



# CONNECTIVITY AGENDA AND STRUCTURAL WEAKNESSES OF EU CANDIDATE COUNTRIES



## 2019 TIRANA CONNECTIVITY FORUM: WEAVING THE FABRIC OF THE UNION

### The Berlin Process Series

#### FORUM REPORT: CONNECTIVITY AGENDA AND STRUCTURAL WEAKNESSES OF EU CANDIDATE COUNTRIES

This report is built in two parts. The first part contains the yearly CDI Report as part of Berlin Process Series / 5 / 2020; the second one includes the keynote contributions delivered at Tirana Connectivity Forum, 29 - 31 October 2019.

**Publisher:**

**Cooperation and Development Institute**

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*This publication was supported by:*

Konrad Adenauer Foundation, Office for Albania

Hanns Seidel Foundation, Tirana Office

Friedrich Ebert Foundation, Tirana Office

**Keywords:** *Connectivity projects, Tirana Connectivity Forum, Good governance, Western Balkans, Structural Weaknesses, EU conditionality*

**ISBN 978-9928-4605-1-6**

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## LIST OF ACRONYMS

<b>BiH</b>	Bosnia and Herzegovina
<b>CA</b>	Connectivity Agenda
<b>CDI</b>	Cooperation and Development Institute
<b>EnC</b>	Energy Community Secretariat
<b>IFI</b>	International Financial Institution
<b>IMF</b>	International Monetary Fund
<b>INV</b>	Investment rounds of WBIF
<b>IPA</b>	Instrument for Pre-accession
<b>MCACP</b>	Multi-country Action Programs for Connectivity
<b>NICs</b>	National Investment Committees
<b>NIPACs</b>	National IPA Coordinators
<b>PPP</b>	Public Private Partnerships
<b>REA MAP</b>	Regional Economic Area Multiannual Action Plan
<b>SEE6</b>	South East Europe Six
<b>SPP</b>	Single Project Pipeline
<b>TA</b>	Technical Assistance
<b>TAP</b>	Trans Adriatic Pipeline
<b>TCF19</b>	Tirana Connectivity Forum 2019
<b>TEN</b>	Trans-European Networks
<b>WBIF</b>	Western Balkans Investment Framework

## **Part 1**

# **CONNECTIVITY AGENDA AND STRUCTURAL WEAKNESSES OF EU CANDIDATE COUNTRIES**

## Foreword from the Authors

This report is different from the previous ones, as it contains two main parts.

In the first part we analyze the financing of connectivity infrastructure projects, the capacity of the South East Europe Six (SEE6) administration to design, implement and operate those projects, and finally the way those very large projects impact the SEE6's own institutional framework. This part corresponds to the traditional yearly publication of the Berlin Process Series that CDI produces since 2016.

In the second part we have included the redacted versions of presentations of keynote speakers, policy-makers and other strategic stakeholders present in Tirana Connectivity Forum 2019 (TCF19). This part provides a much-needed vantage point on the practical implications of the analysis and concepts we develop. We have complemented these presentations with the main take-away points from the TCF19, as well as with a more detailed section on the conclusions of each of the five panels.

Moreover this publication is complemented by an in-depth study of the most recent and biggest energy infrastructure project that connects a SEE6 country with EU: the Trans Adriatic Pipeline, otherwise known as TAP. This was initially conceived as a stand-alone document. But during our research we decided to use it as a "case study" for the Connectivity Agenda in order to illustrate the theoretical findings with practical real-life situations.

This edition sets out to provide concrete and actionable proposals on the way that large connectivity infrastructure projects address the SEE6's "structural weaknesses" and contribute to their convergence with the EU. From this angle we focus on good governance and on political will.

The latest online publications of the Western Balkans Investment Framework have provided an excellent opportunity for us to look at the inner workings of the blending facility. Unfortunately we could not consult the 2020 Connectivity Networks Gap Analysis Update that came out while our report was being published.

Methodology-wise, we double down on the concept of multi-dimensional connectivity as defined by the World Bank, and develop it further to also include the institutional linkages amongst SEE6 and EU structures and their cooperation dynamics.

Connectivity in the SEE6 is seen through the Enlargement optic and in function of the EU Accession Negotiations. Wherever possible we have used comparable non-EU connectivity initiatives and models that are under way in the SEE6.

The context-based approach gives to this publication its original Balkans flavor. We have chosen to deal with the impact of Covid19 pandemics on connectivity in the forthcoming 2021 Tirana Connectivity Form edition.

Lastly, we have decided to replace the term Western Balkans Six with the much less charged South East European Six or SEE6.

## Executive Summary

The investment brought by the Connectivity Agenda is very important for the SEE6 region. The total budget of the SEE6 Connectivity Agenda for the period 2014 to 2020 is estimated at EUR 4.2bn, while Instrument for Pre-Accession (IPA) II total allocation (connectivity funds excluded) for the South-East European region is circa EUR 6bn.<sup>1</sup>

Connectivity shot into the political limelight in 2014 when President Juncker announced that there would be no EU Enlargement in SEE6 until at least 2025. Together with “enhanced regional cooperation,” connectivity became the second pillar of the Berlin Process – a process designed to keep SEE6 countries on their EU membership track.

During its first five years, one byproduct of SEE6 connectivity dynamics was the exposure of weaknesses in implementation of the adopted regulatory framework and in the functioning of local institutions. The main problems appeared during infrastructure project implementation and resulted from: i) “weak governance,” as expressed by weak administrative capacity of national institutions to identify, design, implement and operate such projects; ii) “small fiscal space” available for infrastructure investments; and iii) “lack of political will” as expressed by the state capture dynamics, by the large gap between implementation and transposition, and by weak enforcement.

Fast forward to 2019, “state capture” and the “missing will of local elites” kept popping up in the public debate that followed the 2019 Macron decision to review the Enlargement methodology. The same limiting factors that delay the execution of infrastructure projects, also inhibit the SEE6 country reforms and slow down the progress of SEE6 towards EU membership. Connectivity projects have served as a litmus test by making those problems observable and measurable.

Neither IPA nor the Connectivity Agenda in its current form are designed or equipped to deal with those SEE6 structural weaknesses. But “political will” and “good governance” are considered as preconditions for a successful IPA implementation. Which brings us to a Catch 22 situation, where IPA’s impact in reforming SEE6 “captured” institutions depends on the good governance of those very institutions, and on the good will of their political “tenants.”

Moreover, the repackaging of conditionality or the upgrade of the “carrot and stick” approach, do not take into account the heavy trends of rising populism in the EU, global decoupling, increasing assertiveness of third actors in the region, mass migration, or the formerly unthinkable questioning of the current development model of SEE6 or indeed of the “transformation power of the EU.”

We argue that in this Catch 22 context, an intervention approach based on multi-dimensional connectivity provides viable entry points for public policy actions. We describe and analyze the progress of infrastructure projects on the Connectivity Agenda with focus on transport and energy. Since 2014, the increased focus on connectivity has allowed for more focused attention on the situation of infrastructure in the SEE6, and on its limits and contributions to growth in the region.

We argue that connectivity infrastructure projects also are excellent vectors of change that offer direct impact on the ground, are suitable to hasten the convergence pace of SEE6 economies, and improve the governance of local institutions. By focusing on

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<sup>1</sup> CDI’s own estimation of Connectivity Agenda in the SEE6 region as the total of EUR 1bn in grants and 3.2bn in loans; with the total IPA II 2014–2020 indicative allocation for Albania, B&H, Kosovo, Montenegro, North Macedonia and Serbia, minus Turkey and minus the Connectivity Agenda allocation of EUR 1bn. Extracted from: [https://ec.europa.eu/neighbourhood-enlargement/instruments/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en)



tangible projects, the EU has the opportunity to use the Connectivity Agenda to shape the SEE6 territory, to monitor the impact of its actions on the ground, and to identify the factors that limit or enhance its effects. We complement this with an assessment of the Western Balkans Investment Framework (WBIF) mechanism, describing its achievements and limitations mostly with regard to the local impact of Connectivity Agenda.

We argue that multi-dimensional connectivity may also have negative effects. Connectivity vectors and nodes can amplify the speed and propagation rate of negative phenomena such as COVID-19, and this calls for building in resilience. Its virtuous dynamics can backfire and induce negative effects for the SEE6, as illustrated by huge trade imbalances, the massive brain drain, and democracy asphyxiation through the mass migration of their middle class.

In our model, connectivity is inextricably linked with SEE6 reforms and their EU membership objective. As such it makes visible the need to equilibrate the relationship between the EU and SEE6 by: i) bringing in much larger amounts of free capital to start a virtuous local growth circle; ii) shift EU attention from institution building to also include institutional good governance; and iii) significant increase of EU support in human capital, in education, health, and social protection. The Connectivity concept can help design an adapted Enlargement delivery mechanism to reflect the above.

On their path to full EU membership, the candidate countries must deliver on the rule of law, implement radical justice reform, fight against corruption and organized crime, provide and enforce internal security standards, guard the EU external borders from massive migration pressures, continue to enforce the application of fundamental rights, complete the set-up and ensure efficient functioning of their newly established democratic institutions (all by carrying on with public administration reform), maintain high economic growth and functioning markets, and maintain convergence targets with the EU.

But can SEE6 countries do all these at the same time? Do they have the necessary financial, human, and institutional resources? Can policy-makers – local or EU ones - have privileged entry points to instigate virtuous dynamics? Who would be the appropriate actors and partners in this endeavor? What can be the mechanisms? Is there a role for multi-dimensional connectivity?

Delineating those mechanisms and proposing innovative and applicable policies and actions is the objective of this edition.

## I. EVOLUTION OF THE EU CONNECTIVITY AGENDA

As developed in our 2018 edition, Connectivity Agenda (CA) for SEE6 kicked off with infrastructure projects that connect the EU and SEE6 countries. Eight such projects were announced in the Vienna Summit in 2015. In Trieste in 2017, infrastructure was complemented by people-to-people (p2p) dimension and the Regional Economic Area Multiannual Action Plan (REA MAP). In this chapter, we will analyze the evolution of CA from three perspectives: from the EU, from EU Member States, and from the SEE6.

### I.1. EU Level: in the beginning there was infrastructure

The Connectivity Agenda stems from the need to better connect SEE6 countries with the EU transport and energy infrastructure. The rationale is the extension of Trans-European Networks (TEN) infrastructure into the Balkans peninsula. The EU financial assistance delivery mechanism (Instrument for Pre-accession, or IPA) put the EU connectivity support in a separate multi-country budgetary envelope earmarked initially exclusively for infrastructure. In 2014, the EU finances the enhancing of “...*transport and energy connections within the region and with the EU.*”<sup>2</sup>

“TEN-T extension” figures in every EU Connectivity Program from 2015 to 2020 included (followed closely by the “*development of a regional energy market...*” and by the “*completion of energy transmission lines / gas pipelines / etc.*”). Physical connection of SEE6 with EU infrastructure is present in every yearly Key Performance Indicators list.

**Table 1. Evolution of Key Performance Indicators of MCAPC 2015 – 2020:**

<i>Key Performance Indicators</i>	<i>2015 -16</i>	<i>2016 -17</i>	<i>2017 -18</i>	<i>2018 -19</i>	<i>2019 -20</i>	<i>Status as of Dec. 2019</i>
Indicative extension of TEN-T core network	√	√	√	√	√	No project completed <sup>3</sup>
Development of a regional energy market integrated with EU market	√	√	√		√	“Regional trade is the exemption <sup>4</sup> ”
Completed electricity transmission lines, gas, roads, etc.	√	√	√			No project completed yet
Number of energy and transport infrastructures completed		√		trans port	√	No project completed yet
Value of trade in goods and services (EUR million)				√	√	No publicly available impact study
Annual reduction of energy consumption in MhW/year and CO2 emissions in tons/year		√				No publicly available benchmark
Number of partner institutions of energy lending		√				
Spotting of market development, cross-border balancing and allocation of capacities		√				

*Source.* Yearly MCAPC 2015 to 2020 and calculations of the Authors

<sup>2</sup> Instrument for Pre-Accession Assistance, Multi-country Indicative Strategy Paper (2014–2020), adopted on 30/06/2014

<sup>3</sup> WBIF Monitoring Report, Nov. 2019

<sup>4</sup> Energy Community Annual Implementation Report, 1 Nov. 2019

We notice that EU Connectivity Agenda was focused on the infrastructure needs of SEE6. It was conceived as an extension of EU networks and with the EU standards. Until December 2019 it had co-financed 44 projects (including 35 in infrastructure and nine projects in soft measures and technical assistance). The total EU funds provided under the Connectivity Agenda are expected to reach 88% of the initial EUR 1 billion pledged in 2015, and to leverage investments with a total project cost exceeding EUR 3.2 billion.

