



**ASSESSING AND STREAMLINING THE POTENTIAL OF
THE OPEN BALKAN INITIATIVE**

**REPORT ON RESEARCH TASK 1: SCREENING OF THE
OPEN BALKAN INITIATIVE – COUNTRY ANALYSES**

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Objectives, Scope and Methodology

The objective of this research task, as per Terms of Reference, is to collect and analyse information from national institutions (parliaments, governments, regulatory bodies) related to agendas, sessions, sector strategies etc., including interviews with political actors (government and parliaments), to determine whether these have the Open Balkan in focus. The hypothesis is that the political commitments made need to be transferred vertically to the citizens and for the benefit of the citizens through the public administration and its policy instruments. The study determines country by country if there is the political will and an administrative focus on the areas of cooperation under the Open Balkan Initiative (OBI) and whether the political will is implemented or planned to be administratively implemented to the benefit of the citizens of the Western Balkan (WB) countries.

The study encompasses data collection and analysis from public documents accessible through institutions' websites, produced and published by national institutions, chambers of commerce, academics, and the civil sector. By examining the documents, the study identifies the policy framework and specific steps the countries and their national institutions have taken or committed themselves to do so concerning the OBI and/or other regional integration initiatives of a similar character. The documents analysed include international agreements, national laws, sectoral strategies, strategic plans and annual working programmes of national institutions, public speeches and press releases of institutions' representatives, research papers, and reports. In addition, interviews were conducted with representatives of national institutions, chambers of commerce, academics and representatives of the civil sector.

The report is arranged in two sections. The first section presents the WB country positions, the narrative and arguments for/against participation in the OBI used by the government and other stakeholders, opportunities or threats identified with respect to the OBI, along with the strategic approach, decision or intention to join or remain outside the OBI and positions on other regional initiatives like the Common Regional Market (CRM).

The second section is divided into policy areas related to six trilateral agreements and two bilateral agreements together with four trilateral and four bilateral Memorandums of Understanding (MoUs). The framework for analysis is organised in the policy areas proposed by the OBI; namely, in three broad areas – free movement of goods, free movement of people, workers and services, and other areas of cooperation.

Area of cooperation	Specific areas of cooperation	Open Balkan Agreements and MoUs
Free movement of goods	Mutual recognition of Authorised Economic Operators	Agreements on the mutual recognition of authorised economic operators – security and safety (AEOs) authorisations Bilateral ALB–MKD–SRB
	Mutual recognition of veterinary, food and feed safety, and phytosanitary certificates	Agreement on cooperation in the field of veterinary, food and feed safety, and phytosanitary in the Western Balkans
	Cooperation on food security and food commodities	Agreement on food security mechanisms in the Western Balkans
	Integration of payroll systems	MoU on M-Tag toll payments North Macedonia–Serbia
	Cross-border clearances and infrastructure	Memorandum of understanding on measures to improve the movement of people and goods North Macedonia–Serbia
Free movement of people, workers and services	Access to labour markets	Agreement on conditions for free access to the labour markets in the Western Balkans
	Electronic identification of citizens and access to e-government services	Agreement on the interconnection of schemes for the electronic identification of citizens of the Western Balkans

		<u>Agreement on cooperation in the Western Balkans in the field of the mutual recognition of diplomas and scientific grades issued by HEIs and other authorised institutions</u>
	Regional cooperation in the field of tourism	<u>Memorandum of understanding on cooperation in the field of tourism in the Western Balkans</u>
	Regional cooperation in the field of culture	<u>Memorandum of understanding on cultural cooperation in the Western Balkans</u>
	Regional cooperation in cinematography and audio-visual arts	<u>Memorandum of understanding on cooperation in the field of cooperation in the field of cinematography and audio-visual activities in the Western Balkans</u>
Other areas of cooperation	Cooperation between tax authorities	<u>Memorandum of understanding on the cooperation of taxation administrations in the Western Balkans</u>
	Civic and environment protection	<u>Agreement on protection against disasters Civil protection OP</u>
	Regional cooperation in the fields of energy and mining	Memorandum of understanding on cooperation in the field of mining and energy Albania – Serbia; Serbia – North Macedonia

Regional economic integration in the WB extends beyond the OBI. Analysis of each policy area thus starts by presenting the current legal and policy framework established for regional integration. The report discusses the interplay of the obligations arising from the OBI agreements and MoUs in relation to another regional trade agreement (CEFTA) or initiative, the CRM. The analysis presents relevant programmes and policy actions that have been implemented or are planned to be done so in a given OBI policy area by both countries participating in the OBI and those not participating. This includes the state of play in terms of the ratification, adoption or approval and implementation of the OBI agreements and MoUs.

