Incident Response Teams (CSIRTs) must be equipped with skilled personnel, sustainable funding, and access to real-time threat intelligence. Investment priorities should include secure data centers, network redundancy, and crisis response mechanisms, supported by partnerships with EU agencies such as ENISA and Cyber Emergency Response Team of the EU (CERT-EU). Furthermore, retention of cybersecurity talent through competitive incentives and professional development programs is essential to reduce dependence on external expertise.
- Safeguard media pluralism and limit political interference: Media freedom remains an indispensable pillar of democratic resilience. Governments, in cooperation with the EU and independent media regulators, should establish transparent oversight frameworks that prevent undue political influence over public broadcasters. Diversifying media ownership, ensuring financial independence, and promoting ethical journalism standards are central to countering disinformation and restoring public trust. EU-supported initiatives such as cross-border fact-checking networks, co-regulatory codes of practice, and digital platform accountability mechanisms should be embedded in national strategies to ensure balanced and transparent information environments.
- Enhance public digital services and e-governance accessibility: Governments across the Western Balkans should prioritize citizen-centered digital public services that are inclusive, transparent, and interoperable. E-governance reforms should simplify administrative processes, reduce corruption risks, and ensure data protection by design. Special attention must be given to accessibility in rural and underserved communities through user-friendly platforms, mobile service units, and local digital access points. Regular public feedback and open-data initiatives can improve trust and accountability, while integration with the EU Interoperability Framework will ensure that citizens and businesses benefit from seamless cross-border services.
- Integrate digital literacy and critical media thinking into education: Building digital resilience begins in classrooms. Ministries of Education should embed digital literacy, cybersecurity awareness, and critical media thinking into school curricula at all levels. Teacher training programs and adult learning initiatives must emphasize responsible online behavior, data privacy, and the ability to identify and counter disinformation. Partnerships between education ministries, civil society, and private sector actors can enhance reach and relevance. Empowering citizens with these competencies will not only strengthen employability but also promote civic participation and democratic resilience.

Civil Society/Business Sector of the Western Balkans (National Level)

Strengthening the digital resilience and innovation capacity of the Western Balkans depends not only on government action but also on the active engagement of civil society and the private sector. Both play an essential role in expanding digital inclusion, promoting transparency, and fostering a

sustainable digital economy aligned with EU standards.

- Support grassroots digital literacy and fact-checking initiatives: Civil society organizations (CSOs) are at the forefront of addressing the region's digital literacy and information resilience gaps. They should expand grassroots initiatives that combine media monitoring, digital literacy training, and watchdog journalism to counter misinformation and strengthen public trust. Targeted outreach to marginalized and rural communities remains particularly important to ensure no group is left behind in the digital transition. EU and donor funding instruments should prioritize long-term support for such programs, helping build critical thinking, responsible online engagement, and informed civic participation across all segments of society.
- Enhance civic-tech collaboration: Partnerships between CSOs, technology providers, and public institutions can transform governance and citizen engagement. The European Union, together with Western Balkan governments and international donors through IPA III and the Digital Europe Programme, should promote civic-tech cooperation that delivers open-source digital tools for transparency, anti-corruption, and public service monitoring. Such collaboration encourages innovation ecosystems where citizens actively participate in policy oversight, thereby strengthening accountability and institutional trust. Successful examples, such as open data portals, e-participation platforms, and digital complaint mechanisms, should be scaled region-wide to ensure a consistent culture of digital democracy.
- Promote private sector cybersecurity standards: The private sector, particularly small and medium-sized enterprises (SMEs), forms the backbone of the region's economy and must be equipped to manage growing cyber risks. National governments, EU institutions, and regional chambers of commerce should work jointly to promote cybersecurity awareness, support the adoption of international standards such as ISO 27001 Information Security Management Systems, and ensure compliance with the General Data Protection Regulation (GDPR). Tailored capacity-building programs, regular risk assessments, and public–private information-sharing frameworks can significantly enhance the resilience of local enterprises. Strengthening cybersecurity practices across industries not only protects business continuity but also reinforces confidence in the regional digital market.

Regional Level

Achieving meaningful digital transformation in the Western Balkans requires a regional governance architecture that ensures policy coherence, joint resilience, and equitable participation in Europe's Digital Decade. The region's small market size, shared vulnerabilities, and intertwined political trajectories make collective mechanisms not only efficient but essential. Enhanced regional cooperation will also reinforce the Western Balkans' credibility as a committed and capable digital partner to the European Union.

- Establish a permanent Western Balkans digital governance forum: A regional digital governance forum should be established as a structured, high-level platform bringing together ministries of digitalization, national CSIRTs, media regulators, academia, and civil society organizations. This forum would facilitate policy coordination, joint planning, and the harmonization of national digital reforms. It should convene annually under rotating chairmanship, supported by a permanent secretariat, and align its work with EU initiatives such as the Digital Europe Programme and Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport. The forum's inclusive composition would ensure that technical expertise and policy priorities converge toward a shared digital vision.
- Create a regional cyber threat intelligence center: To strengthen collective resilience, the Western Balkans should establish a Regional Cyber Threat Intelligence Center dedicated to information sharing, coordinated incident response, and joint cyber simulations. The center would operate as a hub for real-time intelligence exchange among national CSIRTs, law enforcement agencies, and regional partners, working closely with ENISA, Europol's European Cybercrime Centre (EC3), and the European Cyber Crisis Liaison Organisation Network (EU-

CyCLONe). It should provide capacity-building support, facilitate crisis exercises, and ensure that lessons learned are shared region-wide. This initiative would enhance early warning systems, reduce response times, and enable a coordinated defense against cross-border and hybrid cyber threats.

- Develop a regional digital skills passport: A regional digital skills passport should be created to harmonize vocational standards, certify digital competencies, and facilitate workforce mobility across the Western Balkans. Building on EU frameworks such as Europass and DigComp, the passport would provide a verifiable record of an individual's digital skills, training, and qualifications recognized across all WB6 economies. This initiative would reduce fragmentation in skills recognition, promote inclusion in the regional digital labor market, and help close the persistent digital skills gap. Collaboration between education ministries, private sector actors, and EU agencies will be essential to ensure interoperability and mutual recognition.
- Adopt a regional pact on platform governance: Western Balkan countries should negotiate jointly with global technology platforms to establish a regional pact on platform governance. This framework would focus on strengthening content moderation, transparency, and accountability mechanisms tailored to local linguistic and socio-political contexts. Joint negotiation increases bargaining power, ensuring that regional concerns – such as hate speech, disinformation, and political manipulation – are addressed effectively. The pact should align with the EU's Digital Services Act (DSA) principles, ensuring that platforms operating in the Western Balkans uphold similar standards of responsibility and public interest.
- Coordinate Data Protection Enforcement: To ensure consistent and effective enforcement of data privacy standards, the region should establish a Regional Data Protection Council. This body would facilitate the exchange of best practices among national data protection authorities, align interpretations of privacy regulations, and coordinate responses to cross-border data flows and breaches. Through regular peer reviews and technical cooperation, the council would strengthen institutional capacity and harmonize data governance with the EU's General Data Protection Regulation (GDPR). Close cooperation with the European Data Protection Board (EDPB) would accelerate regulatory approximation and build confidence for future data adequacy arrangements.

EU

The European Union's role in advancing digital transformation across the Western Balkans remains indispensable. Beyond financial assistance, the EU acts as a policy anchor, a regulatory model, and a guarantor of democratic values in the digital sphere. To ensure that the region's digital transition contributes to both convergence and stability, the EU should deepen its engagement through sustained technical cooperation, policy inclusion, and targeted capacity-building initiatives.

- Provide sustained technical assistance: The EU should expand the scope of the Digital Europe Programme and the Neighbourhood, Development and International Cooperation Instrument (NDICI) to deliver long-term technical assistance to the Western Balkans. This support should prioritize digital infrastructure development, cybersecurity capability-building, and media sector reform. Multi-annual funding frameworks are essential to ensure continuity in implementation and to enable governments, civil society, and private actors to plan and execute strategic digital investments. Such sustained engagement would strengthen institutional capacity, enhance interoperability with EU systems, and accelerate the region's readiness for the Digital Single Market.
- Integrate the WB6 more closely into EU digital policymaking: The EU should establish structured mechanisms that enable the Western Balkan Six (WB6) to participate in digital policy formulation and implementation. Including WB6 representatives in relevant EU working groups, expert panels, and multi-stakeholder platforms would ensure that the region's perspectives and challenges are reflected in European digital governance. This approach would also foster regulatory alignment and build administrative familiarity with EU digital instruments. Gradual integration into EU policy-mak-

ing processes will help bridge the current participation gap and reinforce the credibility of the enlargement process.

- Promote regulatory twinning and secondments: To build institutional capacity and regulatory alignment, the EU should promote regulatory twinning and short-term secondment programs between EU member states and WB6 institutions. Exchanges of cybersecurity specialists, data protection officers, and AI ethics experts can facilitate peer learning, accelerate harmonization with EU regulatory frameworks, and foster a community of practice across the region. Such cooperation would enhance administrative competence, create trust-based networks between regulators, and ensure that the Western Balkans apply EU-compatible standards from the outset of their digital reforms.
- Prioritize cybersecurity in the enlargement process: Cybersecurity should become a cornerstone of the EU's enlargement agenda. The European Commission should integrate cybersecurity maturity, resilience against hybrid threats, and disinformation countermeasures as explicit benchmarks in the accession process. The inclusion of cybersecurity chapters in enlargement negotiations would elevate digital resilience to the same level of priority as rule of law and governance reforms. This would incentivize candidate countries to adopt robust national cybersecurity strategies, establish well-resourced CSIRTs, and engage in joint EU cyber exercises. Strengthening cybersecurity is not merely a technical goal but a strategic necessity for safeguarding democratic stability and regional trust.
- Strengthen information integrity and media resilience: The EU should reinforce information integrity by supporting a sustainable fact-checking and independent media ecosystem in the Western Balkans. This can be achieved through institutional grants, capacity-building programs, and cross-border collaboration networks that link fact-checking organizations, investigative journalists, and academia. EU funding should prioritize long-term sustainability rather than short-term project cycles, allowing independent media to operate free from political and economic pressures. By embedding information integrity into its digital policy instruments, the EU would help safeguard public discourse, counter disinformation, and promote transparency throughout the region's digital transition.

Western Balkan Labor Markets – Shifts, Shortfalls, Solutions

Branimir Jovanović
The Vienna Institute for International Economic Studies[1]

Labor markets in the Western Balkans have undergone profound changes over the past two decades. Unemployment has fallen sharply, while labor force participation and employment have risen, just like wages. Yet major challenges persist. Participation and employment remain much lower among women, youth, and the less educated, while unemployment rates remain significantly higher for these groups. Regional disparities in unemployment are striking, and wages continue to lag far behind European Union (EU) levels. At the same time, new challenges have emerged. Firms increasingly report difficulties in finding both low- and high-skilled workers – the former due to mismatches, low pay, and generally poor working conditions, and the latter due to shortages, limited numbers of college graduates, and high emigration. These challenges are not insurmountable, but addressing them requires an ambitious and comprehensive approach. Education, labor and industrial policies must be linked into a coherent vision, implemented jointly by national policy makers, civil society, and the business community, with strong regional cooperation and support from the EU.

Recent Improvements and Challenges in Western Balkan Labor Markets

Setting the Stage

The labor market situation in the Western Balkans has improved markedly over the past 15 years. This is most evident in the unemployment rate, which, although still close to double digits, has fallen sharply everywhere. In 2023, unemployment in the Western Balkans averaged around 11 percent – a major improvement from about 25 percent in 2010 (Figure 1).

This progress reflects rising employment. Between 2010 and 2023, the employment rate increased by about 15 percentage points in all economies. Differences remain, however: Albania, Montenegro, and Serbia now stand close to the European Union (EU) average of around 65 percent, while Bosnia and Herzegovina and North Macedonia are lower, at around 55 percent. Kosovo is a clear outlier, with an employment rate of just 36 percent.[2]

Labor market activity has also improved, though to a lesser extent and with wider variation. Albania, Montenegro, and Serbia now have activity rates between 72 percent and 76 percent, close to the EU average of 75 percent and up from around 60 percent in 2010. In Bosnia and Herzegovina and North Macedonia, activity is lower at 60-65 percent, with only modest gains over the past 15 years. Kosovo again stands apart with activity at just 41 percent, only slightly better than in 2010.[3]

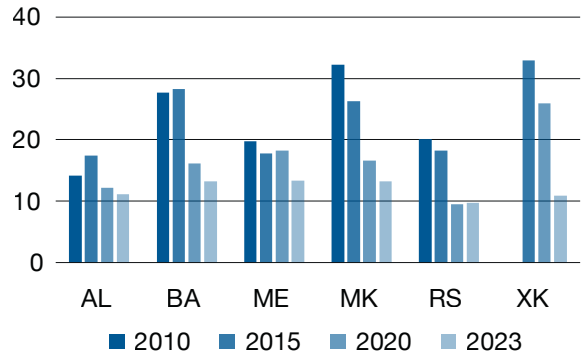
These positive developments have been accompanied by rising wages as well. Average gross wages have increased substantially across the region over the past 15 years: tripling in Albania, rising 2.5 times in Serbia, doubling in Kosovo and North Macedonia, and increasing by 75 percent in Bosnia

1 This paper relies on a forthcoming study: Branimir Jovanović, Sandra Leitner, Kristijan Fidanovski, Alida Vračić, Alireza Sabouniha, Aleksandr Arsenev, Tin Šujster (forthcoming), Human Mobility & Capital in the Western Balkans: Pathways for Inclusive Growth and EU Convergence, The Vienna Institute for International Economic Studies (wiiw) and UNDP. The paper has used AI tools for editing purposes, but no part of it was generated entirely by these tools.

2 Vienna Institute for International Economic Studies, SEE Jobs Gateway, 2025, http://data.wiiw.ac.at/seejobsgateway-q.html (accessed October 17, 2025).

