

**Speech by RCC Secretary General
at the 6th Meeting of the WBIF Strategic Board
1 July 2024, London, EBRD Head Quarter**

Ladies and Gentlemen, Distinguished Guests,

Thank you for the invitation to participate in this timely discussion—where money always talks. Much has already been covered in the previous session regarding the key achievements under WBIF or the GP, so I will avoid being repetitive.

In the last decade, our region has gradually moved towards establishing close economic ties and bonds with each other based on EU standards and models, while preparing to join the EU Single Market. **Reading the preview of the new OECD Competitiveness report, it is striking that over the last 20 years, the GDP convergence gap between the EU and the Western Balkans has improved by only 11 percentage points.**

However, there has been significant progress due to intensive regional cooperation since the inception of the MAP REA. This cooperation has led to tangible socio-economic transformations, including:

- **GDP per capita as a percentage of the EU average increased by 3 percentage points from 2017 to 2022 [34.5% (2017) to 37.5% (2022)];**
- **Trade in goods and services (Exports/Imports, % of GDP) increased by 19 percentage points;**
- **Intra-regional trade volume (goods) doubled in 5 years [€4.32 billion (2017) to €8.8 billion (2022)];**
- **Nearly 1,200 new companies participated in intra-regional trade.**

Despite these achievements, there are still **untapped potentials in economic integration that could add 10% growth to our economies.** The GDP per capita in the Western Balkans was at **38% of the EU and OECD averages.** At current growth rates, it would take at least **50 years to achieve economic convergence with the EU and OECD.**

One missing component throughout this regional cooperation journey has been human capital. Fostering labour mobility within our region could potentially add 1.3% to GDP by 2025 and generate 80,000 new jobs.

As EBRD presented the economic outlook of the WB, let's see how citizens and businesses read it. We have the fresh data from our BB, and here are some main concerns:

1. Enhancing Regional Cooperation and Accelerating EU Integration

- The RCC's Balkan Barometer survey indicates that **80% of WB citizens consider regional cooperation crucial for economic and political stability.**
- 59% of surveyed businesses in WB believe that improved regional cooperation would benefit their businesses.
- Only 12% of citizens report strong economic and trade links within WB.
- Support for EU integration has increased over the past decade.
- WB companies have become less confident in competing with products and services from other EU member states, and we need to address this issue.

2. Satisfied Business Community but Cautions on Challenges

- Over the last decade, there has been a modest improvement in the perception of the general economic situation by businesses. In 2015, 68% of businesses reported the situation had deteriorated, and only 6% saw improvement. By 2024, these figures changed drastically to 32% and 21%, respectively.
- Confidence in competing with EU products and services has slightly decreased.
- **Corruption remains a significant challenge, with 24% of companies reporting irregular payments in 2016, rising to 32% in 2024.**

3. Key Challenges: Labour Shortages and Unskilled Workers

- Labour force shortages and brain drain are major obstacles to doing business.
- 70% of businesses call for government policies to retain the labour force; one-fourth are looking to hire from other WB economies.
- 77% report increased labour costs as a barrier to business development.
- 71% of young people are ready to leave the region for better opportunities.
- While 85% of the WB population used the internet in 2021, only 35% possessed basic digital skills. 80% consider improving digital skills crucial for workforce needs.

We at the RCC are working at full speed on a boosted Action Plan for a functional CRM, as an important pillar of the Growth Plan, to be endorsed at the BP Summit. The work we have started for the next CRM phase is conceived as an "access gateway" for progressive integration into the Single Market and socio-economic convergence.

We have worked on two streams: on one hand we have provided a list of priorities that will enhance intra-regional cooperation, while in parallel we will capacitate and facilitate WB journey/preparedness to access the EU Single Market.

What are some of the region's potentials that "scream" for more regional cooperation and integration that the new CRM seeks to address? Free movement of goods, free movement of services, digitalisation and paperless trade, human capital development, business enabling environment and competitiveness and digital transformation.

This new phase may not change the whole situation in the region, but it is going to bring the region closer together, fast-tracking its much-needed convergence. **The new CRM brings free movement of workers in the WB in line with EU legislation and practices, as well as intra-WB social portability as a cornerstone of the Human Capital Development.**

Moreover, it positions the WB as an attractive hub capable of nurturing talent, preparing the workforce for the challenges of the modern economy and contributing to sustainable development. Compared to the current CRM, this new iteration places heavier emphasis on skills development, aiming to encourage skilling and upskilling in emerging green and digital industries.

We realised that we can address these shortcomings in the period ahead only if we join forces. Therefore, we have joined forces with our regional Partners (CEFTA, WB6CIF, and Transport Community) in developing the new Common Regional Market (CRM) 2 Plan for the period of three years (2025-2028), to build on the achievements of its predecessor.