



# THE BERLIN PROCESS 2014-2018



**THE BERLIN PROCESS**  
**2014-2018**

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The Berlin Process Series is an initiative started by Cooperation and Development Institute, in November 2015, in Tirana, and supported by Friedrich Ebert Foundation, Konrad Adenauer Foundation and Hanns Seidel Foundation. It has taken the following form:

- *Research on the Berlin process and its priority areas*: Berlin process being a thinly documented process, CDI has contributed to create a body of knowledge, as well as to gather in one place major documents referring to it;
- *Monitoring reports* on advancement of Albania in BP agenda on issues such as youth, migration and connectivity. Since 2014, CDI works together with national stakeholders in identifying and documenting the policy measures, progress and challenges faced by the Albanian government during their implementation;
- *Annual conference “Albania in the Berlin process”*, followed by the conference proceedings. This conference takes stock of the progress achieved during the previous year in implementing commitments taken under BP agenda, and serves as a platform for debates and exchange of experience among different stakeholders. CDI has grouped the publications under “Berlin Process Series”, available at CDI website.

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THE BERLIN PROCESS SERIES IS A CONTRIBUTION OF CIVIL SOCIETY IN THE WESTERN BALKANS SIX REGIONAL INTEGRATION PROCESS, AND IN THEIR PATH TO EUROPEAN UNION MEMBERSHIP

## FOREWORD<sup>1</sup>

### **Welcoming Speech from Mr. Walter Gloss, Head of Konrad Adenauer Foundation Office in Albania**

It is a special honor for me to welcome you all to our 3rd Tirana Conference on Berlin Process “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process”.

This Conference was organized by the Cooperation and Development Institute in collaboration with the three German political foundations, FES, HSS and KAS, which are active here in Albania.

The Berlin Process stands for cooperation not only between countries here in the region but it also stands for a pluralistic cooperation above party lines to achieve the best possible out-come for the people. In this sense, the success of the Western Balkan Conference is in the interest of all of the three German political foundations and we will continue to collaborate for this goal. My colleagues from FES and HSS have kindly given me the floor to say the introductory words on behalf of all of us and in the sense of our shared values.

We are especially happy to welcome the foreign guests and speakers and we wish us a very interesting event.

We have tried to invite one or the other German MP, but unfortunately they were all unable to join us for this important event due to the current coalition negotiations in Germany.

We are pleased that Dr. Hellbach, the Director for South Eastern Europe, Turkey and the EFTA States from the Federal Foreign Office in Germany, accepted our invitation. Thank you very much.

And also many thanks to Deputy Minister Xhafaj, that you accepted our invitation and hold the opening speech.

It is the vision of Chancellor Merkel to have an open and reliable Europe, which also assumes responsibility in its neighborhood and which is committed to enhance progress, democracy and rule of law. She strongly believes that the key to security and prosperity lies within cooperation because it is only together that we will manage to solve global questions and tackle international crises. Driven by this belief, Chancellor Merkel initiated the Western Balkans Summit 4 years ago. In remembrance of the outbreak of the First World War 100 years ago, the Western Balkans Summit should celebrate and promote unity, cooperation and conciliation in Europe. The willingness of the Western Balkan states to cooperate within the frame-work of the Berlin process to the benefit of the people is a strong message after years of war in the 90s and illustrates the peace-building character of this project.

Chancellor Merkel has repeatedly emphasized that the states of the Western Balkans do have a European perspective. But this requires primarily the government’s own initiative and willingness for reforms. The strengthening of the rule of law, democracy, good governance and economic progress, particularly on the basis of regional connectivity and cooperation, are important steps on the way towards a European future. When facing these challenges, the WB6 can count on the support and help of the German government. This is a promise of the Chancellor which she is taking seriously because she knows, that political stability and prosperity in the Balkans also means political stability and prosperity for Europe.

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<sup>1</sup> The foreword includes the speeches of the representatives of the three German Foundations delivered at the start of the conference “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process”, Tirana, November, 2017.

This year's conference in Trieste had on its agenda the connectivity within the WB6 states, to promote economic growth on the one hand and to support the contact amongst people on the other hand. The newly launched Regional Youth Cooperation office plays a vital role in this regard. The fact that Albania has achieved to bring the headquarters of this Youth Office to Tirana, is a notable success, which also implicates a certain responsibility. For RYCO, as a direct outcome of the Berlin process, the best possible working conditions should be provided and the dedicated support of the Albanian government should be guaranteed. In this sense it is also necessary and desirable that Albania and Bosnia and Herzegovina pay their stipulated contribution.

Chancellor Merkel has initiated the Western Balkans Summit to promote a peaceful, stable, democratic and constitutional future of the Western Balkans. In the last 4 years we got closer to this goal but there is still a lot of work ahead of us. And I deliberately say "us" instead of "you" because Germany will continue to support the Western Balkan states for the benefit of the people in this region.

## **Welcoming Speech from Mr. Klaus Fiesinger, Regional Director for Southeastern Europe of Hanns-Seidel-Foundation (HSS), Offices Tirana, Belgrade, Sofia and Zagreb**

The Western Balkan (WB 6) Summit in Trieste, Italy, in July 2017 unanimously came to conclusion that the Berlin-Process, which started in 2014 as an initiative of the German Chancellor Angela Merkel, has emerged to be a useful platform to enhance regional cooperation, to support connectivity projects and to encourage the South Eastern States EU-accession-states on their stony path to structural reforms and EU-membership.

Meanwhile the Berlin process proved to be the most important common initiative EU member- and (potential) candidate-countries of emphasizing some clear prospect and vision of the Western Balkans EU-integration. Although the Berlin Process is supposed to be finalized with the next summit in London, there is a strong commitment of continuing this process beyond 2018. This commitment primarily refers to the component of human connectivity, especially according to the youth as “generation of future”, because it is of strategic value for both parts - the EU and the WB 6 – according to the improvement of neighborhood relations of that region, where peace was an is still a fragile element.

As mentioned by the President of the European Commission in his “State of the Union”- speech in September 2017 the perspective of the enlargement is credible and realistic. Member states of the EU have shown their commitment to facilitate the transformative process of the Western Balkans by starting with the cooperation at the regional level. This implies common efforts which could and can achieve tangible results by the Berlin process.

The Western Balkans are important to Europe as Europe is important to them. Despite obvious challenges according to economy and demography, poverty-migration and brain-drain or rule of law, justice and home affairs and more, the region of Western Balkans has the potential to be sustainably transformed, led by the will of its people. We have already witnessed that citizens' support combined with political drive can evoke welcome and willingness of acceptance in the EU family. Croatia, having joined EU 2013 as the 28 member-state, is a current example of that.

The Berlin process has been a catalyzer of the needed cooperation within the region and with the EU and 2017 in Trieste EU and its member states committed to assist and to fund three main regional cooperation initiatives, which are delivering or will deliver in the near time ahead:

First, connecting people, which has already started its journey with RYCO and its first call for projects from the region, aiming at to overcome the divided past towards a common European future youth-project. Second, connecting economies through establishing a “Regional Economic Area” which will hopefully boost employment, smart growth and mobility. Third, connecting the infrastructure, which will be connecting the region and its human and economic potential all together.

However, transposing this connectivity-targets into the reality of the region is not an easy task and cannot be seen on short-term level. Connectivity is as great as expensive. The price of that is to be paid by good governance and people's patience.

Therefore, the “Third Tirana Conference” was a necessary and highly appreciated setting, where lively debates took place about burning questions and suggestions referring to the Berlin process.

This conference with the title “From Trieste to London: stocktaking and future scenarios for the Berlin process” and its summarizing publication are major achievements, enriching and encouraging the participation of civil society, especially the youth, in this process, as well as it is a sustainable support to democracy in general.

It was already the third event in a series of academic conferences organized by Cooperation and Development Institute (CDI) in cooperation with the German political foundations, represented by their branch offices in Tirana.

All of them constantly and consequently have been promoting and conducting common efforts with local partner organizations as an active component of the Berlin process.

Hanns Seidel Foundation (HSF) has been represented by its Albanian branch office since 1992 and therefore could solemnly celebrate 2017 its 25 project-anniversary.

Cooperating with CDI to organize seminars or conferences and to promote publications is part of some multi-sectoral approach of HSF engagement in Albania and in the whole region of South Eastern Europe since that time. HSF has been achieved manifold project activities within the government-sector and the NGO-sector in order to promote reforms of central or local administration, rule of law and internal security. Those issues are crucial to Albanian development and they do correspond to chapter 23 and 24 of the EU accession negotiations that Albania will be facing when the negotiations will open.

Some special focus of HSF is meanwhile put for example on creating an internet-platform which allows youngsters or youth organization of Albania and other WB 6 countries for enabling and creating a joint network to present themselves, introduce their profile, look for partner-institutions and to develop common projects. What was initiated and started as a bilateral contact base between Albanian and Serbian youth organizations has been evolved as such a success that HSF and CDI plan to enhance and to enlarge this internet-platform on regional level.

Hanns Seidel Foundation will be accompanying Albania on its way towards EU integration also in the future. Integration is a long process, as shown from the “Stabilization and Association Agreement” to the achievement of the candidate status. It needs continuous efforts by constantly assisting Albania through its institutional, socio-political and interregional transformation.



## **Welcoming Speech of Mr. Wulf Lapins Head of Office, Friedrich Ebert Stiftung in Albania**

In the last years, Europe has been suffering multiple crises such as economic decline, refugee crisis, Brexit and an increasingly ideological divide. The situation has made things more difficult for the Western Balkans with the EU policy leverage in the region weakened and the European member states having lost their focus on their own internal issues. At times of EU hesitation, there has been a continuous increased political influence of other actors in the region such as Russia, China, Turkey and Gulf states.

In an effort to reinvigorate EU membership of the Western Balkans, Germany initiated the Berlin process, complementary to the EU accession process, to address core structural problems of the region. Intended as a four-year process (started in August 2014) it was programmed to last till 2018, but today it has become a multifaceted process with no predictable ending.

Until now the Berlin process has had important results. A first immediate positive result was to bring back the attention of EU countries in the region. It gave a clear message that EU is yet the strategic partner in the region and it also brought a better harmonization of the integration process with regional cooperation. While countries of the Western Balkans were previously following individual agendas focusing to Brussels, they are now looking also to each other with an increased willingness to cooperate regionally and a better harmonization of these two processes. Additionally, the successive summits have had the merit to bringing their leaders on the same table, building trust and interpersonal relation among them.

Moreover, the establishment of the Western Balkans Civil Society Forum (CSF), organized every year as a side-event to the official Berlin Process Summits, offered opportunities for civil society representatives from the region to voice their concerns and provide concrete recommendations for decision-makers. However, a stronger partnership between WB governments and the civil society is needed. Civil society is an important partner and its engagement should be included extensively in the process. Since the process of EU integration affects the whole societies in the region, cooperation should be deepened in order for the process to be successful. Through their expertise and active participation, the civil society could make strong contributions by monitoring the implementation of engagements endorsed by countries and making the process more effective and transparent.

On May 31, 2017, the German Foreign Minister Sigmar Gabriel during the Aspen Conference for Ministers of South East Europe announced the Berlin Plus agenda to be a continuation of the Berlin Process. The conference was held in a delicate moment when different developments in the region seemed to threaten its stability. But in what consists the Berlin plus declared by Sigmar Gabriel? He suggested special funds for startup businesses, vocational training and the formation of a fund for infrastructure and technology, support for programs with social character and access to more EU funds by WB. Thus, the Berlin Plus was perceived very positively in the Western Balkans. However, beyond 2018 no forecast can be made except that the process shall continue.

The conference organized by the Cooperation and Development Institute in cooperation with three German foundations comes in an important moment. We should analyze what worked and what did not during these four years, in order to improve the process in a qualitative way and to augment successes of the Berlin processes. It also shows our common objective of strongly supporting the advancement of EU integration of Albania into the EU.

On the one hand, prioritization of issues and carefully defined goals should be at the center of the Berlin process for having the desired impact. On the other hand, an important factor of accomplishment will be the successful implementation of agreed responsibilities.

The responsibility for the success of the Berlin process relies primarily on the governments of the region which should show maturity to take ownership of the process and implement all the endorsed agreements for the benefits of their citizens and for sustainable and long-term results.

## EXECUTIVE SUMMARY

The UK Summit in 2018 will be the last one of the current cycle of Western Balkans Summits, dubbed “the Berlin Process”. Started in 2014 in Berlin, this process has provided a unique contribution to WB6 regional cooperation, to investments in regional connectivity infrastructure, and to the reforms engaged by WB6.

The Berlin Process does not have a proper budgetary allocation neither for its functioning, nor for financing “its projects”. It is the Chair of each Western Balkans Summit (WBS) that covers the Summit costs. Its transport and energy projects are “borrowed” from the project list of EU Connectivity Agenda, and their financing comes from a mix of sources ranging from WB6 national budgets, Instrument for Pre-Accession (IPA) to International Financial Institutions (IFI), bilateral, and Public-Private Partnership formulas.

More than complementing the Enlargement, the Berlin Process *de-facto* uses its achievements. As such it is an outcome-oriented process focused on two main pillars: connectivity and regional political cooperation. Its endeavors do not aim specifically the establishment of the rule of law, adoption of *acquis communautaire*, institution building or market economies in the Balkans.

The Berlin Process builds up on the achievements of the Enlargement and on the advancement of reforms engaged by WB6 countries. The success of Connectivity Agenda or WB6 regional cooperation depends on the progress of each country in fulfilling the Copenhagen criteria and on sustaining the reform path. The quality of infrastructure projects submitted to IFI for financing reflects the degree of development of institutions built in the Balkans during the last 20 years. Their successful implementation is an indicator of the state of the rule of law applied in this region. The achievements in regional cooperation reflect the maturity and the alignment of Balkan politicians and policy-makers with the EU policies.

Being an outcome-oriented process, the Berlin Process focuses the attention of Enlargement actors on the tangible results of reforms and on how they impact the situation on the ground. Its success indicators go beyond normative and institutional achievements, to reflect the situation faced by enterprises or citizen in the Western Balkans. Placed in this unique position, the Berlin process allows for thorough debates on the performance of WB6 on their way EU. Those debates have already contributed to streamline the Enlargement approach, as illustrated by the Enlargement Strategy 2018.

The last WB6 Summit in Trieste in July 2017 confirmed the EU perspective of the WB6 countries. The new 2018 Enlargement Strategy has set the year 2025 as a target date for full accession of first WB6 countries. Connectivity projects have broken ground and at least four regional cooperation institutions have been established or are in the process of being set up. Western Balkans Six has become the dimension of reference for business decisions regarding investments or market strategies. On their road to full EU membership, the Berlin Process dynamics is a major contributor of physically linking WB6 through roads and energy systems, as wells as through joint institutions and human relations.

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## ABBREVIATIONS

<b>B2B</b>	Business to Business
<b>BP</b>	Berlin Process
<b>BRI</b>	Belt and Road Initiative
<b>CA</b>	Connectivity Agenda
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilisation
<b>CEE</b>	Central and Eastern Europe
<b>CEFTA</b>	Central European Free Trade Agreement
<b>CfP</b>	Call for Proposal
<b>CSF</b>	Civil Society Forum
<b>DA</b>	Digital Agenda
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EnC</b>	Energy Community
<b>ES</b>	Enlargement Strategy
<b>FDI</b>	Foreign Direct Investment
<b>G2G</b>	Government to Government
<b>HoG</b>	Head of Government
<b>HoS</b>	Head of State
<b>ICT</b>	Information and Communication Technology
<b>IMF</b>	International Monetary Fund
<b>IPA</b>	Instrument for Pre-Accession
<b>JHA</b>	Justice and Home Affairs
<b>JSA</b>	Joint Science Annual Conference
<b>MAP</b>	Multi-Annual Action Plan
<b>MEP</b>	Member of the European Parliament
<b>MP</b>	Member of Parliament
<b>MS</b>	Member State of the EU
<b>NIC</b>	National Investment Committee
<b>NSPP</b>	National Single Pipeline Project
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ORI</b>	Observatory of Regional Integration
<b>P2P</b>	People to People
<b>PPP</b>	Public Private Partnership
<b>RCI</b>	Regional Cooperation Initiatives
<b>REA</b>	Regional Economic Area
<b>RIV</b>	Regional Investment Vehicles
<b>RYCO</b>	Regional Youth Cooperation Office
<b>S&amp;T</b>	Science and Technology
<b>SAA</b>	Stabilisation Association Agreement
<b>SAP</b>	Stabilisation Association Process
<b>SEETO</b>	South East Europe Observatory
<b>SME</b>	Small and Medium Enterprises
<b>TAP</b>	Trans Adriatic Pipeline
<b>TEN-E</b>	Trans-European Networks Energy
<b>TEN-T</b>	Trans-European Transport Network
<b>V4</b>	Visegrad Group
<b>VET</b>	Vocational and Educational Training
<b>WB6</b>	Western Balkans 6
<b>WBIF</b>	Western Balkans Investment Funds
<b>WBIS</b>	Western Balkans Investment Summit
<b>WBS</b>	Western Balkans Summit

## STRUCTURE OF REPORT

The main objectives of the publication “*The Berlin Process 2014-2018*” are twofold: to continue to build the body of knowledge on this initiative, to analyze its features and actions implemented under “its roof”, and: to provide additional data on its interaction with Enlargement, and on its contribution to regional cooperation in WB6. The state of advancement of the connectivity infrastructure projects will be analysed as well.

The report contains:

- an assessment of the scope of the Berlin Process as reflected in the Final Declarations of the Chair in Western Balkans Summits<sup>2</sup> in Berlin, Vienna, Paris, Trieste, and information about the upcoming London event;
- evaluation of interrelation of the Berlin Process permanent areas (connectivity and regional cooperation), with Enlargement process as expressed in the Enlargement strategies 2013-2018 and in the EU funding through IPA Multilateral and IPA National;
- up-to-date information on the Connectivity Agenda, including state-of-affairs of connectivity projects NSPP of the Western Balkans 6, and progress made on the Economic Reform Programs and Regional Economic Area;
- WB6 regional cooperation achievements including people-to-people (P2P) connectivity, high level political cooperation, government-to-government (G2G), youth exchange (RYCO), Civil Society Forums, and Science Cooperation;
- debates spurred by Berlin process such as on the WB6 growth model, regionalization of enlargement, politisation<sup>3</sup> of Enlargement, relations with Eastern connectivity, etc..

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<sup>2</sup> Taking into account its relevance, we have also included the speech of German Foreign Minister on “reloading the Berlin Process” held in Aspen Conference in Berlin in 31st of May 2017. See further, “*8th Aspen Southeast Europe Foreign Ministers’ Conference*”, S. Gabriel, Federal Minister for Foreign Affairs, Wednesday, 31 May 2017, retrieved 20 December 2017, <http://shtetiweb.org/2017/06/05/berlin-process-plus-2/>

<sup>3</sup> By ‘politisation’ the contributors to this research infer the participation and contribution of different stakeholders (which are originally not the main actors in the political fora) on the political dialogue related to the BP and the integration process.