## I.2. Engagement of Member States: the political push

The Berlin Process as carried on by the Western Balkans Summits has been instrumental to the evolution of the rationale and scope of the Connectivity Agenda. The decisions taken at the Berlin Process Summit in Trieste in July 2017 allowed the EU Commission to revise its connectivity approach and “...*extend the Connectivity agenda to include (a) connecting infrastructure; (b) connecting economies; (c) connecting people.*”<sup>5</sup>

Consequently, the need to “*widen the connectivity agenda to include*” infrastructure, economies, and people was included in the revised 2018 Multi-country Action Programs for Connectivity (MCAPC). Furthermore, in the 2018 Enlargement Strategy<sup>6</sup> two connectivity-dedicated Flagship Initiatives were created (one for transport & energy, and one for digital).

### Box 1. Infrastructure projects selected for financing by EU Connectivity Agenda 2015 - 2019

Under the Connectivity Agenda, the EU provided the first EUR 200M at the Western Balkans Summit in Vienna in August 2015 for ten priority infrastructure projects, out of which eight were financed from the Multi-country IPA allocation (over EUR 140M) and two from the IPA Serbia allocation. This first financing was known as “INV Round Zero.”

In 2016, the second financing round (or INV Round 1) included EUR 145.5M. Out of the EU support, over EUR 90M was allocated to three rail projects, while the remaining funds were reserved for four transport projects from Bosnia and Herzegovina (BiH), which were technically screened positively, but not approved in the end due to the lack of a national transport strategy.

In 2017 the third “connectivity agenda package” (INV Round 2) was endorsed at the Trieste Summit in July 2017 for seven projects for a total grant size of EUR 144.5M. From the Trieste package, the Commission Decision on Connectivity for the year 2017–2018 provided grant support to projects for a budget of EUR 104.87M and the IPA bilateral envelope financed a project in Serbia with grant size of EUR 49.6M.

In May 2018, the fourth connectivity agenda package (INV Round 3) was introduced at the Western Balkans Summits, first in Sofia in May and later in London in July 2018. It provided more than EUR 190M in EU grants to 11 transport infrastructure development projects (nine investment projects and two technical assistance grants).

The fifth connectivity agenda package (INV Round 4) was endorsed in Poznan during the Western Balkans Summit on 4–5 July. The package includes six transport infrastructure projects and two energy infrastructure projects, with a total EU contribution of more than EUR 180M and total investment cost exceeding EUR 728M.

*Source.* EU Multi Country Action Programme for Connectivity for the years 2019–2020

<sup>5</sup> Instrument for Pre-Accession Assistance, Revised Multi-country Indicative Strategy Paper (2014 – 2020), adopted on 31/05/2018, underlined by the authors

<sup>6</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans,” EC Strasbourg, 6.2.2018 COM(2018) 65 final, extracted at:

[https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf)

Key to the financing of CA was the already existing Western Balkans Investment Framework (WBIF). From a structure initially designed to blend the EU Commission grants with International Financial Institution (IFI) loans to finance SEE6 connectivity infrastructure,<sup>7</sup> WBIF would evolve towards the *de facto* support for planning, technical preparation and prioritization of SEE6 infrastructure projects. We argue that this gradual shift was driven by the need to fill the gap created by weak local “institutional governance”, and respective “political will”.

Initially planned as joint endeavor of EU Commission and IFIs, connectivity agenda got a political boost, a larger scope, and much higher visibility through the Berlin Process. Unfortunately this increase in scope was not translated into additional EU grant support. Instead the previously earmarked IPA EUR1bn amount was repackaged as a Connectivity Agenda Fund that would be expected to raise another EUR 3 to 4bn in loans from IFIs.

### **I.3. SEE6 Country Level: ownership and legitimacy**

The success of the infrastructure push resulting from the Connectivity Agenda depends on the maturity of the national projects that are brought to WBIF for financing. The mechanism follows the logic of “*output legitimacy*” as defined by the number and quality of those infrastructure project submitted by SEE6 governments. The better and more complete the quality of a submitted dossier is, the higher the probability that its financing will be approved.

In each country, it is the “National IPA Coordinators” (NIPACs) who are responsible for coordinating that preparation. NIPACs and National Investment Committees (NICs) oversee the prioritization of projects, and the list submitted to WBIF for co-financing. In this list, the projects are ranked by their maturity and the strategic importance that they have for the SEE6 country that submits them.

Our first observation is about the missing mechanism of a “joint submission for financing” where two or more SEE6 countries would jointly identify, prepare and submit for financing a common project. Some SEE6 national authorities have raised this concern as well<sup>8</sup>.

But what attracted our attention is that there was no publicly available data about the updated list of priority projects in any of the SEE6 countries – called otherwise Single Project Pipeline (SPP) – at the time of publishing this report.<sup>9</sup> This raises the issue of the representativeness of the project prioritization process.

In its Steering Committee meeting of 16–17 December 2019, WBIF provides a comprehensive assessment of NICs.<sup>10</sup> On the representativeness factor, it points out NIC stakeholder engagement as a “structural deficiency,” but by this it means the ministries of finance, or the EU Delegations and IFIs. The local SEE6 actors such as business associations, sector associations, local government, civil society organizations,

<sup>7</sup> For a detailed explanation of the relationship of IFIs and the Berlin Process through WBIF, see *The Berlin Process 2014 – 2018*, by A. Hackaj & K. Hackaj, CDI Ed., Tirana 2018

<sup>8</sup> Interview with Florenca Haxhi, Director General of Development Programs and Cooperation Unit, at the Albanian Prime Minister’s Office

<sup>9</sup> CDI has received information about the project pipeline by submitting written requests to the national structures in charge. However in some cases the information received has been partial.

<sup>10</sup> “National Investment Committee (NIC) and Single Project Pipeline (SPP) Framework – Qualitative Assessment,” 21<sup>st</sup> WBIF Steering Committee meeting of 16–17 Dec. 2019

or other interest groups are not in its radar. This reinforces the “*output legitimacy*” logic that WBIF uses for the CA infrastructure financing: i.e., the priority is given to the maturity factor of the projects submitted for financing by the SEE6 governments. In this logic, the rationale is about dealing with its tasks in an effective and efficient manner<sup>11</sup>.

In the WBIF minutes, the “*inclusivity*” of the SPP refers to the scope of projects included, to the sources of finance, etc., but not to the SPP stakeholders. We believe that it is of systemic importance for the WBIF to also verify the representativeness of all local interests when preparing the list of projects for WBIF financing. This we can call “*input legitimacy*”: i.e., do the prioritized projects submitted for EU financing represent the interests of all the country actors or are they, eventually, impacted by lobbying of local interest groups?

## Box 2. Beyond infrastructure: Multiannual Action Plan on Regional Economic Area

Beyond the association of heads of state with infrastructure development, the political dimension of the Connectivity Agenda has been very visible in the Regional Economic Area (REA) component. A Multiannual Action Plan on REA (MAP REA) was presented in Trieste WBS in 2017. It included cooperation in trade, investment, mobility, and later on in digital integration. The SEE6 countries committed to further their collaboration under the existing Central European Free Trade Agreement.

An assessment from the European Bank for Reconstruction and Development<sup>12</sup> by the end of 2019 had identified the following challenges in each of the MAP REA components:

- *Trade*: crumbling transport infrastructure, inadequate business environment, failure to develop value chains with West European markets;
- *Investment*: failure to be competitive limiting the attraction for foreign investors, small market size, low labor market efficiency, low business sophistication, low innovation capacity, and unsatisfactory state of institutions;
- *Mobility*: lack of skills and of appropriate education, under-developed policy framework and incentive schemes, and exodus-like outward migration;
- In *digital integration*, roaming-free was a very significant achievement reached by Regional Cooperation Council in 2019. In the framework of CA, the EU is focusing on capacity building or respective regulatory agencies. In the fourth WBIF INV round during 2019, four digital connectivity applications were received by WBIF. Even if only one got through (from Albania), it is very important to underline that the proposals had a very large scope ranging from micro-connectivity (support to rural broadband and/or local schools) to regional connectivity (Balkans Digital Highway project).<sup>13</sup>

Nevertheless, REA MAP is silent on the issues that impact its implementation, such as weak institutional governance, limited access of SEE6 countries to finance, the challenge of unfair competition from the informal sector, and the phenomenon of state capture. Neither state capture nor weak governance has been taken into account when drafting MAP REA.

After representativeness and output delivery, the next challenge would be to acknowledge the systemic importance of “*throughput legitimacy*”: or the way NICs and other national structures operate to prepare and develop the connectivity agenda project

<sup>11</sup> the concepts of input and output legitimacy used here are based on the research “*Good governance in the EU*”, by Tanja A. Borzel and alii, Jan. 2008, Berliner Arbeitspapier zur Europäischen Integration Nr. 7, Freie Universität Berlin, and developed further by CDI

<sup>12</sup> *The Western Balkans Regional Economic Area: From Economic Cooperation to Economic Integration*, by P. Sanfey and J. Milatovic, Springer International Publishing, Nature 2019; R. Osbild and W. Bartlett (eds.), *Western Balkan Economics in Transition* (in Societies and Political Orders in Transition series), Springer, 2019

<sup>13</sup> For detailed information of 4<sup>th</sup> INV round see: TA Round 22/21 and INV Round 04 Applications for Approval, First WBIF SC meeting, London, 16–17 December 2019, WBIF

application file. "Throughput legitimacy" - defined as the capacity of the SEE6 structures to function efficiently and produce sustainable and qualitative outputs without permanent external assistance - must be one of the criteria of WBIF grant / loan allocation.

Technical, administrative, and managerial ineptitude of certain SEE6 structures impacting project design and implementation (or even operation) has been masked by EU and/or IFI-financed technical assistance (TA). One of the solutions adopted to cope with the weak local institutional performance has been to back up those institutions with externally contracted expertise. But while this solution treats short-term handicaps of output legitimacy by securing a timely, steady and high-quality flow of documents needed for achieving the financing targets, it masks the deep-rooted problems of SEE6 weak institutional governance and political will.

In general TA contracts almost always include a capacity building component for the local beneficiary. However we have noted that those TA contracts tend to be regularly renewed, and so they seem to last forever. Moreover the capacity-building component is very often replaced by technical assistance where it is the trainer that literally performs the tasks of the intended beneficiary.

We propose that for each contacted TA in the Connectivity Agenda, its Terms of Reference must replace "capacity building" with the preparation of a "phasing-out" component. This may provide the necessary trigger for a realistic assessment of the capacity of SEE6 administrations involved in infrastructure to properly function without the permanent support of externally contracted expertise. It will also increase the sustainability of the provided TA.

## II. PRIORITIES AND ASSUMPTIONS OF EU CONNECTIVITY ACTION PLAN

“State capture” appeared for the first time in the 2016 Enlargement strategy<sup>14</sup> as a factor that negatively affects the rule of law and the SEE6 economies. State capture continues to appear in the 2018 Enlargement strategy<sup>15</sup> while in the 2019 document it is joined by the “lack of political will.”<sup>16</sup> In the revised Enlargement Strategy of February 2020, those terms are no longer mentioned. Instead we notice the appearance of “*structural weaknesses ... in particular in the area of fundamentals.*”<sup>17</sup>

### II.1. “Structural Weaknesses” and Infrastructure Projects

An analysis of the yearly EU MCAPC provides a good picture of how the EU assesses the contribution on the ground of selected connectivity projects, and of the local factors that condition their successful implementation.

Among these factors, i) “political will” as in *political commitment* and the *government commitment towards EU*; and ii) “good governance” as in *sufficient administrative capacity*, have been the permanent EU assumptions and preconditions for the disbursement of each year’s MCAPC earmarked connectivity funds.

**Table 2. MCAPC assumptions and risks conditioning the success of CA projects**

MCAPC Assumptions & Preconditions	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Political commitment ( <i>or political will</i> )	√	√	√	√	low
Sufficient administrative capacity ( <i>or good governance</i> )	√	√	√	√	low
Government commitment towards EU ( <i>or political will</i> )	√	√	√	√	low
Agreement of IPA II beneficiaries on the priorities to address and methodology	√	√	√	√	
Coordination of energy reform measures by the Energy Community Secretariat	√	√	√		
Credible sector strategies and set up National Investment Committees	√				
Environmental Impact Assessment and SEA procedures conform to EU <i>acquis</i> before project implementation		√	√	√	
Local ownership		√	√		low
Financial sustainability		√	√		low
Recovery from the crisis		√			
IFIs availability to provide loans		high			
Capacity to borrow from beneficiaries		medium			

Source. MCAPs 2015 – 2020

<sup>14</sup> 2016 Communication on EU Enlargement Policy, Brussels, 9.11.2016, COM(2016) 715 final

<sup>15</sup> 2018 Communication on EU Enlargement Policy, Brussels, 17.4.2018, COM(2018) 450 final

<sup>16</sup> 2019 Communication on EU Enlargement Policy, Brussels, 29.5.2019, COM(2019) 260 final

<sup>17</sup> 2020 Communication on EU Enlargement Policy, Brussels, 5.2.2020 COM(2020) 57 final

In the table above we have brought together the assumptions and preconditions of each MCAPC. Said otherwise, those are the conditions that must be fulfilled to release the earmarked funds for the selected Connectivity Agenda infrastructure projects. Political commitment and sufficient administrative capacity are preconditions figuring in every MCAPC from 2015 to 2020 included. In every MCAPC it is mentioned that *“failure to comply with the requirement set above may lead to recovery of funds under this programme and/or the reallocation of future funding.”*

To our knowledge and based on the minutes of WBIF, this clause has never been called in. Political commitment, government commitment towards the EU, sufficient administrative capacity or any other “structural weakness” have not affected the EU financing of EUR 880 M in grants and of EUR 3.2bn in IFI loans to SEE6 up to December 2019. In the spending engagements of MCAPC 2019–2020, their risk is assessed as “low.”