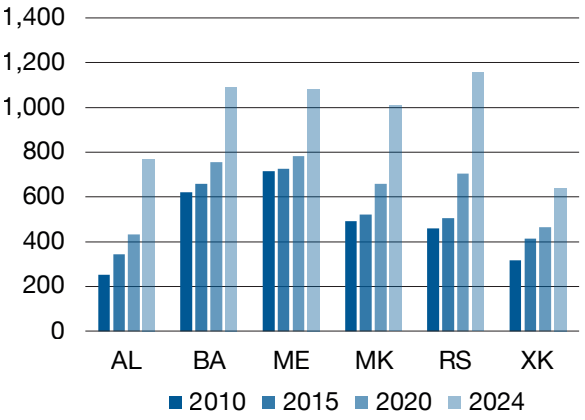
3 Ibid.

Figure 1: Unemployment Rate in the Region between 2010-2023 (% of Population Aged 15-64)



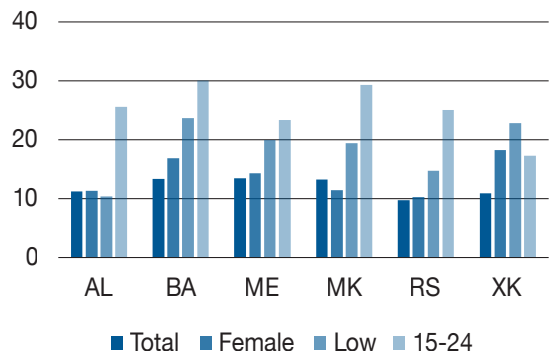
Source: Vienna Institute for International Economic Studies, SEE Jobs Gateway, 2025, http://data.wiiw.ac.at/seejobsgateway-q.html (accessed October 17, 2025).

Figure 2: Average Gross Wage in the Region between 2010-2024 (EUR)



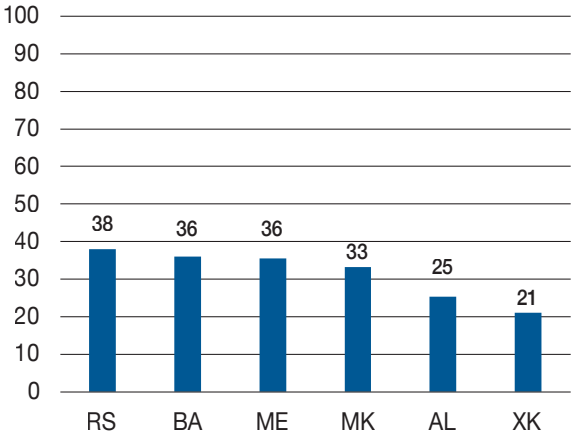
Source: wiiw SEE Jobs Gateway (2025). Note: Data on gross wages are used (i.e. including personal income tax and social contributions), because Albania does not publish data on net wages (i.e. without taxes and contributions).

Figure 3: Unemployment Rate in 2023 for Different Societal Groups in the Western Balkans



Source: wiiw SEE Jobs Gateway (2025).

Figure 4: Average Gross Wage in the Western Balkans in 2024, as Percent of EU Average



Source: Own calculations using data from wiiw. Vienna Institute for International Economic Studies, Jobs Gateway, 2025, http://data.wiiw.ac.at/seejobsgateway-q.html (accessed October 17, 2025); Eurostat, Average Gross Monthly Earnings by Socio-economic Status, 2025, https://ec.europa.eu/eurostat/databrowser/view/earn_ses_monthly/default/table?lang=en&category=labour.earn.earn_ses_main (accessed October 17, 2025).

and Herzegovina and 50 percent in Montenegro (Figure 2).

However, despite the general improvements, important gaps remain. First, some groups still do much worse than the average numbers on unemployment, employment, and activity. Three groups stand out: women, young people, and people with low education. Everywhere in the region, unemployment among youth and the low-educated is roughly two to three times higher than the overall rate, and women's unemployment likewise exceeds the average (Figure 3). Employment and activity gaps remain large. Youth and low-educated individuals record rates only one-third to one-half of the average, while women's participation also lags well behind.

The second remaining challenge is wages. Despite recent progress, they are still far below EU levels: less than 40 percent of the EU average in every economy, and as low as 20 percent in some (Figure 4).

A third major challenge is the persistence of strong regional disparities in labor market outcomes. In Montenegro, unemployment exceeds 30 percent in the north but falls below 5 percent on the coast, while in Albania and North Macedonia the weakest

regions record rates up to four times higher than the most developed. The other three economies show less dramatic contrasts, yet unemployment in their weakest regions still more than doubles that of the most advanced areas (Figure 5).

These old challenges are compounded by some new ones. Companies are increasingly complaining that they cannot find workers. In the Balkan Barometer survey 2024, shortage of labor force was picked as the number one business obstacle by companies in the region, ahead of informal economy and political instability (Table 1).

While assessing the issue of labor shortages in more depth, an analysis of job-ad websites in the region found that the most advertised jobs are cashiers, sales and store staff, drivers, distributors, cooks, and cleaners.[4] These posts could be filled by the region's existing labor reserves – inactive women, youth, and the low-educated – if matching and activation improve and if job quality (including wages) is raised. Hence, these point to labor mismatches, not genuine shortages.

A related LinkedIn postings analysis showed somewhat different results. Employers most often sought skills in support, management, data and analytics, development/IT, communication, customer service, and business administration.[5] Given that highly educated workers in the region already have relatively high activity and employment and low unemployment, these results indicate real labor shortages for high-skill jobs.

One response to these new challenges has been to bring in workers from abroad. For example, Serbia issued more than 52,000 work permits in 2022, while Montenegro granted nearly 30,000, with inflows coming mainly from Turkey, Bangladesh, India, Nepal and other countries[6] However, these efforts have been led by the business community, with little overall strategy or regulation. There have been no integration efforts, and there have been many reports of abuses and discrimination. On a more fundamental level, these workers are usually low-skilled, as are many of the unemployed people in the region.[7] Consequently, they do little to ease labor shortages, which are concentrated in high-skilled occupations.

Labor Market Policies in the Western Balkans

Policy Responses in the WB6

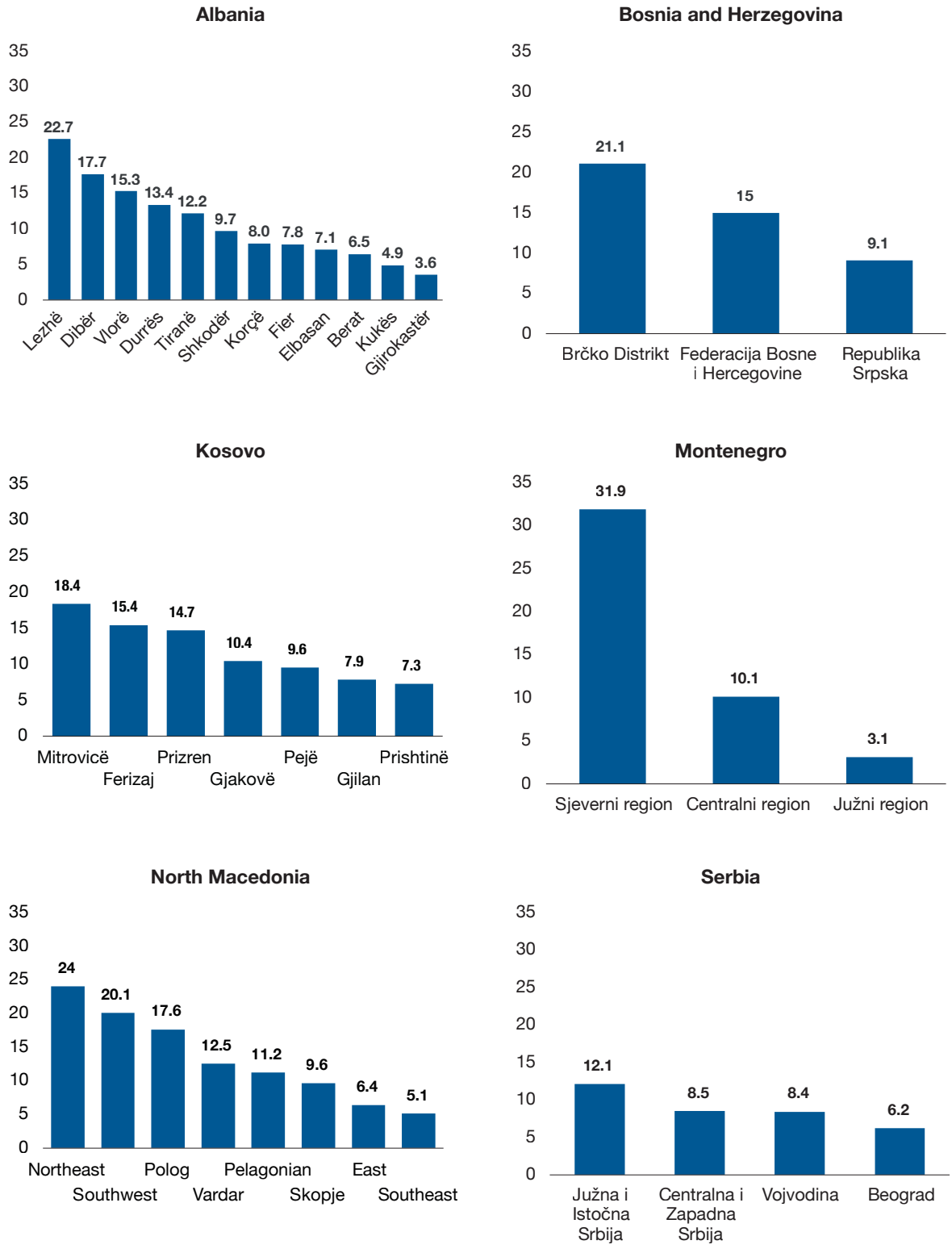
Labor market challenges are usually addressed through Active Labor Market Policies (ALMPs), which focus on improving people's skills and job prospects.[8] All Western Balkan economies have implemented broadly similar ALMPs, typically centered on training, employment subsidies, and self-employment support.

The ALMPs are financed from national budgets, often with additional donor contributions, but remain modest in scale: only 0.08 percent of Gross Domestic Product (GDP), as a regional average. Consequently, the overall effectiveness of the ALMPs is limited; just around 10 percent of jobseekers use them, and similar percentage of employers report making use of employment agency services.[9]

ALMPs have been implemented by public employment services (PES), which, due to the small budgets, face severe resource constraints. Staff shortages are acute, in some cases reaching several hundred jobseekers per staff member. As a result, PES mostly function as registration centers rather than as effective matching institutions. Training programs reach only a few thousand jobseekers per year in each country, with modest employment outcomes and often short job retention.

4 Ibid.
5 Ibid.
6 Ibid.
7 Ibid.
8 In addition to active labor market policies, there are also passive labor market policies which do not try to improve employability but rather provide income support to the unemployed.
9 Branimir Jovanović, Sandra Leitner, Kristijan Fidanovski, Alida Vračić, Alireza Sabouniha, Aleksandr Arsenev, Tin Šujster (forthcoming), Human Mobility & Capital in the Western Balkans: Pathways for Inclusive Growth and EU Convergence. The Vienna Institute for International Economic Studies (wiiw) and UNDP.

Figure 5: Unemployment Rates by Regions in the Six Western Balkan Economies



Note: National statistical offices and authors' calculations. Data taken from a forthcoming study.
Source: Jovanović. et. al.

Table 1: Business Obstacles in the Western Balkans in 2024 (Lower Number = Bigger Obstacle)

	Whole Region	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Montenegro	Serbia
Shortage of labor force	2.2	2.0	2.3	1.9	2.3	2.3	2.4
Brain drain/ emigration	2.3	1.9	2.4	2.1	2.3	2.4	2.4
Customs, tax rates and trade regulations	2.5	2.6	2.0	2.4	2.9	2.4	2.6
Informal economy and unfair competition	2.5	2.1	2.6	2.3	2.4	2.8	2.6
Political or social instability	2.5	2.6	2.0	2.3	2.2	3.0	2.9
Access to finance	2.5	2.8	2.7	2.6	2.3	2.3	2.5
Weak demand	2.5	2.5	2.6	2.3	2.4	2.6	2.6
Telecommunications, transportation, electricity and investment in broadband	2.6	2.8	2.4	2.4	2.8	2.6	2.5
Corruption	2.6	2.3	2.3	2.1	2.5	3.4	2.8
Business licensing and permits	2.7	3.1	2.7	2.6	2.6	2.4	2.7
Crime	2.8	2.9	2.5	2.1	2.6	3.5	3.2
Labor regulation	2.8	3.3	2.8	2.9	2.7	2.4	2.6
Negative image of economy or the Western Balkans region	2.9	3.2	2.7	2.6	2.7	3.2	3.1
Shortage of land and physical spaces	3.0	3.0	3.1	2.5	3.3	2.8	3.2
Discrimination based on ethnicity, gender, age, sexual orientation, or other	3.3	3.5	3.3	2.6	3.4	3.5	3.4

Note: Answers to the question: Can you tell me how the following different factors affect the growth of your business?
Source: Regional Cooperation Council, Balkan Barometer: Business Opinion Survey, 2024, https://www.rcc.int/balkanbarometer/results/1/business (accessed October 1, 2025).

In additional, targeting mechanisms are weak. Women, youth, persons with disabilities, and ethnic minorities (especially Roma) are formally prioritized in most countries, but specific, tailored programs for them remain rare. Other vulnerable groups – such as the low-educated and long-term unemployed – are even less visible, despite being heavily overrepresented among jobseekers.

Monitoring and evaluation systems are either weak or absent, making it difficult to track outcomes, assess impact, or improve program design. Labor market intelligence is underdeveloped, leaving PES to respond to past labor market developments rather than foresee what is likely to happen and act proactively.

On a more general level, there is no connection between the ALMPs and broader development policies. ALMPs are poorly integrated with industrial policy, education reform, family policy, and regional development strategies, which limits their potential contribution to inclusive growth and structural transformation.