## I. THE BERLIN PROCESS: SUPPORTING THE ENLARGEMENT

The mantra of Berlin Process is that it contributes to WB6 regional cooperation and that it complements the Enlargement. Though this statement holds true, it has skipped proper interpretation and analysis.

Below, we examine the support of Berlin Process to WB6 regional cooperation in the context of its specificity compared to the existing web of other 74 regional cooperation initiatives. The contribution to Enlargement focuses on its added value to inter-connectivity and regional cooperation components of the Enlargement strategies from 2013 to ES 2018 included. The last section will analyze the financial support of EU through IPA Multilateral and IPA National Programs to the connectivity agenda and WB6 regional cooperation.

### I.1 Berlin Process in the Maze of Regional Cooperation Initiatives

In August 2014 Berlin Process did land in a web of 73 regional cooperation initiatives (RCI) covering wide-range policy areas. As per their goal and objectives, most of these initiatives operate in the areas of: (i) economy = 12, (ii) social = 15, (iii) rule of law = 6, (iv) internal affairs = 8, and (v) energy and transport = 3. It is clear that all the areas mentioned by WBS in Berlin (and in Vienna) were previously covered by the existing regional cooperation initiatives, including the social sector<sup>4</sup>.

#### Box. 1 ORI - Regional Cooperation Initiatives Involving Western Balkans Countries

There is no official definition of a regional cooperation initiative, neither an exhaustive list of them. In its research on Berlin Process, CDI has compiled a database of 73 “regional cooperation initiatives - RCI”<sup>5</sup>. They all share the following characteristics:

- produce effects - partial or total - in the territory of WB6;
- involve members from at least two WB6 countries;
- address members' common challenges in shared priority areas;
- have the ability to make own decisions and implement the subsequent actions;
- WB6 members are / can be also direct beneficiaries of the said-RCI actions.

We have divided them empirically using as reference the EU sector approach taxonomy, the Regional Cooperation Council classification, and our own research based methodology of categories.

Notwithstanding the different degrees of utility depending on partner country particularity<sup>6</sup>, RCIs are generally assessed to bring a positive contribution in the policy areas they cover. However, we found that they share some cross-cutting challenges regarding the: (i) avoidance of overlapping and need for better coordination; (ii) need for better use of existing resources (financial, legislative and institutional) / promotion of best practice; (iii) enhancement of local ownership through a better involvement of citizen, grass-root movements and civil society organizations; (iv) a better designed and transparent monitoring and evaluation system including clearly defined indicators and targets; (v) financial resources optimization; and, (vi) an effective evaluation of the tangible benefits felt by the local population.

<sup>4</sup> Berlin process started very strongly on social issues mentioning the “importance of independent trade unions” in Berlin (2014), or the need to “systematically involve social partners in economic reforms”, in Vienna (2015). Those social elements do not appear from Paris (2016) onwards.

<sup>5</sup> To consult the database of Regional Cooperation Initiatives and other information on WB6 regional cooperation, please visit ORI - Observatory of Regional Integration at: <http://cdinstitute.eu/web/ceshte-ori/?lang=en>.

<sup>6</sup> For example variables such size of territory, geographical location of the country, number of inhabitants, socio-economic structure, etc., condition the political interest(s), the commitment and the expected benefits the country is expected to draw from its membership in the said RCI.

Regarding the Berlin Process, it is the presence of key EU Member States providing the highest-level of political support to the initiative that makes it different from other RCI<sup>7</sup>. The clear and unambiguous commitment of those MS to the Enlargement in the Balkans, and the immediate embrace they found from the WB6 politicians, defined the success of the initiative, as compared with other RCI.

On top of the partnership composition, it is also the form and modalities of functioning that define the success of Berlin Process. By leaving space to deal with the un-predictable, WBS allowed EU and WB6 decision-makers to respond quickly to urgent common challenges such as migration or terrorism. By keeping the BP outside the formal EU and international cooperation structures, the organizers created the conditions for a productive debate.<sup>8</sup>

## I.2 Berlin Process and Enlargement

There is inter-linking between Western Balkans Summit Areas with the goals of Enlargement strategies (ES) of 2013, 2014, 2015 and 2016, and especially with the ES 2018. Elements of connectivity and of regional cooperation have always been in the Enlargement policies and strategies. The added value of the Berlin process consists in that both connectivity and regional cooperation moved up in the strategic importance scale, from instruments at the service of Copenhagen Criteria or Thessaloniki agenda goals, to goals *per se*. Basically it can be argued that BP has contributed for the progress in connectivity and regional cooperation to become *de facto* pre-conditions for the Enlargement.

Chronologically observed, the concept of “connectivity” does not figure in the **ES 2013**. The Strategy refers to “*inter-connections*”<sup>9</sup> - i.e. investments in infrastructure - between EU and WB6 in transport and energy that will be supported through WBIF. On the other hand, regional cooperation in the ES 2013 involves good neighborly relations, and considers them as a precondition for SAP and growth. Meanwhile, member states and EU institutions are requested to lead an informed debate on political, economic and social impact of the Enlargement policy (note the word “debate”).

Four months after the Berlin Summit of June 2014, the “Berlin Process” makes its entrance in the **Enlargement Strategy** published in November 2014<sup>10</sup> as another “*regional cooperation initiative*” contributing to encourage reforms, prioritize connectivity projects and help deal with bilateral disputes. EU requires a coordinated approach for investments along main infrastructure corridors, and asks WBIF to “*promote connectivity*”. “*Improving energy and transport connections between EU and MS*” becomes a priority for Enlargement. Also NIC and NSPP roles are mentioned, while the regional cooperation remains essential for SAP.

In November 2015, four months after the Vienna Summit, the term “Connectivity Agenda” appears in the **ES 2015**<sup>11</sup> (including the addition of soft connectivity measures) as a component of regional integration efforts. Berlin Process is called to support a regional approach to select investment projects and to encourage reforms (its contribution to settlement of bilateral disputes does not figure any more in the Strategy). “*Effective communication on how Enlargement works and its implications for citizen*” remain essential (note the shift from “debate” in 2013 to “communication” in 2015).

Though in a Brexit atmosphere, in the **ES 2016**<sup>12</sup>, connectivity is still a component of regional cooperation. The Connectivity Agenda “*...should see the delivery of its intended results speeded*

<sup>7</sup> Aleksandar Andrija Pejović, Minister of European Affairs, Government of Montenegro in the “*Regional Convention on European Integration of Western Balkans*”, Skopje, 10-11 November 2017.

<sup>8</sup> Christian Hellbach, Director for South-Eastern Europe, Turkey and the EFTA States, Federal Foreign Office of Germany, Regional Conference “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process*”, Tirana, 9-10 November 2017.

<sup>9</sup> European Commission (2013), *EU Enlargement Strategy*, COM (2013) 700, Brussels, 16 October.

<sup>10</sup> European Commission (2014), *EU Enlargement Strategy*, COM (2014) 700, Brussels, 8 October.

<sup>11</sup> European Commission (2015), *EU Enlargement Strategy*, COM (2015) 611, Brussels, 10 November.

<sup>12</sup> European Commission (2016), *EU Enlargement Strategy*, COM (2016) 715, Brussels, 9 November.



*up and should provide tangible proof for the citizens*". Meanwhile RYCO, trade facilitation, and exchange of civil servants are mentioned as components of regional cooperation. The Commission notes that the *"attractiveness of the EU in WB6 has been partly affected by the economic downturn and skepticism regarding the EU Project"*.

The **ES 2018** comes with a visible increase of EU engagement in WB6. We do not talk of "European" values, but "*common*" values. The Enlargement becomes part of a larger EU strategy, the financial envelope for WB6 is expected to increase significantly as well as the joint policy engagement in selected areas. Some EU programs will be opened to WB6, including the social dimension. In 2018 we observe an evolution of the Enlargement narrative, with increased focus on its impact to local citizen. In the ES 2018, connectivity has its own flagship initiative composed by 11 actions. Regional cooperation is pervasive of the whole ES 2018, while the support to reconciliation and good neighborly relations also has its own flagship initiative.

It should be noted that many of the ES 2018 flagship initiatives use the same arguments and proposals developed by think tanks and CSO actively involved in the Berlin Process since 2014 (i.e. increase of funds for WB6 to support growth and convergence, opening of EU programs to WB6, deepening of cooperation in certain key sectors, etc.)<sup>13</sup>.

Since 2014 the Berlin Process has made its way, slowly but surely, into the Enlargement debate. It's mentioning is unavoidable in the WB6 political regional cooperation. It is defining the context of the economic cooperation in the region, and the engagement of EU for higher growth and speedier convergence. It has contributed to empower Western Balkans civil society segments to advance from their current position as grant beneficiaries and implementing partners, towards a more active role as contributors in regional cooperation and related policy-making areas.

### **I.3 Connectivity and Regional Cooperation in the IPA 2014-2020**

IPA funding has been supporting Enlargement strategies since 2007. Regarding the regional cooperation focus, in the IPA Multicountry 2014-2020<sup>14</sup> we find the same priorities as in the IPA National programs. The difference is that in IPA Multicountry the actions have a regional scope - for example technical assistance funds are spent regionally. The "multi-country" refers to the financing logic of the EU instrument, not to the dynamics and modalities of cooperation on the ground.

The main contribution of IPA Multicountry to the Connectivity, is through WBIF. Some of the infrastructure projects financed by WBIF aim at supporting the interconnection of the WB6 amongst them and of WB6 with EU networks. While democracy, rule of law, competitiveness and growth are mentioned, no regional cooperation, exchange of information or coordination is foreseen as a way of enhancing the impact of EU funds through use of regional dimension. The only exceptions are cooperation in fight against organized crime, or investing in "interconnections" in transport and energy (always dealt with through WBIF).

A rapid analysis of the six IPA National programs 2014-2020<sup>15</sup> indicates that connectivity - all by not being relevant (which is logical because those are national documents) -, and investments in transport and energy are dealt with very differently from one WB6 country to the other. For

<sup>13</sup> WB6 CSOs and other NGOs have been discussing the above subjects in Western Balkans Reflection Forum, Civil Society Forums of the Western Balkans Summit Series, Tirana Conferences on Berlin Process, etc.

<sup>14</sup> European Commission (2014) *Instrument for Pre-accession Assistance (IPAI)*. *Multi-Country Indicative Strategy Paper (2014-2020)*, adopted on 30/06/2014

<sup>15</sup> European Commission (2014) *Instrument for Pre-accession Assistance (IPA II)*, *Indicative Strategy Paper for Albania (2014-2020)*, 18 August 2014; European Commission (2014) Annex 1 - *Instrument for Pre-accession Assistance (IPA II)*, *Indicative Strategy Paper for Bosnia & Herzegovina (2014-2017)*, 15 December 2014; European Commission (2014) *Instrument for Pre-accession Assistance (IPAI)*, *Indicative Strategy Paper for the Former Yugoslav Republic of Macedonia (2014-2020)*, 19 August 2014; European Commission (2014) *Instrument for Pre-accession Assistance (IPA II)*, *Indicative Strategy Paper for Montenegro (2014-2020)*, 18 August 2014; European Commission (2014) *Instrument for Pre-accession Assistance (IPA II)*, *Indicative Strategy Paper for Kosovo\** (2014-2020), 20 August 2014; and European Commission (2014) *Instrument for Pre-accession Assistance (IPA II)*, *Indicative Strategy Paper for Serbia (2014-2020)*, 19 August 2014.

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example, in BiH IPA Programme, the concept of “*connectivity*” appears only once (under political and economic context) and there is no chapter covering neither energy, nor transport. On the other side, in the Serbian IPA document, Transport and Energy have each a special chapter. Albania, Montenegro, Kosovo and Macedonia have either energy or transport covered by a separate chapter.

The absence of connectivity concept and the focus only on the national scope of transport and energy investments in the IPA National Programs have been gradually corrected with the set up of NICs and of the NSPP later on.

In **summary**, the Berlin Process differs from the existing 73 RCI because of the presence of the key member states, and its complementarity and synergy with the Enlargement process. Its contribution to Enlargement strategies consists in providing political relevance to strategic infrastructure investments, and by promoting WB6 political actors to the limelight of decision-making arena.

It is through WBIF that EU has provided its major financial contribution to BP infrastructure projects. The regional cooperation component has been supported initially through the establishment of NICs and NSPPs, and lately through the introduction of Strategic Initiatives in the ES 2018.

## II. PROFILING THE BERLIN PROCESS

Placed in a historical context, it appears that Berlin WBS in 2014 joined under a political roof the connectivity and the regional cooperation. Through the different subsequent WBS in Vienna (2015), Paris (2016) and Trieste (2017), Berlin process areas evolved expressing the main challenges that Europe was facing at the moment. Nevertheless, connectivity and regional cooperation remain its permanent features. The evolution of attendance of WBS and the increased frequency of Ministerials or G2G meetings, indicate the growing importance of this initiative and of its impact.

### II.1 The Double-Track Profile: Connectivity and Regional Cooperation

The Berlin process as carried on by the Western Balkans Summits is first and foremost a political process. In August 2014 in Berlin it did not start as an *“implementation instrument to build roads or energy networks in the Balkans”*.<sup>16</sup>

Investment in WB6 countries transport and energy networks infrastructure has been in the mission of WBIF since its establishment in 2009, albeit restricted at the national level. The regional connectivity feature gets a boost in the EBRD-supported Western Balkans Investment Summits<sup>17</sup> (WBIS - note the *“Investment”*) in February 2014. International financing institutions together with HoG from WB6 gather to *“...highlight the countries’ business potentials, attracting foreign investors and creating regional investment vehicles (RIV - in transport and energy) amongst the WB6 countries”*.<sup>18</sup>

Six months later, in August 2014 in Berlin, we have the WBS - focused on political and institutional cooperation in WB6. EBRD is not mentioned as a participant in the Berlin WBS in August 2014. To underline the focus of German hosts on political cooperation, one can note that the only mention of infrastructure in the Berlin WBS was about the ICT infrastructure<sup>19</sup>.

It was in the 2015 Vienna WBS that the political cooperation process (carried by Berlin) and the connectivity investment agenda (as initiated by DG NEAR and EBRD through WBIF) were joined in one thread under the Western Balkans Summits trademark.<sup>20</sup> It is in Vienna also that other international financial institutions (such as EEAS) started to be officially mentioned in the WBS Chair declarations. One can safely posit that the double-track profile of Berlin Process i.e. political regional cooperation and double-layered (soft and hard) connectivity was consolidated in Vienna.<sup>21</sup>

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<sup>16</sup> H.E. Alberto Cutillo, Italian Ambassador to the Republic of Albania, Regional Conference *“From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process”*, Tirana, 9-10 November 2017.

<sup>17</sup> The first WBIS was called “forum”, not “summit”: see *“Western Balkans investment forum at the EBRD”* 11 February 2014, retrieved 24 January 2018, <http://www.ebrd.com/news/2014/western-balkans-investment-forum-at-the-ebrd.html>.

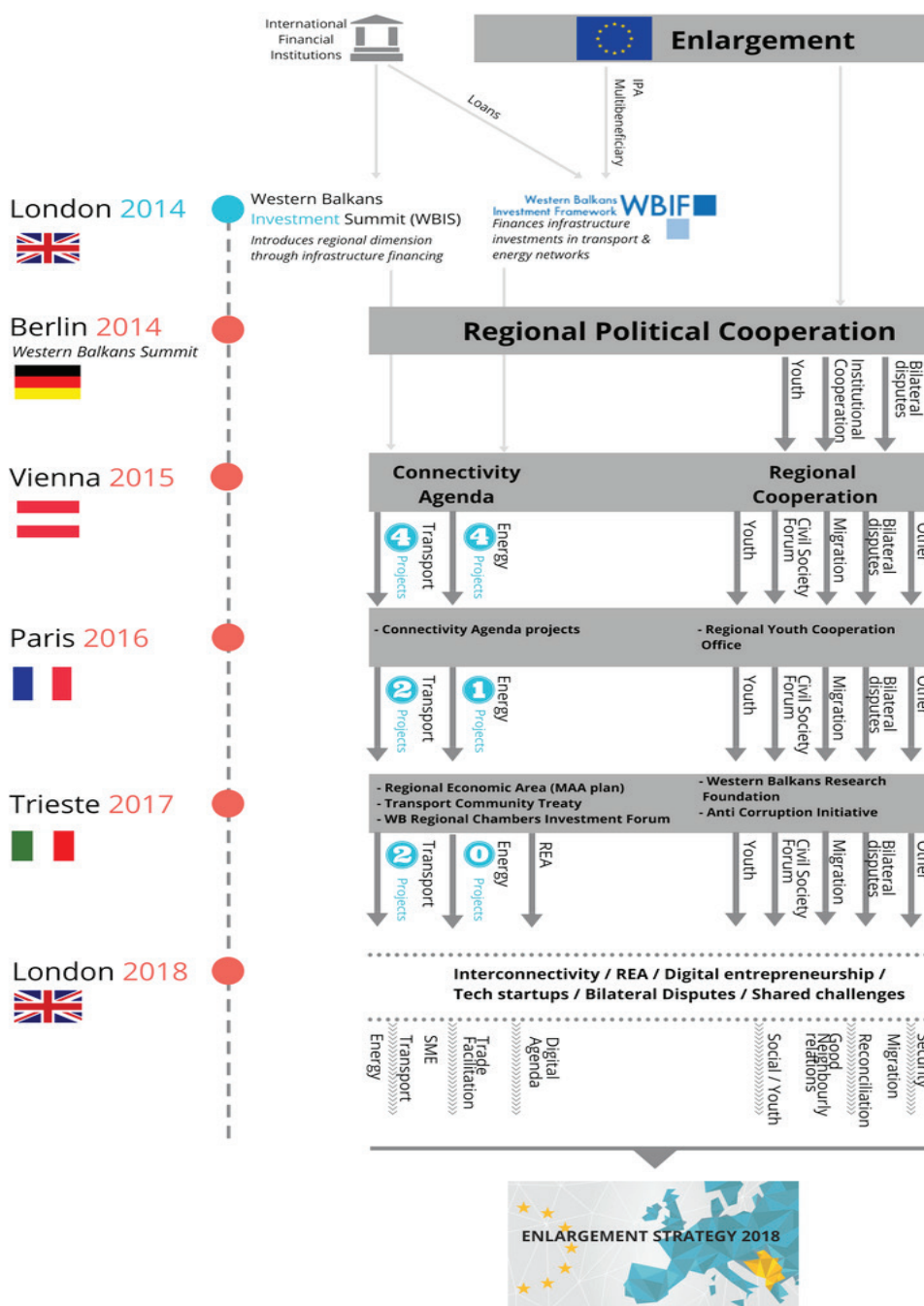
<sup>18</sup> *Suma Chakrabarti, EBRD, “Speech transcript at the Investing in the Western Balkans forum” speech, London, London EBRD HQ, 24 February 2014.*

<sup>19</sup> The Chair Declarations of Berlin WBS is a political declaration. Transport was mentioned in reference to the “improving WB6 logistical connections to EUY markets”, and energy with regard to further development of energy community.

<sup>20</sup> On the contribution of EBRD to Connectivity Agenda i.e. transport corridors and energy links, and in Berlin Process in general, please see *“Monitoring the Berlin Process: from Paris to Trieste”*, CDI Publications, Tirana 2017.