## II.2. Salient Features of Investment Projects in Transport and Energy

Thirty-five CA infrastructure projects have been selected for financing since 2015. As of October 2019, two projects had managed to complete over 50% of works.<sup>18</sup> The WBIF Monitoring Report 2019 provides an excellent overview of the progress of the Connectivity Agenda up to October 2019. We have updated it with the INV Round 4 projects, and have identified some interesting features of the CA for the period 2015–2019, as below:

- Of the total CA infrastructure budget engaged in SEE6, 37.3% belongs to investments made in one single road: the Mediterranean Corridor CVc traversing BiH from Brcko to the Adriatic Sea. This amount is separated into 11 financing portions in grants and loans, and corresponds to the totality of BiH participation in CA.<sup>19</sup> Overall, the total cost for the 322 km of Corridor Vc in BiH is estimated at circa €4 bn;
- While SEE6 road axes are vertical (including the Adriatic–Ionian highway), the CA rail axes run from South-West to North-East;
- Motorways of the Sea – that impact Montenegro, Albania and BiH – do not appear in the design of TEN-T extension projects in the SEE6, unlike Inland Waterways;
- Until now, Albania and Kosovo have not asked for SEE6 Connectivity Agenda funds to build connections between them, preferring to use their own national budgets;
- Serbia confirms its position as the energy hub of SEE6 and its status as the biggest recipient of energy projects. In the energy sector, Albania has a huge potential through the valorization of existing Trans Adriatic gas pipeline; and the future construction of the Ionian Adriatic Pipeline;
- Regarding the involvement of third actors: i) in Montenegro while EU CA is investing in rail to connect the Adriatic port of Bar/Tivar with Serbia, China is constructing a highway linking the same locations; ii) in Serbia while EU CA is investing in rail with the Orient/East-Med Corridor CXc, the Russian Federation is financing, designing, and constructing the national Integrated Traffic Control Center for Serbian railways.

<sup>18</sup> WBIF Monitoring Report, November 2019

<sup>19</sup> Corridor Vc is a historically important transport route through the Western Balkans, linking Budapest with Ploce/Mediterranean Sea. More than 50% of Bosnia’s population lives near this corridor and over 60% of Bosnia’s GDP is generated along it.



From the bullet points above, we identify the need to prepare an overall SEE6 Connectivity Strategy document, or at least a comprehensive SEE6 Connectivity Program that would add a heavier political and strategic component to the infrastructure investments in the region. Moreover this strategy document would bring together in one single approach the spatial connectivity together in transport and energy with the respective reform measures. Finally, it should contain a section addressing the institutional capacity of the local partners.

The list of achieved and expected results from WBIF until end of 2019 in energy, transport, and digital infrastructure (and also in environment and social) is impressive.<sup>20</sup> But while the WBIF Monitoring Report focuses *stricto-sensu* on infrastructure planning and construction phases, there is no available data in the report on how those infrastructure projects have contributed to local growth or/and to socio-economic development<sup>21</sup> of the areas they went through.

This was in fact acknowledged by the 2015 WBIF Monitoring Report,<sup>22</sup> but the respective adaptation of procedures has been slow to follow: *“Connectivity”, while a new arrival in the WBIF ecosystem, represents a clear strategic orientation of the facility for the coming years – however, it seems that there has been no underlying strategic appraisal for such an orientation. ... the IPA project fiches submitted for WBIF support define their overall objective in very basic terms – “to support the socio-economic growth of the Western Balkans by implementing the WBIF”. While this is not the main criterion on which to make a judgment, it is one of the signs that the WBIF seems to lack a clear and well disseminated vision of what it actually aims to achieve.*” To this end, WBIF expert teams must be complemented and enriched with at least industrial policy and with regional development experts.

As “contribution to growth” is the main expected result of CA investments in SEE6, we also strongly suggest to include data on the short term and on the longer post-construction impact that CA infrastructure projects have in the areas they go through. This should be included in clear terms already in the respective IPA project fiche, and become subject to regular monitoring and evaluation. In short term that would be focused mainly around the construction period, where the employment component would be the most visible indicator.

Moreover we suggest that the post-construction monitoring procedure becomes a permanent component of the overall infrastructure project financing procedure. This will allow assessing the impact on the ground of the infrastructure investment, draw lessons learned, and adapt investment strategies for the next IPA planning cycle.

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<sup>20</sup> WBIF Monitoring Report & WBIF Secretariat Updates, 21<sup>st</sup> WBIF SC meeting, London, 16–17 Dec. 2019

<sup>21</sup>“Benefits and Results” are integral parts of the investment project fiches of WBIF. For detailed examples see: “Investment Projects selected for EU funding 2019, EU Connectivity Agenda for the Western Balkans,” DG NEAR 2019

<sup>22</sup> Evaluation of Western Balkans Investment Framework (WBIF), Final Evaluation Report, [http://www.evropa.gov.rs/Documents/Home/DACU/5/194/2014\\_352812\\_1\\_WBIF\\_final\\_evaluation\\_report.pdf](http://www.evropa.gov.rs/Documents/Home/DACU/5/194/2014_352812_1_WBIF_final_evaluation_report.pdf)

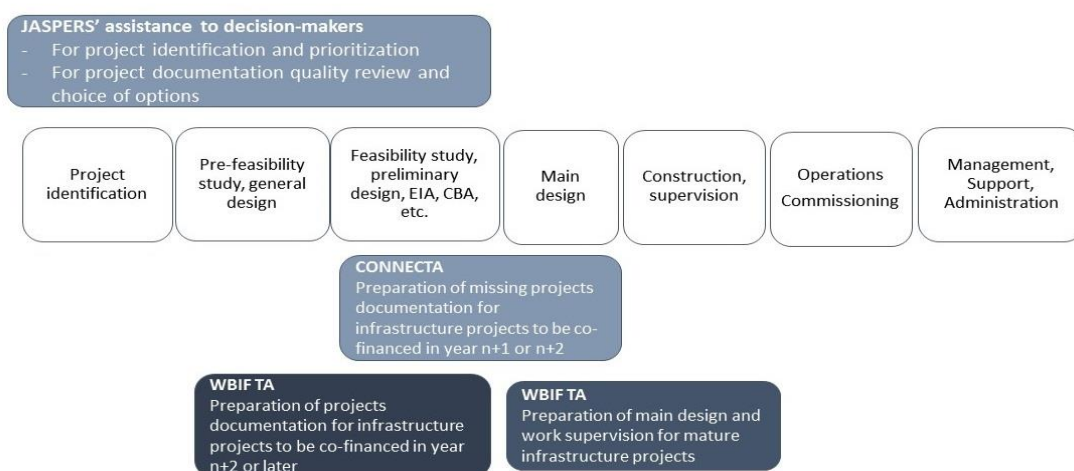
### III. CONNECTIVITY AGENDA EXPOSES STRUCTURAL WEAKNESSES

In the revised Enlargement Strategy of February 2020, we notice the appearance of “*structural weaknesses ... in particular in the area of fundamentals.*” Below we will focus in the interaction of the EU Connectivity Agenda with the good governance of local institutions.

#### III.1. Infrastructure Projects and local administrative capacity

The International Monetary Fund (IMF) has identified the management of public investment in the SEE6 region as exhibiting significant weaknesses,<sup>23</sup> an issue also recognized by the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations<sup>24</sup> and regularly mentioned as a potential risk in MCAPCs, as previously indicated. The state capturing phenomenon and/or the insufficient administrative capacity of SEE6 institutions increase the risks linked with infrastructure projects, and transfers those risks to the very SEE6 states. Ultimately, it is SEE6 citizens who bear the costs. Aware of the insufficient administrative and technical capacity, EU and IFI stakeholders have since always supported the local administration with external consultants. But as developed in the last year’s TCF18 report,<sup>25</sup> there is an issue of moral hazard associated with the external consultants completing *de facto* the tasks pertaining to the civil servants during all phases of the infrastructure project cycle: in planning, in construction, and in operation.

**Figure 1. Distribution of TA in CA projects as per project cycle stages<sup>26</sup>**



<sup>23</sup> *Public Infrastructure in Western Balkans, Opportunities and Challenges*, R. Atoyán et al., IMF European Department 2018

<sup>24</sup> “Support to the Transport Sector in Montenegro: Country Action Plan for Montenegro,” IPA 2017

<sup>25</sup> “The Berlin Process: Implementation of Connectivity and Institutional Governance,” A. Hackaj & K. Hackaj, CDI Ed. 2019

<sup>26</sup> Slide from presentation given at WBIF 2016 Programming Mission for Connectivity Projects, by Davor Kunc, Program Manager, Energy & Transport, and Ana Simecki, Transport Expert, Connectivity Center, Tirana, 1 December 2015, and adapted by CDI.

The extensive use of external EU consultants (through WBIF, JASPERS, CONNECTA and other bilateral aid schemes) has evidently mitigated the consequences of public administration weakness in the infrastructure project cycle. However, given that the consultants' services end at the works supervision phase (see Fig. 1), they do not take any responsibility for any risk that appears later on in the project stages and that may be imputable to them.

Secondly as the Connectivity Agenda loans provided by partner IFIs are secured by SEE6 sovereign guaranties, those IFIs do not face any risk in cases when the infrastructure project is delayed<sup>27</sup> or fails.<sup>28</sup> Instead, the SEE6 citizen through the state budget foots the bill. This situation calls for a change in the WBIF loan approval criteria, where the capacity of the local structures should become a main condition to be assessed by WBIF before loan approval.

Whereas failures in aid programs supporting policy-making or the development of the normative context are difficult to pinpoint, failures at whatever stage in an infrastructure project can easily be identified, measured, and attributed. Hence, Connectivity Agenda infrastructure projects serve as a litmus test for the good governance and technical competence of the respective SEE6 institutions. They can be used as unique mechanisms for the identification of weak links in the responsible institutional structures.

### III.2. Connectivity Reform Measures: political will and good governance

Beside infrastructure, the next component of the Connectivity Agenda in SEE6 is to support reforms (previously called "soft measures"). Those efforts have been mainly focused on the energy sector. In our TCF18 report we focused on the gap between transposition and implementation.

The Energy Community Secretariat (EnC) continues to be the only regional institution that regularly monitors the quality of work of its SEE6 partner institutions. In its 2019 Report it underlines the importance of good governance to ensure efficient implementation of regional agreements. It states that "... *simple changes made to domestic legislation to align with EU legal obligations do not suffice to achieve the desired results. A more robust governance must be put in place. EnC needs to improve its governance.*"<sup>29</sup> EnC concludes that SEE6 national and regional structures, procedures and institutions need to be upgraded to achieve deep implementation results.

We can use the "*legitimacy approach*"<sup>30</sup> to better understand the challenges that weak governance and missing political pose for the implementation of reform measures. In this optic the problems that Energy Reform Measures face in SEE6 countries as identified by the EnC Annual Implementation Report in 2019<sup>31</sup>, can be classified as below:

- Problems related to *input legitimacy*: alignment of independent institutions with branches of the executive; legal set is incompatible with 3<sup>rd</sup> Directive Package;

<sup>27</sup> The Albanian Government continued to pay the loan secured by KfW in the case of the Kosovo–Albania High Voltage line, even though the line was not used due to political issues between Kosovo and Serbian transmission operators

<sup>28</sup> The Albanian Government continues to pay the loan to the World Bank and the European Bank for Reconstruction and Development in the case of Vlora TEC, although the project is still not operational

<sup>29</sup> EnC Annual Implementation Report, 1 Nov. 2019

<sup>30</sup> For a quick outlook on the concept of *legitimacy approach*, please consult *From the 'Ordinary' Method to the Transgovernmental Method Comparative Trends in EU Governance*, by Adrian Schout et al., Clingendael Report, July 2019; *EU Candidate Country Reforms and the Revised Enlargement Methodology: Searching For a Roadmap*, by A. Hackaj & A. Pirdeni, CDI Working Paper, March 2020

<sup>31</sup> EnC Annual Implementation Report, 1 Nov. 2019

questionable independence of institutions; undue influence, etc.;

- Problems related to *throughput legitimacy*: structures are not operational; staff is appointed to complete tasks on an ad-hoc basis; limited HR and financial resources; threat to financial autonomy of independent institutions, etc.;
- Problems related to *output legitimacy*: failure to enforce; failure to promote regulatory objectives; no investigations / decisions when and where needed; non-compliance with rules; lack of effective follow-up on inquiries, etc.