Albania

Albania has implemented a relatively broad spectrum of ALMPs including wage subsidies, on-the-job training, internships, self-employment support, and community work. However, overall coverage remains modest: only around 5.5 percent of jobseekers participate in ALMPs, while just 7-15 percent of employers report using PES employment services.[10] The low-educated are not specifically

10 Ibid.

targeted, while women, young people, and Roma are formally listed as priority groups but without clearly defined measures.[11] For women, support is mostly indirect, channeled through initiatives in female-dominated sectors such as care. Additional weaknesses include the lack of systems for monitoring current and future labor market trends and societal needs, as well as the absence of robust impact evaluation mechanisms.

Bosnia and Herzegovina

Bosnia and Herzegovina exhibits significant variation across entities and cantons and lacks a harmonized national strategy. The main measures have included wage subsidies, training, and self-employment support, though these are often applied more as social policy tools than as genuine activation instruments, and they are rarely evaluated.[12] Outreach to vulnerable groups such as Roma and the low-educated remains very limited. Employment services mainly act as registration centers rather than providing counselling and matching, and systems to monitor labor market trends and future skills needs are still underdeveloped.

Kosovo

Kosovo has been expanding its portfolio of ALMPs, including wage subsidies, internships, training, and self-employment grants. Yet coverage remains limited: in 2020, fewer than 2,000 jobseekers completed training. The PES faces severe capacity constraints, with about 1,000 jobseekers per staff member.[13] Vulnerable groups are not effectively reached and the low-educated are not directly targeted. Labor market intelligence and monitoring systems are underdeveloped, hampering both effective matching between workers and employers and the design of forward-looking programs. Measures are not sector-specific, while entrepreneurship support exists but remains small in scale.

Montenegro

Montenegro's ALMPs largely follow a standard set of measures, such as employment support and employer subsidies, though some innovation is visible in youth-oriented schemes, particularly internships. The emphasis on young people (18-29) is strong, with this group making up roughly half of all training participants.[14] More than one-third of newly established businesses benefit from support provided by the national PES.[15] Despite these efforts, the overall labor market impact remains limited, as programs are small in scale, insufficiently targeted, and lack robust monitoring and evaluation.

North Macedonia

North Macedonia's ALMPs feature long-standing self-employment programs, typically providing grants of 5,000-10,000 Euros, complemented by training measures and mechanisms for formal recognition of skills.[16] Employer participation is comparatively strong, as companies receive subsidies to engage in training schemes on the condition that they hire part of the trainees. Recognition of skills is treated as a priority, with the number of accredited certification institutions expected to increase to 16 by 2027.[17] While monitoring and evaluation systems are in place, their quality remains uneven. Overall, outreach to inactive and low-educated groups is weak, and the strategy shows little alignment with broader economic or industrial policies.

Serbia

Serbia has a comparatively developed ALMP framework, featuring profiling tools, a network of local employment councils, and a broad set of measures including employment subsidies, training, entrepreneurship support, and internships. Yet the system remains underfunded (0.1-0.2 % of GDP) and limited in scope.[18] Adult literacy programs for Roma have shown some results, with Roma accounting for about half of participants, but many other vulnerable groups – particularly the low-edu-

11 Ibid.
12 Ibid.
13 Ibid.
14 Ibid.
15 Ibid.
16 Ibid.
17 Ibid.
18 Ibid.

cated – remain insufficiently reached. Labor market intelligence is still weak, and effective matching is constrained despite the use of profiling tools. Entrepreneurship support exists, though concerns persist over high bankruptcy rates among self-employed beneficiaries.

Common Regional Market 2.0

Cooperation within the Region

Cooperation between the Western Balkan economies in the area of labor market policies is primarily carried out through the Common Regional Market (CRM). CRM was launched in 2017, and has been implemented by Western Balkan governments with support from the EU. Its main objective is to create a single market in the region, enabling the free movement of people, goods, services, and ideas, as a steppingstone towards participation in the EU single market.

The CRM has been organized around four-year Action Plans developed by the Regional Cooperation Council (RCC) in cooperation with the Western Balkan governments, regional partners, and the European Commission. The current plan covering 2025-2028 is known as CRM 2.0 and is designed to complement the EU's Economic and Investment Plan for the Western Balkans.[19]

The most tangible progress so far has been in removing barriers to mobility through agreements on travel with identification (ID) cards within the Western Balkans, mutual recognition of professional qualifications, and recognition of higher education diplomas. These measures were intended to make it easier to work across the region. However, although the agreements have been signed, not all have been ratified by every government. As a result, in practice, some economies still do not allow travel with only an ID card or automatic recognition of qualifications.[20]

CRM 2.0 has a somewhat broader focus. One of its pillars is Human Capital Development, which aims to facilitate intra-Western Balkan social portability in line with EU social security standards. This should support the free movement of professionals and ensure that workers enjoy adequate social protections, including the portability of social rights across the region. The plan also emphasizes skills development, particularly in emerging green and digital industries, and seeks to harmonize vocational education and training (VET) systems across the region.

While these are important steps, CRM 2.0 still leaves many of the region's most pressing labor market challenges insufficiently addressed. Poorer outcomes for women, youth, and the low-educated will not vanish as a result of these measures. Wages are unlikely to rise substantially on their own, and neither low-skill mismatches nor high-skill shortages will be resolved without more targeted policies.

The Growth Plan for the Western Balkans

Cooperation with the EU

Cooperation on labor market issues between the EU and the Western Balkans goes mainly through the Growth Plan for the Western Balkans. The Growth Plan was adopted by the European Commission in November 2023, and rests on four pillars: boosting economic integration within the Western Balkans through the Common Regional Market, enhancing economic integration with the EU single market, accelerating fundamental reforms, and supporting convergence through increased financial assistance.

The Growth Plan is therefore related to the CRM 2.0 initiative, with the idea being to first establish a single market among the Western Balkan economies and then to gradually extend this integration to the EU level.

The concrete steps foreseen under the integration into the EU single market include: free movement of goods, free movement of services and workers,

19 Regional Cooperation Council, Common Regional Market Action Plan 2025-2028 (CRM 2.0), 2024, https://www.rcc.int/pubs/189/common-regional-market-action-plan-2025-2028 (accessed November 17, 2025).

20 European Institute of Peace, Recognition of Professional Qualifications under the Western Balkans Common Regional Market. State of Play and Potentials Lost from Non-Implementation, January 2025, https://www.eip.org/wp-content/uploads/2025/01/3.-The-state-of-recognition-of-professional-recognition-3.pdf (accessed October 1, 2025).

access to the Single Euro Payments Area (SEPA), facilitation of road transport, integration and decarbonization of energy markets, creation of a digital single market, and integration into industrial supply chains.[21]

Labor market issues fall under the heading of free movement of services and workers. However, the only concrete measure in this area is the mutual recognition of skills and qualifications between the EU and the Western Balkans. While this is a useful step, it does not amount to free movement of workers. Citizens of the Western Balkans will still need to undergo lengthy and costly procedures to obtain work permits in the EU. There are no provisions for eliminating or significantly simplifying these requirements.

Labor market cooperation between the EU and the region has also taken place through the EU accession process. Employment and social policy issues are covered under Chapter 19 (Social Policy and Employment), which requires alignment of national legislation with EU standards and the development of sufficient institutional capacity for implementation. Progress here has been slow: only Montenegro and Albania have opened Chapter 19, and neither is close to closing it.

Hence, overall, EU-Western Balkan cooperation on labor issues remains limited in scope and results.

Conclusion and Recommendations

Labor market outcomes in Western Balkans have improved markedly over the past two decades. Unemployment has fallen across all economies, in many cases approaching single digits, while employment and activity rates have increased. This has also translated into noticeable wage growth, contributing to higher living standards.

Yet important challenges remain. Labor market outcomes are still significantly worse for women, young people, and those with low levels of education. Regional disparities are also pronounced: less developed areas continue to record much higher unemployment rates than the capital city regions. Despite recent growth, wages remain low across the region, averaging less than 40 percent of the EU average level.[22]

New challenges have also emerged. Employers increasingly report difficulties in finding workers at both low- and high-skill levels. At the low-skill end, this owes to mismatches caused by market inefficiencies, weak employment services, persistently low wages, and poor working conditions. At the high-skill end, this owes to shortages, caused by insufficient numbers of tertiary graduates and the continuing outmigration of skilled workers.

Existing labor market policies, frameworks for regional cooperation, and cooperation with the EU remain too narrow to address these issues effectively. Meeting the challenge will require a coherent set of measures under a single overarching vision, drawing together different areas of policy and society, as elaborated below.

Governments of the Western Balkans (National Level)

- Improve labor matching: Public employment agencies should strengthen employment services, profiling, and guidance to connect inactive groups (low-educated, youth, and women) with existing local demand for low-skill jobs.
- Raise wages and improve labor rights: Governments should increase minimum wages gradually, strengthen collective bargaining, and enforce decent working conditions to make employment more attractive.
- Address regional disparities: National authorities should link activation policies with industrial and regional development strategies, targeting investment to underdeveloped areas.
- Support women, youth, and low-educated groups: Governments should expand childcare and eldercare, introduce flexible work arrangements, strengthen youth guarantees, and focus

21 European Commission, Growth Plan for the Western Balkans, 2024, https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en (accessed November 17, 2025).

22 See Figure 4.

Active Labor Market Measures (ALMPs) on upskilling the low-educated.

- Tailor training for shortage sectors: Public employment agencies should anticipate skill demand and expand requalification programs for professions in healthcare, IT, engineering, and green/digital sectors.
- Expand tertiary education, keeping quality: National authorities, together with universities, should increase enrolment rates, ensure quality assurance, and strengthen Science, Technology, Engineering, and Mathematics (STEM) disciplines to foster a knowledge economy.
- Develop genuine industrial policies: Governments must define strategic sectors, set long-term visions, and extend coordinated support to domestic businesses, not just foreign investors.
- Create legal and integration frameworks for migrants: Authorities should simplify procedures for foreign workers and provide integration support (language, orientation, housing, healthcare, and schooling) to prevent informality.

Civil Society/Business Sector of the Western Balkans (National Level)

- Link industry and education: Employers and universities/VET providers should co-design curricula, internships, and research partnerships aligned with sectoral strategies.
- Promote inclusion and reduce discrimination: Civil society and businesses should run community projects, training, and awareness campaigns to support the integration of migrants and vulnerable groups into the workforce.
- Encourage workplace innovation: Firms should invest in lifelong learning, flexible work arrangements, and skills upgrading for employees, in coordination with government incentives.

Regional Level

- Strengthen regional cooperation: Governments in the region should advance cross-border projects in infrastructure, energy, mobility, and education, recognizing that integration could significantly raise regional GDP.[23]
- Deepen the Common Regional Market (CRM 2.0): Regional governments should accelerate ratification and implementation of agreements on mobility, mutual recognition of qualifications, and portability of social rights.
- Coordinate education and industrial policies regionally: Governments and universities from the region should jointly address shortages in IT, healthcare, and engineering through harmonized curricula, mobility schemes, and regional centers of excellence.
- Share labor market intelligence: Regional governments and public employment agencies should establish regional platforms for skills forecasting, LinkedIn/job posting data, and exchange of best practices in PES and ALMPs.

EU

- Keep EU accession central: The EU should do whatever in its power to accelerate negotiations, as membership could boost Western Balkan GDP growth by several percentage points annually.[24]
- Expand budget support before accession: The EU should increase financial transfers and pre-accession instruments to the Western Balkan economies, linking them to credible reform progress.
- Broaden single market integration: The EU must go beyond recognition of skills and qualifications, towards full single market integration, exploring gradual easing of work permits and deeper labor mobility.
- Support regional cooperation mechanisms: The EU should provide technical assistance and funding to strengthen CRM 2.0, education harmonization, and social security portability.

23 Jovanović et al.
24 Ibid.

Structural Change – Emigration: Turning Brain Drain into Brain Gain in the Western Balkans

Dženeta Karabegović
University of Salzburg

The Western Balkans are facing a demographic crisis due to sustained emigration and negative total population growth rates. Although unemployment rates have declined across the region, persistent emigration has generated significant labor shortages, compounded by fragmented and poorly coordinated policy responses. With nearly three-quarters of 18- to 24-year-olds planning to leave the region, bold action is needed, whether this is investing in building strategic diaspora networks that turn brain drain into brain circulation, anti-corruption reforms that restore trust in institutions, or comprehensive retention strategies and competitive wages that mitigate current trends. Further recommendations include creating a regional migration observatory to coordinate efforts across the region and targeted European Union (EU) health sector investments to address critical shortages and provide sustainable perspectives. Without pursuing structural economic and institutional reforms, the region will continue to erode from within, threatening regional sustainability, security, and prospects for EU integration.

Demographic Shifts and Migration Trends

Setting the Stage

Emigration from the Western Balkans has unfolded in distinct phases – from guest worker programs in the 1960s onwards, to conflict-generated migration in the 1990s, to socioeconomic migration over the past couple of decades – that have helped to contribute to the region's contemporary demographic decline.

The disintegration of Yugoslavia and subsequent conflicts led to rapid conflict-generated displacement, with the number of emigrants doubling from two to four million between 1990 and 2000.[1] Between 2000 and 2020, the region's population fell by eight percent due to emigration combined with declining fertility rates. All six Western Balkan countries experienced negative total population growth rates, ranging from Montenegro's modest -0.08 percent annually to Bosnia and Herzegovina's more severe -1.37 percent per year.

The impact of outmigration is substantial across the region, with Kosovo showing the highest emigration rate at -1.26 percent annually, followed closely by Bosnia and Herzegovina (-0.96 percent) and North Macedonia (-0.94 percent).

This population decline has created a paradoxical situation in regional labor markets. While unemployment rates in the region have fallen from above 20 percent in the 2000s to 10.9 percent in 2023, labor shortages are now emerging across various skill levels. In fact, they have been identified as the most significant obstacle to business growth in the Western Balkans. Brain drain and emigration rank as the second most prevalent obstacle with 28 percent of businesses reporting it as a major obstacle and 33 percent as a moderate obstacle to their growth.[2]

Contemporary migration patterns reflect deeper structural issues, including dissatisfaction with socio-political realities, limited socio-economic opportunities, and significant wage differentials with

1 Fiona Spooner, Tuna Acisu, Simon van Teutem, Hannah Ritchie, Esteban Ortiz-Ospina, Marcel Gerber, Max Roser, Our World in Data, Migration, https://ourworldindata.org/migration (accessed September 22, 2025).