<sup>21</sup> EBRD-supported WBIS continue every two years. The 2nd WBIS was held in London in February 2016 *“...providing an opportunity to discuss regional projects and opportunities for investment in energy and transport as well as the privatization agenda in the Western Balkans”*. The 3rd WBIS was held in London on 27 February 2018.

### Scheme 1. The Double-Track profile of Berlin Process



While in Paris (2016), the component of regional cooperation got its first achievement in the establishment of RYCO, in Trieste (2017) the connectivity component was beefed up with the Digital Agenda, with the market connectivity and with economic connectivity. Regional cooperation got consolidated through institutional advances in B2B and science cooperation.

The Berlin Process has functioned on the principle of the “three no” - no new budget, no new institutions, no new legislation. Its most important added value is brought by WB6 ownership as observed in the advancement of political cooperation and of the success of P2P initiatives such as RYCO. The intensified contact between EU decision makers and WB6 civil society is its next genuine achievement, as observed by the scope and intensity of participation of civil society in the WBS. The connectivity projects are still young (more on that later).

## II.2 The Areas

With the hindsight of the four Western Balkans summits, now it is methodologically easier to assess the scope of the Berlin process areas through the Declarations of the Chairs. In 2018, the WB6 regional cooperation has become the new normal, and regional connectivity - infrastructure or P2P - are being increasingly factored in the long-term socio-economic strategies and budgets of the WB6 countries.

The declaration of German Chair in **Berlin** (2014) focused on three areas: (i) regional cooperation, (ii) good governance, (iii) and economic growth (see Annex 1. Areas of 2014 Berlin WBS). Youth exchange and civil society cooperation appear as sub-components of regional cooperation. The concept “*connectivity*” is not mentioned, but the Berlin declaration clearly supports “*...improving WB6 logistical connections to EU markets*” and “*further developing energy community*”. It needs to be mentioned the support expected from the German business community on the component of economic growth.<sup>22</sup>

In the Austrian Chair declaration in **Vienna** (2015), we have identified 13 areas (see Annex 2. Areas of 2015 Vienna WBS). Amongst the main developments of Vienna WBS, we notice:

- the *Solution of Bilateral Disputes*, is promoted as the defining trait of regional cooperation. The EU macro-regional strategies are mentioned as a very important component as well of the regional cooperation, unfortunately without any follow up in the next WBS<sup>23</sup>;
- *youth exchange and cooperation*; *transport connectivity*; and, *energy connectivity* are up-graded from sub-component (in the Berlin Declaration) into a fully-fledged WBS areas, completed with timelines and deliverables. Those areas will become permanent components of the “connectivity” trait of the Berlin Process in the next summits;
- the “*sustainable economic growth*” area incorporates the new EU approach<sup>24</sup> and splits into three new areas: (i) support to reforms (annual Economic Reform Programs); (ii) better national investment planning by taking into account the available fiscal space of each country<sup>25</sup>; (iii) regional markets integration focused on soft measures;
- new conjectural areas are added such as: (i) *migration*; and, (ii) the *fight against extremism and radicalization*. Their appearance reflects the concerns of the time by key EU member states;
- there is an increased importance bestowed on: (i) Higher education, Science and Research; (ii) on Dual Vocational Education, and on, (iii) Civil Society, by treating them as separate areas.

In Vienna for the first time 10 connectivity infrastructure projects (six in transport and four in energy) were announced for financing, and were included in the Declaration of the Chair.<sup>26</sup> The Addendum to the Chair Declaration, detailed the three Core Network corridors to be extended in WB6, provided an overview of the 10 projects, and provided a list of soft measures on transport and energy completed with their implementation schedule.<sup>27</sup>

<sup>22</sup> In the Chair declaration in Berlin, it is mentioned that German business community is “*...to launch purchasing initiative for WB6; ...to hold regional conference in Montenegro in Sept. 2014 ref promotion of regional value chains, and ... to support VET in WB6*”, “*Final Declaration by the Chair of the Conference on the Western Balkans*”, Berlin, 28 August 2014.

<sup>23</sup> The role of EU macro-regions has been put back in the Berlin process debate, 3rd Tirana Regional Conference “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process*”, Tirana, November 2017.

<sup>24</sup> For further details on “new EU approach” please refer to the “*Monitoring the Berlin Process: from Paris to Trieste*”, CDI Publication, Tirana, 2017, pp. 17

<sup>25</sup> With a focus on NICs functioning and the preparation of National Single Project Pipeline. For details on the Albanian case of NIC and NSPP, See “*Albania in the Berlin Process: Current Achievements and Upcoming Challenges for the Paris Summit*”, CDI Publication, Tirana, Fall 2015.

<sup>26</sup> The approval and announcement in the WBS of eight pre-selected regional connectivity projects to be financed (and two IPA national projects for Serbia), transposes at regional level the mechanism of National Single Project Pipeline (NSPP) applied in each of WB6 countries. So we can reasonably talk about a WB6 Single Project Pipeline (or WB6 SPP).

<sup>27</sup> To our best of knowledge no proper monitoring report including the said regional infrastructure projects and the numerous soft measures adopted in Vienna has been presented to the sub-sequent WBS.

In **Paris** (2016) the French Chair declaration mentioned only five areas (see Annex 3. Areas of 2016 Paris WBS). There are no new areas, but the existing ones have been reorganized<sup>28</sup>, and some area sub-components have been up-graded.<sup>29</sup> The French agenda on Climate is represented by measures on “..energy efficiency in residential buildings” and on the support for preparation of “..regional strategy for sustainable hydropower in WB6” as new sub-components put under the area of Connectivity and Trade, complemented by the Western Balkans Sustainable Charter.

WB6 civil society disappears from the Final Declaration of Paris WBS. The French Chair refers only to additional financing coming from the “..European Commission ... Civil Society Facility Scheme towards NGOs involved in the prevention and fight of violent extremism”.

In **Trieste** the number of areas in the Italian Chair Declaration goes up to 10, and most importantly the Civil Society and its contribution to Enlargement is back (see Annex 4. Areas of 2017 Trieste WBS). Other specificities include:

- the shifting of the narrative from “regional cooperation” to “regional integration”: the concept of Regional Economic Area takes center stage through the support and prominence given to the Multi-annual Action Plan for a Regional Economic Area (REA)<sup>30</sup>;
- the strategic importance given to SME through innovative partnerships with the public sector, their involvement in the VET dual system, the boost given to their financing & entrepreneurship capacity, and the support to the establishment of the Secretariat of Chambers of Commerce of WB6 (with HQ in Trieste);

In the Trieste Final Declaration is to be noted the EU commitment to financially support RYCO to implement its (RYCO's) program, and the detailed follow up of fight against corruption, against terrorism and prevention of irregular migration. Finally, in Trieste the Western Balkans' science got its own Western Balkans Research Foundation (also to sit in Trieste), and the decision for a joint Science Conference to be organized in Rome in 2018.

At the time when this paper went to press, there was no agenda for the **London** / UK WBS. However in its intervention in 3rd Tirana Conference on Berlin Process in November 2017, the UK representative mentioned interconnectivity, REA, support for digital entrepreneurship, support for the tech Start Ups, Youth and shared challenges (security, migration, terrorism, etc.) as the main London WBS areas under consideration.<sup>31</sup> At this stage they can all be considered as follow up or upgrade of the traditional Berlin Process areas. (See Annex 1. Areas of Western Balkans Berlin Summits; Eventual Areas of 2018 London WBS).

On 31st of May 2017, the German Foreign Minister Gabriel used his speech in the 8th Aspen SEE Conference in Berlin to delineate his vision on the future of Berlin process<sup>32</sup>, known as the **Berlin Plus**. He clearly places the Berlin process into the Enlargement dynamics, but “reloaded”<sup>33</sup>. The term “reloaded” is translated into a specific Berlin Process contribution on: (i) a changed Enlargement narrative, and improved visibility in the WB6; (ii) on the need for additional financial support to WB6 with the aim to reduce social hardship in reforming countries, to finance infrastructure projects, and to support dual VET.<sup>34</sup>

<sup>28</sup> For example in Paris, the Rule of Law became a sub-component of the Regional Cooperation area.

<sup>29</sup> We qualify as “upgraded” an area whose formulation has been significantly deepened through concrete hard or soft measures or / and extended, without altering its scope.

<sup>30</sup> The Action Plan of the Regional Economic Area can be consulted at: [http://www.esteri.it/mae/resource/doc/2017/07/map\\_regional\\_economic\\_area\\_06\\_july\\_2017\\_clean\\_version.pdf](http://www.esteri.it/mae/resource/doc/2017/07/map_regional_economic_area_06_july_2017_clean_version.pdf)

<sup>31</sup> H.E. Duncan Norman MBE, Her Majesty's Ambassador to Albania, Regional Conference “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process”, Tirana, 9-10 November 2017.

<sup>32</sup> See further, “8th Aspen Southeast Europe Foreign Ministers' Conference”, Sigmar Gabriel, Federal Minister for Foreign Affairs, Wednesday, 31 May 2017, retrieved 15 January 2018, <http://shtetiweb.org/2017/06/05/berlin-process-plus-2/>.

<sup>33</sup> This initiative of Foreign Minister Gabriel entered the vocabulary as Berlin Plus (or Berlin+). In fact Mr. Gabriel never mentioned the Berlin Plus term in his speech, only “reloaded”. We traced down the first use of Berlin+ terminology in a tweet of CDI published on 31st of May at: <https://twitter.com/CDIAlbania/status/869910072260001794>. It was an article by T. Flessenkemper on “Berlin Plus” will not change the game”, published on the BiEPAG blog on 2nd of June 2017 that put the term “Berlin Plus” into the mainstream (here: <http://www.suedosteuropa.uni-graz.at/biepag/node/247>).

<sup>34</sup> The additional finance support to WB6 including for infrastructure projects, the social components, the support to VET, figure prominently in the ES 2018.

In **summary**, the areas covered in the Western Balkans Summits from Berlin 2014 to UK 2018, cover no less than 13 subjects, roughly shared in two groups:

- the *permanent* ones present in each WBS: i.e. connectivity (hard and soft) and regional cooperation;
- the *conjectural* ones, introduced *ad-hoc* in the WBS agenda by the Chair in charge and responding to the “crisis of the moment” and / or reflecting the agenda of the host MS country *vis-a-vis* the Western Balkans. Here we have migration, fight against extremism and radicalization, investment planning, regional value chains, SME financing, etc.

### II.3 The Actors

The specificity of Berlin process resides in the limited number of key EU member states that participate (the number of partner EU Member States is seven, up from five in 2014). The participant list of WBS has evolved as follows (see Annex 7 - Composition of WBS Delegations):

- in Berlin in 2014, there were the six WB6, five EU member states, and the European Union represented by the President of the Commission. The delegations were composed by Head of State (HoS) / Government (HoG), the Minister of Foreign Affairs and the Minister of Economy / Finance / Economic development<sup>35</sup>. EU is represented by the President of EU Commission, and Enlargement Commissioner;
- in Vienna in 2015, the partners kept the same composition of the delegations: HoS / HoG, Minister of Foreign Affairs and Minister of Economy (or equivalent). Italy sent its Minister of Foreign Affairs. The EU was represented by the High Representative for Foreign Affairs and Security Policy and from Vice-President of EU Commission. The Final Declaration also mentions the presence of International Financial Institutions;
- in Paris in 2016 the French Chair continues the same formula of presence;
- the two specific additions of Trieste in 2017 are the presence of UK, and of the Ministers of Transport of WB6.

### II.4 The Achievements 2014-2017

On the *political* level, Berlin Process maintained the EU level of attention towards WB6 regarding the enlargement, while re-assuring WB6 about their EU perspective. It has provided a comprehensive and suitable framework for EU-WB6 political cooperation in the form of WB Summits, Ministerials, and other regional cooperation formats, beyond the “EU Commission - Applicant/Candidate country” enlargement negotiation format. Regarding “democratic representation”, it has allowed for meaningful participation of WB6 civil society organizations (CSO) in the regional cooperation fora, where the most relevant has been the Vienna WBS (2015).

*On connectivity*, the main achievement is the firm placement of the Western Balkans in the transport and energy connectivity map of Europe. We have witnessed an increased visibility of the Connectivity Agenda as translated in the amount of the available funds to support the extension of transport and energy networks (and their respective legislation) in the Balkans, the coming to force of Energy Community and the signature of Transport Community.

Moreover, WBS did bring to the limelight the work of existing regional cooperation platforms and of technical sectoral structures such as SEETO and / or PECL, during the preparation and implementation of regional infrastructure initiatives (hard measures) and accompanying legislation (soft measures).

Finally, transport, energy and recently also digital connectivity projects have received a much-needed boost by jumping at the top of regional investment priorities, and of EU financing. Since 2015, through Western Balkans Investment Fund, 13 connectivity investment grants have been

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<sup>35</sup> Italy and UK were not present, while France sent the Special Envoy of the Minister of Foreign Affairs for Economic Diplomacy in the Western Balkans.

approved for financing, for a total of EUR 344.9 M.<sup>36</sup> The bulk of the earmarked IPA EUR 1 billion investments are still on the pipeline.

*On regional cooperation*, the main achievements until now include the increased regional and multi-actor consultation and cooperation, the advancement of regional perspective in the political fora and in the policy-making, and the WB6 commitment to the engaged reforms. The progress registered on regional cooperation in P2P and B2B can be noticed through the outcomes of institution building on regional level, such as: (i) establishment of RYCO; (ii) creation of Western Balkans Research Foundation; and (iii) establishment of Western Balkans Chamber of Commerce Secretariat.

*On economic reforms in WB6*, by putting the spotlight on growth and convergence, the Berlin Process has contributed to the diagnose of WB6 structural constraints, to the prioritization of reforms through inter-ministerial and stakeholder consultation, and to the promotion of information exchange between WB6 and EU in the framework of regular annual Economic Reform Program (ERP) reporting.

## II.5 The Challenges: Impact on The Ground and Visibility of Investments

In 2014, the BP was launched in an overcrowded regional cooperation scene, at a moment characterized by the slowdown of EU enlargement. The demand to renew its four year cycle, and the current willingness of other EU member states to get involved in it<sup>37</sup>, are clear indicators of its perceived success. As we will see later, its main challenges remain in the transition from an *ad-hoc* process-oriented initiative supporting a gap in the Enlargement perspective, into an outcome-oriented one with specific dynamic and measurable outcomes.

For the moment member countries will support the Berlin Process for as long as there is demand. At this stage the main challenge that the process is facing, is how to improve the impact on the ground and increase visibility to the WB6 citizen of connectivity infrastructure. *To increase BP visibility and impact, there is a clear need for benchmarks and monitoring. It is not easy to explain to the WB6 citizen how many roads are built by BP. To this goal, milestones and monitoring mechanism needs to be set up. We also need to use the data to be able to plan the future of this process.*<sup>38</sup>

In **summary**, investments in transport and energy have received political attention and financial support from EU and IFI well before the Berlin WBS (2014). What Berlin Process has contributed to is to place transport and energy networks firmly in the WB6 maps. The political factor has been visible on the definition of connectivity projects strategic importance, on the search for additional financial resources and on the obligations regarding an efficient and timely implementation. Enhanced regional cooperation and good relations with the neighbor have become the new normal for BP politicians. The new Strategy for Enlargement 2018, has clearly stated the need for Western Balkans to resolve any open bilateral issue amongst each-other or between them and any MS, before joining the EU.

<sup>36</sup> The funding is a mix of WB6 national budgets, IPA funding, IFI loans, PPP, and mixed methods. The financing data have been compiled from information taken in the [www.wbif.eu](http://www.wbif.eu).

<sup>37</sup> Poland has expressed its readiness and willingness to welcome the WBS of 2019.

<sup>38</sup> Hedvig Morvai, Executive Director of European fund for the Balkans, Regional Conference "From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces", Tirana, 9-10 November 2017.



### III. CONNECTIVITY: ROADS, ENERGY SYSTEMS, MARKETS AND ECONOMIES

The main “ingredients” of the Berlin Process today are the: (i) Connectivity Agenda (hard connectivity-transport and energy and soft connectivity-P2P contacts, citizens’ involvement); and, (ii) enhanced regional cooperation.<sup>39</sup> Transport and energy projects have been receiving support through selected EU-funded actions, state budgets or IFIs. Efforts to support individual countries to set up planning and implementation mechanisms (such as NIC or NSPP), or regional structures for coordination (such as SEETO or EnC) have completed the array of measures at the service of connectivity component.

#### Box. 2 Initiatives Supporting the Connectivity Agenda

1. Support to the establishment and functioning of National Investment Committees and Single Project Pipelines for a transparent and efficient system for investment prioritization and selection;
2. Western Balkans Investment Framework (WBIF), supports the preparation of project documentation (feasibility studies, preliminary and detailed design, environmental impact assessment, tender dossiers, etc.); and provides respective financing in energy, environment, social, transport and private sector development;
3. Joint Assistance to Support Projects in European Regions (JASPERS) for developing, managing and reviewing the quality of IPA beneficiaries on infrastructure projects, making them eligible for co-financing;
4. Support to SEETO to improve deliverables and strengthen the coordination mechanisms for pushing further policy reforms on technical/expert level;
5. Support to Energy Community, focused on the energy part of the Connectivity Agenda regarding the implementation of soft measures;
6. CONNECTA, Technical Assistance to connectivity in WB6 is focused on project preparation in transport sector.
7. Regional Cooperation Council

#### III.1 Connecting Physical Infrastructure and Energy Systems

##### *i) The dynamics of Connectivity Agenda Investment projects*

One of the biggest successes of the Berlin Process is the firm placement of WB6 countries in the Core Network<sup>40</sup> through the promotion of Connectivity Agenda (CA). As Box. 3 shows, both transport and energy networks covering WB6 are extensions of EU’s, and have as a major function the anchoring of WB6 systems into the EU single-market.

Initially CA has been linked to “...connecting physical infrastructure and energy systems”. From Trieste onwards, through the introduction of the Regional Economic Area the concept of connecting WB6 markets and economies has equally become part of the CA.<sup>41</sup> To achieve the goals of the Connectivity Agenda, in 2015 EU set aside EUR 1 bn (earmarked from IPA II Multi-Country Programme) with the goal to leverage EU 4 bn of investments and create 45,000 jobs.<sup>42</sup>

<sup>39</sup> “Berlin Process regionally re-loaded”, Op-Ed, Sattler, Johann, Ambassador of the Republic of Austria in Albania, retrieved 15 January 2018, <http://wb-csf.eu/op-eds/berlin-process-regionally-reloaded/>.

<sup>40</sup> Aleksandar Andrija Pejović, Minister of European Affairs, Government of Montenegro in the “Regional Convention on European Integration of Western Balkans”, Skopje, 10-11 November 2017.

<sup>41</sup> “Connectivity Agenda: Co-financing of Investment Projects in WB6, 2017”, DG European Neighbourhood Policy And Enlargement Negotiations, 2017, retrieved December 2017.