Research limitations

The limitations of the research methodology used in the presented study stem from several aspects. First, the developing nature of the regional integration initiatives, especially the OBI, means that new initiatives are announced without any prior notification, i.e., new agreements and MoUs continue to be signed. In this respect, some policy areas announced by the OBI were not considered while designing the data collection tools, particularly the MoUs on payroll systems and the MoU on cross-border clearances and infrastructure announced at the last bilateral meeting between North Macedonia and Serbia. Moreover, even the initiatives that have already been announced, as shown by the research, remain in an early phase of implementation. Thus, the progress with implementation of the agreements and the MoUs should continue to be monitored once the project has ended.

Given that the research relies on publicly available resources, it may be that relevant documents were not available or accessible on institutions' websites due to the websites not functioning or documents not having been published. The country experts used the interactions while interviewing institutional representatives to request relevant document (s) for this research. Still, only two documents were acquired through this approach. Even though prospective interviewees were offered the opportunity to not be recorded and for their personal information to not be associated with the opinions and shared information, there was a general lack of responsiveness from state institutions, notably in Albania and Serbia.

Introduction: Regional economic integration initiatives in the Western Balkans – Overview

Regional cooperation among the WB countries has formed part of the bilateral and multilateral relations between countries in the region and their EU accession process. A survey from 2022 suggests that there are at least 60 regional organisations and initiatives covering economic cooperation, good governance, security etc. in which some or all WB countries take part.¹ It is not uncommon for new initiatives to emerge in the region. Just recently, four WB countries (Albania, Montenegro, Kosovo, North Macedonia) promoted the WB QUAD, a platform promoting full harmonisation with the EU's common foreign and security policy.

Economic integration is no exception to this practice. In the last two decades, several organisations and initiatives have appeared in the spotlight. CEFTA is the only legally binding agreement to include all WB countries, as well as Moldova. Within the Berlin Process, the leaders of WB countries have agreed to implement the plan for a Regional Economic area (REA), to be followed by the Action Plan for a Common Regional Market. These plans/agendas comprise the areas of trade, investment, digital, industrial and innovation and serve as the most comprehensive framework for economic cooperation and integration in the region.

Albania, North Macedonia and Serbia started to implement the Open Balkan Initiative in 2021 as a platform to promote the free movement of goods, people, services and capital in the WB. In 2019, the countries already signalled that they were willing to acceleration regional integration during informal meetings as part of what was then called Mini Schengen. The OBI was announced as a more mature initiative upon the signing of two MoUs and one Agreement in June 2021 at the first OBI Summit held in Skopje.

Coordination and implementation structures

The OBI stands out because it was initiated and its implementation is the sole responsibility of the participating countries whereby heads of government and relevant ministries are regularly involved in its coordination and implementation. Such coordination occurs on several levels. The OBI Summits serve as a platform for dialogue on a high level where leaders take stock of the achievements made thus far and announce new areas of cooperation. To date, five gatherings under the Mini Schengen and four OBI summits have been held. An official OBI summit has not been held since September 2022. Instead, country leaders have gathered at OBI meetings during joint tourism promotion activities² or on the bilateral level during official visits.³ According to the interviews, the next summit is expected to take place in Belgrade in May or June 2023. In a similar vein, the Berlin Process summits serve as a platform for coordinating on a high political level. Unlike the OBI, all WB countries participate in the Common Regional Market (CRM). Country leaders are joined by a representative of the EU and representatives of the member states to take stock of implementation of the CRM AP at meetings of leaders and/or ministers.

¹ Nedžma Džananović and others, 'The Impact of Regional Organizations and Initiatives in the Western Balkans' (2021AD) <https://idsos.org.mk/wp-content/uploads/2022/01/A5_The-Actual-Impact-of-Regional-Organizations-and-Initiatives-on-Regional-Cooperation-Integration-and-Good-Neighborly-Relations-in-the-Western-Balkans-Success-and-Limiting-Factors.pdf>.

² Zoran Radosavljevic, "In Italy, Three Western Balkan Leaders Praise 'Open Balkan' Initiative" (3 April 2023) <<https://www.euractiv.com/section/politics/news/in-italy-three-western-balkan-leaders-praise-open-balkan-initiative/>>.