2 Regional Cooperation Council, *Balkan Barometer 2024. Business Opinion Analytical Report,* https://www.rcc.int/balkanbarometer/key_findings_2024/1/ (accessed September 22, 2025).

destination countries. Public opinion surveys like the Balkan Barometer reveal that 63 percent of respondents across the region would prefer to work abroad, with strong preferences for the European Union as a destination, followed by the United States.[3] Meanwhile, employment rates in the Western Balkans (WB6) countries remain significantly below those in destination countries (60.3 percent compared with 70.4 percent in the EU), while wages in advanced EU economies can be three times higher even after adjusting for cost-of-living differences.[4]

Germany remains a primary destination for emigrants, particularly since implementing its Western Balkan Regulation in 2015. This policy shift attracted more than 18,000 healthcare professionals from the WB6 countries to Germany between 2015 and 2020, amounting to nearly 20 percent of all foreign-trained health professionals arriving in Germany during this period. By 2020, the number of Western Balkan health professionals in Germany exceeded 30,000, 2.5 times higher than in 2015, which in turn deepened brain drain and affected demographic sustainability in the WB6.[5]

The profile of WB6 emigrants has also evolved. While traditionally characterized by lower education levels (only one in six WB6 emigrants in 2015 had tertiary education), recent data suggests educational levels have been increasing over the past decade, with more than 20 percent of WB6 emigrants now having tertiary education.[6]

Young people face high unemployment rates in the WB6, and those who do secure jobs are often employed in positions that do not match their qualifications. 71 percent of the WB6 population aged 18 to 24 intend to migrate abroad, compared with 44 percent of the general adult population. As one United Nations (UN) synthesis on Bosnia and Herzegovina reports, leaving is "not seen as a desire – but as a survival strategy."[7]

Paradoxically, as Western Balkan citizens leave the region, foreign workers increasingly arrive to fill emerging labor shortages. In Serbia alone, 155,000 immigrants have arrived since 2011, with two-thirds from non-Balkan countries. Annual work visa issuance rose from 2,512 in 2010 to 13,475 in 2021, with major nationality groups including China, Turkey, and India. Montenegro tripled its immigrant population from 1,741 in 2015 to 15,989 in 2022.[8]

While emigration has reduced labor supply and created skill shortages, it has also generated significant remittance flows averaging six percent of Gross Domestic Product (GDP) across the region, some of the highest in the world. Emigration also created diaspora networks that can facilitate trade and investment, and in some cases led to positive spillover effects when migrants return with enhanced skills and international experience.

The complexity of these migration flows requires understanding that migration cannot be considered in isolation but rather as a multi-faceted and multi-dimensional phenomenon, which needs to be addressed on multiple levels by wide-ranging actors.

Diverse Responses amidst Similar Challenges

Policy in the WB6

Albania

Albania's National Strategy of Diaspora and Action Plan 2018-2024 represented a comprehensive framework for addressing migration challenges.[9] It established ambitious institutional structures, in-

3 Regional Cooperation Council, 2024.

4 World Bank, Retaining the Growth Momentum. Western Balkans Regular Economic Report No. 26, Fall 2024, https://openknowledge.worldbank.org/server/api/core/bitstreams/8c3611d8-61e0-4c8a-abba-785135a49582/content (accessed September 22, 2025).

5 Mara, Isilda, "Health Professionals Wanted: The Case of Health Professionals from Western Balkan Countries to Europe," in: Central and Eastern European Migration Review, Vol. 12, no. 2, 2023, 33–52.

6 World Bank, 2024.

7 Samid Sarenkapic, Edina Musmulja, Amila Madzak, Berina Bukva Alibasic, Isaac Chan Jing-Xuan, Kaiwen See Toh, Youth in Bosnia and Herzegovina. Aspirations, Frustrations, and Futures, United Nations Population Fund, United Nations Children's Fund, August 12, 2025, https://bosniaherzegovina.un.org/en/299689-youth-bosnia-and-herzegovina-aspirations-frustrations-and-futures (accessed September 22, 2025).

8 World Bank, 2024.

9 National Diaspora Agency of Albania, The National Strategy of Diaspora and Action Plan and Strategy 2018-2024, March 2018, https://akd.gov.al/wp-content/uploads/2020/12/NATIONAL-STRATEGY-OF-DIASPORA-2018-2024-english-IOM.pdf (accessed September 22, 2025).

cluding a National Agency of Diaspora, the Albanian Development Fund of Diaspora, and the Publishing Center of Diaspora, with initial funding of 130 million lekë allocated across these new bodies in 2018.

However, the country continues to struggle to form a coherent, systemic approach addressing brain drain, with efforts remaining fragmented and reactive. High youth unemployment (21.5 %), pervasive informality (over 30 %), and skill mismatches impede labor market functioning.[10] Social and cultural barriers, including weak recognition of diaspora identities and limited public services for expatriates, continue to hinder return migration, while the absorption of EU funds, digital skills gaps, and social inclusion of vulnerable groups, in part due to implementation difficulties, remain a challenge.[11]

Bosnia and Herzegovina

Bosnia and Herzegovina faces significant emigration challenges, with approximately 1.7 million citizens in diaspora worldwide representing nearly 50 percent of the country's total population.[12] Large diaspora populations in countries such as Austria, Germany, Sweden, and the United States contribute through remittances (over 11 % of GDP), investments, and knowledge-transfer, yet the potential for diaspora engagement in national development remains underutilized.[13]

The Migration Strategy of Bosnia and Herzegovina (2021-2025),[14] drafted by the Ministry of Security, focused on strengthening institutional capacities, improving border control, effectively managing asylum fighting trafficking supporting lawful migration and integration, and enhancing coordination and international cooperation. [15] Ultimately, the strategy's focus on border management emphasizes the securitization of migration, rather that addressing underlying drivers of emigration. Constitutional fragmentation obfuscates effective diaspora engagement policies needed to reverse brain drain. These efforts are primarily managed through a sector within the Ministry for Human Rights and Refugees which lacks adequate funding.

Kosovo

Kosovo's Migration Strategy 2021-2025 prioritized managing migration and addressing emigration and its socio-economic impacts by strengthening institutional mechanisms aligned with EU policies and international frameworks.[16] Kosovo has launched several diaspora engagement initiatives, including the Citizen Diplomacy Fellowship Program operated by the Ministry of Foreign Affairs and Diaspora which brings young diaspora professionals to support policy makers for six to ten months; the Engaging Diaspora Professionals program with municipalities; and diaspora investment facilitation through organizations like Caritas Switzerland's Municipal Action for Reintegration and Diaspora (MARDI) project, which has signed six investment agreements across various sectors.[17]

To respond to an exodus of medical doctors leaving the country, promising diaspora-led initiatives exist such as the Heimerer College, a private initiative that provides dual-track vocational education, have developed. 80 percent of its graduates have remained employed in Kosovo, while others have accessed migration opportunities to Germany,

10 Suela Spahija, Shpiqe Xhaferri, "The Impact of European Integration on the Labour Market in Albania. Challenges, Opportunities and Perspectives," in: SEER Journal for Labour and Social Affairs in Eastern Europe, Vol. 28, no. 1, January 2025, 29-38.

11 Ibid.

12 Anto Domazet, Vjekoslav Domljan, Almir Peštek, Faruk Hadžić, Održivost emigracija iz Bosne i Hercegovine [Sustainability of emigrations from Bosnia and Herzegovina], Friedrich-Ebert-Stiftung BiH, 2020, https://library.fes.de/pdf-files/bueros/sarajevo/16523.pdf?fbclid=IwAR1F-M4IPrfSSJdDyWZO5izmPYpfMbj9fE3wQyyas4RTrFk5uwBvRaolHAFk (accessed September 23, 2025).

13 Hariz Halilovich, Jasmin Hasić, Dženeta Karabegović, Ajlina Karamehić-Muratović, Nermin Oruč, Mapping the Bosnian-Herzegovinian Diaspora. Utilizing the Socio-Economic Potential of the Diaspora for Development of BiH, International Organization for Migration, 2018, https://www.mhrr.gov.ba/PDF/MAPPING%20BIH%20DIASPORA%20REPORT.pdf (accessed September 23, 2025).

14 Ministry of Security of Bosnia and Herzegovina, Strategija U Oblasti Migracija I Azila za Period 2021-2025 [Migration and Asylum Strategy in the Period 2021-2025], 2021, https://sps.gov.ba/dokumenti/strateski/strategija21-25.pdf (accessed September 23, 2025).

15 Ibid.

16 Republic of Kosovo, Strategy on Migration: 2021-2025, https://mpb.rks-gov.net/Uploads/Documents/Pdf/EN/378/Strategy-on-Migration-2021-2025-anglisht.pdf (accessed September 23, 2025).

17 World Bank, Kosovo Country Report. International Mobility as a Development Strategy, July 23, 2024, https://openknowledge.worldbank.org/entities/publication/75e35cf2-75a9-453b-8820-521bc319946f (accessed September 23, 2025).

effectively creating new healthcare services and jobs domestically while building human capital.[18]

Montenegro

Montenegro's Ministry of Diaspora plays a central role in addressing migration challenges. Its 2024 sectoral analysis highlighted the critical issue of emigration, with over 44,000 citizens working or residing abroad amid ongoing negative migration trends.[19] Montenegro maintains several relevant frameworks including the National Strategy for Sustainable Development 2016-2030 and the Strategy for Scientific Research Activities 2024-2028. This includes a budget of approximately 120,000 Euros to promote diaspora registration visibility, improve policy planning based on diaspora data, and foster cultural, economic, scientific, and social ties between the diaspora and Montenegro. For instance, the ministry's recent publication titled 'Informator,' in collaboration with the International Organization for Migration (IOM), provided relevant information for those living abroad.[20] However, the ministry's Youth Strategy 2023-2027 does not mention any policies regarding mitigating emigration specifically.[21]

North Macedonia

North Macedonia is in the process of developing a National Strategy for Demographic Resilience in collaboration with the United Nations Population Fund (UNFPA).[22] Its previous Strategy for Demographic Policies 2015-2024 specifically addressed diaspora engagement through measures to strengthen infrastructure for foreign currency remittances, attract diaspora investors, facilitate human capital transfer from citizens abroad, and create databases of Macedonian professionals overseas. It also included measures to reduce brain drain by promoting temporary rather than permanent migration, supporting return migration through favorable investment conditions for returnees, and addressing regional development imbalances that drive internal migration toward Skopje.[23] The National Strategy for Networking and Cooperation with Highly Educated Personnel (2013–2020) implemented measures to better connect diaspora professionals with domestic institutions and developed initiatives to reduce the emigration of highly qualified individuals, though structural challenges limited its overall effectiveness in stemming the outflow of talent.[24]

Serbia

Serbia maintains a comprehensive policy framework addressing brain drain through multiple interconnected strategies. The Strategy on Economic Migration 2021-2027 aimed to slow emigration while strengthening diaspora ties and encouraging circular migration.[25] It institutionalized cooperation via the Coordination Body for Economic Migration, ensuring cross-sectoral coordination and stakeholder engagement, but did not specify policies directly meant to mitigate emigration.

18 Ibid.

19 Ministry of Education, Science, and Innovation of Montenegro, Sektorska Analiza: Za Utvrđivanje Predloga Prioritetnih Oblasti Od Javnog Interesa I Potrebnih Sredstava Za Finansiranje Projekata I Programa Nevladinih Organizacija Iz Budžeta Crne Gore U 2026 [Sectoral Analysis for the Determination of Proposals for Priority Areas of Public Interest and the Necessary Funds for Financing Projects and Programs of Non-Governmental Organizations from the Budget of Montenegro in 2026], July 8, 2025, https://www.gov.me/en/documents/5eea4f9c-495c-4a01-a5fa-6be5a520d740 (accessed September 23, 2025).

20 Ministry of Diaspora of Montenegro, Objavljen Novi Informator Za Dijasporu [A New Information for the Diaspora has been Published], September 8, 2025, https://www.gov.me/clanak/objavljen-novi-informator-za-dijasporu (accessed September 23, 2025).

21 Ministry of Sports and Youth of Montenegro, Youth Strategy: 2023-2027, October 2023, https://www.strategijazamlade.me/2023-2027/download/SZM_2023-2027_ENG.pdf (accessed September 23, 2025).

22 Ministry of Labour and Social Policy of the Republic of North Macedonia, Лимани: Отвораме Инклузивен Процес За Развој На Национална Стратегија За Демографска Отпорност [Limani: We Are Opening an Inclusive Process for the Development of a National Strategy for Demographic Resilience], July 4, 2025, https://www.mtsp.gov.mk/pocetna-ns_article-limani-otvorame-inkluziven-proces-za-razvoj-na-nacionalna-strategija-za-demografska-otpornost.nspx (accessed September 23, 2025).

23 Ministry of Labour and Social Policy of the Republic of North Macedonia, Стратегија За Демографски Политики На Република Македонија 2015-2024 Година [Demographic Policy Strategy of the Republic Of Macedonia: 2015-2024], February 2015, https://www.mtsp.gov.mk/content/pdf/dokumenti/9.5_%D0%A1%D0%A2%D0%A0%D0%90%D0%A2%D0%95%D0%93%D0%98%D0%88%D0%90%20%D0%97%D0%90%20%D0%94%D0%95%D0%9C%D0%9E%D0%93%D0%A0%D0%90%D0%A4%D0%A1%D0%9A%D0%98%20%D0%9F%D0%9E%D0%9B%D0%98%D0%A2%D0%98%D0%9A%D0%98%20%D0%9D%D0%90%20%D0%A0%D0%9C%202015-2024.pdf (accessed September 23, 2025).

24 Mila Karadafova and Oliver Andreevski, What Have We Sown, and What Are We Reaping? Analysis of the National Strategy for Networking, Cooperation and Reducing the Brain Drain of Highly Educated Personnel 2013-2020 (in Macedonian), Network for Prevention of Brain Drain, Open Society Foundations Western Balkans, 2019.