<sup>42</sup> *Ibid.*

### Box. 3 Connectivity Agenda Milestones in Transport and Energy

#### HIGH LEVEL INSTITUTIONAL MILESTONES OF CONNECTIVITY AGENDA - TRANSPORT

Jan. 2014	EU adopts a new Transport Infrastructure policy for 28 MS aimed at financing the Trans-European Core Network (TEN-T).
Feb. 2014	EBRD Western Balkans Investment Forum in London on Infrastructure financing and coordination in WB6 through RIVs.
Aug. 2014	Berlin WBS laying down the context for political cooperation in WB6 as a pre-condition of successful large investments.
April 2015	EC and six WB6 PMs agree to extend TEN-T to the WB6.
June 2015	WB6 Transport Ministers identify the Comprehensive & Core networks extending TEN-T Network in the WB6.
July 2015	Vienna WBS announces the first batch of four Connectivity Agenda transport infrastructure projects to be financed.
July 2016	Paris WBS announces two transport infrastructure (rail) to be supported.
July 2017	Trieste WBS announces two transport infrastructure projects and the signature of WB6 Community Transport Treaty (without BiH).

#### HIGH LEVEL INSTITUTIONAL MILESTONES OF CONNECTIVITY AGENDA - ENERGY

Oct. 2005	Creation of Energy Community (EnC) aiming to extend the EU internal energy market to South East Europe and Black Sea region.
Oct. 2013	Adoption of South East Europe Energy Strategy focused on the creation of a regional energy market, energy efficiency and renewables.
Oct. 2013	A list of Projects of Energy Community Interest (PECI) focused on electricity & gas inter-connections in WB6 is adopted at EU Ministerial Council.
Aug. 2014	Berlin WBS commits to support the completion of Energy Community and its implementation in the WB6.
Feb. 2015	EU adopts Energy Union Strategy focused on security of supply, sustainability and competitiveness.
July 2015	Vienna WBS announces the first batch of four Connectivity Agenda energy infrastructure projects to be financed. WB6 Ministerial focus on regional electricity market, and respective list of national reforms.
July 2016	Paris WBS announces support to regional market, energy efficiency and regional plan for sustainable hydropower, and announces one energy investment project for financing.
July 2017	Trieste WBS announces its commitment for the Regional Electricity Market.

The technical preparatory work for connectivity agenda in transport infrastructure and in energy interconnection systems is financed under the EU-supported WBIF facility. WBIF provides funding to bring connectivity projects to maturity, and as of 2015 it can also co-finance the connectivity projects investment works.<sup>43</sup>

Since June 2015, WBIF has launched official annual calls for applications for investment works of connectivity projects. In these so-called “*investment rounds*”, WB6 countries apply for co-financing grants to speed up the investment works of connectivity projects. After WB6 countries submit their proposals, WBIF prepares a ranking of potential investment projects to be selected for financing. This list is presented to the IFIs and bilateral donors during mid-year WBIF Steering Committee (the meetings happen in mid-June). The final list is politically endorsed in the upcoming WBS (usually a month after). The Connectivity Financing Decision is then officially adopted during end of year at the WBIF Steering Committee (always in mid-December of the same year). Overall, an investment grant procedure takes 18 months from the launching to the adoption.

<sup>43</sup> It corresponds with the adoption of the 10 Connectivity Agenda projects in the Vienna WBS (2015).

**Table 1. Selection Procedure of Connectivity Agenda Projects**

Steps	Action	Timing
Step 1	Investment Round application and timelines are officially launched during the mid-year WBIF Steering Committee.	June
Step 2	WB6 submit projects, part of the NSPP and approved by the National Investment Committee for financing at WBIF.	once per year in November
Step 3	WBIF, IFIs, DGNEAR and relevant DGs carry on a screening and assessment, based on the degree of maturity of the proposal. At the end of the process, a list is prepared for the WBIF Steering Committee.	all year round
Step 4	A list of positively assessed connectivity projects is presented in the mid-year WBIF Steering Committee.	June
Step 5	The proposed connectivity projects are politically endorsed in the subsequent Western Balkans Summit, and announced publically (i.e. in Vienna, Paris, Trieste and in London).	July - August
Step 6	End-year WBIF Steering Committee officially approves the list. The projects can be legally contracted.	December

From the launch of the investment grants (in 2014) there have been up to date four<sup>44</sup> rounds of financing of Connectivity Agenda investment projects, as indicated below:

- The first list containing eight Connectivity Agenda **investment grant** projects (four in transport and four in energy) was politically endorsed in Vienna WBS<sup>45</sup> and was officially approved at 13<sup>th</sup> WBIF SC meeting in Paris, on 16 December 2015.
- In the next round (INV Round 01), WBIF selected three other projects (two in transport and one in energy). They were politically endorsed in the Paris Summit (2016), and officially approved at 15<sup>th</sup> WBIF SC meeting in London, on 15 December 2016.
- In December 2017 the 17<sup>th</sup> WBIF SC meeting in Frankfurt, approved the two Connectivity Agenda investment grants in transport<sup>46</sup> that were politically endorsed in the Trieste WBS (2017).
- The latest round (INV Round 03) of calls for connectivity projects has been officially launched at the 16<sup>th</sup> SC meeting in Stockholm and closed in Nov. 2017. Official results are will be politically endorsed in the London Summit in July 2018 and confirmed for financing by 19<sup>th</sup> WBIF SC meeting in December 2018.

Thus by 31<sup>st</sup> December 2017, there were 13 connectivity investment grants approved for financing, for a total of EUR 344.9 M. Three of those projects have started implementation works by late 2017.

**Table 2. Financing Rounds of Connectivity Agenda Projects**

Date (s)	Round	Nr. of projects - Transport	Nr. of projects - Energy	WBS political endorsement	Legal confirmation
27 Aug. 2015 16 Dec 2015	INV 00 <sup>47</sup>	4	4	Vienna Summit	13th WBIF SC meeting in Paris
4 Jul 2016 15 Dec 2016	INV 01	2	1	Paris Summit	15th WBIF SC meeting in London
12 Jul 2017 13 Dec 2017	INV 02	2	0	Trieste Summit	17th WBIF SC meeting in Frankfurt
Jul 2018 Dec 2018	INV 03	data not available <sup>48</sup>	data not available	will be politically endorsed in the London Summit	expected to be approved at 19th WBIF SC meeting in December

<sup>44</sup> The first round referred as "INV Round 00", the second round as "INV Round 01", and so on.

<sup>45</sup> The total number of connectivity agenda investment projects approved in Vienna is 10, but two projects are cofinanced by IPA Serbia (national) and not multi-country (see Addendum of WBS Vienna 2015, pp. 5).

<sup>46</sup> "Meeting of WBIF Steering Committee", Frankfurt, 13 Dec. 2017, retrived January 2018, <https://www.wbif.eu/news-and-events/-98-3-million-investment-grant-for-two-connectivity-agenda-projects->.

<sup>47</sup> INV as "Investment round". The first Investment round is referred as "INV Round 00", the second round as "INV Round 01", and so on.

<sup>48</sup> The INV03 has been officially closed in Nov 30th, and currently the submitted applications are in the screening process.

To our knowledge, until now the assessment of impact on employment of the above projects is limited to the construction and rehabilitation period.

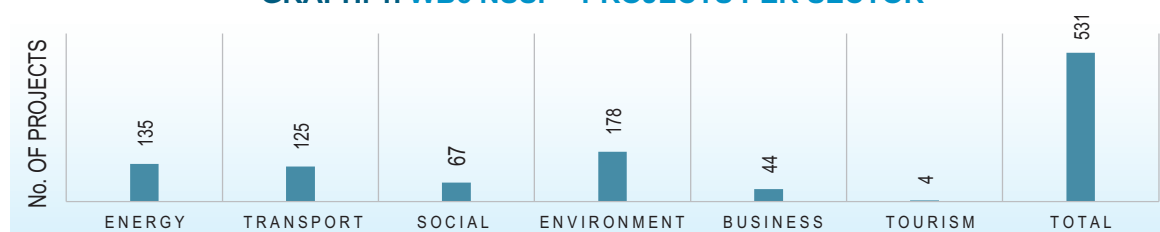
### ii) WB6 National Single Project Pipelines

NIC is the crucial national structure impacting the quality of an investment project submitted for financing from earmarked Connectivity Agenda funds.<sup>49</sup> When preparing the NSPP, NIC identifies the national projects that are part of the Connectivity Agenda to be submitted to WBIF. So connectivity agenda projects are part of NSPP. As a result, the quality of NSPP conditions the degree of maturity of connectivity agenda projects, and consequently their success in acquiring EU and IFI financing. The transnational feature of connectivity projects makes obligatory the cross-border coordination of national authorities. Basically the list of projects in the Connectivity Agenda can be considered as a *Western Balkans 6 Single Project Pipeline* (WB6 SPP).

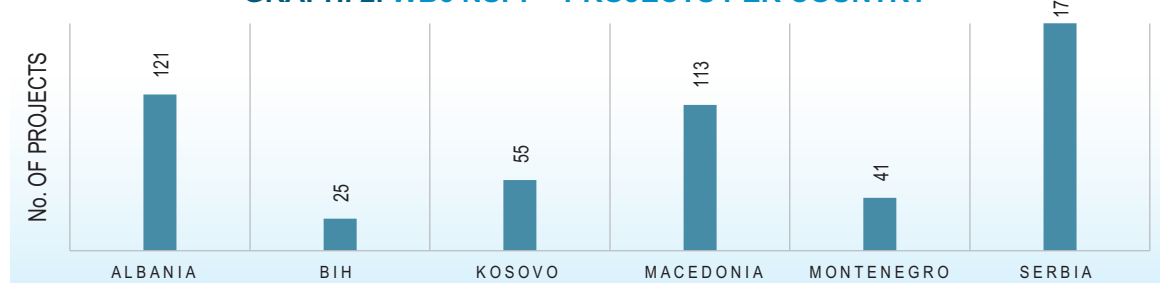
By the 31<sup>st</sup> December 2017<sup>50</sup>, the six WB6 NSPP offer the following view:

- the six NSPP contain a *total* of 531 strategic projects with a total needed investment budget of EUR 41,3 Bn;
- per *sector*, WB6 SPP is composed by: in energy 135 projects; in Transport 125; in Social 67; in Environment 178; in Business / Competitiveness 44; and, in Tourism four projects;
- on number of projects per *country*: Albania has 121 projects; BiH has 25; Kosovo has 55; Macedonia has 113; Montenegro has 41; and, Serbia has 176 projects;
- on *total cost of NSPP per country*: Albania NSP costs EUR 13.8bn; BiH cost 5.7bn; Kosovo costs 2.3bn; Macedonia costs 6.3bn; Montenegro costs EUR 4.3bn; and, Serbia's costs 8.5bn;

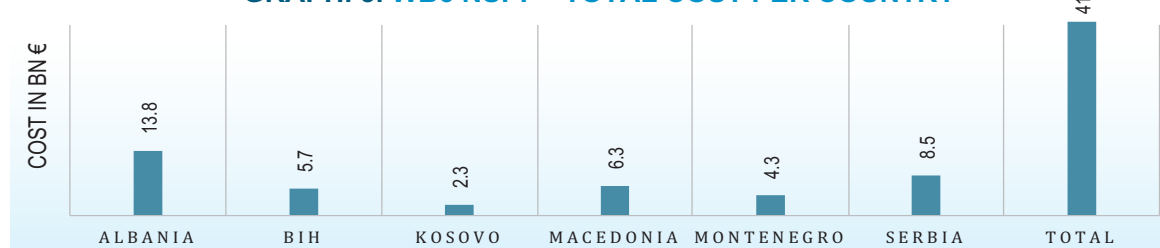
**GRAPH. 1. WB6 NSPP - PROJECTS PER SECTOR**



**GRAPH. 2. WB6 NSPP - PROJECTS PER COUNTRY**



**GRAPH. 3. WB6 NSPP - TOTAL COST PER COUNTRY**



<sup>49</sup> See "Albania in the Berlin process - Current Achievements and upcoming challenges for the Paris Summit" from pp. 21, and "Monitoring the Berlin process: from Paris to Trieste", from pp. 32.

<sup>50</sup> Out of six NSPP that were consulted by CDI, five date from 2016 and one from July 2017.

The research on NSPP shows that there is a lack of public information: NSPPs are not available to the public. Neither are they updated, with the notable exception of Montenegro on both visibility and update. Moreover, given the very high investment budget required by each NSPP, the list resembles more of a “wish list” than a realistic project pipeline. This conclusion is reinforced by the absence of accessible data regarding the country(ies) fiscal gap or on the potential source of financing.

The 2nd observation underlines the need for the six NICs to coordinate amongst them when preparing the respective NSPP, and especially on cross-border projects. Currently there is no established procedure for sharing data amongst NICs on NSPP. The sharing of information about national SPP remains informal and is not regulated. For that reason, it is likely that different legs of same connectivity project are ranked differently in each of the respective NSPP.<sup>51</sup> This reduces the chances of those projects being selected, implemented and more importantly, of having a real impact for both countries.

Third, the funding of the projects of the Connectivity Agenda derived from the NSPP remains problematic. In the current high-debt context, WB6 countries have to compete for the same non-state budget funding sources and with projects that may be in different stages of maturity.

Fourth, we have noticed a lack of “creativity” in the types of the proposed projects. They usually remain the same within years and with a narrow focus. Also, often the NSPP address nationally specific and not necessarily Connectivity Agenda projects<sup>52</sup>. Moreover, we observe that cross-border connectivity does not have the deserved space in the NSPPs<sup>53</sup>.

Lastly, the Connectivity Agenda favors projects from the sectors of energy and transport (as compared with social, environment, etc.). Those projects have a high budgetary cost, are highly complex for the capacity of WB6, and have long periods of implementation. They may not coincide always with the country priorities or the priorities of bilateral donors.<sup>54</sup> Moreover transport and energy infrastructure projects are often subject to intense lobbying at national or EU level, eventually crowding out relevant initiatives in other sectors.<sup>55</sup>

#### Box. 4 Case Study of Energy Infrastructure - Trans Adriatic Pipeline<sup>56</sup>

TAP is a 878 km gas pipeline bringing gas from Azerbaijan to Europe. It connects member states Greece and Italy going through Albania for 252km. It is a multinational privately driven investment with HQ registered in Switzerland. Its total investment in Albania will be EUR 1 bn (9% of the yearly GDP).

TAP shares common characteristics with Connectivity Agenda investment projects in Western Balkans countries such as its regional dimension, the strategic nature, high budget, technically complicated features, etc.

TAP has officially started in 2003, thus before the creation of Energy Community and of the adoption of South East Europe Energy Strategy. It is an illustration of the importance of political support that

<sup>51</sup> While Montenegro government has committed EUR 2.4bn for the Bar-Boljare highway and has started the works, Serbian government is far from engaging in the continuation of this segment in Serbia. Plans to complete the Požega-Boljare stretch on the Serbian side of the border are far from certain due to high costs. International Monetary Fund, European Department, “*Public Infrastructure in Western Balkans: Opportunities and Challenges*”, IMF, Washington DC, 2018.

<sup>52</sup> For example in its budget of 2018 Albanian Government has prioritised financing of roads that are not part of the Connectivity Agenda (Rruga e Arbrit and Rruga e Lumit te Vlores).

<sup>53</sup> For example projects financed by IPA Cross-border do not figure in the NSPP

<sup>54</sup> By the end of 2017, WBIF acknowledged the interest of certain bilateral donors in prioritising projects in environment and in the social sector, aiming for a more balanced connectivity pipeline.

<sup>55</sup> “*Industry lobbying for new EU gas infrastructure risks fossil fuel lock-in*”, Corporate Europe Observatory, retrieved 17 December 2017, <https://corporateeurope.org/pressreleases/2017/10/industry-lobbying-new-eu-gas-infrastructure-risks-fossil-fuel-lock> .

<sup>56</sup> Information about TAP can be found at <https://www.tap-ag.com>.

big investment infrastructures need from the host country (Albania) and from the sponsor country (i.e Switzerland). In 2013 Albania declared it a project of national importance making TAP the only project approved in Parliament with unanimity. On the other side Swiss government supported TAP at the geo-strategic level vs. rival pipeline NABUCO, and also provided expertise to the Albanian government to deal with such a large infrastructure strategic project.

TAP has positively impacted the inbound FDI, has contributed to country GDP, to the employment along its track, and created the preconditions for a new range of products and services in construction and energy sectors. Regarding local impact more than 175 km of access roads will be built or upgraded.<sup>57</sup>In the future it will allow the diversification of energy sources for Albania as well as positively impact production costs. Building up on TAP, Albanian authorities have prepared a Gas Master Plan and currently the development of gas sector in the country is part of the new Energy Strategy. Given its strategic importance, this opportunity should also be reflected in the development of other related sector strategies.

TAP has built a unique track record on: (i) land expropriation challenges, (ii) on local community involvement, (iii) on environment compliance, (iv) on the interaction between strategic investors - policymakers, (v) on relation with local business and creation of service and production clusters, (vi) on industry safety standards, and (vii) on communication and public relations at local and at national level.

On 20 December 2017 TAP declared that 80% of end-to-end pipes have been put in the ground in Albania and Greece maintaining the provisions of pumping gas in 2020. Two years before its completion, TAP can be considered a successful example of implementation of hard connectivity infrastructure project in the Balkans.

### III.2 Challenges of Connectivity Infrastructure Projects

For the EU Commission, connectivity means getting the best use of infrastructure, beyond support to investments. To achieve maximum impact investments in infrastructure must go hand-to-hand with ongoing reforms<sup>58</sup>. In EU's view, Connectivity Agenda is considered as a lever for WB6 reforms; and, a contract between WB6 and EU, since the EU-backed investments must be accompanied by WB6 reforms<sup>59</sup>.

Based on an analysis dating from 2016<sup>60</sup>, the challenges faced by infrastructure connectivity projects in the Balkans can be identified below:

- *long delays*: there is a period of three years minimum from pre-feasibility phase to works tenders;
- *financing* and the *fiscal gap*: a total budget of EUR 3.7 Bn is needed for 22 mature projects in Transport (Road and Rail), Energy, and Internal Water Ways. EU has committed EUR 1 Bn from IPA Multicountry for investment grants up to 2020;
- *complexity* of technical preparation;
- *land expropriation* issues;
- cases of *low-coordination* amongst neighboring country authorities, including bilateral disputes;
- *low visibility* to WB6 citizen and *low impact* on the ground<sup>61</sup>.

Furthermore, we have identified as issues to be acknowledged, the relatively low relevance of EU core-networks for WB6 countries situated in the periphery. For instance, Serbia becomes

<sup>57</sup> "Albania - Selected Issues", IMF, Country Report No. 17/374, IMF, December 2017.

<sup>58</sup> Nicholas Cendrowicz, Deputy Head of Unit, Regional Co-operation Programs (Western Balkans), DG NEAR, Regional Conference "From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process", Tirana, 9-10 November 2017.

<sup>59</sup> *ibid.*

<sup>60</sup> "Connectivity Network Gap Analysis", DG Neighbourhood and Enlargement Negotiations, IPF & MTT, June 2016.