It must be noted that some of the biggest output legitimacy problems (i.e. failure to deliver the set targets) affect SEE6 institutions that have been assessed by the EnC as having an excellent technical performance. For example, the EnC positively qualifies the technical performance of the Energy Agency of the Republic of Serbia: “*beyond doubt when it comes to technical aspects of market regulation,*” but criticizes it when it comes to “*enforc[ing] third party access at the interconnection with Hungary,*” “*leading to situations in ... contravention of the acquis,*” or “*adopting sector rule without formal transposition.*” A very competent SEE6 structure that nonetheless does not apply the *acquis*, or otherwise deliver, is an indication of the impact of “missing political will.”

### III.3. Filling the Vacuum

Structural weaknesses create fault lines in the inner workings of the SEE6 institutions, and different interest groups see opportunities in them. One of the most visible such phenomena have been the use of PPP for the financing of many Connectivity Agenda segments.

The low fiscal ceiling has been used to justify in SEE6 countries – and especially in Albania – the extensive use of Public Private Partnerships (PPPs) to finance and operate road infrastructure, including TEN-T Core portions. The most visible feature of PPPs has been their very high cost per km (up to 2.5 times) as compared with their WBIF-prepared bill of quantities.<sup>32</sup>

In many cases the PPP financing method has allowed the SEE6 governments to procure high budget infrastructure works through single source procedure, and often has increased the risk of insufficient completion. Frequently SEE6 governments have chosen the PPP method without any prior comparative analysis assessing its value-for-money. In at least one case the PPP financing has caused the WBIF to withdraw from an already approved grant for the same segments.<sup>33</sup>

A common observation has been the low administrative capacity in the public sector to identify, assess, monitor, and evaluate the risks. WBIF has identified the “*relatively high mortality rate (around 50%),*” and “*inexperience of the public sector.*”<sup>34</sup> In the Economic Reform Programme of Albania (2019 – 2021), European Commission underlines their very large size as compared to the country GDP, but without being accompanied by

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<sup>32</sup> Pre-feasibility study for the Adriatic–Ionian Corridor portions Milot–Balldren and Thumane–Kashar was costed at EUR 296 MiO. The PPP passed by the Albanian government was contracted at EUR 670 MiO. For a detailed analysis of the cost difference impacting the Corridor, see “Gjurmet shqiptare e korridorit Adriatiko – Jonian dhe dritehijet e kostove 2.5 here me te larta me PPP,” by B. Hoxha, *Monitor Magazine*, Nov. 2019, <https://www.monitor.al/gjurma-shqiptare-e-korridorit-adriatiko-jonian-dhe-dritehijet-e-kostove-2/>

<sup>33</sup> Portion of Adriatic– Ionian Corridor, Construction of Lezha Bypass: Feasibility Study and ESIA, grant of EUR 351,750 from EBRD, see minutes of the 26th meeting of WBIF Project Financiers Group, Brussels, 7 November 2018

<sup>34</sup> 24th Meeting of the WBIF Project Financiers’ Group, 9 November 2017, Sarajevo, Bosnia and Herzegovina, Minutes of Meeting

proper resources to assess and monitor them<sup>35</sup> “.

To remedy this situation WBIF has focused their efforts in “*strengthening the public sector capacity in planning, procuring and implementing PPPs [with a process that] consists of four components: (i) identification of good practices and common challenges, (ii) capacity building for the preparation of PPPs, (iii) development of PPP guidance documents and (iv) preparation of standardized PPP tender documents*”<sup>36</sup>.”

Also many IFI, SEE6 opposition politicians, local economists, NGO grassroots and specialized media, have warned about the dangers posed by PPPs. They have qualified the recording of PPP costs outside the debt obligations in the state budget, as an important financial risk for the country.

Finally, CA infrastructure projects and reform measures in the region have been in the focus of third party actors. In Serbia, the Chinese, Russian, and Turkish companies are increasingly present in financing and construction of transport and energy infrastructure projects, including TEN-T Core network<sup>37</sup> portions, and are advancing quite quickly.

More recently, and since 2019 those third actors are engaged also in the planning phase of transport infrastructure and have expressed their intention to “*synchronize [their] efforts in the region with the national development strategies of partner countries.*”<sup>38</sup>

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<sup>35</sup> the Economic Reform Programme of Albania (2019 – 2021), Commission Assessment, Brussels, 11.4.2019, SWD(2019) 166 final, states that “...“*PPPs have now reached a value of 31% of GDP, with additional projects planned that would increase the total value by 15 pps of GDP for 2019. At the same time, there has not been a corresponding increase in the numbers of staff available to monitor and assess these complex contracts and projects. This means that the public financial obligations related to the PPPs are not being comprehensively assessed and statistically recorded. ... There does not appear to be any risk analysis of this publicly guaranteed debt*”.

<sup>36</sup> 24th Meeting of the WBIF Project Financers’ Group, 9 November 2017, Sarajevo, Bosnia and Herzegovina, Minutes of Meeting

<sup>37</sup> For more data on the engagement of Chinese companies in TEN-T Core network, see “Corporate China in Western Balkans,” CDI, June 2019, <http://cdinstitute.eu/web/wp-content/uploads/2019/07/Corporate-China-in-Western-Balkans-1.pdf>

<sup>38</sup> “Connectivity and the Cooperation between China and Western Balkans,” by A. Hackaj in *ChinaMed Report 2019*, Eds. E. Fardella and A. Ghiselli, [https://uploads-ssl.webflow.com/5c33704eedb5fd7ad4b46b12/5dca07549c2e6d18c1fc3c7b\\_Report%20ChinaMed\\_Digital.pdf](https://uploads-ssl.webflow.com/5c33704eedb5fd7ad4b46b12/5dca07549c2e6d18c1fc3c7b_Report%20ChinaMed_Digital.pdf)

## IV. FRONTLOADING GOOD GOVERNANCE CONDITIONALITY: ROLE OF CONNECTIVITY AGENDA

*“EU integration has been the most prominent recent illustration of connectivity. Greater EU connectivity has appeared in the geographical reach, issue coverage and depth of policy cooperation among member states... Today EU stands as the result of a multigenerational push towards greater connectivity”<sup>39</sup>.*

To enhance its contribution in the SEE6 accession process, the Connectivity Agenda needs to increase its scope beyond support for growth and mobility, and adopt a more proactive role in the development path and reform processes engaged by the Balkan countries. By virtue of its current role which goes beyond a simple blending facility and of the size of funds engaged, WBIF becomes a systemic instrument to that goal.

### IV.1. Findings: Project Maturity Remains the Keyword

Large infrastructure projects and connectivity reform measures are an efficient mechanism at the service of institutional reforms. They expose the problems impacting their internal functioning and have proved to be efficient in improving certain aspects of institutional governance. As the engine of connectivity agenda, WBIF has a strategic role beyond financing infrastructure in SEE6, in both exposing the problems and remedying the governance of partner institutions.

The new trove of documents published on the WBIF website allows us to look deeper into the workings of the SEE6 blending facility. A review of the WBIF documents (including the minutes of the Project Financiers Group meetings since early 2017<sup>40</sup>) allows us to derive the following findings and recommendations.

Bilateral donors regularly raise issues that have to do with the interaction and impact that WBIF financing is expected to have on the ground. Issues such as capacity of beneficiary, the need to enlarge the scope from infrastructure to include environment and social sectors, the interaction with local political situation, etc., are regularly raised. It is the bilateral donors that voice their concerns about the *“implementation policies and political situation”* in the candidate countries, and express their concern on the way it affects the connectivity agenda investment projects.<sup>41</sup>

To the best of our knowledge and based on publicly available documentation, there is no explicit and structured cooperation between the WBIF infrastructure investment procedures and other SEE6 support mechanisms available such as the WB Guarantee Facility. Basically, and at least from the Project Financiers Group minutes, there is no clarity on the way a certain infrastructure project and the measures in support of the private sector can interact and help each other.

There is no relevant knowledge transfer component included in the selected CA infrastructure projects. The capacity building function in the infrastructure investments is carried by technical assistance projects; is explicit; and is conceived in its most elementary form (the deliverables of the capacity building exercise up to May 2017 have

<sup>39</sup> “Critical Connections. Promoting Economic Growth and Resilience in Europe and Central Asia,” David Michael Gould, World Bank Group, 2018

<sup>40</sup> See Minutes of the Meeting of 23rd to 28th meeting of Project Financiers Group, at WBIF website

<sup>41</sup> Intervention of Germany’s representative Mrs. S. Brabetz in Minutes of 27<sup>th</sup> Meeting of the WBIF Projects Financiers’ Group, Tirana, Albania, 22 – May 2019

been 18 workshops / seminars, 9 regional conferences, 6 study tours<sup>42</sup>).

There is no connection amongst CA infrastructure projects and the global value chain implications in SEE6. Available documents mention no data, interaction, or impact of those road, rail or energy infrastructure in the global value chain penetration and its impact in the region.

There is no assessment of the interaction of CA with the phenomena of “state capture,” of “missing good governance,” and of the “missing political will,” or of their potential impact on CA projects and implementation cost.

There is no detailed data on the short-term impact of infrastructure in the local economy – i.e., the number of workers hired during construction, data on local sub-contractors and on amount of contracts devolved to them, contribution to the local GDP, etc.

There is no publicly available mention / data / information on interaction / assessment of impact of CA infrastructure projects with: i) REA MAP as adopted in Trieste in 2017; ii) with Regional Investment Reform Agenda for the Western Balkans (RIRA) <sup>43</sup> as adopted in Tivat in 2018 or with the work and eventual contribution of the Chamber Investment Forum Western Balkans <sup>44</sup> and its Western Balkans Investment Platform<sup>45</sup> as launched in 2018.

It is not clear what the Project Financiers Group (PFG) means when recommending to “*strengthen beneficiary ownership*” and/or “*their buy-in into projects*.”<sup>46</sup> These projects in fact belong to the beneficiaries – it is the SEE6 institutions that prioritize projects, prepare the dossier, and submit it for financing. The PFG formulation reveals their feeling that maybe SEE6 countries do not see – at least some of the projects – as their own. The Infrastructure Project Facility (IPF) evaluation reports do not mention the administrative and managerial capacity of SEE6 administrations to deal with CA infrastructure, even if it is because of those constraints that IPF exists.

The local “*growth*” factor – the main justification for CA investment projects in SEE6 – is mentioned in only two Project Financiers Group meetings (and only once per meeting) out of the last six meetings.

## IV.2. Recommendations: Infrastructure Projects Shape the Territory

By their large budget, complexity, and duration, Connectivity Agenda projects in the SEE6 can shape the territory they go through, the local production structure, and the institutional context of beneficiary countries.

But it becomes difficult and costly to implement large infrastructure projects and/or other reform measures in a context populated by systemic inhibitors such as captured institutions, weak governance, and absence of political will. It is wishful thinking to expect that in that context, such heavy infrastructure investment will efficiently result in economic growth and increased wellbeing for the citizens.

Connectivity Agenda projects have the ability to expose the existence of systemic

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<sup>42</sup> Presentation by IFICO (F. J. Sellner) of the findings of the Capacity Building exercise, 23rd Meeting of the WBIF Project Financiers Group 16 to 17 May 2017, Brussels, Belgium, Final Minutes of Meeting

<sup>43</sup> for an overview of RIRA see: <https://www.rcc.int/docs/410/regional-investment-reform-agenda-for-the-western-balkans-six>

<sup>44</sup> for more info see: <https://www.wb6cif.eu>

<sup>45</sup> for more info pls see: <https://www.ebrd.com/news/2018/regional-investment-platform-for-western-balkans-launched.html>

<sup>46</sup> Intervention of DG NEAR representative Mr. A. Garcia Suarez in Minutes of 27<sup>th</sup> Meeting of the WBIF Projects Financiers Group, Tirana, Albania, 22 May 2019

obstacles that impact the work of local institutions. This is why its project infrastructure financing should apply good governance conditionality and contain a good governance component. The ability of local institutions to carry on such projects must be a paramount condition for WBIF to approve their financing. No technical assistance can remedy weak governance or missing integrity compliance.

Implicit knowledge transfer – as recommended by the World Bank<sup>47</sup> and as demonstrated in our research on the Trans Adriatic Pipeline case-study<sup>48</sup> – should become an obligatory component while planning for local impact of any Connectivity Agenda project. It can start with earmarking for local actors of a fixed amount IPF funds used for project preparation. It would be the best way to transfer engineering and financial expertise to SEE6 entities.

In SEE6 countries, central infrastructure institutions tend to focus on delivering the asset, while auditors are not usually tasked with following project performance. A lack of systematic data collection on performance undermines evidence-based decision-making and the disclosure of key information: *“Lack of disclosure of data on contracts and subsequent operation from local institutions tends to reinforce concerns about fraud and lack of transparency.”*<sup>49</sup> WBIF should produce detailed and regular data per each CA infrastructure project. In so doing, it will set the example and standards for local institutions, and will allow stakeholders to make comparisons of performance (for instance price/km, as seen previously in this document).

WBIF should adapt its procedures and respective timing to the pace of digital projects. Delays applicable in the Project Cycle Management and financing in transport or energy sectors cannot apply for digital projects.