25 Ministry of Labour of the Republic of Serbia, Employment, Veteran, and Social Policy, Economic Migration Strategy of the Republic of Serbia for the Period 2021-2027, February 27, 2020, https://www.minrzs.gov.rs/sites/default/files/2021-02/ENG_%20Strategija%20ekonomske%20migracije%202021-2027-30_10%20%28002%29.pdf (accessed September 23, 2025).

The Employment Strategy 2021-2026 focused on youth labor market integration, while the National Youth Strategy 2023-2030 emphasized equal opportunities and competency development. Supporting legislation included tax incentives for returning workers (Article 15v) and frameworks for diaspora cooperation. Other initiatives like Carta Serbica exist to facilitate the return of Serbian diaspora members who were born abroad or renounced Serbian citizenship. The program allows members of the diaspora to obtain a temporary residence and work permit in Serbia for one year, with the option to apply for citizenship.[26]

Lack of a Regional Lens

Cooperation within the Region

Regional cooperation on migration governance remains limited. Current initiatives lack systematic coordination and data sharing mechanisms.[27] Western Balkan countries employ different methodologies and definitions when monitoring migration, making regional comparison and coordination difficult.[28]

All Western Balkan Six economies endorsed the Common Regional Market (CRM) 2021-24 Action Plan, which foresaw adopting frameworks for recognition of professional qualifications, implementing freedom of movement for students and researchers, establishing portability of social rights, and removing work permits for certain categories. Recognition of qualifications varies significantly between countries. The World Bank emphasizes the importance of "WB6 countries aligning their national qualification frameworks to the European Qualifications Framework (EQF) to facilitate the interpretation of a qualification and its level in EU destination countries," which could also improve intra-regional mobility.[29] To date, intra-regional movement has stayed around 15 percent, reflecting modest mobility within the Western Balkans compared to migration to Organisation for Economic Co-operation and Development (OECD) countries, with only seven percent of prospective migrants indicating interest in intra-regional migration.[30]

The CRM 2.0 Action Plan for 2025-2028 addressed the challenge of emigration and brain drain from the Western Balkans by focusing on strengthening human capital development and fostering economic opportunities aligned with EU integration. It aimed to retain and attract talent by enhancing access to higher education, facilitating recognition of academic and professional qualifications within both the region and the EU, and enabling the free movement of workers alongside the portability of social rights and pensions.[31]

While all WB6 economies have engaged in international coordination initiatives, innovative approaches – such as the Serbian Science and Diaspora Collaboration Programme, which provides financial incentives for local research institutes to develop research collaborations with the Serbian diaspora – have not been systematically shared across the region.[32] The World Bank highlights successful bilateral models that could be scaled regionally, such as Bosnia and Herzegovina's agreement with Slovenia where "public employment services (PES) in both countries can cooperate to make employment opportunities in Slovenia accessible for workers in Bosnia and Herzegovina."[33] Similarly, Kosovo's Heimerer College could potentially be expanded into a regional program, considering the healthcare challenges each of the countries faces.

26 Returning Point, Carta Serbica, https://tackapovratka.rs/en/carta-serbica (accessed September 23, 2025).

27 Jelena Predojević Despić, Vesna Lukić, "Temporary Migration and Policy Challenges in the Western Balkan Countries – Serbia, Bosnia and Herzegovina, and North Macedonia Perspectives," in: Population Studies in the Western Balkans, Vol. 26, 63–97.

28 World Bank, Retaining the Growth Momentum. Western Balkans Regular Economic Report No. 26, Fall 2024, https://openknowledge.worldbank.org/server/api/core/bitstreams/8c3611d8-61e0-4c8a-abba-785135a49582/content (accessed September 22, 2025).

29 Ibid.

30 OECD, Labour Migration in the Western Balkans. Mapping Patterns, Addressing Challenges and Reaping Benefits, OECD Publishing, May 16, 2022, https://doi.org/10.1787/af3db4f9-en (accessed September 23, 2025).

31 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Berlin Process. Common Regional Market Action Plan 2025-2028, https://www.berlinprocess.de/uploads/documents/common-regional-market-action-plan-2025-2028_1728992448.pdf (accessed September 23, 2025).

32 OECD, 2022.

33 World Bank, 2024.

Multiple online diaspora platforms have been created in the WB6, initiated by governments, with international donor support, or by non-governmental stakeholders. However, these fragmented approaches may overwhelm diaspora communities and are not comprehensive, thus neither capturing potential, nor responding to potential diaspora interest to invest systematically. Moreover, governments of the WB6 often compete rather than coordinate for diaspora attention and resources, with political agendas overshadowing the potential benefit of regional diaspora investment.

Partnership or One-Way Street?

Cooperation with the EU and International Partners

EU involvement in Western Balkan migration governance spans multiple channels but lacks strategic coherence and long-term vision in addressing emigration challenges. This issue is complicated by the fact that the EU serves as the primary destination for migrants from the region. Western Balkan countries are treated as strategic partners for the EU's migration management policies, whether in terms of mitigating irregular migration or the return of citizens who have overstayed EU visas. However, this is less the case in terms of mitigating emigration from the region or incorporating it into integration processes. The majority of existing agreements provide benefits to EU labor markets without reciprocal advantages for Western Balkan countries. Perhaps the exception here are EU Horizon and similar research funds which enable promising scholars to stay in the region through competitive funding schemes.

The EU and WB6 have developed extensive bilateral research and innovation (R&I) cooperation frameworks that demonstrate a more structured approach to regional integration. While not directly aimed at mitigating emigration, R&I cooperation can help encourage highly skilled individuals to stay in the region. According to recent analysis, eight EU member states (Austria, Bulgaria, Croatia, Czechia, Hungary, Italy, Poland, and Slovenia) maintain formal bilateral agreements covering science and technology cooperation with at least five Western Balkan economies.[34] These partnerships operate through multiple mechanisms including joint funding programs including EU Horizon research opportunities, researcher mobility schemes (like the German Academic Exchange Service programs and French Hubert Curien partnerships), and institutional cooperation agreements between universities and research organizations.

However, R&I cooperation exhibits asymmetric patterns, with some countries like Serbia and Montenegro maintaining more extensive bilateral frameworks than others. Turkey has emerged as a significant cooperation partner alongside EU members. While these R&I partnerships provide valuable capacity-building opportunities and facilitate knowledge transfer, they also highlight the potential for more systematic integration of sectoral cooperation into broader EU accession and development strategies.

International organizations beyond the EU also shape migration debates and policy in the Western Balkans. The World Bank and OECD contribute key analyses on labor migration and policy solutions, while the IOM, in partnership with the United Nations Development Programme (UNDP) and the Swiss Agency for Development and Cooperation, coordinates regional initiatives to manage migration and address skills shortages. Overall, more engagement is needed from the EU, including a stronger focus on migration within EU integration processes, as effective migration management and cooperation on mobility are essential for both enlargement progress and regional stability.

Conclusion and Recommendations

While emigration will remain a persistent feature of the regional landscape, evidence suggests that targeted policies can transform brain drain into brain gain through more systematic engagement. Stakeholders must develop comprehensive strategies that both acknowledge migration realities and create conditions making staying a viable choice.

34 Inese Gavarane, Overview of Bilateral R&I Cooperation Between WB Economies and EU Member States. Policy Answers, August 25, 2025, https://westernbalkans-infohub.eu/wp-content/uploads/2025/09/Bilateral-cooperation-analysis-2025-August.pdf (accessed September 23, 2025).

Governments of the Western Balkans (National Level)

- Develop public-private retention strategies: The governments of the Western Balkans should develop public-private retention strategies to tackle the economic and social drivers of emigration. This includes implementing wage reforms in key sectors such as healthcare, education, and information and communications technology (ICT), and establishing transparent, merit-based career pathways.
- Promote job creation to support EU integration and incentivize return: Governments in the Western Balkans should prioritize creating jobs in public administration and sectors aligned with EU standards that are targeted to attract and reintegrate individuals with qualifications and professional experience gained in the EU to strengthen local economies and help prepare returning talent for roles that advance accession efforts.
- Address skill gaps through curriculum reform: Western Balkan governments should work with higher education institutions to reform curricula to respond to labor market needs in terms of skills development to close critical gaps. These should be reevaluated every five years to remain proactive rather than reactive.
- Support retraining and vocational programs to promote circular migration: Western Balkan governments should invest in lifelong learning and vocational initiatives that prepare individuals for new and emerging sectors, thus also encouraging circular migration schemes that allow workers to gain experience abroad and bring skills back home. Regularly updating these programs will help ensure the workforce adapts to evolving labor market needs and supports sustainable regional development.
- Implement and systematize diaspora development programs: Governments should implement and systematize diaspora development programs by co-funding mentorship schemes for diaspora with local businesses and government institutions, introducing investment facilitation mechanisms, fostering the creation of technology parks, and building on successful initiatives to showcase investment potential in the region.
- Foster return incentives: Serbia's tax incentives for returning workers provide a model for financial incentives, but broader approaches should include integration assistance for families returning with children educated abroad (including the development of more primary educational offers in English) as well as national hubs for returnees with one-stop services offered in urban and rural communities.
- Prioritize anti-corruption reforms to address emigration: Governments of the region should prioritize comprehensive anti-corruption reforms to strengthen transparency, accountability, and institutional trust, thereby improving domestic opportunities and reducing incentives for skilled workers to emigrate.
- Pursue and promote dual citizenship agreements with major destination countries: The governments of the Western Balkans should expand existing mobility and labor market cooperation models that already (for example between Bosnia and Herzegovina and Croatia) to include primary destination countries like Austria, while maintaining democratic engagement with diaspora communities and facilitating transnational, return, and circular migration pathways.

Civil Society/Business Sector of the Western Balkans (National Level)

- Advocate comprehensive return and retention policies: Civil Society Organizations should promote return as a positive option, supporting policies that provide financial incentives (such as Serbia's tax incentive model) to address the complex needs of returning families, while simultaneously encouraging young families and professionals to stay by addressing their needs and aspirations locally.
- Push for (civil society) and provide (business) comprehensive economic incentives: Civil society and business should push governments of the Western Balkans to introduce multi-year tax breaks, housing support schemes, low-interest loans, and streamlined, bureaucracy-free start-up grants, targeting both returning professionals and local entrepreneurs to stimulate investment, innovation, and job creation.
- Strengthen family-centered support systems: Civil Society Organizations should campaign

for integration and retention strategies to include expansion of international curricula schools (International Baccalaureate (IB) and Cambridge programs) in major cities, bilingual education programs that maintain or provide local language skills, and job placement services for spouses of returnees.

- Secure mobility rights and recognition: Civil society should highlight the importance of practical measures to attract diaspora, such as bilateral agreements to guarantee pension rights transfer and healthcare coverage continuity, as well as easing professional license recognition processes to acknowledge both foreign work experience and local qualifications.
- Advance governance reforms: Civil society should advocate for strengthening judicial independence, ensuring media freedom, and implementing transparent, merit-based public sector hiring and promotion systems which are critical to dismantling patronage networks fueling corruption and brain drain.
- Pursue multi-level advocacy: Civil society organizations should develop targeted policy briefs for national governments, coordinate and engage with EU integration processes that include rule of law conditionalities, and build coalitions across diaspora, youth, media, and business sectors.

Regional Level

- Establish a Western Balkans Migration Observatory: Regional organizations such as the Regional Cooperation Council should create a dedicated observatory to support evidence-based policy recommendations by systematically collecting and analyzing migration data from national statistics and other government agencies, public opinion surveys, and business assessments. The observatory should conduct regular surveys on emigration intentions, return migration preferences, and diaspora engagement, while also tracking migration related security risks including human trafficking, labor shortages, and skills gaps across the region.
- Develop a regional circular migration framework: Western Balkan countries should establish a multilateral system enabling seamless skilled worker mobility across the region and with EU partners. This framework should prioritize agreements targeting highly skilled intra-regional migration, creating legal pathways for professionals to gain cross-border experience while maintaining home country ties. Critical components include harmonized professional qualification recognition systems, extended Talent Partnership arrangements for EU-acquired credentials, and creating positive incentives for circular migration.

EU

- Secure sustainable funding: The EU should actively ensure comprehensive support systems are sustainably funded by allocating EU migration funds, expanding bilateral cooperation agreements, and promoting public-private partnerships that deliver long-term solutions for successful returnee integration and retention of domestic talent.
- Partner with WB6 governments: The EU should partner with Western Balkan governments to expand access to retraining, vocational programs, and circular migration schemes that enable individuals to acquire in-demand skills, gain work experience abroad, and return with expertise that supports regional labor markets. Promoting skills and mobility partnerships, and facilitating the reintegration of returning workers, will help ensure migration benefits for both the region and the EU.
- Establish a health and care sector development initiative: The EU should promote the Western Balkans as a retirement destination for EU citizens by issuing EU funding for joint projects to develop modern retirement and long-term care facilities that meet EU standards, benefiting from the region's lower operational costs, cultural ties, and, in turn, improving local healthcare infrastructure. Specialized visa and residency frameworks should be introduced to facilitate retirement migration from EU member states, generating employment opportunities in healthcare, hospitality, and support services while providing affordable, high-quality care for European and returnee retirees.
- Support retirement communities and workforce training: The EU should fund public-private partnerships to establish retirement communi-

ties meeting European standards, alongside comprehensive training and certification programs in geriatric care for Western Balkans healthcare workers. It should lead campaigns and educational initiatives that highlight the social, economic, and health benefits of modern retirement and care facilities, countering common stigmas and stereotypes in the region. These programs would create career advancement opportunities for local professionals while enabling diaspora healthcare workers to return and contribute EU-acquired skills.

- Promote EU integration: The EU should prioritize job creation linked to EU integration by targeting investments, funding, and public-private partnerships to expand employment in sectors that support alignment with EU standards, governance, and administrative capacities across the Western Balkans. This will boost economic resilience and local opportunities.