<sup>61</sup> for example while motorways are useful for the actors situated in the origin and destination locations they connect, they also separate communities in the localities they traverse

the obligatory path for transport of energy networks and the focus of sub-sequent investments by simply being in the geographical center of the Balkans and in the crisscross of road, rails and inland waterways. On the other side, Albania and Montenegro, being maritime countries and also by the Western-looking structure of their exchanges (trade and FDI flux), may be more interested to develop sea routes around the Adriatic and Ionian sea. Until now no maritime connectivity project has been financed through the Connectivity Agenda.

Additionally, those investments are (except rail) strongly connected with fossil industries. Investing in big infrastructure that promotes the use of diesel engines or the use of gas, risks locking the region into fossil industries for decades and slows down the transition to renewable energy. Also focusing on motorways and energy transmission systems crowd out climate-sensitive practices that minimize the distance between production and consumption, hence reducing the environmental impact.

Another issue is the need to bring other actors in the identification and selection of priority projects. From the beginning - the establishment of WBIF in 2009 and in the London WBIS in 2014 - IFI-s have had a very important role in the selection and financing of connectivity projects. Basically today's connectivity projects are good old bankable projects. This has naturally impacted the logic and dynamic of preparation and selection of the connectivity projects. Although the involvement of IFIs provides assurance about the quality of project dossier, other stakeholders representing other local interest groups (CSO, local government, academia, etc.) can and should be allowed to voice their opinion.

Lastly, it is worth mentioning the importance of 3rd countries in the financing of mature Connectivity Agenda **transport** infrastructure projects. In 2016<sup>62</sup>, China (for one road portion), Russia (for one rail portion) and Azerbaijan (for two road portions) were amongst the biggest financiers.<sup>63</sup> The involvement of 3rd actors in infrastructure connectivity in Western Balkans becomes very relevant if one has to count projects that are not part of the Connectivity Agenda. For the transport sector, we can illustrate with the newly contracted motorway portion connecting Belgrade to Bar (Montenegro part is around EUR 800 M financed by China and Serbian part has a budget of EUR 450 M, financed by China and Azerbaijan<sup>64</sup>); one motorway in Macedonia (circa EUR 600 M) financed by Chinese banks; or a newly announced investments in Vlora airport (situated in South of Albania) for an approximate cost of EUR 100 M, supported by Turkish private investors.<sup>65</sup>

In the **energy** sector, Russia and China are also the biggest foreign investors in Serbia and Bosnia and Herzegovina. In Serbia the modernization of Kostolac thermal power plant will be supported by China<sup>66</sup>. Russian giant Gazprom owns since 2008 the Serbian State Owned oil company NIS. Whereas in Bosnia and Herzegovina, Chinese investors are modernizing and upgrading the thermal power plants in Gacko and Tuzla.<sup>67</sup>

### III.3 Connecting Markets and Economies

#### *i) Regional Economic Area*

The earliest mentioning of the concept of “connecting markets” can be traced in the Chair declaration of Berlin WBS in 2014. The “*Promotion of regional value chains*” and “*improvement*

<sup>62</sup> “*Connectivity Network Gap Analysis*”, DG Neighbourhood and Enlargement Negotiations, IPF & MTT, June 2016.

<sup>63</sup> All four identified mature Connectivity Agenda projects are in Serbia.

<sup>64</sup> International Monetary Fund, European Department, “*Public Infrastructure in Western Balkans: Opportunities and Challenges*”, IMF, Washington DC, 2018.

<sup>65</sup> “*Aeroporti i Vlores do te ndertohet brenda ketij viti*” D. Gjijnuri Minister of Energy and Infrastructure, Report TV, Tirana, 24 January 2018, retrieved 25 January 2018, [https://www.youtube.com/watch?v=\\_HI-uyVz20](https://www.youtube.com/watch?v=_HI-uyVz20).

<sup>66</sup> “*Chinese company starts construction of Serbian coal-fired power plant*”, Reuters, 20 November 2017, retrieved December 2018, <https://www.reuters.com/article/serbia-power/chinese-company-starts-construction-of-serbian-coal-fired-power-plant-idUSL8N1NQ49F>.

<sup>67</sup> “*Chinese investment continues to facilitate Bosnian coal-fired power*”, Power Engineering International, 13 December 2017, retrieved December 2017, <http://www.powerengineeringint.com/articles/2017/12/chinese-investment-continues-to-facilitate-bosnian-coal-fired-power.html>.

WB6 logistical connections to EU markets” are identified as areas where support is needed. The “development of value chains” remains in the Chair declaration in Vienna (2015) and in Trieste WBS (2017) as well.

However, it is the introduction of the Regional Economic Area (REA) and of its multi-annual Action Plan that puts the WB6 market connectivity squarely in the Connectivity Agenda.<sup>68</sup> The continuous reduction of non-tariff barriers, smart specialization, inclusion in global value chains, promotion of innovation and technology transfer, are the main components of the Multi Annual Action Plan for the REA presented in Trieste. REA also helps CEFTA through the implementation of additional protocols on trade facilitation and by adding in its scope the promotion of qualifications / employment.

In Trieste the promotion of REA, was accompanied by meaningful measures supporting SME, through IT, innovative partnerships between public and private sector, encouragement of dual VET system, and especially by making available new financing opportunities through the WB6 EDIF (for an initial amount of EUR 48 M). Given the productive structure of WB6 countries, its technological development stage and the predominance of micro-enterprises, the involvement WB6 SMEs in the EU / global value chain remains one of the most relevant industrial strategies for the development of home-grown activities in the region.

The establishment of the Secretariat of Chambers of Commerce of WB6 in Trieste complements the institutionalization of market connectivity with the business connectivity.

Moreover, even if less known outside business circles, the German Purchasers Initiative announced in Berlin (2014) has been developing steadily. This Initiative aims at identifying and matching suppliers from the Western Balkans (Serbia, Bosnia and Herzegovina, Macedonia, Albania and Kosovo), plus Croatia and Slovenia with German buyers and wholesalers without a restriction to sectors. It consist in B2B meetings between German companies and WB6 suppliers and had led to numerous partnerships<sup>69</sup> and contractual relations involving WB6 producers.

Different association of businessmen in Albania are drawing the attention on the impact that REA may have on local producers.<sup>70</sup> They draw the attention that connectivity and regional cooperation in WB6 are happening in a globalizing framework. While the WB6 governments are engaged head-on on privatization, WB6 markets are still not efficient to fully play their role.<sup>71</sup> Moreover, the productive structure in the region is dominated by very small companies. In Albania, the enterprises employing 1 to 4 people represent 89% of all the registered enterprises while those having more than 50 employees are only 1.1% of the total enterprise stock.<sup>72</sup> How will this segment of micro-enterprises profit from REA? Also in the SEE region, out of 100 South East Europe biggest companies (Bulgaria and Romania included), only 11 are from WB6 (nine of which are Serbian).<sup>73</sup> This raises the issue for REA development to take into account the WB6 economic profile as a whole as well as the specificities of each Balkan country.

<sup>68</sup> “Connectivity Agenda - Co-financing of Investment Projects in WB 2017”, J. Hahn, Commissioner for Neighbourhood and Enlargement Negotiations, EU Commission 2017.

<sup>69</sup> In 2017, the 3rd meeting of Purchasing Initiative Western Balkans (PIWB) met in Belgrade on 31st May and involved 26 buyers and 124 suppliers from all over WB6. The 2018 PIWB meeting will take place in Frankfurt on 19 June 2018. For more information on PIWB please see: [https://www.bme.de/fileadmin/content/International/BME\\_International\\_Overview\\_EN\\_08.2017\\_.pdf](https://www.bme.de/fileadmin/content/International/BME_International_Overview_EN_08.2017_.pdf); BMWi, BME & DIHK, “Purchasing Initiative”, position paper, Frankfurt, BMWi, BME & DIHK, 01 June 2017.

<sup>70</sup> “Industria përpunuese, një vit të vështirë edhe për 2018”, interview with Arben Shkodra, General Secretary of the Association of Albanian Producers, Monitor Magazine, retrieved 26 January 2018, <http://www.monitor.al/industria-perpunuese-nje-vit-te-veshtire-edhe-per-vitin-2018-2/>

<sup>71</sup> “None of the Western Balkans can currently be considered a functioning market economy nor to have the capacity to cope with the competitive pressure and market forces in the union”, ES 2018, pp. 3

<sup>72</sup> “Rezultatet paraprake të Anketës Strukturore të Ndërmarrjeve”, INSTAT, 2016: [http://www.instat.gov.al/media/3615/rezultatet-paraprake-asn-2016\\_.pdf](http://www.instat.gov.al/media/3615/rezultatet-paraprake-asn-2016_.pdf), last accessed on 22 January 2017.

<sup>73</sup> “Top 100 companies South East Europe 2017”, retrieved 12 January 2018, <https://top100.seenews.com/wp-content/uploads/2012/07/SeeNews-TOP-100-2017.pdf>



### Box. 5 Digital Agenda in Berlin Process and Enlargement Strategies

Digital Agenda is the 3rd component of the Multi Annual Action Plan Regional of Economic Area endorsed by WB6 leaders in Trieste WBS. It aims at unleashing the potential of the digital economy in the WB6 in a time of major technological changes. The region must not to lack behind from the digitalization of economy and private sector already under way in EU MS. The inclusion of Digital Agenda (DA) in Berlin Process dynamics illustrates the opportunity this platform gives to WB6 countries to follow up and build on certain sectors or policy areas. DA is seen with specific interest not only because of the economic growth potential, but also as a mechanism that contributes to greater transparency for businesses, better tax collection, less bureaucracy and overall better public services.<sup>74</sup>

Mentioned in Berlin WBS (2014) as “*expansion of ICT infrastructure*”, elements of DA appear in the Enlargement Strategy of 2015.<sup>75</sup> There, the EU Commission points out the EU digital single market as an example for the region to establish a digital network for the flow of digital goods, services and consumers. As consequence of a developed mutual interest<sup>76</sup> on the added value of broadband connection, further internet access and no roaming tariffs in the region, the World Bank initiated in May 2017 a study on the feasibility of developing broadband connection, the “Balkans Digital Highway Initiative”.<sup>77</sup>

The Digital Agenda appealed to the WB6 and the latter supported the idea through the Berlin Process mechanisms. Intense intra-WB6 communication<sup>78</sup> on the DA, complemented by constant lobbying from the WB6 governments<sup>79</sup>, paved the way for the organization of a side event on DA during the Paris Summit. Finally, DA made its official appearance in the Berlin Process during the Trieste Summit (2017), when the concept about REA was also finally approved. Digital Agenda was now an integral part of the REA and of its Multi-Annual Action Plan (MAP), where reporting on the progress of digital integration also takes place.<sup>80</sup>

The successful incorporation of the Digital Agenda in the BP, illustrates the contribution of Berlin Process in the implementation of the EU Commission ‘wish-list’; and the role and leverage of WB6 local ownership during the process.

To make a full use of DA, WB6 countries should develop national digitalization strategies, and whenever possible coordinate amongst them. Construction of new and improvement of existing digital infrastructure, reinforcement of legal security for the usage of such networks, and increase of access to digital resources are conditions to be met for the establishment of the WB6 digital market<sup>81</sup>. As from ES 2018, the Digital Agenda is also one of the flagship initiatives of the Commission towards the WB6.

<sup>74</sup> Such an example being the Croatian project on fiscal digitalization in 2013. See: See German Committee on Eastern European Economic Relations, “*Digitalization in South Eastern Europe*”, position paper, Berlin, German Committee on Eastern European Economic Relations, 16 June 2017.

<sup>75</sup> European Commission (2015), *EU Enlargement Strategy*, COM (2015) 611, Brussels, 10 November, pp. 11.

<sup>76</sup> First regional meeting of digital integration took place in Brussels in 8/12/2017 facilitated by RCC. “First Regional Meeting on the Digital Integration”, RCC, 8 December 2017, retrieved 26 January 2018, at <http://www.rcc.int/news/334/first-regional-meeting-on-the-digital-integration>.

<sup>77</sup> See World Bank study initiative for the possibility to increase regional interconnectivity and greater access to internet. “*Balkans Digital Highway Initiative*”, retrieved February 2018, <http://www.worldbank.org/en/country/kosovo/brief/balkans-digital-highway-initiative>.

<sup>78</sup> Interview with Milena Harito, the Albania’s National Coordinator for REA, Tirana, 25 January 2018. Ms. Harito mentions the correspondence of the Albanian Minister of Innovation with counterparts in the WB in order to propose a joint declaration on Digital Agenda in the Paris Summit.

<sup>79</sup> *Ibid.*

<sup>80</sup> See RCC on its Multi-Annual Action Plan meetings, “RCC: Implementation of the action plan for Regional Economic Area – preparations for the 2018 Western Balkans Digital Summit begin”, RCC, 17 October 2017, retrieved January 2018, [www.rcc.int/news/307/rcc-implementation-of-the-action-plan-for-regional-economic-area-preparations-for-the-2018-western-balkans-digital-summit-begin](http://www.rcc.int/news/307/rcc-implementation-of-the-action-plan-for-regional-economic-area-preparations-for-the-2018-western-balkans-digital-summit-begin).

<sup>81</sup> See German Committee on Eastern European Economic Relations, “*Digitalization in South Eastern Europe*”, position paper, Berlin, German Committee on Eastern European Economic Relations, 16 June 2017.

## ii) Economic Reform Programs

Economic Reform Programs were first mentioned in the Enlargement Strategy of 2014. Their regular reporting became obligatory from the Vienna Summit (2015) onwards. ERPs outline WB6 countries medium-term macroeconomic and fiscal policy frameworks as well as their agenda of structural reforms.<sup>82</sup>

ERP's goal is to develop institutional and analytical capacities of WB6 administrations, and to implement reforms to support competitiveness and growth. Nonetheless, ERP preparation and reporting was not accompanied with increased regional cooperation between WB6 countries. The only sharing of information amongst the WB6 institutions in charge of ERP is happening inside the mechanism of EU Surveillance system, and it consists in yearly meetings between WB6 and EU Finance Ministers. ERP preparation remains as of today a strict national procedure.

As for the parties involved, SIGMA/OECD is in charge of supporting WB6 national administrations to prepare ERP. SIGMA acknowledges that "*the implementation of ERP is the real challenge*" and the need for "... *more coordination during the preparation phase*"<sup>83</sup>. Given that ERP deals with issues that directly impact REA (such as national taxation), in order to avoid "*begging the neighbor*" behavior, it is useful to include a minimum of regional coordination. This may start with information sharing during the preparation phase, as well as exchange of expertise and of best-practices. ERP being a purely national exercise, adding a regional dimension to it needs to be balanced carefully.

By moving ERP higher up in the political agenda and announcing infrastructure investments during the Summits, Berlin process has made visible the importance of economy and good governance in the WB6 way to full EU membership.

In **summary**, WBIF<sup>84</sup> is the key mechanism for the preparation and support of connectivity agenda projects. WBIF brings together the EU Commission and different IFI. The set up and the functioning of the six NICs and NSPPs have given a boost to the quality of projects submitted by WB6 for financing. However, many challenges remain in all the phases of the project cycle: from selection to financing to implementation.

The arrival of REA complements infrastructure projects with economic and business-based soft measures. It contributes to a bigger and better functioning WB6 market. Its next stage should be to go beyond the geographical achievement based on a "bigger market in size", towards an efficient economic area based on smart cooperation amongst different WB6 countries as per their socio-economic profile.

<sup>82</sup> For exhaustive information on ERPs, please consult the website: <http://www.oecd.org/south-east-europe/programme/economic-reform-programmes.htm>.

<sup>83</sup> Anita Richter, Program Manager for Economic Reforms, South East Europe Division of OECD, Regional Conference "*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces*", Tirana, 9-10 Nov. 2017.

<sup>84</sup> ...and CONNECTA, see more at: [http://www.seetoint.org/wp-content/uploads/downloads/2017/10/5th-TFWG\\_Connecta-presentation\\_5-10-17.pdf](http://www.seetoint.org/wp-content/uploads/downloads/2017/10/5th-TFWG_Connecta-presentation_5-10-17.pdf)

## IV. REGIONAL COOPERATION AND ITS INSTITUTIONAL OUTCOMES

Regional cooperation amongst people is a defining trait of Berlin Process. It has been mentioned in the Berlin WBS Chair statement (2014) and has been a permanent feature in each WBS Chair declaration ever since.

### IV.1 Institutionalization of Regional Cooperation

In Berlin (2014), regional cooperation took the form of a political statement. It identified as a main sub-area the outstanding bilateral issues, the reinforced institutional cooperation, transnational exchanges among youth people and cooperation at civil society level.

In Vienna (2015) the regional cooperation of people became “operationalized” in two aspects. First, youth and civil society were “upgraded” into proper areas. This permitted their activities to be identifiable, actionable and allowed for respective benchmarks to be established. Secondly, the “institutional cooperation” mentioned in the Berlin WBS became a transversal issue pervasive of the whole Berlin process and underpinning all the areas such as the connectivity agenda, migration, dual VET, etc.

In Paris (2016), such cooperation achieved its first tangible success with the establishment of RYCO. Meanwhile, the scope and depth of transversal political regional cooperation becomes remarkable. From July 2016 it had evolved into frequent high-level political summits (where the best illustration is Rama – Vucic dynamics), complemented by policy-making cooperation in different sectors through WB6 ministerial meetings (or Ministerials). It also included business cooperation through establishment of different B2B platforms; scientific cooperation through new scientific regional initiatives; and; cooperation amongst Balkans civil society and regional political actors through the Civil Society Summits.

One year later, in 2017, in Trieste, this cooperation produced its first outcomes with the establishment of two new regional institutions: the Western Balkans Regional Chambers Investment Forum<sup>85</sup>, and Western Balkans Research Foundation<sup>86</sup>. The shift of regional cooperation rationale from conflict resolution to regional institution building becomes visible. It is in Trieste that Regional Cooperation area, evolves towards “*regional integration*” and is completely focused on economy. Regional Disputes are moved out of regional cooperation and “upgraded” into a new area.

We must also take note of the high rhythm of Ministerials covering regional cooperation in selected sectors. In between WBS there are many follow up meetings at the level of Prime Ministers, Ministers of Foreign Affairs, Ministers of Transport and Ministers of Energy. Since Vienna WBS, and following the introduction into the agenda the issues of Migration and Terrorism, three meetings of Prime Ministers and Ministers on Justice and Home Affairs were organized additionally. The mechanism of EU Surveillance system - yearly meetings between WB6 and EU Finance Ministers not part of the Berlin process - also allows for information sharing amongst WB6 on finance and monetary issues.

EBRD supported Western Balkans Investment Forums have been organized in London every two years. They are attended by HoG / HoS from WB6 and focus on big infrastructure

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<sup>85</sup> Western Balkans regional Chambers Investment Forum is supported by EBRD. For detailed information see: <http://www.ebrd.com/cs/Satellite?c=Content&cid=1395257025402&d=Mobile&pagename=EBRD%2FContent%2FContentLayout>, last accessed on 24 January 2018.

<sup>86</sup> Currently under establishment process in Trieste

projects as well as on the economic context in WB6. The first WBIS focused on RIVs while the last one of February 2018 need to tackle their low productivity and speed up reforms.