³ Government of the Republic of North Macedonia, "Signed Bilateral Documents between the Governments of Serbia and North Macedonia - in Focus the Interest of the Citizens and the Economies of Both Countries [Потпишани Билатерални Документи Помеѓу Владите На Србија и Северна Македонија - Во Фокус Интересот На Граѓаните и Економиите На Двете Земји]" (31 March 2023) <<https://vlada.mk/node/32730>>.

An OBI Implementation Council was announced with the task of leading and monitoring implementation of the activities agreed to in the initiative. Rather than a formal structure or body, the initiative is currently coordinated by appointed national coordinators. All countries have appointed one person for this role: in Serbia, it is the Deputy General Secretary of the Government of Serbia, North Macedonia has appointed a National Coordinator for the Open Balkan and regional initiatives, while Albania has appointed advisors to the Prime Minister for this role. According to the interviews conducted, the role of the coordinators is to facilitate and speed up the coordination of relevant ministries with respect to implementing the signed agreements and MoUs. Multi-Annual action Plan (MAP) REA have an established structure, i.e., Sherpas, with appointed representatives from each country. The RCC and CEFTA Secretariat are involved in the process with regard to monitoring and technical support for implementation of the agreed activities. The adoption of new protocols to the Agreement have widened the scope and debt of market liberalisation. The relevant articles of the Agreement and the additional protocols establish the formal structure for decision-making, obligations and other unsettled areas of cooperation between the WB countries, and Moldova.

Conclusion and recommendations

The OBI stands out for the fact that it is the first regional economic integration initiative launched and governed by countries in the region themselves. The Open Balkan Initiative has been created with the ambition to become an active incubator for maturing cooperation and coordination in a non-institutionalised environment for the three participating countries. The participating countries see it as an incubator to bring the countries to a level that mimics the EU's four freedoms. It is not considered to be binding on the countries and not as competing with other initiatives, but instead it energises the journey for achieving the countries' strategic interests towards full-fledged EU membership and serves as a message from the regions that these countries want full EU membership.

Countries participating in the Open Balkan Initiative consider it as an energiser of efforts targeting EU accession, as the creator of fresh momentum.

The direct and regular involvement of the different country leaders highlights the political will of the countries involved, reflected on the strategic level in government programmes and strategic documents that prioritise implementation of this initiative. In terms of the implementation structure, the OBI relies on inter-institutional coordination of the relevant institutions regarding implementation of the signed agreements and MoUs, as facilitated by OBI coordinators. The regional and national coordination is based on ad hoc meetings rather than a structured dialogue between established regional and national structures.

The OBI does not have contain a plan that sets the course for cooperation. Instead, it announces new priorities periodically. Its terms of transparency, or the lack thereof, it has been observed that the Albanian authorities have refrained from publishing the signed agreements. This is not the case with North Macedonia, though. The governments of Serbia and North Macedonia publish the documents on the parliamentary websites, with the latter having an OBI-dedicated website. Further, there is no single point that monitors implementation of the initiative, which means that no report on the process made so far can be found concerning any of the signed Agreements and MoUs under the OBI. This shows why this research matters, as it took a closer and detailed look at the OBI.

These operating practices were noted as an issue and concern with the OBI among the institutions and country officials of countries not participating in the OBI. The ministries of foreign affairs of Bosnia and Herzegovina and Montenegro have produced analysis of the OBI, with neither being favourable

to the OBI. The absence of strategic plans and governance frameworks was described as a weakness of the initiative. The interplay, or lack of it, with other existing regional organisation and initiatives, the complementarity with the EU acquis and absence of solid support from the EU were raised as issues by representatives of all three countries. Still, it should be noted that there is political will among the OBI non-participating countries, particularly Bosnia and Herzegovina and Montenegro, whose political leadership supports the OBI and shows a readiness to discuss their possible participation in the OBI. Given the national context and issues at stake in both Bosnia and Herzegovina and Kosovo, as elaborated above, the political capital the OBI generates for political leaders may be attractive to Montenegro for the time being. Transparency with regard to progress with implementation as well as clarity on governance and monitoring matters could help to build trust that the initiative is truly open for all WB countries.