Energy Transition in the Western Balkans

Ana-Maria Boromisa[1]
Institute for Development and International Relations, Zagreb

The Western Balkans face significant energy transition challenges due to high coal dependency (except for Albania). This reliance has caused financial instability, severe air pollution and threatens energy security, public health, and competitiveness as European Union (EU) carbon rules tighten. The energy transition is necessary to diversify supply, stabilize utilities, protect vulnerable households, create green jobs, and improve air quality and public health by reducing coal-linked respiratory diseases. Key obstacles for the energy transition include fragmented governance, external interference, and skills gaps. The governments of the Western Balkan countries should design transition plans that address coal phase-out, redirect subsidies toward renewables, protect vulnerable households, and address both external influences and domestic skill shortages that could hinder the transition. The EU and international partners should support just transition initiatives, including reskilling and land repurposing. Success hinges on policy coherence, regional cooperation, effective investments, and equitable burden-sharing.

The Western Balkans' Energy Transition: Needed, Inevitable — and Unwanted

Setting the Stage

Addressing climate change requires a systemic shift towards climate-neutral economies. As the energy sector produces about 70 percent of global greenhouse gas (GHG) emissions, transforming the way energy is produced and consumed stands at the core of this transition.[2]

Energy transition is therefore one of the key pillars of achieving climate neutrality. In the Western Balkans, this transformation faces significant structural barriers. The energy sector is heavily dependent on coal and produces between 55 percent (Albania) and 90 percent (Kosovo) of national GHG emissions.[3] Most of the region's electricity (apart from Albania's hydropower) is generated from lignite, which contributes to the highest levels of air pollution in Europe.[4] Therefore, shifting away from coal and diversifying the energy mix are essential to protecting public health, achieving environmental goals, and addressing economic stability in the Western Balkans. An energy transition consistent with the Paris Agreement and the European Union (EU) acquis requires profound transformations of the whole society. It requires new governance models, market and labor structures, modernized education and social systems, and large-scale investment in clean technologies and skills. The EU supports such a radical reform through a combination of incentives and regulatory conditionalities that link progress in energy reform with deeper regional integration and access to funding.

EU integration remains a formal policy goal of all Western Balkan countries. The process toward membership – from obtaining candidate status to conducting accession negotiations – provides the main framework for energy and climate reforms. Other external actors – including Russia, China, Turkey, and the United States – have also established a significant influence in the region, mostly

1 AI tools assisted with language refinement and grammar checking.

2 United Nations Environment Programme, Emissions Gap Report 2024: No More Hot Air … Please! With a Massive Gap Between Rhetoric and Reality, Countries Draft New Climate Commitments, 2024, https://doi.org/10.59117/20.500.11822/46404 (accessed September 7, 2025).

3 See Table 1 in Annex for details.

4 Barbara Frey, The Energy Transition in the Western Balkans: The Status Quo, Major Challenges and How to Overcome Them, Policy Notes and Reports 76, Vienna Institute for International Economic Studies (WIIW), May 2024, https://wiiw.ac.at/the-energy-transition-in-the-western-balkans-the-status-quo-major-challenges-and-how-to-overcome-them-dlp-6896.pdf (accessed September 30, 2025).

Table 1. Total GHG Emissions (Excluding Land Use, Land Use Change, and Forestry (LULUCF)) & Energy Sector Share, *Million tons of CO_2 equivalent (Mt CO_2e)*

Country	1990	2000	2010	2020	2022	Energy Sector Share (2020)
Albania	12.2	6.5	9.0	11.5	11.8 (2021)	~55%
Bosnia and Herzegovina	32.5	15.0	27.9	26.9	27.5	~70%
Kosovo	9.1	7.8	8.9	9.1	9.5	85-90%
Montenegro	3.5	2.4	3.5	3.8	4.0	60%
North Macedonia	14.5	10.2	12.0	10.5	11.0	75%
Serbia	82.0	58.0	68.5	66.2	67.8 (2021)	70-75%

Source: European Commission, Country Fact Sheet, EDGAR – Emissions Database for Global Atmospheric Research, https://edgar.jrc.ec.europa.eu/country_profile (accessed October 14, 2025); European Commission, GHG Emissions of All World Countries, EDGAR – Emissions Database for Global Atmospheric Research, https://edgar.jrc.ec.europa.eu/report_2023#emissions_table (accessed October 14, 2025).

by investing in fossil fuel-based economies. These investments have reinforced existing energy structures. As a result, alignment with the Paris Agreement and the EU's acquis in the region remains highly ambitious. The conclusions of the United Nations (UN) Climate Change Conference in Dubai in December 2023 (COP28), which called for a transition away from fossil fuels, further amplify the challenge of advancing the green transition[5].

As non-Annex I Parties to the United Nations Framework Convention on Climate Change (UNFCCC) the WB6 are, under the Paris Agreement, required to submit and periodically update their Nationally Determined Contributions (NDCs) showing increasing ambition over time. New NDCs were due in early 2025. Montenegro was the first country in the Western Balkans to submit its NDC 3.0. Kosovo, although not a UN member, has voluntarily adopted its first NDC in the beginning of 2025.[6] Serbia submitted its updated NDC in September 2025,[7] while Albania, Bosnia and Herzegovina and North Macedonia have not yet submitted their revised commitments.[8]

The implementation of the national pledges under the Paris framework is supported by regional cooperation and EU integration processes. The Western Balkans (WB6) are parties to the Energy Community Treaty, which extends the EU energy and environmental acquis to non-member states and provides a common framework for market integration and decarbonization. The Treaty obliges parties to adopt the Clean Energy Package (CEP) and related legislation, linking compliance with broader EU accession goals. In 2022, the Energy Community Ministerial Council adopted 2030 energy and climate targets.[9] These targets serve as basis for development of national energy and climate plans (NECPs) which outline the measures needed to achieve these targets.

In addition to national measures, the European Commission and the Energy Community are working with the Western Balkans on the gradual development of a regional Emissions Trading System (ETS) designed to align with the EU ETS. The objective is to establish a carbon price equivalent to that of the EU ETS for electricity by 2030, ensuring consistency with EU climate policy and reducing

5 United Nations Framework Convention of Climate Change, COP 28, Key Takeaway, https://unfccc.int/cop28/5-key-takeaways (accessed November 5, 2025).

6 Frosina Antonovska, Policy Brief: NDCs 3.0 in the Western Balkans, Climate Action Network Europe, https://caneurope.org/content/uploads/2025/05/Policy-Brief-NDCs-in-the-WB.pdf (accessed September 30, 2025).

7 Sara Pavkov, Submission of the Updated Nationally Determined Contribution of the Republic of Serbia for the Period Until 2035, Ministry of Environmental Protection, Republic of Serbia, September 5, 2025, https://unfccc.int/sites/default/files/2025-09/Republic%20of%20Serbia%20NDC3.0%20Official%20Submission%20Letter.pdf (accessed September 30, 2025).

8 United Nations Framework Convention Climate Change, NDC Registry, https://unfccc.int/NDCREG (accessed September 30, 2025).

9 In December 2022, the Energy Community Ministerial Council adopted the Decision amending Decision 20211141MC-EnC, including a set of 2030 targets for greenhouse gas emissions reduction, energy efficiency and renewable energy; Energy Community, 20th Ministerial Council, December 15, 2022, https://www.energy-community.org/dam/jcr:fe9c2d72-4346-4d13-ae85-6a0a3304a793/20thMC_Conclusions_15-12-2022.pdf (accessed October 9, 2025).

risks of carbon leakage. This alignment is also essential for mitigating the impact of the EU's Carbon Border Adjustment Mechanism (CBAM), which will otherwise impose costs on electricity exports to the EU from countries without comparable carbon pricing.

In parallel with carbon pricing efforts, the EU has introduced stronger requirements through the Electricity Market Design reform and the Electricity Integration Package under the Energy Community framework. These measures aim to harmonize market rules, promote cross-border electricity trading, and strengthen investment conditions for renewable energy. Compliance with both carbon pricing commitments and market integration reforms is explicitly framed as a precondition for deeper EU integration and access to significant financial support under the Instrument for Pre-accession Assistance (IPA) III and related mechanisms.

The transition from coal poses a major socio-economic challenge for the Western Balkans. The coal phaseout threatens 41,510 jobs (33,782 in the mining industry and 7,728 in coal-based thermal power plants) across the WB6. On the other hand, skills shortages – exacerbated by brain drain and ageing populations – constrain green job creation. This mismatch slows economic diversification even as opportunities expand: For instance, solar photovoltaics (PVs) sector alone could employ 18,000 workers by 2030 if adequate training programs and investment frameworks are in place.[10]

However, realizing this potential depends on overcoming broader challenges that constrain the energy transition in the Western Balkans. Sectoral vulnerabilities and institutional weaknesses risk creating a self-reinforcing trap that slows progress. The transition requires not only regulatory alignment and investment but also stronger public acceptance and awareness.

Building acceptance and awareness is necessary at all levels, from the governmental level to the local level. At the governmental level, there is lack of foresight and continuity in policymaking, lessons learned from past projects are rarely institutionalized, and follow-up mechanisms are often absent. At the local level, access to clear, trustworthy information on both the benefits of new technologies and the risks of outdated coal-based systems is still limited. Deep mistrust of institutions further complicates the picture. Building trust, transparency, and public participation are therefore essential for successful transition.

Decarbonization Challenge: *Policy Responses in the WB6*

Albania

Albania's energy mix requires a unique decarbonization strategy. Roughly 50 percent of energy comes from oil and derivatives while about 30 percent comes from renewables (see Table 2). More than 95 percent electricity is produced from hydropower, making the power system vulnerable to droughts. The risks are expected to rise due to climate-induced droughts. Albania's National Energy and Climate Plan (NECP) targeted a 42.5 percent renewable energy share in final consumption by 2030, supported by solar auctions and floating PV projects. This also requires investment in solar PV skills and storage solutions. The country is investing in grid modernization and regional interconnection (e.g. the Trans-Balkan Corridor) to integrate variable renewables and phase out fossil fuel imports. Albania has promoted energy efficiency, and needs to fully implement monitoring, reporting, verification, and accreditation (MRVA) mechanisms, introduce carbon pricing, and align with the EU Emission Trading System (ETS). Unlike regional peers, Albania's energy transition is not constrained by coal phase-out pressures. Instead, its main challenge is to reduce reliance on hydropower by diversifying the energy mix, strengthening energy storage, and mobilizing sufficient financing for new low-carbon sources.

10 Ana-Maria Boromisa, Labor Market Effect Analysis – Energy Transition and Jobs in the Western Balkans. GIZ; 2025. https://energypedia.info/images/1/14/Labour_market_effects_analysis_webinar_Ana-Maria_Boromisa.pdf (accessed November 7, 2025).

Table 2. Energy Mix and Energy Intensity of Western Balkan Countries

	Coal	Oil and Oil Products	Natural Gas	Share of Renewable Energy		Energy Intensity
	2020, %	2020, %	2020, %	2020, %	Target 2030 %	
Albania	6.8	49.5	1.7	33.1	52.0	n/a
Bosnia and Herzegovina	56.4	21.7	2.4	24.4	43.6	443.36
Kosovo	57.9	28.0	0	15.1	32.0	457.19
Montenegro	37.5	32.5	0	29.4	50.0	283.13
North Macedonia	29.2	28.4	10.7	14.0	38.0	303.3
Serbia	49.6	22.5	12.5	15.7	40.7	402.24
WB6 Average	39.6	32.1	4.6	21.9	42.7	
EU Average	10.2	34.5	23.7	17.4	42.5	116.38

Source: Eurostat, Simplified Energy Balance, https://ec.europa.eu/eurostat/databrowser/view/nrg_bal_s__custom_14748551/bookmark/table?lang=en&bookmarkId=403a7edd-11b3-4175-8873-24774773bcc0&c=1734530372594 https://ec.europa.eu/eurostat/databrowser/view/nrg_bal_s/default/table?lang=en.

Bosnia and Herzegovina

Decarbonization in Bosnia and Herzegovina (BiH) faces deep structural barriers. Governance is fragmented between the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS). Entity-level approaches allow entities to block common solutions and prevent the development of a coherent state-level strategy. While BiH submitted a long-term strategy to the UNFCCC in July 2023, it does not have a 2050 climate neutrality objective, but rather a goal to reduce net greenhouse gas emissions by 80 percent compared to 1990.[11] Concrete implementation mechanisms are also absent. Due to persistent institutional ambivalence and governance gaps, decarbonization has not been prioritized.

Coal continues to dominate the energy system, generating about 65 percent of electricity and employing more than 11,000 workers in coal regions such as Tuzla and Gacko. Any credible coal phase-out therefore requires robust social transition plans in addition to regulatory and technical measures. The social transition plan must address the livelihoods of miners and workers in associated industries, alongside the economic diversification of entire regions. The absence of comprehensive retraining programs, social safety nets, and investment in new economic opportunities creates significant socio-economic risks and fosters resistance to decarbonization. Furthermore, outdated and insufficient energy infrastructure has constrained the transition. BiH's energy grid requires significant modernization and expansion to integrate variable renewable sources like solar and wind. There is a lack of smart grid technology which is necessary for better load management, while investments in energy storage solutions are limited. A strategic infrastructure upgrade is essential to create physical capacity to shift away from a centralized, coal-based system. Policy instruments remain weak: proposed 2030 targets are not legally binding, there is no coal phase-out timeline, investment needs are neither quantified nor clearly specified, and the draft National Energy and Climate Plan, submitted in 2024, has not been formally adopted. Governance fragmentation and the absence of enforceable commitments risk locking BiH into long-term coal dependency.