**Table 3. Western Balkans Investment Summits - EBRD**

Date	Place	Participants
24/02/2014	London	HoG WB6 + Croatia
22/02/2016	London	HoG WB6 + Croatia
27/02/2018	London	HoG WB6 + Croatia

Source. EBRD

This high frequency of meetings amongst Balkans policy-makers can be explained by the “demand” for such platform of cooperation. The result is “...a new spirit of regional cooperation and of internationalization of WB6 governments<sup>87</sup>. Additionally it can be also claimed that this increased interaction /meetings between the decision-makers, helps augmenting the space and chances for socializing which leads to change of identity or positions. It may be argued that the Berlin Process summits and follow up Ministerials provide the settings for this socialization to happen through formal and informal discussions, thus contributing to improved exchange of information and cooperation in the region.

Lastly, WB6 governments have been organizing joint government meetings (G2G) covering many areas of sectorial cooperation.<sup>88</sup> While it is still too early to assess their effects on the ground, these bilateral governmental meetings have so far produced many bilateral sector cooperation agreements.

## IV.2 Achievements in Youth Cooperation and Exchange

Regional Youth Cooperation Office was legally established in July 2017. It is composed by the Governing Board, the Secretariat, the Advisory Board and optional Working Groups. By 31st of December 2017, RYCO has successfully closed its establishment phase, showed meaningful advance in the consolidation of its institutional governance, as well as in the management of its day-to-day activities. Overcoming its inception hurdles, by the 31st of December 2017 the organisation did set HQ office in Tirana, with antennas in the five other WB6 capital cities. The organisation website is operational, the visibility components have been designed, and the equipment has been procured. RYCO has also conducted a very intensive campaign of visibility and outreach, as well as communication to partner and donor relations.

Three months after its legal establishment, in October 2017 RYCO initiated its core activities of sub granting through the launching of a pilot Call for Proposals (CfP): “*A Better Region starts with Youth*”. RYCO secretariat is managing the call and has forecasted to start the contracting and disbursement of sub-grants by February 2018. 421 applications were received, bringing together 1,155 participants from the 6 WB countries.

Meanwhile RYCO is preparing its strategy for 2018-2020. It will focus on exchange and mobility, reconciliation and intercultural learning, and youth Sectoral capacity-building. A RYCO Strategic Conference will be organized in March 2018 in cooperation with the Government of Macedonia.

<sup>87</sup> Christian Hellbach, Director for South-Eastern Europe, Turkey and the EFTA States, Federal Foreign Office of Germany, Regional Conference “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces*”, Tirana, 9-10 November 2017.

<sup>88</sup> In 2017, the Albanian Government met in this format with the Kosovar Government (27 November 2017 in Korca, Albania) and with the Macedonian Government (15 December 2017, in Pogradec, Albania). Kosovo and Macedonian government have announced a joint meeting in March 2018. There have been twenty proposals for agreements in various topics, starting with economic and commercial cooepration, free movement of people and goods, customs and borders cooperation, cooperation in the field of education, culture and justice.

### IV.3 Achievements of Balkans Civil Society

“Regional cooperation shall also include the civil society level” stated the Final Declaration of the Chair of the Conference on the Western Balkans in Berlin, in August 2014. By emphasizing the role of an active civil society and of its constructive support in the further enhancement of democracy in the Western Balkans, the German presidency gave institutional legitimacy to the input expected from local civil society organizations.

Since Berlin, civil society has been the other permanent feature of WBS Chair declarations. This opportunity opened the way for a much-needed shift from “final beneficiary” logic, towards a pro-active and more structured contribution from WB6 CSOs. It has resulted in a more intense regional cooperation amongst WB6 civil society organizations, and in the establishment of dialogue between civil society and EU or/and national decision-makers.

Regional civil society forums (in Vienna - 2015, Belgrade - 2016, Skopje - 2016, Tirana - 2017 and Prishtina - 2017) have become a permanent feature of WB6 regional cooperation scene. They bring the voice of Balkan civil society and other non-governmental actors into the table of the Western Balkans Summits. Due to their contribution, the concept of people’s connectivity is gaining momentum and is becoming more visible as a strategic component of regional cooperation.

CSO involvement in BP is crucial to produce a “*constructive tension*” between CSO and governments (if CSO advance quicker in the regional cooperation road, this puts pressure on governments.)<sup>89</sup> The CSO insistence has been instrumental in keeping bilateral disputes in the WBS agenda. In addition, regarding the monitoring of the Berlin Process, is only done by a Balkan-based NGO<sup>90</sup>.

Nevertheless the contribution of CSO in each WBS depends on the host country. CSO “*..are considered as the kids that spoil the party (WBS). The level of CSO participation depends on the will of the WBS host country*”<sup>91</sup>. The next challenge is to solidly embed CSO contribution in regional cooperation processes, and selected phases of planning, implementation and monitoring of connectivity agenda. To achieve those goals, it is necessary for CSO to partner with sector experts, local businesses, grass-root organizations, researchers, etc. The establishment of working relations with the different inter-governmental structures and sector-oriented actors involved in the Berlin Process, will increase the relevance of CSO output.<sup>92</sup> Also, the contribution of WB6 CSO is a strategic factor contributing to the EU investments visibility challenge, the much-needed popular support for reforms, and the sustainability of connectivity agenda and regional cooperation endeavors.

### IV.4 Achievements in Science: The Joint Science Conference

The subject of WB6 Science and Technology (S&T) appeared in June 2003 at the Council meeting in Thessaloniki. The Action Plan in S&T was part of “*The Thessaloniki agenda for the Western Balkans*”. It aimed at reinforcement of the S&T capacities of the region (hence the concept of regional cooperation) and of each WB6 country. The European Commission launched a Steering Platform on Research and Innovation in June 2006.

It was in Vienna WBS (2015) that WB6 Science made its official entry in the Berlin Process declarations. Vienna Declaration promoted a science budgetary allocation target of 3%, the

<sup>89</sup> Wolfgang Petritch, President of the Austrian Marchall Plan Foundation in the Balkans, Regional Conference, “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces*”, Tirana, 9-10 November 2017.

<sup>90</sup> The only regular monitoring reports of Berlin process are produced by Cooperation & Development Institute - Tirana regularly since 2016. Other CSO initiatives provide analysis and fuel the debate on Berlin Process and Enlargement such as the Reflection Forums, BiEPAG papers, EM in Serbia, or The Berlin Process Information and Resource Centre, etc.

<sup>91</sup> Hedvig Morvai, Executive Director of European fund in the Balkans, Regional Conference “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces*”, Tirana, 9-10 November 2017.

<sup>92</sup> The feature of multi-actor anchoring, connection and cooperation was the novelty of the Tirana Civil Society Forum.

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establishment of centers of excellence, and the need to install a science-politics-society dialogue for decision-making. The 3% target was kept in the Paris (2016) declaration. In Trieste (2017), Science cooperation gets its Western Balkan Research Foundation, with the goal to establish an institution supporting junior scientists at scientific institutions in the Balkans.

Meanwhile, regional cooperation in Science, outside but synchronized with the WBS, have marked steady advances. It has taken the form of Joint Science conferences focused on the challenges and necessary improvements for the science systems in the Western Balkans. Leopoldina<sup>93</sup> (German Academy of Sciences) had been steering the process. The first Joint Science Annual (JSA) conference, took place from 15 - 17 July 2015 in Halle and Berlin; the second JSA conference took place in Vienna from 22 - 25 May 2016; the third JSA conference from 14 - 16 June 2017 in Paris; and the fourth JSA conference will be organized in Rome in 2018.

The contribution of Science cooperation in other Berlin Process areas, can be illustrated by two developments. First, it is under the Science nexus that the preparation of a WB6 Action Plan for Smart Growth will be prepared (Trieste WBS). Second, since 2016 the innovation dimension was added to the structural reform agenda of the national Economic Reform Programmes, and includes reforms they envisage on research and innovation.

In **summary**, non-market based cooperation has scored the main achievements in the framework of BP initiative. Without the dynamics started in Berlin in 2014 and the strong political support, the youth exchange, science cooperation, WB6 political cooperation, civil society forums, and B2B would have had a much harder and probably longer time to deliver. It should be noted that until February 2018, none of those regional institutional building achievements (i.e. RYCO, JSC, CSF, etc.) had received any financial support (action / budget grants or technical assistance) from the Enlargement-related mainstream donors.

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<sup>93</sup> For an extensive and detailed explanations on Joint Science Conferences under the aegis of Berlin Process, please refer to the webpage: <https://www.leopoldina.org/en/jsc/>.

## V. THE DEBATES OF BERLIN PROCESS

Infrastructure connectivity and regional cooperation have been present in the Enlargement vision well before the Berlin Summit in July 2014. Investment in WB6 transport infrastructure was dealt with through WBIF and especially in London WBIS at least six months before the Berlin Conference (2014). The energy Community involving WB6 was launched in 2005. Regional cooperation in WB6 has been present in the EU actions *vis-a-vis* the Balkans since the dislocation of Yugoslavia, and that is what explains its focus on the issues of security and stability. Furthermore, both connectivity and regional cooperation concepts have been part of Enlargement strategies of 2014, 2015 and 2016.<sup>94</sup>

But still the fact is that BP has unexpectedly met with very high demand from WB6 governments, CSO, and businesses. Not endowed with any “visibility budget”, it has nevertheless succeeded to generate an amazing buzz in the Balkans on new roads, better growth or / and new friendships. This is a very welcome development especially when taking into account visibility challenges of the EU projects in the Balkans and the reform fatigue.

Hence, if the EU-supported motorways, gas pipelines or youth exchange actions would have covered the Balkans notwithstanding the Western Balkans Summits or Ministerials, what is the added value of Berlin Process? How to understand the demand of Balkan politicians for regular meetings, their commitments for better road connections or energy markets, their engagement for closer cooperation, or the persistent buzz created by civil society dynamics? How to profit from the emergence of ground-breaking analysis and debates on the new way to enlarge the EU and how to reform the WB6 concerned countries?

### V.1 #BP as a Strategic Instrument for Enlargement

“*The Berlin Process has unlocked the potential of Enlargement*”.<sup>95</sup> Fitting to enlargement dynamics, the Berlin Process could be considered an “outside of the box initiative”, overcoming the usual narrative, going beyond the structured processes and involving new actors. Most of all, it has moved the debate about Enlargement negotiations into the daily life Western Balkans stakeholders. WB6 politicians, businessmen, bankers, infrastructure constructors, SMEs, CSOs, youngsters, academicians now perceive an opportunity to understand and actively participate, beyond the political level and the normative framework of accession negotiations. Also Berlin Process has brought Enlargement outcomes close to its stakeholders. Providing new roads for the people or new opportunities for youngsters did prove indeed very attractive with the local population.

So, Berlin Process did bring fresh air in the Enlargement debate by complementing the negotiations normative and chapter-based methodology, with a debate on its outcomes (on infrastructure, youth careers, market integration, emigration, inequality gap, etc.). By re-focusing into the socio-economic development needs of the WB6, it brings to the fore the needs of the citizens and not only of the institutions. Rule of Law, *acquis*, institutional building and macro-economic equilibrium are huge achievements for WB6 but now we need to extend the results so as to impact the economy and welfare of the citizens.

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<sup>94</sup> See European Commission (2014), *EU Enlargement Strategy*, COM (2014) 700, Brussels, 8 October; European Commission (2015), *EU Enlargement Strategy*, COM (2015) 611, Brussels, 10 November; European Commission (2016), *EU Enlargement Strategy*, COM (2016) 715, Brussels, 9 November.

<sup>95</sup> Interview with Edi Rama, Prime Minister of Albania, EURACTIV, 26 January 2018, retrieved February 2018, <https://www.euractiv.com/section/enlargement/interview/albania-pm-we-expect-green-light-to-open-eu-talks-this-year/>.

Berlin Process brings up new ideas. It serves as a strategic forum that promotes and supports the European values, and as an accelerator and a strategic instrument for the Enlargement.<sup>96</sup> Its “*multi-faceted connectivity*”<sup>97</sup> dynamics has created a new arena where a larger number of Enlargement stakeholders can meet, interact, promote and defend their interests. Governments in the region have internalized the need for regional cooperation in order to overcome open political questions and foster socio-economic development<sup>98</sup>. Judging by the profile of strategic initiatives that it contains (which are very different from previous ES), the Enlargement Strategy 2018 seem to have built up on these developments.

The debate on benefits and costs of the Connectivity Agenda (transport, energy, markets and economies) has provided an intellectual *agora* for an ideological discussion on socio/economic development model used by the WB6. This includes the debate about the efficiency of the market-driven approach and of neo-liberal model of organization of the economy applied in the Western Balkans during the last two decades.

Civil Society Forums have brought to the fore the role of WB6 non-state actors in filling up the democratic deficits. B2B and the advancement on REA have made visible the challenges that WB6 small businesses face in a globalized arena.

WB6 political power has emerged in the overall Enlargement dynamics. The importance given to “cooperation” on migration, border control and on fight against terrorism in the Enlargement strategies and in the many Ministerials organized under the Berlin process, have upgraded the WB6 position *vis-a-vis* of EU from “candidate” to “partner”<sup>99</sup>. The closure of the Balkan migration route in 2016 is the best illustration of the efficiency of such joint approach.

Increase of inequality, rise of populism, illegal migration flux, terrorism and security, are problems faced today by all European countries. These common problems demand increased cooperation and coordinated answers. Berlin Process has made possible for EU and WBS actors to acknowledge, discuss and work together on the challenges of XXI century Europe.

## V.2 #WB6 Growth Model

After bringing into the spotlight the economic growth and convergence challenges that WB6 have in their road to full EU membership, BP has contributed to a whole new debate on the most adapted model of socio-economic development for the region, and of the main instruments, policies and resources needed to implement it.

By re-affirming the role of policy-makers on strategic connectivity investments and on regional cooperation, the Berlin Process creates the ground for the existence of an ideological debate beyond the market-driven approach based on Washington Consensus. Issues such as increasing inequality, populism and political extremes, high public debts, globalization, opening of markets vs. support on national producers, privatization of public services and/or regalian functions, are re-entering the field of the public debate in the Balkans.

<sup>96</sup> Klaus Wolfer, Head of the Department for Western Balkans, EU Enlargement and Twinning, Ministry for Europe, Integration and Foreign Affairs of Austria, Regional Conference, “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process*”, Tirana, 9-10 November 2017.

<sup>97</sup> the “*multi-faceted connectivity*” of Berlin Process includes: (i) different cooperation platforms (political, technical, financial); (ii) different levels of hierarchy (HoG / HoS, ministers, technical, etc); (iii) types of cooperation (information exchange, preparation, selection and financing of joint projects, joint measures (in migration, anti-terrorism, etc); (iv) actors (WB6, MS, IFI, CSO, Academia, etc.) of Berlin process. For detailed explanation please refer to “*Monitoring the Berlin Process: from Paris to Trieste*”, CDI Publications, Tirana, 2017.

<sup>98</sup> Christian Hellbach, Director for South-Eastern Europe, Turkey and the EFTA States, Federal Foreign Office of Germany, Regional Conference “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process*”, Tirana, 9-10 November 2017.

<sup>99</sup> See evolution in the Migration area from EU Enlargement Strategy and Main Challenges 2014-15. European Commission (2014), *EU Enlargement Strategy*, COM (2014) 700, Brussels, 8 October; European Commission (2015), *EU Enlargement Strategy*, COM (2015) 611, Brussels, 10 November; European Commission (2016), *EU Enlargement Strategy*, COM (2016) 715, Brussels, 9 November.



Is the current enlargement model producing the right growth for WB6? Are the economic reforms, austerity policies, opening of the borders, privatizations and withdrawal of the state from key sectors, the right panacea for a high and inclusive growth rate in the region?

### Box. 6 WB6 Growth and Washington Consensus

Transitioning from central economy and emerging from five military conflicts, WB6 reached the new millennium with devastated industrial capacities, flourishing of shadow economies, weak states, and unsatisfactory education and health systems. Balkan countries being “..either poor, or very poor”<sup>100</sup>, WIIW (Holzner and Grieveson<sup>101</sup>) badly need more investment in infrastructure, in VET, and in good governance.

In their analysis, Flessenkemper and Reljic<sup>102</sup> and Reljic and Bonomi<sup>103</sup> lay a large part of the responsibility for the ever-lasting reforms, to the growth model applied in the Balkans for the last 20 years. The 5% WB6 average growth during 2001-2008 was based on inflow of foreign capital (donors, FDI in mostly in non-tradable sectors, loans, remittances) without deep economic restructuring and/ modernization. The launch of the EU Stabilization and Association process in 2000, and the rapid market opening were followed by trade re-orientation and increased economic integration with the EU. Transition in WB6 was done based on Washington Consensus, but the invisible hand of market did not work.<sup>104</sup> The result was continuation of de-industrialization, abandonment of agriculture, unsatisfactory job creation rhythm, and widening of trade deficits. Today there is a lack of competitiveness in the small share of manufacturing exports in WB6 GDP.<sup>105</sup>

In this context, the 2008 financial crisis caused a sharp fall of foreign capital inflows to WB6 and reduced demand for exports, leading to recession, increased public deficits (put somehow under control after 2015 through tough austerity policies) and rising external debts. Today, from an economic perspective, WB6 are part of the European club, but with many disadvantages and no voting rights. WB6 have 76% of their total trade of goods with the EU but are not integrated into EU industrial value chain (except Serbia and Macedonia at a modest scale). Up to 90% of WB6 banking system is owned by European banks and almost all countries have a fixed exchange-rate regimes with the Euro.

In this context to increase the convergence pace with EU, Reljic and Bonomi propose additional EU resources for WB6, extension to the region of EU financial stabilization mechanisms, inclusion of WB6 in the EU digital market, expansion of cooperation in education, research and innovation policies, stronger integration of EU labour markets, etc. Many of those recommendations appear in the ES 2018.

While the return of the focus on “growth” in the Enlargement strategies is welcomed, we notice that it is still the Washington Consensus model that continues to prevail: i.e. opening of the markets, privatization, reduction of public sphere, increased competition, etc. Meanwhile, we continue to observe an increase in inequalities, an increase in the outgoing migration rates<sup>106</sup>, and a low penetration of high technology FDI in WB6.<sup>107</sup>

<sup>100</sup> “Policy Options for Competitiveness and Economic Development in the Western Balkans: the Case for Infrastructure Investment”, Mario Holzner WIIW, Policy Notes and Report, no. 16, June 2016.

<sup>101</sup> Richard Grieveson, economist at WIIW, Regional Conference “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces”, Tirana, 9-10 November 2017.

<sup>102</sup> “EU Enlargement: A Six Percent Target for the Western Balkans”, Flessenkemper, Tobias and Reljić, Dušan, German Institute for Security and International Affairs, Berlin, 27 June 2017, retrieved December 2017, SWP: <https://www.swp-berlin.org/en/point-of-view/eu-enlargement-a-six-percent-target-for-the-western-balkans/>.