The issue of non-participation in the OBI relates not simply to the initiative itself. For Bosnia and Herzegovina, as the Republika Srpska entity has embraced the OBI and, in some way, turned it into an ethnic issue, feeding into the narrative used in the Federation of BiH that primarily sees it as a political project for the dominance of Serbia. Kosovo is the only country whose government is firmly against the OBI. Apart from several political figures and CSO representatives, this position is largely shared among political stakeholders in the country. Based on the interviews conducted, the results of the normalisation process with Serbia could prove decisive if Kosovo decides to participate in the OBI. As the country analysis shows, Kosovo–Serbia relations are already damaging the patterns of bilateral cooperation. Kosovo has not established bilateral cooperation with Serbia, Kosovo, and Bosnia and Herzegovina in OBI-relevant policy areas like culture, tourism, taxation and investments. Moreover, the fact that Serbia, Bosnia and Herzegovina, and Moldova do not recognise Kosovo’s independence and reject its full representation in CEFTA means that Kosovo is not represented in the CEFTA structures on the technical level.

The OBI sheds light on the need and importance of the countries’ administrative capacities to vertically transpose the political will and determination for governmental cooperation and coordination. In terms of practical implementation of regional economic integration by policy areas, two general observations can be made. First, the OBI interplays with the operating regional agreement (CEFTA) or regional initiatives (MAP REA and CRM AP), particularly in the areas of the free movement of goods and free movement of workers – areas in which the OBI is most advanced in implementation terms. CEFTA AP 5 paves the way for mutual recognition programmes for AEOs and veterinary, food and feed safety, and phytosanitary certificates. Since the AEO programmes of Albania, Serbia and North Macedonia have gone through (positive) validation procedures, the OBI might offer an effective means for collaboration to advance and provide solutions to make progress in this area. The agreement on veterinary, food and feed safety, and phytosanitary certificates, on the other hand, creates a new legal framework that allows the countries to agree on lists of products to be regulated outside of CEFTA. While export bans are covered by CEFTA, the agreement on food security promises new cooperation for addressing food shortages and the use of storage capacities.

In terms of trade in services, AP 6 sets the legal framework for the liberalisation of trade in services. Nevertheless, liberalisation of the labour markets seems to be the major novelty the OBI has brought to the table. While CEFTA explicitly refrains from regulating this area, the OBI establishes a legal basis and policy tools to facilitate access to the labour markets. As the mechanisms and instruments foreseen by the agreement, including the implementation protocol, are not yet official or implemented, there is no evidence whether the two agreements will bring any significant change to the terms and procedures and whether they truly offer free access to the labour markets. In the area of the mutual recognition of professional qualifications, diplomas, and scientific grades, the research shows that having two initiatives may not always be beneficial. On one hand, challenges with implementation may arise if the two agreements on the recognition of diplomas and scientific grades are applied

simultaneously. On the other hand, the agreements on the mutual recognition of professional qualification of regulated professions (Doctors of Medicine, Doctors of Dental Medicine, and Architects) could supplement the agreements on the labour markets. Cooperation on tourism in the CEFTA/CRM and OBI frameworks differs, with the former specifying the regulatory aspects and the latter activities for joint destination and product promotion.

The second general observation is that the political commitments of the OBI-participating countries are vertically streamlined and being implemented at a slow pace. The majority of the political promises repeated at the OBI summits and public appearances by OBI leaders have yet to be operationalised. The ratification process of all OBI agreements has taken a long time, notably for North Macedonia. Only the agreements on the mutual recognition of AEOs were ratified promptly. To date, the labour market agreement and the agreement on the interconnection of schemes for electronic identification are the only trilateral agreements to have been ratified by all three OBI-participating countries. Since the agreement on food security has not been ratified by North Macedonia, it is not yet in force.

The OBI has implemented or is in a preparatory phase for implementing the agreements related to trade in goods and the free movement of workers. Economic operators utilise the benefits arising from the mutual recognition of the AEO programmes, but the concept is relatively new and the number of AEOs remains small. Further, although the agreement on cooperation in the field of veterinary, food and feed safety, and phytosanitary has not been ratified by all parties, the implementation of its provisions has commenced. Three countries have harmonised the list of plant and plant products requiring a phytosanitary inspection certificate, the monitoring plans and official controls, recognised the laboratory analysis, and approved business operators. The controls have moved inside the territory of the countries with a view to lowering border crossing waiting times. Yet, the (non)abolition of the fees and tariffs as prescribed by the agreement shows that the agreement cannot ensure that the countries are bound to the agreed provisions, and may lead to unequal implementation of the agreement. In a similar vein, apart from the agreement on food security not being ratified by North Macedonia, all countries respect the clause referring to no ban on exports and have exchanged information on food storage capacities. No evidence could be found in the desk research or the interviewees conducted that the agreement on protection against disasters and its civic protection operational plan have been implemented.