Kosovo

Kosovo's 88 percent fossil fuel dependence makes it the most carbon-intensive economy in Europe. Coal dominates the energy system, supplying around 69 percent of primary energy for both power generation and heating, while oil products

11 Energy Community Secretariat, Annual Implementation Report: Bosnia and Herzegovina, November 1, 2024. https://www.energy-community.org/contracting-parties/performance.html?country=bosnia-and-herzegovina (accessed September 7, 2025).

cover about 29 percent, mainly in transport and industry. Natural gas is not used at all, leaving the system highly exposed to coal.[12]

Kosovo's electricity sector is dominated by the Kosovo Energy Corporation (KEK), which owns and operates the lignite-fired power plants Kosovo A and Kosovo B.[13] Together, these two plants provide about 90 percent to 95 percent of the country's electricity.[14] Their outdated technology generates severe air pollution[15] and reinforces resistance to the transition, which poses profound socio-economic challenges for coal-dependent communities. The energy transition necessitates a robust Just Transition strategy to address potential job losses in mining regions, reskill workers, and support alternative local economic development. Infrastructure remains a critical barrier: Kosovo's aging grid requires modernization to integrate variable renewables. According to Kosovo's NECP, estimated investment needs are in the range of 3 to 4 billion Euros by 2030.[16] Kosovo's draft NECP outlined a shift toward new gas-fired capacity and the launch of the first major renewable energy auctions for solar power, but adoption and implementation remain critically delayed. Concrete decarbonization measures have been very limited, and institutional frameworks are weak. Kosovo lacks comprehensive climate law, a functioning greenhouse gas inventory system, or a monitoring, reporting and verification framework.[17] High vulnerability, coupled with political complexities, further constrains effective planning and slows alignment with EU climate goals.

Montenegro

Montenegro's energy system is heavily fossil-dependent, with fossil fuels covering 72 percent of the energy mix.[18] Electricity generation is split between the Pljevlja coal plant and hydropower.[19] The government plans a coal phase-out by 2035, posing serious socio-economic risks for Pljevlja where around 1,500 coal jobs support local families with above-average incomes.[20] A just transition will require retraining programs and new economic activities to prevent local decline. At the same time, phasing out coal would bring major health gains. In Pljevlja, levels of the carcinogenic pollutant benzo(a)pyrene exceed legal limits by up to 15 times. Such pollution is linked to cancer, chronic respiratory diseases (e.g. bronchitis, asthma), and adverse birth outcomes, reducing local life expectancy by about 2.5 years.[21] Air pollution is estimated to contribute to about 22 percent of all deaths in Pljevlja. Expanding renewables and achieving zero pollution could therefore bring major health benefits.

Under its NECP, Montenegro targets a 35.4 percent renewable share in final consumption and a 35 percent reduction in greenhouse gas emissions by 2030. Key decarbonization policies focus on diversifying the energy mix beyond large-scale hydropower through the expansion of wind and solar. The Možura wind farm is operational, while solar

12 European Commission, Energy Fiche – Kosovo*, September 16, 2024, https://energy.ec.europa.eu/document/download/1dd51c94-b5cd-464f-9afe-20f64ddae977_en?filename=04_Kosovo_EnergyFiche.pdf (accessed September 30, 2025).

13 Donika Emini, Kosovo Energy Transition: Between Privatisation and Market Liberalisation, Balkans in Europe Policy Advisory Group (BiEPAG), December 2023, https://www.biepag.eu/wp-content/uploads/2024/03/kosovo-energy-transition-between-privatisation-and-market-liberalisation-eng-66.pdf (accessed October 14, 2025).

14 European Commission, Energy fiche – Montenegro, September 16, 2024, https://energy.ec.europa.eu/document/download/2f9ef407-f793-4498-8eba-78b5059d431b_en?filename=06_Montenegro_EnergyFiche.pdf (accessed October 12, 2025).

15 Emini, 2023.

16 National Energy and Climate Plan of the Republic of Kosovo 2025-2030, First draft version, https://www.energy-community.org/contracting-parties/reporting_kx.html (accessed October 12, 2025).

17 Energy Community Secretariat, Annual Implementation Report: Executive Summary, November 1, 2023, https://www.energy-community.org/dam/jcr:3da7c4f8-ea23-4169-b1e9-66b0ed05fcb7/EnC_IR2023.pdf (accessed November 8, 2025).

18 European Commission, Energy fiche – Montenegro, September 16, 2024, https://energy.ec.europa.eu/document/download/2f9ef407-f793-4498-8eba-78b5059d431b_en?filename=06_Montenegro_EnergyFiche.pdf (accessed September 30, 2025).

19 Ibid.

20 UNDP, Diagnostics of Socio-Economic Situation of Coal Region Pljevlja, 2023, https://www.undp.org/montenegro/publications/diagnostics-socio-economic-situation-coal-region-pljevlja (accessed October 12, 2025).

21 Ibid.

PV deployment is supported by auctions and net metering.[22] The "with existing measures" (WEM) scenario projects an additional 318 megawatt (MW) of solar PV, creating roughly 1,000 jobs by 2030, alongside about 60 in wind energy.[23] Montenegro is also investing in grid modernization and regional interconnection to enhance stability and integrate variable renewables.[24] Transport decarbonization remains critical, with incentives for electromobility and public transport. Although the country has developed an advanced policy framework, accelerating implementation – estimated to cost 3.2 billion Euros – is essential to meet 2030 and long-term climate goals.[25] Main risks stem from hydropower variability, limited financing, and the absence of a just transition plan for the Pljevlja coal plant.

North Macedonia

North Macedonia's energy system is dominated by fossil fuels, which account for about 86 percent of the energy mix. In 2022, renewables covered only 18.6 percent of gross final energy consumption, falling short of the 23 percent target set for 2020.[26] Nonetheless, progress has been visible: between 2020 and 2023, solar capacity increased tenfold while coal's share in electricity fell from 52 percent to around 40 percent. North Macedonia's draft National Energy and Climate Plan (NECP) set ambitious goals, including 55 percent renewable electricity and a 42 percent reduction in greenhouse gas emissions compared to 1990, alongside a full coal phase-out by 2030. Coal phase out will require careful social planning, as coal and lignite mining and thermal power plants provide more than 4000 jobs. Just transition requires investment between 29.40 million Euros per year (in total 1,088.1 million Euros) to 44.55 million Euros per year (in total 1,648.4 million) and could create about 7000 green jobs, while the Oslomej solar plant, built on the site of a former coal mine, serves as a pilot project for worker reskilling and just transition measures.[27]

Key challenges remain, however. The NECP has is not legally binding. Energy efficiency improvements lag behind EU benchmarks and high energy import dependency continues to expose the country to external shocks.[28] Scaling renewable deployment and modernizing the grid will be critical to integrate variable resources and deliver on 2030 climate goals.

Serbia

Serbia's energy system is dominated by fossil fuels, which account for about 84 percent of the energy mix. Lignite is the cornerstone, supplying 65 percent of electricity and nearly 90 percent of domestic energy production. The coal sector is a significant employer, directly supporting 25,288 jobs including nearly 20,000 miners in regions like Kolubara, where wages are above the national aver-

22 Draft of the National Energy and Climate Plan of Montenegro, December 5, 2024, https://www.gov.me/clanak/javni-poziv-57 (accessed October 9, 2025); Pajić, Jelena, EBRD supports first renewable energy auction in Montenegro, July 11, 2025, https://www.ebrd.com/home/news-and-events/news/2025/montenegro-renewable-energy-auction.html (accessed October 9, 2025); Energy Community, Annual Implementation Report Montenegro 2023, November 1, 2023, https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.energy-community.org/dam/jcr:3da7c4f8-ea23-4169-b1e9-66b0ed05fcb7/EnC_IR2023.pdf&ved=2ahUKEwi0xd7q7aSQAxU1D1kFHYgANTAQFnoECCAQAQ&usg=AOvVaw0SyimfcQ-shn3B1tLQrMnh (accessed October 14, 2025).

23 Draft of the National Energy and Climate Plan of Montenegro, December 2024, p. 275, https://www.gov.me/clanak/javni-poziv-57 (accessed October 9, 2025).

24 Jelena Pajic, EBRD Helping Montenegro's Energy Sector to Invest in Digitalisation, European Bank for Reconstruction and Development, January 27, 2025, https://www.ebrd.com/home/news-and-events/news/2025/EBRD-helping-Montenegro-s-energy-sector-to-invest-in-digitalisation.html (accessed October 14, 2025).

25 OECD, Energy Prices and Subsidies in the Western Balkans: Reforms for a Fair and Green Future, May 14, 2025, https://www.oecd.org/en/publications/energy-prices-and-subsidies-in-the-western-balkans_082ea26a-en/full-report/energy-prices-and-subsidies-in-montenegro_4520c191.html (accessed October 12, 2025).

26 European Commission, Energy fiche – North Macedonia, September 16, 2024, https://energy.ec.europa.eu/document/download/8ed78474-3ac4-4300-9f49-f52f0e5a9965_en?filename=07_NorthMacedonia_EnergyFiche.pdf (accessed September 30, 2025).

27 Delegation of the European Union Republic of North Macedonia, Just Transition Roadmap, May 2023, https://portal.mdt.gov.mk/post-body-files/strategii-met-file-KGwl.pdf (accessed October 13, 2025); Panevski, Sashe, Social Aspects of the Energy Transition in Macedonia, United Nations Economic Commission for Europe (UNECE), December 11, 2023, https://unece.org/sites/default/files/2023-12/Social%20aspects%20of%20the%20energy%20transition%20%28North%20Macedonia%29.pdf (accessed October 12, 2025).

28 European Comission, 2024.

age and form the economic backbone of local communities.[29]Although Serbia has not set a coal phase-out date, and some lignite units are expected to operate beyond 2040, the NECP outlines ambitious goals: 45 percent renewable electricity and a 40.3 percent reduction in greenhouse gas emissions by 2030 compared to 1990.[30]

To achieve these goals, key measures include scaling up wind and solar capacity through competitive auctions, diversifying supply with new gas infrastructure and interconnectors, and initiating a gradual coal transition. This requires investment estimated at 14 billion Euros over the next decade, focusing on adding 3.5 gigawatt (GW) of renewable capacity by 2030 grid modernization, and projects like the Bistrica pumped-storage hydropower plant (650 MW).[31] The renewable energy sector is expected to create up to 6,105 new jobs by 2030, primarily in solar (4,397 jobs), helping offset employment losses in coal-dependent regions.[32]

Progress is visible, with wind capacity reaching 600 MW by 2024 and coal's share in electricity falling from 70 percent in 2020 to 65 percent. Yet critical gaps persist: the NECP remains unadopted, climate legislation and carbon pricing mechanisms are absent, and grid modernization and energy efficiency improvements lag. Structural reform of the state-owned utility Elektroprivreda Srbije (EPS) is also essential for aligning Serbia with EU climate goals.

Legacy Disputes and Energy Transition: *Cooperation within the Region*

Regional cooperation is central to the WB6's energy transition. The six countries face similar challenges as small, fragmented, and undercapitalized markets unable to finance decarbonization or guarantee supply security in isolation. Electricity and gas systems in five WB6 states (all except Albania) were built as parts of a single federal network with centralized dispatch and balancing. The break-up of Yugoslavia was deeply disruptive: infrastructure was damaged in the wars, and Serbia and Montenegro were cut off from the European grid in 1992. After independence, shared transmission lines became cross-border connections, yet disputes over asset ownership and supply rights have continued, rooted in Yugoslav-era contracts. These conflicts have weakened trust and complicated regional energy cooperation.

A prominent example is the Ugljevik thermal power plant in Republika Srpska. It was co-financed by Slovenia in the 1980s under agreements guaranteeing electricity deliveries. Arbitration has since ordered the Republika Srpska's utility RiTE Ugljevik to pay damages exceeding 67 million Euros.[33] Comparable cross-border disputes have arisen between Bosnia and Herzegovina and Croatia involving the Dubrovnik–Trebišnjica hydropower system and Buško Blato-Orlovac scheme. The Dubrovnik-Trebišnjica hydropower system is subject to contested investment shares and electricity entitlements, while the Buško Blato–Orlovac scheme raises unresolved questions over water-use fees and benefit sharing. Similar tensions exist in the Drina River basin, where Bosnia and Herzegovina, Montenegro, and Serbia share hydropower, water use, and flood control. These disputes consume resources, delay modernization, obstruct investment, complicate compliance with EU environmental standards, and erode trust.

Bilateral disputes – such as the unresolved Kosovo-Serbia relationship – have stalled regional ini-

29 Ministry of Mining and Energy, Just Energy Transition Plan of the Republic of Serbia Until 2030, https://www.mre.gov.rs/extfile/sr/12123/PLAN%20FOR%20JUST%20ENERGY%20TRANSITION%20FOR%20SERBIA%20UP%20TO%202030%20ADOPTED%20JULY%202025.pdf (accessed October 13, 2025).

30 European Commission, Energy Fiche – Serbia, September 16, 2024, https://energy.ec.europa.eu/document/download/849eb8f5-27d4-4261-92c2-e3f549027617_en?filename=08_Serbia_EnergyFiche.pdf (accessed September 30, 2025).

31 Serbia Business, Energy Minister Outlines Key Strategies for Decarbonization, Energy Security and Investment in Energy Sector, April 9, 2025, https://serbia-business.eu/energy-minister-outlines-key-strategies-for-decarbonization-energy-security-and-investment-in-energy-sector/ (accessed October 14, 2025).

32 Ministry of Mining and Energy, Just Energy Transition Plan of the Republic of Serbia Until 2030, https://www.mre.gov.rs/extfile/sr/12123/PLAN%20FOR%20JUST%20ENERGY%20TRANSITION%20FOR%20SERBIA%20UP%20TO%202030%20ADOPTED%20JULY%202025.pdf (accessed October 13, 2025).

33 Holding Slovenske Elektrarne (HSE) Company, Final Arbitration Decision in the Ugljevik Case: Due to the Successful Performance of the Company Hse, in Addition to 67 Million Euros of Principal, More Than 58 Million Euros of Interest Were Awarded, https://www.hse.si/en/final-arbitration-decision-in-the-ugljevik-case-due-to-the-successful-performance-of-the-company-hse-in-addition-to-67-million-euros-of-principal-more-than-58-million-euros-of-interest-were-awarded (accessed September 30, 2025).

tiatives. Still, regional initiatives have provided platforms to build trust and overcoming divides. Among them, two stand out because of their scope and impact: first, the Regional Cooperation Council (RCC), and second, the WB6 Chamber Investment Forum (WB6 CIF). The RCC sets the framework for cooperation and drives political and technical coordination. The WB6 CIF links the private sector with workforce development. The RCC brings together governments, utilities, and donors and facilitates the Green Agenda for the Western Balkans – covering energy transition, renewables, and just transition – and the Common Regional Market, which includes labor mobility and mutual recognition of professional qualifications.