The design and implementation of CA should follow the lessons learned from the EU experience. Matching objectives with available resources; beefing up enforcement tools; identifying and prioritizing the highest added value interventions; bringing infrastructure maintenance, resilience, and sustainability into focus; increasing rail vs. road share, etc., are valuable lessons that can be adapted and implemented in the SEE6.

Until now WBIF has followed the logic of output efficiency while financing infrastructure project. In the current context we believe that its scope should evolve to reflect the macroeconomic conditions, the SEE6 institutional governance, its administrative capacity and lately, the impact of COVID19 in connectivity infrastructure and supply lines.

This need to evolve has been already acknowledged in early 2019. *“The original intent of WBIF was to support IFI-led infrastructure projects with TA funding, and later with INV, which is now to be enlarged with a wider policy segment and new related instruments”*<sup>50</sup>

With an enlarged scope and involvement of new actors, resourced sufficiently and implemented efficiently, Connectivity Agenda can become a powerful growth and development mechanism, at the service of a speedier and sustainable convergence of SEE6 with EU.

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<sup>47</sup> “Critical Connections. Promoting Economic Growth and Resilience in Europe and Central Asia,” David Michael Gould, World Bank Group, 2018

<sup>48</sup> See “Implementing Large Infrastructure Connectivity Projects in the Western Balkans: The Case of Trans Adriatic Pipeline (TAP) in Albania,” by Ardian Hackaj, CDI, March 2020, ISBN 978-9928-4605-0-9, accessible at: <http://cdinstitute.eu/web/wp-content/uploads/2020/04/Connectivity-Agenda-Infrastructure-Projects-in-Balkans-TAP.pdf>.

<sup>49</sup> *Getting Infrastructure Right: The Ten Key Governance Challenges and Policy Options*, OECD, 2016

<sup>50</sup> intervention of CEB representative Mr. M. Raguz at Minutes of 27<sup>th</sup> Meeting of the WBIF Projects Financiers’ Group, Tirana, Albania, 22 – May 2019



**Box 3. Six Key Challenges of EU Transportation Policies<sup>51</sup>**

1. Match relevant and achievable transport objectives and priorities with available resources. The long-term plan for building the remaining infrastructure, in particular for the TEN-T Core network, needs to be reinforced, with precise milestones that are regularly monitored, reliable overall cost estimates matched by available financial resources, and a particular focus on cross-border sections. This would increase the likelihood of achieving the transport policy objectives on time and within budget.

2. Establish effective enforcement tools at the EU level to ensure Member States' infrastructure decisions are aligned with EU priorities more closely, paying particular attention to cross-border sections

- Appropriate enforcement tools are needed so that the obligations imposed by the TEN-T Regulation can be met more swiftly, allowing the completion of key strategic infrastructure and providing for remedial action if priority projects do not begin on schedule or are subsequently delayed, or if coordination problems on cross-border sections seem likely to prevent infrastructure from entering into service as planned;
- All administrative and regulatory barriers to interoperability should be removed as a matter of priority.

3. Focus EU funding on priorities with the highest EU added value

- Better coordinating and targeting of EU funding, in both shared and direct management, to reflect the EU's transport policy priorities could help to maximize the effectiveness of investments and ensure a more coherent and strategic approach to developing the transport network;
- EU support should be prioritized for projects that are run in response to clearly established and properly assessed needs, are based on careful planning, and offer demonstrable EU added value for the network (e.g., resolving major bottlenecks and missing links and establishing cross-border connections).

4. Improve the planning, implementation, and monitoring of EU-funded projects

- Planning could be enhanced by conducting a thorough needs analysis and using realistic traffic forecasts and reliable parameters to assess project costs and benefits.
- Rules for implementing infrastructure projects, particularly cross-border, should be simplified as a matter of priority so as to remove all administrative and regulatory barriers. Doing so could help to reduce inefficiencies, shorten delays, and keep cost increases under control.
- Regular monitoring of costs and benefits during project implementation is key to ensuring cost-efficient investments. Monitoring focused on results and impacts as well as outputs could provide a clearer picture of the extent to which EU-funded projects are delivering sustainable results and impacts and contributing to the EU's transport objectives.

5. Ensure that infrastructure is adequately maintained and sustainable. Stakeholders should pay attention not only to investments in new infrastructure, but also to ensuring the maintenance and renewal of existing infrastructure, which is currently unsatisfactory.

6. Enhance efforts to shift more goods off roads. Stakeholders should pursue the shift of freight from roads to other transport modes by strengthening intermodal competition and by setting out principles requiring the external costs of all transport modes to be adequately considered, and advocating their implementation.

<sup>51</sup> "Taking a Broader View of Transportation and the Key Challenges to Be Addressed: An Auditor's Landscape Perspective," by Svetoslav Hristov, Investment for Cohesion, Growth and Inclusion Directorate, *ECA Journal* No. 1, 2019

# **MAIN TAKE-AWAYS AND KEYNOTE ADDRESSES AT TIRANA CONNECTIVITY FORUM 2019**

## **Important Note**

The following statements have been registered during the TCF19 and subsequently transcribed from CDI team.

As such their form and content mirror the verbal profile of the intervention.

Whenever necessary CDI has intervened to adapt them to the written form. As such we take all responsibility for any misunderstanding or inexactitude that may slipped.

## I. Structure of Tirana Connectivity Forum 2019

TCF19 had four components.

In the **first one**, Dr. David Gould from the World Bank Group shared the main conclusions and recommendations on their groundbreaking research on *Critical Connections* and how it supports growth and impacts convergence amongst connected countries.

The **second component** dealt with “spatial connectivity” and focused on energy, transport and people-to-people (p2p) connectivity. In the *Energy* panel was raised the: i) importance of collaboration in joint project among SEE6 and EU companies / institutions for an efficient knowledge transfer and sustainability of institution building; ii) importance of an efficient & implementable normative framework that allows for long-term investment in energy generation and distribution; iii) role of local partners in implementing large FDI projects (such as the EUR 1,5bn Trans Adriatic Pipeline); and iv) role of large connectivity projects in fostering regional cooperation.

In the *Transport* panel the main takeaways referred to: i) role of EU as a collaborative mechanism in planning Connectivity energy initiatives in SEE6; ii) necessity for SEE6 countries to take ownership of their connectivity strategies & action plans; iii) how integrated Connectivity systems (in road, rail, air or maritime) can lead up to integrated policies of certain regions and in close cooperation with concerned EU Member States; and iv) strategic importance of infrastructure projects in sectors institutional capacity building.

The **third components** dealt with *Connectivity and Convergence*, focused on:

- Connectivity and geopolitics: how to anchor Western Balkans to the EU in these troubling times;
- Connectivity and reforms: how to speed up and make more efficient the convergence between our region and EU.

The **fourth** component consisted in a closed session with EU and SEE6 think tanks, politicians, etc., discussing about how TCF19 conclusions can contribute to the *New Enlargement Methodology*, with focus on a *Development Based Membership Model* where connectivity - spatial, markets, value chains, p2p and institutional - is a systemic component.

We have either received the official version or transcribed some of the addresses of keynote speakers and have decided to attaché them to the current edition of TCF19.

Here is the complete [TCF19 program](#).

Follow the interventions ranged as per their place in the TCF 19 program.



## II. Keynote Interventions

### II.1. Stine Klapper, Head of Office, Friedrich Ebert Foundation Albania



*Stine Klapper, Head of Office, Friedrich Ebert Foundation Albania / Photo: Cooperation and Development Institute*

On behalf of Friedrich Ebert Stiftung, it is with great pleasure that I welcome you all to this year's Tirana Connectivity Forum. As I am still quite new in the country, this is my first forum same as for my colleague from Konrad Adenaur Stiftung, but we of course heard a lot about it before.

TCF19 is happening in interesting times, since we all are still a bit puzzled by the EU Council decision to again postpone the opening of accession negotiations with Albania and North Macedonia. It has been called a "historic mistake" by someone who has not really been known as a fierce proponent of enlargement himself i.e. Jean Claude Juncker. It is a frustrating decision and it does harm the process of enlargement on many different levels. But nonetheless, it does not make this conference any less relevant. It probably even increases its importance.

It suffices to look at the different topics that will be discussed here: energy, transport, youth exchange, or institutional reforms and enlargement. Connectivity does not only refer to building infrastructure, it is about building communities, which is the *raison d'être* of the European Union. But it is essential to discuss what this abstract concept of community actually means. So what is it in practical terms? This conference gives the unique chance and the space to do exactly this. Strengthening the Western Balkans ties amongst them and with the EU and building this community means being as European as it can get. So there is no better preparation for the upcoming accession process than advancing the connectivity.

This is an integration process that is by no means an alternative to the integration in the EU. So it's rather a step towards the European Union. And it's not a coincidence that the three German foundations here support this event. Not only because the Berlin Process started officially in Germany, but as Germans, we know the importance of strengthening the ties with all our neighbors. This connectivity within the European community has been the best that has ever happened to our country. The strong ties and the good relationship that connects us to our neighbors are the result of a determined political project, the European Project. Our prosperity our peace our freedom our social security are very much related to this project.

So we hope that this conference can contribute to consolidating WB6 European path despite the challenges that lie ahead. This is why I am very excited to follow this year's forum and listen to different distinguished speakers talking about many interesting updates on the current issues, challenges but also the opportunities and the solutions.

I will end by thanking everyone for coming here and for sharing your expertise, your wisdom in the next sessions, and of course I would like to thank CDI for the great organizing again of this conference and our partners, and our sister foundations with whom we support this event. Thank you.

## II.2. Klaus Fiesinger, Regional Director for Southeastern Europe of Hans-Seidel Foundation



*Klaus Fiesinger, Regional Director for Southeastern Europe of Hans-Seidel Foundation / Photo: Cooperation and Development Institute*

I would like to welcome you to this Tirana Connectivity Forum.

This international Conference shows in my opinion two facts: first, that the so called Berlin Process of regional cooperation is still vividly alive, and second that also our common connectivity forum as well is still alive with undiminished public interest and unbroken acceptance.

As it was defined and stated by our Albanian Partner CDI, represented by Mr. Hackaj, this conference is certainly approved by some annual benchmark for experts, researchers and policy makers focusing Western Balkan agenda and cooperation. As it is evident from the program and as already mentioned, it is of course an important and long-term joint commitment of CDI together with the German political foundations, which are represented here in Albania. This year, TCF is also in partnership with RYCO and supported by the RCC.

Ladies and gentlemen, connectivity as you see from the program, it is the keyword of this conference transposing different and difficult connectivity targets from theory to reality. We all know this is not an easy task and difficult to be measured in a short term. What we need is expertise, commitment, passion and patience. Connectivity is crucial for the people - the youth connectivity must be and will be some strategic approach for peace and development in the future in that fragile region.

And this is also by the way speaking, one of main reasons, why Hanns Seidel Foundation has been and will continue in the future to support the establishment and the operations of grassroot cooperation of youth organizations in the Western Balkan region.

For now ladies and gentlemen, I wish success to this conference. Thank you very much.

### II.3. Tobias Ruettershoff, Head of Albanian Office of Konrad Adenaur Foundation



*Tobias Ruettershoff, Head of Albanian Office of Konrad Adenaur Foundation / Photo: Cooperation and Development Institute*

Dear Minister Balluku, Dear Ambassador Soreca, Dear Secretary General Bregu, Your excellencies, dear colleagues from the Cooperation and Development Institute, dear colleagues from Friedrich Ebert Foundation, and the Hanns Seidel Foundation, distinguished ladies and gentlemen, last but not least I am also grateful to welcome you here for the 2019 Tirana Connectivity Forum on behalf of the Konrad Adenaur Foundation.

The Western Balkans, particularly Albania and North Macedonia, have once again been at the front door of political and media attention in the recent days. The EU Council decision to not open the negotiations for EU membership has certainly lead to disappointment for many people, political and public peers in the southeastern Balkans countries. But it is important to stress the fact that this decision is not the end of the road toward EU membership, but rather an obstacle that has to be overcome. Deepening and enlarging the EU are not necessarily antagonisms, but they must be done in a balanced manner and in the view to the EU's absorption capacity.

As Chancellor Merkel has stated several times, the accession of the countries of the Western Balkans to the EU is of vital interest to Germany and the European Union. Yet, not least in order to assure acceptance of the enlargement process and the idea of European integration, accession can only take place once all criteria have been met. This is also in the interest of the Western Balkans population and the countries. The road to the EU is a demanding one, but at the end there will be benefits for everyone. The far-reaching reforms necessary for this endeavor will ensure greater democracy. The rule of law is a backbone for any prosperous and democratic future in the region, not just for EU integration.

The Berlin Process does not replace the EU approach towards enlargement in the Western Balkans. Yet the objectives are the same: to support the Western Balkan countries in establishing good neighborly relations, regional cooperation and reconciliation as prerequisites for EU membership. At this 2019 Summit in Poznan, the Polish colleagues invested considerable efforts in preparing and planning the WBS. They

enriched it with the forum of the cities and regions and conducted widely lengthy consultations with governments and civil society in the region. It included think tanks forum, civil society forum, business forum, leader and ministerial meetings, as well as set of debates and presentations.