The two agreements that would enable free labour market access to citizens of OBI-participating countries are still in a preparatory phase of implementation. According to the interviewees, the IT systems are operational and in the testing phase. Still, how the e-service “access to labour markets” will be implemented in practice has not been made official. The implementation protocol, as foreseen by the Agreement on conditions for free access to the labour market, should provide clarity on this matter once it is fully agreed by the parties and made public.

In the other policy areas, the situation varies considerably. The MoUs on cultural cooperation and cinematography and audio-visuals have not been implemented. Other than isolated cases of cooperation based on the initiative of individual cultural institutions, the relevant ministries have not started actions that would facilitate cooperation or the creation of a joint film fund. The MoU on the cooperation of taxation administrations in the Western Balkans is in the initial phase of implementation as only one bilateral meeting between the Serbian and North Macedonian tax authorities has been held recently to discuss avenues for cooperation. The only exception is the MoU on tourism, which has been implemented. Organising joint events and joint participation at tourism events has been one of the most visible activities of the OBI, with wine tourism being the primary focus of the initiative.

While considering the countries not participating in the OBI in the context of the implementation of OBI relevant policies, several conclusions may be drawn. The slow pace of implementing the

announced activities shows no value proposition, or added value, arising from participation in the OBI. The level of preparedness of the OBI non-participating countries to join the ongoing initiatives should, however, also be considered. As the country analysis shows for the AEO area or the establishment of electronic identification and trust services and access to labour markets suggests, Bosnia and Herzegovina and Kosovo might not even be prepared to implement the agreed obligations under the OBI. In addition, the (non) complementarity with the EU acquis has been pointed out as potentially decisive for (non) participation in the OBI. Further investigation should focus on this aspect for each agreement signed within the OBI, with priority given to those that are already implemented or in an advanced stage of preparatory activities.

- **The OBI could better elaborate its vision for regional economic integration on the path towards EU integration of the WB and crystallise the initiative's mandate with a medium-term roadmap.**⁴ This roadmap should provide an overview of the policy areas that the initiative intends to cover in the foreseeable future, along with the instruments (Agreements, MoUs, programmes, policy actions) that will ensure the political commitment is operationalised on the ground. The implementation periods should be set realistically and revised periodically. To the extent possible, the roadmap should reflect on the interests of the Western Balkans as an entry point for all countries in the region. The OBI roadmap should consider the level of preparedness to implement policy actions in line with the EU acquis.
- **Consider developing a governance structure that delineates the coordination, implementation and monitoring functions and responsibilities on the regional and national levels.** In the ad hoc coordination approach, a policy action is taken when an agreement is reached. In an institutionalised mechanism, centralised decision-making could be made collectively or by an institution acting on behalf of the participating countries. Should the initiative aim to address persistent and structural challenges in a longer perspective, an institutionalised formal mechanism may be preferred. If the challenge is more short term, an ad hoc mechanism would be a more efficient instrument for dealing with the challenge. It is noted however that the ad hoc mechanism is less efficient and would require greater time for negotiations and some form of forum to facilitate the negotiations.⁵
- **Improve the overall transparency to increase the accountability and avoid adverse perceptions from within and outside the OBI.** Transparency could be improved by making all the Agreements and MoUs signed thus far, the products of the agreements (like implementation decisions, bylaws etc.) as well as any document(s) produced on the regional or national levels (reports, minutes, conclusions etc.) publicly available in the languages of the participating countries. The national institutions should inform who is the responsible person(s) and about implementation of the OBI Agreements and MoUs relevant to their scope of work. Moreover, the initiative could be made transparent and open to all stakeholders, including CSOs. The OBI would benefit if civil society is able to monitor and openly discuss the initiative's achievements.
- **Accelerate the implementation of bilateral or multilateral Agreements and MoUs that facilitate regional cooperation and integration.** With sufficient human and administrative resources, the political commitments would be realised as concrete policy actions and increase the credibility of the regional integration project. The Agreements and MoUs should be adopted

⁴ Ristovski and Kacarska (no. 154).

⁵ For more, see: Ghosh A. and Masson P. (1994): Economic cooperation in an uncertain world; Oxford, UK; Cambridge, Mass., USA: B. Blackwell.

or ratified, and fully implemented to avoid unequal implementation among the parties. Regional cooperation should be perceived and implemented as a stepping stone towards the EU's single market and hence all policy actions should be in line with the EU's rules and standards.