<sup>103</sup> “The EU and Western Balkans: So Near and Yet so Far”, German Institute for Security and International Affairs, December 2017, retrieved 26 January 2018 at <https://www.swp-berlin.org/en/publication/the-eu-and-the-western-balkans-so-near-and-yet-so-far/>.

<sup>104</sup> Dušan Reljić, Head of Brussels Office of Stiftung fur Wissenschaft une Politik, Regional Conference, “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces”, Tirana, 9-10 November 2017.

<sup>105</sup> “Policy Options for Competitiveness and Economic Development in the Western Balkans: the Case for Infrastructure Investment”, Mario Holzner, WIIW, Policy Notes and Report, no. 16, June 2016.

<sup>106</sup> For the connection amongst inequality level and outgoing migration, see “Disconnected: Return from Germany and Reintegration Challenges of Albanian Asylum Seekers”, CDI Publications, Tirana, 2018.

<sup>107</sup> “The jobs that are currently coming to WB6 through FDI are low-paid, wage-intensive, and in competition with other low-paid countries. Basing the economic development of the WB6 countries on this kind of activity, will make WB6 risk to fall in the middle-income trap and the. While promoting Enlargement, EU promised equal treatment between EU and WB6 citizen. Not delivering on that will push WB6 citizen to vote for populist parties”, D. Reljic, Head of Brussels Office of Stiftung fur Wissenschaft une Politik, Regional Conference “From Trieste to London: Stocktaking and Future Scenarios for the Berlin Proces”, Tirana, 9-10 November 2017.

### V.3 #WB6 Convergence Pace

The question is how to speed up the convergence pace of WB6? World Bank has calculated that 6%/y growth is needed for WB6 to reach EU average GDP/per capita by end of 2030s. EIB has proposed an investment of EUR 28bn/year to support a 4.8%/y growth and generate a 3%/y increase in employment. But this requires the current investment level to double and increases WB6 public debt by EUR 7bn/year. Where the investment will come from?<sup>108</sup> Which sectors will be privileged?

Low productivity has been singled out as key impediment of faster growth in WB6.<sup>109</sup> Poor competitiveness of WB6 industries is resulting on commercial deficit, foreign debt and lack of space for public investment, high unemployment and pressure for further migration. How those misbalances with the EU will be dealt with during the Enlargement phase?

In the EU, these issues are dealt through the concept of economic convergence and territorial cohesion inside the Common Market.<sup>110</sup> Vishegrad4 countries now compensate their trade deficit through Cohesion Funds. EU Cohesion Policy funding as share of public investment 2015-2017, was 50% in Bulgaria and 45% in Romania.<sup>111</sup> Moreover, new MS have doubled their convergence after membership: once the country becomes an EU member, it accelerates the convergence pace and it adjusts better to shocks.<sup>112</sup>

WB6 geographical location, trade relations and harmonization with the EU *acquis*, make *de facto* the WB6 part of the EU. Practically WB6 are integrated in the EU by the exports, by provenance of FDI, by ownership of financial sector, or through emigration.

Lastly, WB6 are very small (even in a REA) to plan and implement a socio-economic policy on their own. Due to the degree of integration with EU markets, their development needs to be factored in during the preparation of the EU relevant economy and financial policies.

### V.4 #Politisation of Enlargement

The first aspect of “politisation of Enlargement” focuses on the contribution of Berlin process in the consolidation of citizen’s role and of their democratic scrutiny over the connectivity agenda and regional cooperation. In this angle, the regular and direct communication established between civil society and Balkan politicians, the productive dialogue between Balkan civil society and European MPs and MEP, the constructive and professional relationship established between CSF partners and the Presidencies of the Western Balkans Summits, are evidence of an emerging shift towards the *re-politisation* of the enlargement process.

Through Civil Society summits and other joint activities between CSO and decision makers, the Berlin Process has made it possible for Balkans civil society to be heard in the policy-making fora. This format has allowed a direct contact amongst WB6 policy-makers with an important constituency of their voters and with final beneficiaries of public policies. For example, in the 2017 Tirana CSF format, for the first time CSO, politicians, MP, MEP, member states, EU Commission, grassroots, academia and researchers discussed the priorities together.

<sup>108</sup> In its last report on “CEFTA Investment Report 2017”, pp. 27, WIIW identifies Netherlands, Austria, Cyprus, Greece and Russia as the main investing partners in CEFTA region (WB6+Moldova). The presence of Netherlands and Cyprus is explained by the fact that many multinationals investing in the Balkans have set their HQ in their jurisdictions for fiscal reasons.

<sup>109</sup> World Bank, “*The Western Balkans: Revving Up the Engines of Growth and Prosperity*”, World Bank Group, Washington DC, 2017.

<sup>110</sup> The EU solution to this problem, are the cohesion policies, which reduce the gap of economic and social development. On the other side there are also mechanisms of financial stability and Common Agriculture Policy.

<sup>111</sup> European Commission, “*My Region, My Europe, Our Future*”, 7th report on economic, social and territorial cohesion, EC 2017,

<sup>112</sup> Fatmir Besimi, “*How structural reforms and European integration can help aid the convergence of Western Balkan states with the EU*”, blog, 07 July 2017, [www.blogs.lse.ac.uk/europpblog/2017/07/07/western-balkans-eu-convergence-structural-reforms/](http://www.blogs.lse.ac.uk/europpblog/2017/07/07/western-balkans-eu-convergence-structural-reforms/) .

From their side, Balkan politicians are using the progress achieved in the Berlin process – (new infrastructure projects or new regional institutions) as a political leverage in their internal politics. This is a welcomed shift of the narrative from the former use of the “neighbor” only in a negative light, or as an appeal to populist nationalist movements. In this view the contribution to regional cooperation pays off more for local politicians in terms of public support, as compared to the fanning of regional tensions.

Moreover, the “scrutiny” role exercised by the legislative bodies (EU<sup>113</sup> and national) and from civil society on the Berlin process, is of key importance for its legitimacy. The citizens’ oversight and the empowerment of WB6 civil society is also very relevant while tackling the emerging populist movements all over Europe, the rise of populism, or the detachment of the elites. In this context, national and European Parliament(s) also have a specific contribution to offer in refreshing the democratic dynamics induced by the Berlin process.

The second component underlines the importance of politics in achieving the expected results in the implementation phase of connectivity agenda and of regional cooperation. By focusing on the outcomes, the Berlin Process has been called to utilize political power to enforce the implementation of agreements or contracts as agreed, beyond the normative phase of adoption of the *acquis*. The last report of EnS illustrates this phenomenon perfectly. EnC has identified as main challenges for WB6 the “*lack of implementation of the acquis and the gap between transposition of EU rules and implementation in practice*”. It states that “...WB6 Initiative<sup>114</sup> has given electricity market integration in the region a new breath of life”. *The success of regional electricity projects ...hinges on sufficient political will*<sup>115</sup>

The last trend to be mentioned is the re-emergence of political actors in the Enlargement dynamics. The dynamics engaged in the framework of Berlin Process “...creates room.. for the political parties, ...rebalances the relationship between executive and legislative powers<sup>116</sup>”. In this context, it has to be mentioned that the three major German political foundations - FES, HSS and KAS - have been the biggest and most committed supporters of CSO regional cooperation efforts<sup>117</sup> in the framework of Berlin Process since 2014.

## V.5 #Regionalization of Connectivity

In the Enlargement debate as well as in the framework of the Berlin Process *fora*, we discuss regional development but still use the national level for the decision-making and the implementation phase. Local governments, cross-border programs, macro-regional strategies are missing from WBS Chair declarations (except in Vienna).

Big connectivity infrastructure is adapted to multinational enterprises, and less to the simple citizen.<sup>118</sup> This is why the local and regional dimension should be integral part in the Connectivity Agenda, and must have its say on every one of its projects, hard or soft. This imperative is even more necessary in the cross-border areas as its inhabitants are the most affected by regional-

<sup>113</sup> Debriefing on the 2017 Western Balkans Summit in Trieste with Michele Giacomelli, Special Envoy of the Italian Ministry of Foreign Affairs for the Western Balkans Summit, European Parliament, Committee on Foreign Affairs, 30 Aug. 2017, AFET\_PV(2017)0930.

<sup>114</sup> “Western Balkans 6 Initiative” is the other name given to the Berlin Process

<sup>115</sup> *Knocking on the EU’s Door through the Energy Community: Integration of Western Balkans into the Pan-European Energy Market*, Energy Community Secretariat, 6 February 2018, pp. 6

<sup>116</sup> “*The European Union and the Western Balkans after the Berlin Process: Reflecting on the EU Enlargement in Times of Uncertainty*”, Marciacq, Florent, FES Publications, Sarajevo, 2017.

<sup>117</sup> FES has been one of the main co-organisers of the Vienna CSO Summit, and of Paris and Trieste CSO forums. KAS is currently implementing TRIANGLE Initiative amongst Serbia - Kosovo - Albania, focussing on regional cooperation on SME, youth and WB6 democratic reforms. HSS has been instrumental in the migration area under the Berlin Process. All three political foundations are long-term partners of Tirana Conference on Berlin Process, and of CDI Berlin Process Series since 2015.

<sup>118</sup> Tobias Flessenkemper, Senior Fellow and Balkans Project Director at Centre International de Formation Europeenne (CIFE), Regional Conference, “*From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process*”, Tirana, 9-10 November 2017.

scale projects. Connectivity infrastructure should take better into account the local territory and valorize it. Motorways need to be designed with capillary roads to enroot it into the local territory.

Local politicians and decision makers, all by recognizing the importance of connectivity infrastructure for growth and employment, underline the necessity to build roads, not tunnels when planning for them.<sup>119</sup> But to be able to impact it, local governments should understand better the Connectivity Agenda functioning and its opportunities. They should be proactive in acquiring information, participating in transport / energy / digital / etc. connectivity fora; exchange experience and present best cases amongst LGU<sup>120</sup>. From a political point of view, the whole process could and should produce better relations and synergies between local and central level of government in order to get higher benefits from connectivity.

Remaining in the political nexus, Marciacq (2017), insists on the contribution of Berlin Process in *“regionalizing the EU enlargement approach through solidarity, rather than competition”*.<sup>121</sup> He rightly points out that “regatta” approach falls short of emphasizing the collective utility of the integration process. To overcome competition amongst different countries or regions, he proposes joint political representation of WB6 through joint *“coordination of their lobbying capacities”*.

## V.6 #Eastern Connectivity

Geographically the Western Balkans are in the junction point of European networks that are being developed under EU Connectivity Agenda and the Chinese engagement under the Belt and Road Initiative (including the maritime road) investment projects. Both - the European and China supported initiatives - started only a couple of years ago (2013 for BRI and 2014 for Berlin Process); they are both based on the pillars of connectivity and of regional cooperation (the Chinese use 16+1 Initiative as an instrument of enhanced institutional cooperation in the larger Central & Eastern European area); and they are both in their initial phase with no properly set governance architecture, no proper legal context.

Seen from China, the region<sup>122</sup> has become the pivot linking Asian and European markets in the “Belt and Road” construction.<sup>123</sup> Politically, Chinese officials have publically expressed China’s support to the full membership of Western Balkans in the European Union.<sup>124</sup>

From an economic angle, Chinese investors, banks and other companies are gradually realizing that Balkan countries, though non-EU members, *de facto* do apply the policy-making methodology and the legal framework of the European Union. As markets, those countries economies are a satellite of the EU economic power, following closely the EU economic cycle.

The data gathered from Chinese researchers indicate a constant increase of the stock volume of Chinese investment. By far the biggest stock as well as the highest rate of increase is in Serbia. Also one can notice the weight of state-owned companies (19 out of 21 Chinese companies involved in FDI in Western Balkans) and their focus on fossil industries such as oil extraction, mining, transport, thermal plants, etc<sup>125</sup>.

<sup>119</sup> Lodovico Gherardi, Coordinator of the Managing Authority, Adriatic Ionian programme 2014-2020 “Adriatic”, Emilia-Romagna Region, Regional Conference, *“From Trieste to London: Stocktaking and Future Scenarios for the Berlin Process”*, Tirana, 9-10 November 2017.

<sup>120</sup> *Ibid.*

<sup>121</sup> *“The European Union and the Western Balkans after the Berlin Process Reflecting on the EU Enlargement in Times of Uncertainty”*, Marciacq, Florent, FES Publications, Sarajevo, 2017.

<sup>122</sup> Note that Kosovo is not included

<sup>123</sup> *“The key to the China – Europe cooperation on the „Belt and Road“ Initiative lies in the Western Balkans”*, at „Europe and the Belt and Road Initiative“: Responses and Risks“, Zuokui, Liu, China Social Sciences Press, Beijing, May 2017.

<sup>124</sup> H.E. Yu, Jiang, Ambassador of People’s Republic of China in Albania, Roundtable on *“Albania – China cooperation in the framework of “Belt & Road” and “16+1” Cooperation initiatives”*, Tirana, October 2017, retrieved December 2017, <http://cdinstitute.eu/web/tryeze-e-rumbullaket-bashkepunimi-shqiperi-kine-ne-kuader-te-nismave-te-bashkepunimit-brezi-dhe-rruga-dhe-161/?lang=en>.

<sup>125</sup> for more information on status and sector see *“China and Western Balkans”*, CDI Policy Brief March 2018

**Table 4. 2009 -2016 China's Investment in the Western Balkans 5  
(Stock Volume in USD MiO)<sup>126</sup>**

Country / Year	2009	2010	2011	2012	2013	2014	2015	2016
Albania	435	443	443	443	703	703	695	727
BiH	592	598	601	607	613	613	775	860
Macedonia	20	20	20	26	209	211	211	210
Montenegro	32	32	32	32	32	32	32	443
Serbia	268	484	505	647	1,854	2,971	4,979	8,268

Regarding the **connectivity**, Chinese researchers identify three components of EU – China cooperation that should be intensified: (i) reinforcing cooperation between China-Europe Land-Sea Express Passage and EU Connectivity plan / Pan-European Corridor X; (ii) starting cooperation between EU and China on co-financing EU's large scale infrastructure plan in Western Balkans; and (iii) promoting mutual trust and acting proactively to develop China's infrastructure plans in WB6 in line with EU connectivity framework.<sup>127</sup>

Regarding the **regional cooperation**, under the 16+1 Cooperation Initiative, the WB6 countries are engaged in different sectors of cooperation with the CEE partners (V4+ and Baltic countries) and China.

The 16+1 Budapest Summit in November 2017, refers clearly to two important Berlin Process concepts: connectivity and WBIF. In Art. 4 of the Budapest Summit, "Connectivity" cooperation in transport between China and Western Balkans got a special mention: "*Participants will further explore synergies between the Belt and Road initiative and the Trans-European Transport Network (TEN-T) and its extension to the Western Balkans*"<sup>128</sup>. This coordination should be done under China-CEEC Cooperation, EU-China Connectivity Platform, and EU Eastern Partnership. Moreover, the participants agreed to "*.. explore the possibility of cooperation between CEEC-China financial instruments with the Western Balkans Investment Framework*"<sup>129</sup>.

In conclusion, there is a need for better understanding of the contact points and eventual mutual benefits between the European and Chinese initiatives. Given the steady progress of engagement of Chinese investment in WB6, it must be possible to engage in a constructive way by looking for a win-win-win situation satisfying WB6, EU and Chinese partners.

<sup>126</sup> Source of the information in the table: Huang Ping, Liu Zuokui & al. "The Cooperation between China and CEEC (16+1): 2012-2017, Social Sciences Academic Press (China) 2017

<sup>127</sup> *Ibid.*

<sup>128</sup> The Budapest Guidelines for Cooperation between China and Central and Eastern European Countries, 2017/11/28, Art. 4. Connectivity, last retrieved on 6 March 2018 at: [http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t1514534.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1514534.shtml)

<sup>129</sup> *ibid.*, Art. 6.7, "Financial Cooperation"

**Table 5. 16+1 Coordinating Mechanisms / Platforms of Cooperation**

No.	Coordination Mechanism or Platform	Site of Secretariat	Organizer / Host	Progress
1	China-CEEC Tourism Coordination Center	Hungary	Hungary National Tourism Agency	Set up
2	China-CEEC Consortium Institute of Higher Education	Rotating Presidency	Ministry of Education of each country	Set up
3	Contact Mechanism for the Investment Promotion Agencies of China-CEEC	Poland	Polish Information and Foreign Investment Agency	Set up
4	China-CEEC Joint Chamber of Commerce	Poland-Executive Agency China-Secretariat	China Council for the Promotion of International Trade	Set up
5	China-CEEC Association of Governors of Provinces & Regions	The Czech Republic	Ministry of Internal Affairs of Czech	Set up
6	China-CEE Association for Promotion of Agricultural Cooperation	Bulgaria	The Ministries of Agriculture and Food of Bulgaria	Set up
7	China-CEEC Technology Transfer Center	Slovakia	Slovak Center of Scientific and Technical Information	Set up
8	China-CEEC Think Tanks Network	China	Chinese Academy of Social Sciences	Set up
9	China-CEEC Association on Transport & Infrastructure Cooperation	Serbia	Ministry of Trade and Communications of Serbia	Set up
10	China-CEEC Association for Logistics Cooperation	Latvia	Ministry of Transport and Communications of Latvia	Set up
11	China-CEEC Association on Forestry Cooperation	Slovenia	Ministry of Agriculture of Slovenia	Set up
12	China-CEEC Association on the Promotion of Health Cooperation	China	National Health and Planning Commission	Set up
13	Association for Arts Cooperation	To be determined	To be determined	In progress
14	Association for Customs Cooperation	To be determined	To be determined	In progress
15	China-CEEC Center for Dialogue and Cooperation on Energy Projects	Romania	To be confirmed	To be set up
16	China-CEEC Maritime Secretariat	Poland	Ministry of Maritime Economy and Inland Navigation Poland	Set up
17	China-CEEC Cultural Cooperation Coordination Center	Macedonia	To be confirmed	To be set up
18	China-CEEC Association of Small and Medium Enterprises	Croatia	To be confirmed	To be set up
19	China-CEEC Inter-Bank Association	China-Secretariat Hungary-Coordination Center	China Development Bank, Hungarian Development Bank	Set up
20	China-CEEC Veterinary Science Cooperation Center	Bosnia and Herzegovina	To be continued	To be set up
21	China-CEEC Environmental Protection Association	Montenegro	To be continued	To be set up

Source. Huang Ping, Liu Zuokui & al. "The Cooperation between China and CEEC (16+1): 2012-2017, and CDI own research

In **summary**, arriving in a difficult times in Europe, the Berlin process initiative has galvanized the debate about the relationship between EU and WB6. The Enlargement approach, built on the lessons learned from former enlargement waves, has been found to be in need of updating so as to respond to the XXI century international context. The Enlargement debate has shifted from “carrot & stick conditionality” where the main negotiation element is timing, towards a constructive debate about the most adapted socio-economic development model.

In the ES 2018, the “European values” became “common values” so recognizing the contributions and the obligations of WB6 in the European home. Berlin Process is contributing to identify and debate common challenges and new opportunities that member states and WB6 countries face together in the XXI century world.