The Poznan Forum also produced the roaming integration declaration, and it tackled environment and climate challenges with the joint statement on clean energy transition in the WB6. The conference ended with an announcement of the first joint presidency of the Berlin Process in 2020 involving Skopje and Sofia. Holding such a bilateral presidency could boost the process further and enable for proximity in the nations of Europe and the Western Balkans. Furthermore, it provides a green light to expand the collaboration to other platforms.

Unfortunately, it is also a fact that many people were disappointed by the Poznan conference and its results. Difficult political issues were not resolved nor thoroughly discussed but were again used for the domestic politics during the summit. Moreover, neither any of the Western Balkans six leaders believe that there is anything wrong with the rule of law in their country. Neither the EU leaders feel there is anything wrong with their approach and messages regarding the enlargement. Civil society usually disagrees on both.

Nevertheless, the Berlin Process was never intended to provide a magical bullet solution to these fundamental challenges. Instead, it was meant to provide the Western Balkans six countries with international help to resolve practical and daily obstacles, especially in the field of connectivity and regional cooperation. Hence, it is very promising that the fifth edition of the Tirana Connectivity Forum is taking stock of the progress made in the connectivity agenda with focus on energy, transport and people to people.

We acknowledge the many challenges shown by the gap between transposition and implementation, especially in the sector of Energy. But I would like to highlight here the connection of people, particularly among the Youth as expressed by the progress of the youth exchanges. RYCO is a tangible result of the Berlin Process.

I am very grateful that CDI is organizing this excellent event which has become the annual benchmark for experts, researchers, academics, civil society organization and policy makers involved in EU integration, regional cooperation and connectivity dynamics. As Konrad Adenauer Foundation, we're proud to support the Tirana Connectivity Forum. We support the Berlin Process in all countries of the Western Balkans six, from our offices in the region as well as from our headquarters in Berlin

I wish you all very good proceeding and very good discussions. Thank you for your attention.



## II.4. Luigi Soreca, EU Ambassador to Albania



Luigi Soreca, EU Ambassador to Albania / Photo: Cooperation and Development Institute

Honourable Ministers, Members of Parliament,

Ladies and gentlemen,

Dear friends,

Within only a few years, connectivity has established itself as a key priority of the European Union's engagement as a global actor. Connectivity is central to the agenda of the new Commission, of the next EU budget, of the upcoming Croatian Presidency and of the EU Global Strategy.

Precisely a month ago, the European Commission organised its first *Europa Connectivity Forum* – strengthening ties between governments, financial institutions, and private sector from all over the world. With more than 1,000 participants from 82 countries, and 11 million engagements on social media, its success confirmed the unique position of the EU to gather like-minded partners.

Of course, in its 5<sup>th</sup> edition today, the *Tirana Connectivity Forum* has been somewhat of a frontrunner! And I would like to sincerely congratulate the organisers. You have made this gathering an essential *rendez-vous* to discuss connectivity in the Western Balkans and beyond. As President Juncker puts it, connectivity is inscribed in our European DNA. The European project has developed by bringing European citizens increasingly connected.

I mentioned the *unique position* of the EU, but what is the European approach to connectivity? It is based on **four of the EU's strengths**: i) our internal market, ii) our experience of working across borders, iii) our ability to conclude partnerships on the bilateral, regional and international levels, and a, iv) comprehensive financial framework for mobilising investment. In many ways, the EU was doing connectivity before it was called connectivity!

Through the creation of the internal market, the EU enabled the free flow of people, goods, services and capital. EU-wide rules – such as state aid control and procurement rules – ensure fair and transparent competition, whilst Union policies ensure environmental protection, safety, security, as well as social and individual rights. It is this

very comprehensiveness that makes the EU approach unique.

It is this **Connectivity Agenda** that the EU and the Western Balkans have established in the region through the **Berlin process**. Of the 1 billion EURO that the Commission pledged at the first Summit in Vienna in 2015, 90% has already been committed with 39 projects. Those grants are leveraging total investments of more than 3.2 billion Euro, contributing to the creation of more than 45,000 jobs.

We should be proud of what has been accomplished in only 4 years: i) the regional roaming agreement, ii) the coming into force of a regional trade facilitation agreement, iii) the Transport Community Treaty, iv) a first connectivity project completed and 20 more started, and a v) significant progress on the green and digital agendas.

At a moment when foreign influence is much discussed in the Western Balkans, let's recall that the European Union provides over 75% of all international assistance and FDI to the region. And we intend to increase this support during the next period 2021-2027. And let us be clear, the billion we pledged in 2015 is grant funding. This contrasts with Russian or Chinese funding for instance, which comes almost exclusively in the form of loans with strings attached.

The main building block of the Agenda, the dream behind this process, is the **"core network"** which will link all capitals, main economic centres and major ports in the region. No national transport or energy policy can act in isolation. Mutual commitment is key to remove traffic bottlenecks, and reduce travelling time for citizens and transport cost for businesses. Projects adopted at the Poznan conference in July will reduce travelling time by 1 hour between Sarajevo and Zagreb, 1 hour between Pristina and Skopje, 1.5 hours between Skopje and Niš.

In Albania, the Western Balkans Investment Framework supported the reconstruction of 800 km of rural roads, provided water supply and waste water treatment for about 260,000 people and better schools for 18,400 pupils. More ambitious projects are in preparation to deliver 145 km of new high-speed roads, rehabilitate 190 km of railway lines and upgrade 170 km of electricity transmission.

However, it makes little sense to invest heavily in roads or railways if trucks or trains get stuck at the borders. Infrastructures make sense if they are complemented by institutional and regulatory measures which open markets, create a transparent regulatory framework, build investor confidence and remove barriers. And, ultimately, **connect people**. Connectivity is more than roads, bridges and power lines – it has, above all, a human dimension made of exchanges and cooperation in the fields of education, research and innovation.

Connectivity should be **more inclusive**. Elites, both political and business are increasingly inter-dependant and benefiting from changes, but not most citizens, especially in the Western Balkans. This creates political and economic polarization, as well as vulnerabilities that could have geopolitical consequences. The last Western Balkans Barometer showed that the increase in positive business sentiment is matched by a feeling that growth does not reach people.

**People to People Connectivity** should be part of our entire policy development. This involves reinforcing the role played by civil society in bringing the needs of people and communities, especially rural or isolated, to the Connectivity Agenda. To take full advantage of those global trends the region needs to invest more in human capital. The **youth situation** is particularly worrying: close to 40% of young people want to leave, while, at the same time, the labour market is lacking needed skills. This is a social emergency.

It is a very good step that this year's forum dedicates so much space to discussing connectivity and youth. Youth should be the core of the Connectivity Agenda. Progress has been achieved, especially on recognition of educational qualifications and, of course, the success of RYCO. RYCO is now supporting 80 schools and organisations, and 3000

young people with mobility scheme.

But more should be done because youth embody everything our connectivity agenda stands for: **creating new opportunities**. New opportunities are of course provided also by the **digital economy**. Export patterns are still dominated by low-skill, low-tech and natural resource-intensive products. We need investments that stimulate highly developed skills and entrepreneurship. The digital agenda adopted in Sofia ensures that citizens have the skills to match the demands of the new economy, and the coming into effect of the Regional Roaming Agreement last July is a considerable achievement.

What is the best course of action to accelerate the connectivity agenda in the Western Balkans? One way is to speed up the implementation of the **Regional Economic Area**. Consolidating a market of 20 million people will boost economic growth and create opportunities for citizens and business. This needs to remain a priority for political leaders in the region. The Western Balkans capacity to advance regional economic integration indicates its readiness to participate to the EU single market. REA is not a deviation on the EU path of the region.

This brings me of course to a very topical issue: the **EU integration process**. We hear, from different corners, that REA could be an alternative to EU membership, or that the REA could provide a new model. I would like to repeat what has been clearly stated at the highest level: our commitment to the EU perspective of the Western Balkans remains unwavering and unchanged. As Commissioner Hahn stated last week to the European Parliament, *"the enlargement policy is enshrined in the Treaty. It is about our rendezvous with history, completing the unification process that begun long ago. It is above all in our geostrategic interests."*

EU-related reforms, including the Connectivity Agenda, are already transforming the countries of the region and bringing concrete benefits to citizens now. The people of the region expect reform agendas to be pursued with determination. Connectivity, in all its forms, comes very high on this agenda.

Ladies and gentlemen,

Make no mistake. The on-going debate on the forms of connectivity is a power struggle to define **the new global order**. The world, as it is changing – the resurgence of protectionism and nationalism, and the undermining of international law – is not the world the European Union wants.

The EU is ready to step up. President-elect Von der Leyen proposed a "geopolitical Commission". Our future High Representative/Vice President-elect, Josep Borrell stressed during his hearing that "the EU must learn to use the language of power."

Our Connectivity Strategy is a strong defence of the multilateral international order and the rules that underpin it. We intend to shape the agenda and promote connectivity as sustainable, inclusive and open.

In the Western Balkans, the EU will remain the main partner to boost trade, investments, governance, and people-to-people reconciliation.

Beyond that, our international engagement will tirelessly defend global openness and reliable cooperation with partners.

The connectivity agenda provides a strong foundation to uphold our collective responsibility to work for a more peaceful, secure and prosperous world and for a more peaceful, secure and prosperous Western Balkans.

Thank you!

## II.5. Belinda Balluku, Minister for Infrastructure and Energy of Albania



*Belinda Balluku, Minister for Infrastructure and Energy of Albania / Photo: Cooperation and Development Institute*

Ladies and Gentlemen, distinguished guests, Ambassador,

I would like to start by thanking the Cooperation and Development Institute and all its partners for hosting the 5<sup>th</sup> Tirana Connectivity Forum as a platform for exchanging ideas and recommendations concerning connectivity in the Western Balkans.

The Western Balkan countries are already connected; geographical proximity is undoubtedly a main factor. But now more than ever, we are connected by a mutual agenda, no matter our status with regard to the negotiation stage with the European Union. It is a very easy moment to be disappointed, but we Albanians are fighters, we have survived 50 years of communism regime and we know very well that we belong to Europe; we have chosen our own path and it is the European path. Our goal is to be in compliance with all the strategies and policies of European Union to hope and to dream, to be part of this family where we naturally belong.

The pursuit of this goal, challenging as it might be, has benefit all of our countries individually, but most importantly, it has served as an exceptional catalyzer for regional cooperation at all levels. Under the framework of the Berlin Process, emphasis has been put on building and connecting our transport and energy networks as a main driver for economic growth in the region. This connectivity program has been encouraged and supported by the European Union since its conceptions. The agenda foresees improved connectivity within the Western Balkans as a key factor for further development, as well as between the Western Balkan countries and European Union as means of ensuring closer integration to the EU.

Albania's midterm objectives in this regard involve the integration of our core network rail and road corridors to the European TEN-T corridors. This includes the upgrade the Adriatic Ionian highways to match EU motorways standards as way as qualifying the segments Vora - Hani Hotit and Durres- Pogradec railways as indicative extensions of the Orient-East Ten-T corridor. Furthermore, the rehabilitation the railway between Tirana and Durres is on track. The materialization of this investment entails that a crucial multimodal transportation corridors segments would be established. Regionally will provide our landlocked neighbors Kosovo and North Macedonia with access to maritime transport routes.

However, ambitious connectivity infrastructure achieves the best results when we undertake joint efforts to facilitate and simplify regulations and procedures on both sides of the border. Joint border crossing points for instance bring positive impacts on lowering the logistics costs, reducing delays and queuing time, and attract more international road users. Since July 2017, the joint railway station of Tuzi between Albania and Montenegro has been operational and we have already discussed the possibility for establishing a joint border crossing point in Hani Hoti and Bozaj and developing a one stop shop per containers in the Sukobine - Muriqan border with Montenegro. In the same vein and also in line with the ongoing transport and trade facilitation projects, financed by the World Bank, it is our priority to convert the border crossing point with North Macedonia into one stop shop window.

With regard to energy, Albania has already established efficient power interconnection lines with Greece, Montenegro and Kosovo. We are currently developing Berlin Process supported high voltage line with North Macedonia in context with the European Union initiative to establish an East – West Electricity transmission corridor between Bulgaria, North Macedonia, Albania, Montenegro and Italy.

All individual and joint efforts to improve and upgrade our power interconnection lines have been guided by the pursuit of the ultimate goal of creating regional market for electricity in the Western Balkans as to trade energy, utilize our power system more efficiently and better integrate renewable energy production. We have taken the first necessary steps towards the creation of the Albanian power exchange, the national electricity trading platform with day ahead and intraday market which will increase supply security in the country, and of course improve the financial transparency.

As the Energy Community Secretariat also states and I quote: *“the Albanian power exchange will be a real game changer. Not just for Albania but also for the entire region”*. Electricity market coupling with Kosovo is already well underway. Early in 2019, the Albanian transmission system operator signed a memorandum of understanding with Bulgaria’s and North Macedonia’s TSOs. The goal of the MoU is to unite the energy market of the three countries and include the coupling of the detached markets accompanied by an implicit location of interconnection capacity in line with European Target model.