The Regional Challenge Fund (RCF), executed by WB6 CIF, has delivered skills on the ground. It links vocational education and training (VET) providers with industry. More than 70 million Euros have already been mobilized. The funds have increased the capacity of training providers and modernized curricula to prepare workers for jobs in renewables (solar, wind), energy efficiency, energy management, and grid modernization. This is crucial in coal-dependent regions to offset decline in mining jobs. Reskilling helps reduce resistance to reform and supports communities in transition. It also builds the human capital needed for decarbonization. The RCC and RCF form the basis for a socially sustainable energy transition. They enable development of the physical infrastructure and human capital necessary for decarbonization.

Values or Money?

Cooperation with the EU

EU-Western Balkan cooperation in the energy sector is deeply linked to membership aspirations. To join the EU, the WB6 must meet the Copenhagen criteria: stable democratic institutions, a functioning market economy, and the capacity to adopt the acquis. Under the revised enlargement methodology, energy (Chapter 15) falls within Cluster IV on the Green Agenda and sustainable connectivity. Benchmarks cover market liberalization, unbundling, renewables, infrastructure, and security of supply. The methodology links accession to rule of law and governance, making energy reform inseparable from democratic reform. Chapter 15 cannot be achieved without stronger rule of law.[34] Strengthening the rule of law and transparent energy governance is essential to close the gap between the formal adoption of rules and their effective implementation. Proper monitoring, conditionality and financing can transform transition costs into development gains and anchor the region in the EU's clean-energy future.

Established in 2005, the Energy Community serves as a quasi-pre-accession framework, requiring WB6 countries to transpose much of the EU energy acquis before formal negotiations. Its monitoring informs European Commission evaluations, shaping the pace and credibility of reforms. By institutionalizing conditionality and regional cooperation, it has introduced EU governance practices, offered a framework for domestic reforms, and enabled gradual integration into the EU energy market.

The EU backs rule alignment with political, financial, and technical support.[35] More than 14 billion Euros have been allocated through IPA III, the Just Transition Mechanism, and the Western Balkans Investment Framework. These funds blend grants and loans to de-risk investment in renewables, grids, and skills. The 2022 Energy Support Package added 1 billion Euros in grants to mitigate the energy crisis and accelerate the transition.

However, while the EU sees these funds as reform leverage, many WB6 governments treat them as fiscal relief, leading to selective compliance and weak enforcement. Independent regulators face political interference. State-owned utilities are used for patronage, delaying unbundling and privatization.[36]

34 Dimitar Bechev, Energy in the Western Balkans, Background Paper, Balkans in Europe Policy Advisory Group (BiEPAG), May 2023, https://www.biepag.eu/wp-content/uploads/2023/05/Energy-in-the-Western-Balkans.pdf (accessed September 30, 2025).

35 Gabija Leclerc and Branislav Stanicek, EU-Western Balkans Relations. Macroeconomic Situation and EU Financial Support, European Parliamentary Research Service, April 2024, https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/760412/EPRS_BRI(2024)760412_EN.pdf (accessed September 30, 2025).

36 Bechev, 2023.

Although there are clear business and efficiency arguments for regional cooperation, the politicized governance of state-owned power utilities across the region often prevents such initiatives from materializing. Moreover, within the framework of the Energy Community, experts who participate in high-level meetings sometimes lack a mandate to make decisions – hence they refrain from proposing solutions or defining the framework for deeper cooperation. Political interference in regulation and state-owned utilities undermines transparency and investor confidence.

Foreign actors such as Russia and China further complicate progress by financing fossil fuel projects and supporting entrenched elites. Without safeguards, EU funds risk reinforcing patronage instead of enabling reform Ultimately, the EU–Western Balkans partnership rests on conditionality: enlargement embeds democratic and environmental standards, while EU assistance provides tangible benefits. Together, these elements can turn transition costs into development gains and offer a model for decarbonizing coal-dependent regions with fiscal and social stability.

Conclusion and Recommendations

The Western Balkans' energy transition presents a transformative opportunity for sustainable development, job creation, regional cooperation and integration with the EU. However, this requires coordinated action across stakeholders to address institutional gaps, skill shortages, and socioeconomic vulnerabilities.

Resolving regional legacy disputes could support decarbonization, improve cost-efficiency, and strengthen security of supply. A decarbonized and climate-resilient system in the Western Balkans requires integrated markets, joint infrastructure planning, coordinated governance of assets, and a skilled workforce. Cross-border certification and joint research and development can lower transition costs and spread knowledge. Regional cooperation is necessary to integrate market models with cross-border infrastructure, creating reinforcing effects that enable resilience.

Market integration through mechanisms such as day-ahead market coupling can reduce wholesale price volatility, increase liquidity, and provide the scale necessary to attract renewable energy investment. Individual WB6 markets are too small to guarantee returns for large solar and wind projects. A regional market can create a larger pool of consumers and stabilize investor expectations.

For functioning of a market, infrastructure is necessary. The Trans-Balkan Corridor, for example – designed to connect electricity markets across Serbia, Bosnia and Herzegovina, and Montenegro – could enable surplus renewables in one country to offset deficits in another. Similarly, Bulgaria-Serbia gas interconnector can improve regional security of supply.

Regional markets can improve system resilience. Albania's reliance on hydropower leaves it vulnerable to droughts, while North Macedonia's growing solar capacity depends on balancing mechanisms. A coordinated regional system that allows surplus hydropower to complement solar and wind variability across borders, could reduce the risk of blackouts and diminish reliance on expensive fossil fuel imports.

The Western Balkans' energy transition presents a transformative opportunity for sustainable development, job creation, and deeper European integration. Yet, success depends on coordinated action among governments, the private sector, civil society, and the EU to close institutional gaps, mobilize investments, and address social vulnerabilities.

Governments of the Western Balkans (National Level)

- Strengthening policy coherence and governance: Governments should align national policies with EU frameworks and ensure that National Energy and Climate Plans (NECPs) are legally adopted and aligned with the EU's 2030 objectives and 2050 climate neutrality objective.
- Strengthen credibility: Governments should enhance institutional capacity, the rule of law, and policy predictability. This includes introduction of the carbon pricing mechanisms, redirecting fossil fuel subsidies (currently about 500 mil-

lion Euros) into funding renewables, reskilling, and social protection and adopting coal phase out timeline, considering lifetime of existing facilities and climate goals. Regulatory agencies should be depoliticized and empowered to enforce market rules. Transparent energy governance is essential to attract private investment and build trust in reform processes.

- Ensuring a just and inclusive transition: Governments should support coal-dependent regions by designing and implementing Territorial Just Transition Plans to mitigate unemployment and social exclusion in mono-industrial areas such as Tuzla, Kolubara, and Oslomej. These plans should combine wage support, skills development, employment, early retirement schemes, community reinvestment.
- Promoting green skills and employment: Governments should modernize technical and vocational education systems, integrate green curricula, certification frameworks, and develop joint training with industry. Civil society organizations and business associations can co-fund training hubs and identify future skill needs, helping workers transition into renewable energy, energy efficiency, and grid modernization sectors.
- Protecting vulnerable consumers: Governments should expand programs for energy-vulnerable households and improve targeting to include additional at-risk groups, ensuring that decarbonization does not deepen inequalities.

Civil Society/Business Sector of the Western Balkans (National Level)

- Raising awareness on potential positive impacts of energy transition: Civil society should disseminate existing knowledge and promote knowledge development by citizen science initiatives. Advocate for the full implementation of existing commitments. Civil society should also support inclusive participation (women and youth) in decision-making.
- Co-funding training hubs: Businesses should dedicate a share of revenues for reskilling identify future skill needs in order to channel workers into education, retraining, and lifelong learning programs.
- Applying Environmental, Social, and Governance (ESG) standards: Companies should develop company-level decarbonization plans and climate risk strategies.

Regional Level

- Strengthening coordination: The region should work through the Energy Community, RCC, and WB6 CIF to harmonize regulation and improve the energy system's resilience. Regional organizations should intensify cooperation on market coupling, grid interconnection, and renewable balancing across borders. Moreover, during regional and EU-level discussions, participating representatives should be granted sufficient authority to negotiate and conclude agreements; without such mandates, meaningful proposals and progress will be hindered.
- Enhancing skills mobility: The region should establish a framework for mutual recognition of certifications that are crucial to the energy transition.
- Jointly financing projects: The region should pool EU funds (e.g. IPA III, Western Balkans Investment Framework (WBIF)) into shared infrastructure projects such as cross-border interconnectors.
- Improving transparency: The region should create a regional observatory to track transition metrics, benchmark progress, and support knowledge transfer.

EU

- Providing targeted support: The EU should continue financial assistance through IPA III, Just Transition Mechanism (JTM), and WBIF, with priority for coal regions and social protection. Technical support should also be available for skills development, while and visa procedures should be simplified for training and certification.
- Deepening political dialogue: EU should deepen political dialogue to ensure financing remains tied to democratic reforms, transparent governance and climate neutrality, and energy reforms.
- Enhancing monitoring: The EU should improve monitoring mechanisms by requiring national governments to incorporate Organisation for Economic Co-operation and Development (OECD) Just Transition Indicators and public scorecards on outcomes.

List of Abbreviations

AI	Artificial Intelligence
ALMP	Active Labor Market Policy
ALMPs	Active Labor Market Policies
BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBAM	Carbon Border Adjustment Mechanism
CEFTA	Central European Free Trade Agreement
CEP	Clean Energy Package
CERT-EU	Cyber Emergency Response Team of the EU
CIRT	Computer Incident Response Team
CSIRTs	Computer Security Incident Response Teams
COP28	Climate Change Conference in Dubai in December 2023
COVID 19	Coronavirus Disease of 2019
CRM	Common Regional Market
CRM 2.0	Common Regional Market Action Plan 2025–2028
CSIRT	Computer Security Incident Response Team
CSOs	Civil Society Organizations
DigComp	Digital Competence Framework for Citizens of the EU
DMA	Digital Markets Act
DSA	Digital Services Act
e-Governance	Electronic Governance
e-Albania / e-Kosova	E-Governance Platforms
EC3	Europol's European Cybercrime Centre
EDGAR	Emissions Database for Global Atmospheric Research
EDPB	European Data Protection Board
EIP	Economic and Investment Plan
ENISA	European Union Agency for Cybersecurity
EPS	Elektroprivreda Srbije
EQF	European Qualifications Framework
ESG standards	Environmental, Social and Governance Standards
ETS	Emissions Trading System
EU	European Union
EU-CyCLONe	European Cyber Crisis Liaison Organisation Network
EU ETS	European Union Emissions Trading System
FBiH	Federation of Bosnia and Herzegovina
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GW	Gigawatt
IB	International Baccalaureate
ICT	Information and Communication Technology
ID	Identification
IOM	International Organization for Migration
IPA	Instrument for Pre-Accession Assistance
ISO 27001	Information Security Management Systems
IT	Information Technology
ITU	International Telecommunication Union
JTM	Just Transition Mechanism
KEK	Kosovo Energy Corporation
MARDI	Caritas Switzerland's Municipal Action for Reintegration and Diaspora Project
MRVA	Monitoring, Reporting, Verification and Accreditation
MW	Megawatt
NATO	North Atlantic Treaty Organization
NDICI	Neighbourhood, Development and International Cooperation Instrument
NDC	Nationally Determined Contribution
NECP	National Energy and Climate Plan
NIS2 Directive	EU Network and Information Systems Directive 2
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Services
PPS	Purchasing Power Standards
PV	Photovoltaic

RCC	Regional Cooperation Council
RCF	Regional Challenge Fund
RS	Republika Srpska
R&D	Research and Development
R&I	Research and Innovation
SAAs	Stabilisation and Association Agreements
SAP	Stabilisation and Association Process
SEPA	Single Euro Payments Area
SMEs	Small and Medium-sized Enterprises
STEM	Science, Technology, Engineering, and Mathematics
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
VET	Vocational Education and Training
WB	Western Balkans
WB DESI	Western Balkans Digital Economy and Society Index
WBIF	Western Balkans Investment Framework
WB3C	Western Balkans Cyber Capacity Centre
WB6	Western Balkan Six
WB6 CIF	Western Balkan Six Chamber Investment Forum
WEM	With Existing Measures
wiiw	Wiener Institut für Internationale Wirtschaftsvergleiche
5G	Fifth Generation Mobile Network

Authors

Blerton Abazi

Dr. Blerton Abazi, a Computer Science professor at UBT, is a cybersecurity expert with 14+ years of international experience in IT auditing, digital transformation, and security policy. Holding a PhD (summa cum laude), he has advised governments across the Western Balkans, Middle East, and Africa, led regional cybersecurity initiatives, and consults on EU- and USAID-funded ICT and critical-infrastructure projects.

Matteo Bonomi

Matteo Bonomi is a senior fellow in the EU politics and institutions programme at the Istituto Affari Internazionali in Rome. His work focuses on European integration, EU enlargement and its political economy. He has advised institutes and public agencies across Europe and published on differentiated integration and Western Balkans – EU relations. He holds a PhD from Scuola Superiore Sant'Anna.

Ana-Maria Boromisa

Ana-Maria Boromisa is a researcher at the Institute for Development and International Relations (IRMO) in Zagreb. Her research interests include the green transition, energy governance and decarbonization, with a focus on their economic and social impacts. In these areas, she leads projects, publishes papers and teaches at the University of Zagreb and Yantai University in China.

Branimir Jovanović

Branimir Jovanović is an Economist at the Vienna Institute for International Economic Studies, covering the Western Balkans. He works on a broad range of topics, including economic growth and development, inequality and poverty, fiscal policy and taxation, social policies and labour issues, EU integration, and foreign direct investment.

Dženeta Karabegović

Dženeta Karabegović is an Associate Professor at the University of Salzburg where she habilitated in sociology and political science. Her work explores migration, diaspora, transnationalism, social movements, foreign policy, transitional justice, and the Western Balkans. She consults international, regional, and local organizations, and regularly guest lectures in and beyond Europe in policy and academic settings. She works across English, German, and BCS.

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