## Annex 1. AREAS OF 2014 BERLIN WBS

### 1 Intensify Regional Cooperation

- 1.1 resolving outstanding bilateral questions
- 1.2 increase regional cooperation (institutional)
- 1.3 promote regional cooperation at civil society level
- 1.4 expand transnational exchange among young people

### 2 Strengthen Good Governance

- 2.1 tackle corruption and organized crime
- 2.2 increase legal certainty
- 2.3 uphold and reinforce the independence of judiciary
- 2.4 pluralistic media landscape
- 2.5 independent trade unions
- 2.6 economy that fulfill its role as part of community

### 3 Support Sustainable Economic Growth

- 3.1 improve cooperation amongst investment agencies
- 3.2 endeavor to overcome own current account deficits
- 3.3 German business to launch purchasing initiative for WB6 (in 2015)
- 3.4 promote regional value chains (German business community to hold regional conference in Montenegro in Sept. 2014 and RCC to contribute)
- 3.5 further developing energy community / implementation
- 3.6 improving WB6 logistical connections to EU markets (higher demand)
- 3.7 expansion of ICT infrastructure
- 3.8 German business to support VET in WB6

## Annex 2. AREAS OF 2015 VIENNA WBS

### 1 Regional Cooperation and Solution of Bilateral Disputes

- 1.1 find compromise in the Macedonia and Greece name dispute
- 1.2 progress monitoring in yearly WBS of resolution of BD
- 1.3 make full use of EU macro-regional strategies for the: (i) Danube; and (ii) Adriatic-Ionian regions, and other relevant regional initiatives

### 2 Rule of Law and Good Governance

- 2.1 accelerate reform process in rule of law
- 2.2 accelerate reform process in economic governance
- 2.3 accelerate reform process in public administration reform
- 2.4 accelerate reform process in fight against corruption
- 2.5 accelerate reform process in fight against organized crime
- 2.6 Macedonia: implement Hahn agreements
- 2.7 BiH: swift implementation of reform agenda



- 3 Fight Extremism and Radicalization**
  - 3.1 strengthening cooperation EU and WB6: WB6 as key partner
  - 3.2 increasing exchange and information and best practice EU and WB6
- 4 Migration**
  - 4.1 3rd country: stepping up WB6 capacities in border management and fight against trafficking in human beings
  - 4.2 3rd country: preparation of high-level conference on challenges of WB6 route
  - 4.3 WB6: are to be considered as Safe Countries of origin by all MS
- 5 Economic Prosperity and Connectivity**
  - 5.1 preparation of annual Economic Reform Programs
  - 5.2 sectoral structural reforms (physical and human capital / industrial structures / business environment / trade integration)
  - 5.3 systematically involve social partners in economic reforms
- 6 Transport Connectivity**
  - 6.1 support regional core transport networks and appointment of corridor coordinators
  - 6.2 support efficient project implementation in cooperation with IFI
  - 6.3 full use of EUR 1 bn from IPAll
  - 6.4 six transport infrastructure projects to be supported by IPA 2015
  - 6.5 implementation of “transport soft measures” prepared by SEETO
  - 6.6 overcome the obstacles of Transport Community Treaty
- 7 Energy Connectivity**
  - 7.1 four energy infrastructure projects to be supported by IPA 2015
  - 7.2 establish a Regional Energy Market
  - 7.3 implementation of “energy soft measures” supported by Energy Community Secretariat
- 8 Investment Planning**
  - 8.1 NICs and NSPP should become credible planning mechanisms ref the available country fiscal space
- 9 Market Integration**
  - 9.1 Trade Facilitation (CEFTA): Trade Facilitation Agreement to be signed by all parties before mid-2016
  - 9.2 Mobility: introduce visa facilitation for businesspeople, professional and skilled labour
  - 9.3 support comprehensive approach to the recognition of professional qualifications
  - 9.4 Growth: develop regional value chains through encouraging establishment of special economic zones (cross-border, export processing) and industrial parks
  - 9.5 development of economic corridors concept by RCC (to be ready for Paris WBS)
  - 9.6 welcome establishment of WB6 CC Investment Forum
  - 9.7 welcome purchasing initiative by German Business Community
- 10 Youth**
  - 10.1 support EU Commission proposal to organize an Enlargement Conference in 1st semester 2016 focused on Youth issues
  - 10.2 agreement AL - SER of setting up RYCO
- 11 Higher Education, Science and Research**
  - 11.1 offer appropriate number of cooperating programs and studying opportunities for WB6 students under Erasmus +
  - 11.2 WB6 to establish Erasmus+ National Agencies

- 11.3 setting up additional joint degree programs
- 11.4 ensure mutual recognition of diplomas
- 11.5 recommend to allocate 3% of national GDP for education, science and research
- 11.6 establish Regional Centres of Excellence
- 11.7 install a science-politics-society dialogue for decision-making

## **12 Dual Vocational Education**

- 12.1 support VET development in WB6
- 12.2 organize conference on dual VET in 2016
- 12.3 support of regional cooperation in education and training

## **13 Civil Society**

- 13.1 welcome proposal to make civil society an additional important element of the Berlin Process

# **Annex 3. AREAS OF 2016 PARIS WBS**

## **1 Regional Cooperation**

- 1.1 rule of law / judicial reform / tackling organized crime and corruption
- 1.2 commitment to settlement of outstanding bilateral issues
- 1.3 youth exchange / cooperation - RYCO

## **2 Connectivity and Trade**

- 2.1 three transport infrastructure (rail) projects to be supported
- 2.2 ramp up investment in residential buildings energy efficiency
- 2.3 preparing Regional Strategy for Sustainable Hydropower in WB6
- 2.4 soft measures: improve implementation of Vienna list in transport and energy
- 2.5 intensify work on maturity of Connectivity Agenda projects in NSPP
- 2.6 energy: commitment to Roadmap for the regional electricity market
- 2.7 transport: committed to Transport Community Treaty preparation
- 2.8 trade: committed to conclude the Additional Protocol on Trade in Services

## **3 Youth**

- 3.1 implementing Positive Agenda for Youth in WB6
- 3.2 increase access for WB6 youth to Erasmus+
- 3.3 support the Exchange Program for Young Civil Servants in WB6
- 3.4 fight youth unemployment in WB6
- 3.5 France to organize conference on VET with special focus on entrepreneurship skills
- 3.6 Science: maintain the target of 3% of GDP allocated to research funding

## **4 Migration: intensify coordination**

- 4.1 support to EIB initiative to help foster investment in country of origin
- 4.2 strengthen regional cooperation on: return and readmission; information exchange; coordination; joint operations to fight smugglers' networks; enhanced cooperation between border police; constantly monitoring development of new migration routes

## **5 Fight against Terrorism and Radicalization**

- 5.1 closer cooperation in the fight against: arms trafficking, financing and terrorism, radicalization
- 5.2 closer cooperation in border control
- 5.3 reinforcing judicial and operational measures

## **Annex 4. AREAS OF 2017 TRIESTE WBS**

### **1 Connectivity**

- 1.1 two connectivity projects supported
- 1.2 continue preparation of roadmap for the WB6 Regional Electricity Market
- 1.3 fight against climate change
- 1.4 continue preparation of Regional Strategy for Sustainable Hydropower in WB6
- 1.5 complete the signature of WB6 Transport Community Treaty by BiH

### **2 Regional Economic Integration and Development**

- 2.1 accelerate regional economic cooperation and development of REA
- 2.2 implementation of the adopted multi-annual Action Plan for a Regional Economic Area (MAP REA)
- 2.3 regular review and information of the progress of MAP REA (by RCC)
- 2.4 support initiatives improving regional smart specialization / creating value chains / accelerating innovation and technology transfer

### **3 Private Sector and SMEs Development**

- 3.1 WB6 to hold IT Summit
- 3.2 encouraging further development of innovative partnership between public and private sector
- 3.3 introduce dual elements and other forms of work-based learning in the WB6 VET systems
- 3.4 boost entrepreneurial capacity and new financing opportunities to WB6 companies through WB6 EDIF (extra EUR 48M)
- 3.5 establish and function Secretariat of Chambers of Commerce of WB6 in Trieste

### **4 Youth**

- 4.1 EU commits financial support to RYCO to implement its program
- 4.2 Young Civil Servant pilot scheme to be continued, including EU and WB6 institutions

### **5 Governance, Rule of Law and Prevention and Fight against Corruption**

- 5.1 organization of thematic seminars
- 5.2 anti-corruption initiative

### **6 Science**

- 6.1 prepare Feasibility Study for setting up the Western Balkans Research Foundation (in Trieste) to be ready for London
- 6.2 preparation of the WB6 Action Plan for Smart Growth
- 6.3 hold the Joint Science Conference of WBS in Rome in 2018

### **7 Outstanding Bilateral Issues**

- 7.1 provided readiness to support progress

### **8 Civil Society**

- 8.1 take note of its contribution

### **9 Fight Against Terrorism, Extremism, Radicalization and Organized Crime**

- 9.1 promotion of information sharing with Interpol and Europol
- 9.2 stronger border management control
- 9.3 cooperating on fighting money laundering and financing of terrorist activities

## **10 Preventing Irregular Migration: further cooperation**

- 10.1 enhance border management and control capabilities
- 10.2 prevent irregular migratory flows
- 10.3 fight against organized crime networks
- 10.4 monitoring the development of new migration routes through WB6

## **Annex 5. EVENTUAL AREAS OF 2018 LONDON WBS**

- 1 Interconnectivity
- 2 Regional Economic Area
- 3 Support for the Digital Entrepreneurship
- 4 Support for the Tech Start Ups
- 5 Youth
- 6 Shared challenges: security, migration, terrorism

## **Annex 6. TOPICS OF 31 MAY 2017 SPEECH ON “BERLIN RELOADED”**

- 1 Changing the Enlargement narrative in MS and WB6**
  - 1.1 clarify that reforms are good for WB6
  - 1.2 increase visibility of EU contribution in WB6
  - 1.3 make clear the difficulty of WB6 reforms to the EU audience
- 2 EU Enlargement must be enhanced and given additional support**
  - 2.1 EU must develop fresh ideas
  - 2.2 EU should provide more financial means to reduce social hardship associated with reforms
  - 2.3 EU should allow WB6 countries to participate in more EU programs
- 3 Strengthen Regional Cooperation**
  - 3.1 generate visible improvement for WB6 local population
  - 3.2 make WB6 an attractive economic area
- 4 Accelerate Large Infrastructure Projects**
  - 4.1 set up an additional fund for infrastructure projects
  - 4.2 encourage Industry 4.0 in WB6 and efficient IT infrastructure
- 5 Improve Rule of Law**
  - 5.1 strengthen independent institutions: parliament and justice sector
  - 5.2 protect independence of media
- 6 Establish a special fund to support dual VET in WB6**

## Annex 7. COMPOSITION OF WBS DELEGATIONS

Delegation/ WB Summit	Berlin Summit 2014	Vienna Summit 2015	Paris Summit 2016	Trieste Summit 2017
<b>WB6</b>	HoG / HoS	HoG / HoS	HoG / HoS	HoG / HoS
	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs
	Minister of Economy	Minister of Economy	Minister of Economy	Minister of Economy
				Minister of Transport
<b>European Union</b>	European Commission, President & V. President	European Commission, V. President	European Commission, V. President	
	EC Commissioner for Neighborhood Policy and Enlargement Negotiations	EC Commissioner for Neighborhood Policy and Enlargement Negotiations	EC Commissioner for Neighborhood Policy and Enlargement Negotiations	EC Commissioner for Neighborhood Policy and Enlargement Negotiations
		High Representative of the EU Foreign Policy and Security Affairs	High Representative of the EU Foreign Policy and Security Affairs	High Representative of the EU Foreign Policy and Security Affairs
				EC Commissioner for Transport
<b>Austria</b>	Chancellor	Chancellor	Chancellor	Chancellor
	Minister of Economy	Minister of Economy	Minister of Economy	Minister of Economy
	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs
<b>Croatia</b>	Prime Minister	Prime Minister	Prime Minister	Prime Minister
	Minister of Economy	Minister of Economy	Minister of Economy	Minister of Economy
	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs
<b>France</b>	Special Envoi of the Minister of Foreign Affairs	Secretary of State for European Affairs	Prime Minister	Prime Minister
		Special Envoi of the Minister of Foreign Affairs	Minister of Economy	Minister of Economy
			Minister of Foreign Affairs	Minister of Foreign Affairs
<b>Germany</b>	Chancellor	Chancellor	Chancellor	Chancellor
	Minister of Economy	Minister of Economy	Minister of Economy	Minister of Economy
	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs

<b>Italy</b>		Minister of Foreign Affairs	Prime Minister	Prime Minister
		Director General of the Ministry of Economy	Minister of Economy	Minister of Economy
			Minister of Foreign Affairs	Minister of Foreign Affairs
<b>Slovenia</b>	Prime Minister	Prime Minister	Prime Minister	Prime Minister
	Minister of Economy	Minister of Economy	Minister of Economy	Minister of Economy
	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs	Minister of Foreign Affairs
<b>UK</b>				Prime Minister
				Minister of Economy
				Minister of Foreign Affairs
<b>International Financial Institutions</b>		Present	Present	Present

## Annex 8. LIST OF WB SUMMITS AND FOLLOW-UP MEETINGS

Date	Venue	Level of the Meeting	Type of Meeting	Final Document
<b>28/08/2014</b>	<b>BERLIN</b>	<b>BERLIN CONFERENCE</b>	<b>LAUNCHING CONFERENCE</b>	<b>FINAL DECLARATION</b>
24/09/2014	Budva	Ministers of Economy - WB6	Conference: “ <i>Economy – Linking Basis for Western Balkans</i> ”	-
31/10/2014	Belgrade	Ministers of Economy and Ministers of Foreign Affairs - WB6	Conference: “ <i>Economic Governance and Connectivity</i> ”	Joint Statement
23/03/2015	Pristina	Ministers of Transport and Ministers of Foreign Affairs - WB6	Ministerial: “ <i>Improved Connectivity and a Strong Core Network</i> ”	Joint Statement
21/04/2015	Brussels	HoG - WB6	Summit “ <i>Building Networks, connecting People</i> ”	Joint Statement
23/04/2015	Brdo	Ministers of Foreign Affairs - WB6	Ministerial “ <i>Positive Agenda for the Youth in the Western Balkans</i> ”	Joint Statement
22/06/2015	Riga	Ministers of Transport - WB6	Meeting at TEN-T Forum	-
02/07/2015	Vienna	Ministers of Energy - WB6	Ministerial “ <i>Connecting Systems, connecting Markets</i> ”	Joint Statement
2-3/07/2015	Vlora	Ministers of Education - WB6	Ministerial “ <i>Western Balkans Platform on Education and Training</i> ”	Report

<b>27/08/2015</b>	<b>VIENNA</b>	<b>VIENNA SUMMIT</b>	<b>ANNUAL SUMMIT</b>	<b>FINAL DECLARATION</b>
18/09/2015	Split	Ministers of Education and Science WB6	Ministerial, establishing “ <i>Western Balkans Research and Innovation Centre (WISE)</i> ”	Agreement on establishing WISE
8/10/2015	Luxembourg	Ministers of Justice and Home Affairs and of Foreign Affairs from EU MS, WB6, Turkey, Lebanon and Jordan	High Level Conference “ <i>Eastern Mediterranean – Western Balkans route</i> ”	Declaration
25/10/2015	Brussels	HoG Albania, Austria, Bulgaria, Croatia, Macedonia, Germany, Greece, Hungary, Romania, Serbia and Slovenia	Meeting on “ <i>The Western Balkans Migration Route</i> ”	Agreement on Plan of Action
12/11/2015	Prague	Ministers of Foreign Affairs - V4 and WB6	Annual Meeting of Ministers of Foreign Affairs of V4 and the WB6	Joint Statement

7-8/12/2015	Sarajevo	Ministers of Justice and Home Affairs - EU MS and WB6	EU - Western Balkan Ministerial Forum on 'Justice and Home Affairs'	-
6/02/2016	Amsterdam	Minister of Foreign Affairs - EU and Candidate Countries	Ministerial Meeting EU and Candidate Countries Ministers of Foreign Affairs	-
1/03/2016	Brussels	Meeting of Ministers of Energy and Transport - WB6	WB6 Meeting of WB6 Ministers of Energy and Transport	Joint Statement
31/03/2016	Durres	Ministers of Foreign Affairs - WB6	Meeting of Ministers of Foreign Affairs of the Western Balkans	Declaration
25/04/2016	Vienna	WB6 High Representatives / Ministers of Foreign Affairs	Conference "Western Balkans: Energizing the Enlargement Process by Solving Bilateral Disputes"	-
26/05/2016	Ljubljana	European Commission, IMF and WB6 Ministers of Economy	Conference "Strengthening Economic Governance and Public Financial Management in Southeast Europe"	-

Date	Venue	Level of the Meeting	Type of Meeting	Final Document
<b>4/07/2016</b>	<b>PARIS</b>	<b>PARIS SUMMIT</b>	<b>ANNUAL SUMMIT</b>	<b>FINAL DECLARATION</b>
27-28/07/2016	Sarajevo	Ministers of Research and Education - WB6	Western Balkans Platform on Education and Training	Joint Statement
29/11/2016	Warsaw	Ministers of Foreign Affairs - WB6 and V4	Annual Meeting of Ministers of Foreign Affairs of WB6 and V4	Joint Statement
6/12/2016	Brussels	Ministers of Transport and Infrastructure - WB6	Meeting on the "Development of the Indicative Extension of TEN-T Comprehensive and Core Network to the Western Balkans"	-
12/12/2016	Danilovgrad	Ministers of Public Administration - WB6	7th ReSPA Governing Board Meeting at Ministerial level	Agreement on Annual Report
9/02/2017	Skopje	Ministers of Energy and Foreign Affairs - WB6	WB6 Meeting of Ministers of Energy and Foreign Affairs	Joint Statement
16/03/2017	Sarajevo	HoG WB6	Meeting of Prime Ministers WB6	Joint Statement

<b>12/07/2017</b>	<b>TRIESTE</b>	<b>TRIESTE SUMMIT</b>	<b>ANNUAL SUMMIT</b>	<b>FINAL DECLARATION</b>
26/08/2017	Durres	HoG WB6	Informal meeting of WB6 Prime Ministers	-
28/09/2017	Belgrade	Ministers of Education WB6	Ministerial "Western Balkans Platform on Education and Training"	Report
11/10/2017	Budapest	Ministers of Foreign Affairs - WB6 and V4	Annual Meeting of Ministers of Foreign Affairs of WB6 and V4	Joint Statement



26/10/2017	Sofia	Ministers of Justice and Home Affairs - WB6	Annual Meeting of WB6 Justice and Home Affairs	-
18/12/2017	Brussels	HoG WB6	Informal Meeting EU HRVP and WB6 Prime Ministers	-
22/12/2017	New York	Ministers of Foreign Affairs WB6, RCC and EU Commissioner for Neighborhood and Enlargement Negotiations	Informal Meeting of WB6 Ministers of Foreign Affairs, RCC and EU Commissioner for Neighborhood and Enlargement Negotiations	-

Source. CDI research on the webpages of Ministries of Foreign Affairs of WB6 and MS, regional media, news portals, RCC website and DG NEAR and EEAS websites