Digital Connectivity was an integral part of the agenda at the Poznan Summit. WB6 countries welcomed the European Commission support in the area of cyber security and broadband development and pledged their commitment to enhance the overall capacity in these important areas of connectivity. One of the major conclusions of the Poznan summit was the endorsement of the new regional roaming agreement, which will bring lower prices for roaming amongst us and our Western Balkans partners.

Albania will have the privilege of hosting the 2020 Digital Summit to be organized by the region, the European Commission and other business representative. Albania is a critical connectivity node in the region. Further strengthening of regional cooperation through the consolidation and integration of our infrastructure and energy networks and their integration in EU strategic corridors, continues to be a paramount objective. Better connectivity provides a guarantee for sustainable development of our national economies and the improvement of the citizen’s life.

Thank you very much for your attention.

## II.6. Majlinda Bregu, Secretary General of Regional Cooperation Council



*Majlinda Bregu, Secretary General of Regional Cooperation Council / Photo: Cooperation and Development Institute*

Thank you very much for inviting me and as well keeping us on the loop from the very beginnings of the Tirana Connectivity Forum, which I am glad and proud to say that up to now it is the only forum on connectivity that the Balkan region has. Thank you for that and congrats because it's TCF's 5th birthday. It speaks a lot. Usually once you are 5 years old, your language and cognitive behavior should be significantly greater.

This meeting was about to happen under a different angle, speaking about connectivity agenda, on how much is spent out of that 1 billion euro fund set aside from the EU grants for 2015-2020, on how important connecting people and markets in the region is, on how vital and challenging digital connectivity is becoming, on how energy, renewables and investment transport and so on. So all these should have been the only reason of our presence here today, if the Council would have given the go ahead for Albania and North Macedonia to open the accession negotiations.

This part of Europe, our region has changed a lot during the last 20 years. 20 years ago the Stability Pact brought together leaders of the world to draw an end to the wars in our region and to set the course of cooperation around peace, stability and the development nexus. Today that pact is replaced by the regional cooperation and connectivity. That mantra speaks volumes on the need to stand by each other in a world that is changing fast and is unpredictable.

20 years ago, the Stabilization and Association Process was launched as a first contract on future membership of our countries to the EU. Since then, only Croatia became a member state. 20 years ago people who sought refuge from the wars in the Balkans were coming back in the Balkans full of hope for a new life. Today a lot of young people - 39 % ! - are ready to leave the region in search of the lost hope. 20 years ago, democracy in our region was a work-in-progress, but today 70% of citizens in the region do not trust their governments, parliaments or their judiciary system.

20 years ago there was virtually no Foreign Direct Investments in the region, but today the FDI inflows across the region has almost doubled during the last 10 years increasing from 3.6 billion euros in 2010 to 6.6 billion euros in 2018. Yet, different actors are

playing their part in the region, arousing fears, suspicion, increasing public debt while our accessing energy, infrastructure, market and technology.

20 years ago, nobody would speak of connectivity agenda, trade, technological developments, startups, digital agendas, smart cities and human capital development. What remained unchanged during 20 years, was the prospect of the eventual EU membership, a driving force during all these years for all the Western Balkan countries. It has been the predominant factor in urging the countries to engage with one another in a more positive manner as well as address not only the domestic problems they face, but also unresolved bilateral issues in the region.

For more than 20 years, the EU conditionality was the core mechanism of enlargement and internal reforms. If the promise of enlargement is not going to be revitalized and reinvigorated, the process is going to be declared clinically dead, very soon. Europe is in crisis in pushing further its own integration model and in progressing with the commitment with the region. This is the real border today. So, what comes next now? I don't know the answer, but until the EU will be ready to tell us what its plans for this region are, I can just say that would be smart for us all to work on two dimensions: a) increasing connectivity through regional cooperation; and, b) continue with the deep domestic reforms, with the understanding and wakefulness that the EU membership means a transformation agenda for our countries, and not an obsession with dates or methodologies with calendars.

On the domestic front, everybody would be happy with a little less conversation and a little more action. On the regional front, a little less potato wars and a little more of diploma recognition. I know that one might say: So now we have regional cooperation or connectivity as a substitute for the EU membership? Definitely no. But we can't keep crying and just pointing the finger to someone in hope that by doing that unemployment in the region will decrease.

So again, what's next? I think that there are areas we have to be focused immediately. Brain drain. RCC is deeply involved in regional integration with a people-centric perspective. Regional processes that fuel the strengthening of regional integration and closer economic are always welcomed, especially for the young people. That's why we will start from January in developing new ideas for youth and start-ups. Too much home-grown talent is lost through emigration and we need to create the conditions where everybody would like to choose to stay.

Young people are more connected, are definitively more creative and more informed today than the previous generation, but they need positive role models, they need a system that enables them to move an idea forward and the policies and regulations to help them not emigrate.

Regarding the mobility pillar in we were quite successful in reaching the regional roaming agreement and endorsing as well a declaration on Roma integration. What we couldn't achieve was to endorse the recognition of qualifications and professions. And right now I think there is a need to enable the table discussions immediately, by going to the very scratch of the problem. There is nothing in the region there is going to be solved without the political willingness. Technical agendas and discussions might be brought forward, you might devote a lot of energy, human capital, money and funds as well, but at the very end if it is not welcomed and it won't be pushed by political willingness and leadership, then those agendas will not survive.

The reason why regional roaming agreement was successful is because all the six Western Balkans economies saw common interest. On top of decreasing the prices for people in the region, a regional market would open the doors to negotiate to lower the prices with EU, only if all the six will be embarked on the same moment and the same page. Imagine that from a technical point of view all the leaders in the region agree to endorse that people in the region, students can move and their diplomas and qualifications, professional titles are recognized mutually – that would mean that a

doctor from Albania could go and work in Belgrade, an architect from Belgrade could have a job in Podgorica, or a Kosovar dentist might open a dental cabinet in Sarajevo. However, but at the very end of the problem the next question stands: what will happen with the Kosovars that are not allowed to enter Bosnia and Herzegovina without a visa. So, are we really doing whatever is needed for an technical or normative agenda to be fully enforced? The same applies to trade: what will happen if people still lose many ours in the borders controls throughout WB6?

Regarding the digital agenda, we are aware that digitalization is not only reducing the tariffs of telephones. There is a need to use digitalization to develop intra-regional trade. One half of exporters in the region reported that the time for customs clearance is minimum two days, while an additional 22% stated that it takes up to 3-5 days. This is an alarming figure that calls for an agenda of actions. Transporters wait between 7-48 hours for the procedures, while administrative costs to export in Western Balkans 6 ranges from 65 \$ to an Albanian businessman up to 232 \$ for a Kosovar businessman. So you see that there is a big range of connectivity-linked costs.

EU political system has never suffered from enlargement. The political integration of the central and eastern European countries has nor threatened the institutional reforms of the EU, nor has disrupted the EU capacity to make decisions, to establish binding rules and implement them effectively. Second, Eastern enlargement has made a great contribution to the convergence between the old and the new members. Now, the Berlin Process Agenda, showed how crucial the funds are to push forward the reforms and minimizes the gaps. For example, the implementation of connectivity agenda directly impacted 800 km of new roads, 90 megawatts in electricity generation form renewable resources, broadband deployment and other investments.

The region needs additional support to complete the ongoing reforms and catch up with the EU economies. To help convergence, the EU might reconsider for the region to be included in the development mechanisms similar to structural funds. EU have taken some more time to work on their new approach on enlargement. In the meantime, we will have a summit, a Croatian presidency in May, and North Macedonia and Bulgaria who are going to lead the Berlin Process. And this is a very good example on how the region can really move forward in serious agendas. Thank you!



## II.7. David Gould, World Bank Group



David Gould, World Bank Group / Photo: Cooperation and Development Institute

It is my pleasure to present the report “*Critical Connections: Promoting Economic Growth and Resilience in Europe and Central Asia*”<sup>52</sup> here in Albania. Connectivity is dear to my heart and in fact my dissertation was focused on how people to people connectivity or migration can influence trade flows. Before that nobody had ever thought that immigration can influence trade, but in fact it does. Ever wondered about a certain product on how did it make it to your country? I’ll show an example: You know about kiwi fruit, right? So, I always wondered, how did they make it to America, and then I did a research about it. And I learned that somebody has visited New Zealand saw this fruit and somehow thought that probably this fruit will sell well in USA. So brought it over to US.

A lot of FDI not only brings business to a country but also trains individuals on how to start business. So what is unique about this report? Well, connectivity and globalization is viewed beyond the amount of trade that can be imported or exports that you get, to include the complementary between the different types of connection. So migration helps trade, trade helps FDI, FDI helps finance and everything is working together to create greater connectivity and greater economic opportunities.

Another thing that this study brings out, is that to whom you are connected to is just as important as the type of connection and the how much you’re connected with. So, for example, trade with Germany, because Germany is very well connected to other countries, can bring you indirect connections via Germany’s connections. So, it’s not just about your overall level of trade, or FDI or migration, but how those different types of connections are connected to third countries. So trade with Germany will give you a lot of indirect connections more so than the trade with Algeria for example. And connectivity being multi-dimensional, it implies that a change in one direction will affect other directions or connectivity vectors. Let’s take the example of immigration: if you cut immigration, you’re fooling yourself to think that it won’t affect the FDI. So, if Germany cuts its immigration from the Balkans it’s likely to have its impact also on its trade will the

<sup>52</sup> The publication can be found here:

<http://documents.worldbank.org/curated/en/655991536315615285/Main-report>

Balkans. So, both all these layers are interconnected. Connectivity in Europe facilitates the transfer of technology that is critical to economic growth and shared prosperity. All these different connectivity vectors complement each other. The depth of overall connectedness and the geographic composition of the connection network, both matter. Their impact and emerge and results from firm linkages and global value chains as well as from foreign ownership and management practices. So, it is not only FDI - directly purchasing plant in another country -, but it is also how people move and how a certain company is managed.

Take a Silicon Valley firm in California, for example. You see a lot of managers that come from India or from Europe - it's all very important for the exchange of ideas, getting the best of each individual. Deep integration in the countries of EU has generated important benefits growth and knowledge transfers. Central Asia, Caucasian countries and Western Balkans have benefited from regional connections as well, but the benefits are less pronounced.

One must not forget that increased connectivity can expose to economic shocks, but the answer is not isolation. Diversification and creation of deeper connections help reduce and mitigate the effects of shortages and negative shocks.

Looking at the overall picture of connections in Europe and central Asia, we can observe how firms transfer knowledge through supply or value chains. The bottom line in here is that Europe and Central Asia have gotten closer together and generated a common theme if you look throughout the different types of layers of connectivity: one can see here the FDI grow and the inflows of increase from outside the region. So not only does connectivity within Europe and Central Asia bring you connections and build economic opportunities within the region, but also it allows the region to become better in a competitive sense with other countries and other regions throughout the world. Because both Europe and Central Asia gain in efficiency.

The typical example here is the iPhone. Is that a US product or an international product? And the answer is of course it is an international product. Although it was designed in the US it is an outcome of FDI and trade throughout the world. Trade and value chains with China, Indonesia, and now even Vietnam contributes to what the components are inside the iPhone.

In the case of transfer of knowledge of firms the process that takes place is typically foreign firm and for some reason, its typically a migrant goes on holidays in a country and sees the opportunity to invest, and starts investing in the frontier of the firm, those firms are then part of this global chain and these firms and the frontier of the international champion and all this process moves down the lines of creating outsourcing of capabilities then to other firms that are in the periphery in a country. And then the knowledge gets transferred from the frontier firm on the global sense, to the frontier in the country and then to other secondary firms throughout the value chain.

So this graph shows that those countries , here are only those countries we had data on and therefore the Balkans are not on here, but you can see those relationships between growth involvement supply chains. The more involved you are with global chain the more, likely you are to export added values in you exports.

Being well-connected in the global network of countries of is important for a long-run inclusive economic growth. Complementarities in types of connections, a balanced connectivity profile is more important than being well connected in a single dimension. The way to achieve this is through a combination of deep and comprehensive free trade agreements, bilateral investment treaties migration policies and transport projects.

Increased connectivity can also expose Europe and Central Asia countries to external shocks, particularly those emanating from countries at the center of international economic transactions, but the remedy is not isolation—isolation sacrifices growth—but broadening of the range of connections to reduce those risks and to cope with shocks.

## II.8. Romana Vlahutin, Ambassador at Large for Connectivity at EEAS



*Romana Vlahutin, Ambassador at Large for Connectivity at EEAS / Photo: Cooperation and Development Institute*

If you want to go from Tirana to Skopje, it is at least 5 hours for 280 km. To go to Dubrovnik for around 270 km one will need 6 hours. This is not a pace for the 21st century.

There has been a lot of work on the regulatory environments, there is energy community for the Western Balkans, there is transport community there is a roaming agreement there is RYCO, there is RCC but this is clearly not enough. We should use this situation to make it clear that this small part of territory is fully surrounded by European Union, and so whatever investment you do in the connectivity in the Western Balkan you are by definition making it in the interest of connectivity of the European Union itself.

The key for attracting more private investment is and will always remain the rule of law. The rule of law is not a phrase, the rule of law is not a box that you tick, and it's not a chapter that you open and close. Rule of Law is essential to gain the trust of big private investors to come and invest in this region. And the extremely important element is the human capital. All countries in the Western Balkans are facing the same problem. 1<sup>st</sup> the education is far from modern or is far from what is needed for the times that are before us and 2<sup>nd</sup> is that the young are leaving. You cannot build a modern country without having talented youngsters working for it. There has to be a major rethinking on how we invest in our children and what do we do to bring back home the talented ones, the educated ones –to have them back in an environment where they will feel that their talent is appreciated and remunerated the way it should be.

We have to find the way also to engage our partners, and I have already mentioned Japan, in getting more interested and involved in the general European connectivity strategy to the region. I think personally it would be a fantastic situation if for example you would have a project in the Balkans that is financed and implemented with European Union and Japan together. I think that on its own we'll bring an additional quality to what we are trying to do here in the region. We have to think big and this is why I also believe that what has been discussed few minutes ago should be used as an opportunity.

In the new EU Multi Annual Financial Framework there is a discussion for a large

external investment guarantee fund. We will see how that will develop but one thing is for sure. I think all of us European Union on the global stage Western Balkans here in the region are facing the same question. We are entering into the times of artificial intelligence we are entering into times of internet of things.

The average growth in the EU is 1.5% the average growth the in developing markets is around 4 - 4.5% so it's very clear that there is a need for European Union companies to move out. It's not easy to go into volatile markets and one needs some kind of support. To that goal an EU<sup>53</sup> financial guarantee scheme is something that is extremely important. In that view the Juncker fund - that has already produce quite good results – provides a useful thinking in what we have to do re-balance the risk and finance and helping financing the private investments in those markets. So it is going to be defined by the new budgets by the EU budget and there are ongoing discussions.

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<sup>53</sup> Clarification of the CDI during transcription

## II.9. Daniela Boudinova – Special Coordinator for the Berlin Process Summit 2020, Ministry of Foreign Affairs of the Republic of Bulgaria



*Daniela Boudinova – Special Coordinator for the Berlin Process Summit 2020, Ministry of Foreign Affairs of the Republic of Bulgaria / Photo: Cooperation and Development Institute*

It is a pleasure to attend the Tirana Connectivity Forum for many reasons. First of all, I feel obliged to start with sincere and frank statement by saying that I am unhappy with these different groups of new members, old members, guilty members, big countries, rich, poor, the German style, the Balkan style, etc. All these clichés are old fashion and we do not need that. If we talk of a European family, the Western Balkans are our brothers and sisters, our kids, our friends - we do not need to punish them for any mistake or some backsliding. We have to help them and this is the idea of all our efforts.

This is why Bulgaria has put it high on the agenda the WB is not just hot air. Is a real sincere conviction that we need to do that 15 years after the Thessaloniki summit; to do something for the region, whether smaller or bigger, but from the political and geopolitical point of view. We all know that other interested factors internal, external, domestic are interested to fill in the gap in the WB; to use our mistakes; to profit from the fact that the WB are not invited to start negotiations.

We all know that starting the negotiation process does not mean becoming a member overnight. Accession negotiations will give a chance to our friends from the region to improve. In egoistic and pragmatic terms it will serve our purposes in making sure that this area is a coherent, prosperous region. Everybody was complaining about the last EU Council's decision that we didn't have a vision and we couldn't help some of the member states about the added value of this process and convince to them. I think that all of us should mobilize and be concerned.

As Mr. Kukan mentioned, it was just a good idea to have the WB last year in the European Council Sofia Summit. In Sofia we committed on 192.7 million euros for infrastructure investment and 30 million euros for the digital agenda. That means that in Sofia were committed 5 times more than in the WB Summit in Paris, and twice more than in Vienna. This means that if you have the will, if you wished to help, you can convince your partners and friends, the member states and find the way.

With our Macedonian friends in 2020, the Berlin Process will be organized for the first

time in tandem by a member state and one candidate country together. This is a recognition of our joint efforts. The signing of the agreement of the name of Republic of North Macedonia, the Prespa agreement, shows that we can reach agreements and establish good neighborly relations, that cooperation is a reality. But the most important thing is building trust.

Thank you.

## **II.10. Bojan Marijck – Special Adviser to the Prime Minister of the Government of the Republic of North Macedonia for Euro-Atlantic Integration and Chief Technical Negotiator.**



*Bojan Marijck – Special Adviser to the Prime Minister of the Government of the Republic of North Macedonia for Euro-Atlantic Integration and Chief Technical Negotiator / Photo: Cooperation and Development Institute*

Thank you for having me here.

I am the counterpart and the Coordinator for the Berlin Process in my country in North Macedonia, but I am also a European Advisor of PM Zaev, so you can imagine how difficult it is for me and for us, for all of us these days. So first of all thanks to the organizers for this invitation, for giving me this opportunity in these difficult days for us. I believe that Bulgarian government could not choose a better coordinator for Berlin Process than Daniela, because she is a big friend of the region and a big advocate for each of the countries, especially for North Macedonia.

In two-three years we have done something as a government, something that was completely unthinkable before that, and every one that knows the country knows it quite well. And there was not that big resistance from the citizens because they were tired of the old politics of nationalism, fighting with all the neighbors, claiming that we are the oldest nation in the world etc. so they gave it a chance to this new policy.

The first big result of this new policy was the decision of the European Council two weeks ago and I think and hope that despite all the circumstances, the EU will not miss the opportunity to keep the European track of the country. If we would have another political establishment at this moment with that complicated situation as you described very well, we could go back to 2015 very easily. This is why in order to perpetuate the stability and to make the progress irreversible, it is very important now to take serious and courageous, but also reasonable, steps.

Speaking about convergence and by that I will come to the Berlin Process, it is true that the region was never so willing to join the EU, but there is also a counter question: how serious has the EU been about quick accession of the WB? We have seen how serious and quick they were with the accession of CEE, with Slovenia and Croatia, with Bulgaria and Romania. We have seen what it looks like where there is a clear determination of the European Union to take these countries inside European house. So now, after all these years, we ask ourselves the question is EU actually serious about the WB?

In North Macedonia we have signed SAA in 2001, at the same time as Croatia. Again at

the same time as Croatia, we became a candidate state in 2005. Croatia is now member state since 6 years and we are waiting a decision to start negotiations. In 2001, there was a conflict in North Macedonia that was prevented by a decisive action from the US and EU diplomacy, and NATO of course from the security aspect. Feeling this special responsibility EU and based on merits, EU granted to North Macedonia the candidate status, but they missed the opportunity afterwards.

Now we have very much the same situation: there is the Prespa Agreement and there is an agreement with Bulgaria, so either the opportunity will be grasped or we would miss it again for another decade. So this is why I think for us it is very important that we co-chair with Bulgaria in this process in 2020. This brings the ownership of the process to the region, it make us at the same time subjects and objects of the process.

Regarding the relations between the Berlin Process and the Enlargement, some of the countries from the WB have justified fear that the Berlin Process is going to be a replacement for EU membership. It should be very clear that this is not a replacement, because if it becomes one, I believe that the efficiency which is anyway low will get even lower. But what is interesting is that both the Berlin Process and Enlargement process are suffering from the same challenges: efficiency, effectiveness, substance, bilateral issues. And I will give you one example: from the moment Kosovo imposed the trade tariffs to Serbia, we have met the coordinators of the Berlin Process of the region only twice with a distance of 8 months. Before that we were meeting during two years every two months to report on the progress. After the tariffs were set, there were only two meetings and both of them finished with conflicts between the delegations from Belgrade and Pristina.

Well it is my personal opinion that it depends a lot on the clarity of EU perspective because we got strong messages from Brussels about Chinese investments in the region for example. But we all need to also be pragmatic. If we don't see that there is a clear direction about our destination, this incertitude will open doors, maybe not today, but tomorrow or in few years to other ideas. If you've been rejected many times and if you've been in the waiting room for 15 years and you will sit another 10 years until EU consolidates, this takes its toll on the patience of our citizen. And then we say ok great go on consolidating yourself, and in the meantime we are going to build up our power infrastructure with Chinese funds, we're going to trade our agriculture with Russia, and we're going to help our finance sector with Turkey's help.

Eight years ago I was in the audience on one discussion in London between then Bulgarian Foreign Minister and the Serbian Foreign Minister at that time Mr. Jeremic. Mr. Jeremic showed the map of the Balkans and he said "...can you see which countries and territories are outside the EU, and we said which ones? Those who were under the Ottoman Empire, so you make your own conclusions". It may be just a coincidence, but it coincides with the reality. And this is very dangerous, because it is the most important thing to not disappoint the ordinary people, the pro-European actors in the WB6 countries because if we do that, then the other structures will accommodate themselves in the created void.



### III. Main Conclusions by Panel

#### **PANEL 1. REGIONAL COOPERATION IN ENERGY**



*Photo: Cooperation and Development Institute*

The conclusions of “**Regional Cooperation in Energy**” panel were:

- the importance of collaboration in joint projects among SEE6 and EU companies / institutions / other structures for an efficient knowledge transfer and sustainability of institution building, being it in the public or in private sector;
- the importance of the implementation of the normative framework and regional agreements, as a precondition for increased investment in energy generation and distribution;
- the role of large connectivity projects in fostering regional cooperation.

**PANEL 2. INSTITUTIONAL CHALLENGES IN TRANSPORT CONNECTIVITY**



*Photo: Cooperation and Development Institute*

In the “**Institutional Challenges in Transport Connectivity**” panel, the main takeaways referred to:

- the contribution of the EU in setting up and supporting collaborative mechanism in planning Connectivity projects in SEE6;
- necessity for SEE6 countries to have efficient ownership of their connectivity strategies and action plans;
- how integrated Connectivity systems (in road, rail, air or maritime) can lead up to highly-coordinated economic policies among certain cross-border regions and in close cooperation with neighbor Member States, and vice-versa; and
- the strategic importance of infrastructure projects in institutional capacity building in certain sectors.

**PANEL 3. PEOPLE-TO-PEOPLE CONNECTIVITY**



*Photo: Cooperation and Development Institute*

In the “**People-to-People Connectivity**” panel, the main takeaways referred to:

- youth mobility and the obstacles that regional organizations such as RYCO face in enhancing youth mobility in the Western Balkans;
- challenges in tackling youth migration in the region;
- existence of administrative obstacles to people mobility in the region such as lack of legal prerequisites or visa requirements;
- the impact of the exclusion from the policy-making, from the economic opportunities and the lack of a career path have on the youth migration;
- the current connectivity agenda and enlargement process which are actually missing the social dimension and the human component and are overlooking the youngsters.

**PANEL 4. CONNECTIVITY AND GEOPOLITICS**



*Photo: Cooperation and Development Institute*

The essential statements of the panel “**Connectivity and Geopolitics**” are:

- WB6 need stronger institutional support to overcome the limitations posed by their small country and population size, and get out of the low added value specialization trajectory;
- The ownership of WB6 in project preparation, promotion of quality infrastructure and higher transparency, are some of features for EU connectivity approach;

Western Balkans are part of European family – as such one cannot keep neglecting or punishing a family member.

**PANEL 5. INSTITUTIONAL REFORMS AND CONNECTIVITY**



*Photo: Cooperation and Development Institute*

The conclusions of the panel “**Institutional Reforms and Connectivity**” were:

- EU accession process is an extremely important as transformational process. Every actor involved in it is important;
- The transformative character of EU Enlargement process should improve by increasing its efficiency and impact;
- Inclusiveness of Western Balkans in the EU debates is crucial in preparing today’s candidate countries in becoming functional future Member States. This requires competences not only at the level of WB6 negotiating structures, but also at the technical level;
- EU should play a bigger scrutiny role in the WB during the membership talks, including the technical level;
- The ideology of EU Enlargement has been put in question! We can discuss reform of Enlargement, but conditionality should not be a moving target. It should be unanimously credible;
- The Enlargement methodology should be called Membership Methodology rather than Accession Methodology. Restoring credibility of the conditionality is crucial;
- Institutional connectivity means bringing MS and Wb6 institutions together by making them work together towards common objectives.

**SIDE EVENT. YOUTH CHALLENGES AND DIGITAL ECONOMY: BUILDING ON POZNAN WB SUMMIT**



*Photo: Cooperation and Development Institute*

## FORUM REPORT: CONNECTIVITY AGENDA AND STRUCTURAL WEAKNESSES OF EU CANDIDATE COUNTRIES

Berlin Process Series / 5 / 2020

### **Publisher:**

#### **Cooperation and Development Institute**

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### *This publication was supported by:*

Konrad Adenauer Foundation, Office for Albania

Hanns Seidel Foundation, Tirana Office

Friedrich Ebert Foundation, Tirana Office

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