



**BALKAN
ECONOMIC
FORUM**
FOR A BRIGHTER FUTURE

BALKAN ECONOMIC FORUM CONFERENCE 18.11.2022

KEY TAKEAWAYS

Introduction

Having a purpose of creating a more sustainable impact on the promotion of economic growth, regional collaboration, peace and security throughout the Balkan countries, the Balkan Economic Forum 2022 is a larger-scale conference that took place on the 18th of November at the DoubleTree by Hilton Skopje in North Macedonia. The Conference was organized under the Auspices of Mr. Dimitar Kovachevski, Prime Minister of the Government of the Republic of North Macedonia.

BEF 2022 engaged leaders from the Balkans and around the globe, academics, students, media and other respectable figures from the public and private sector about the biggest economic challenges requiring to be addressed and overcome. Conference panelists and participants took part in meaningful conversations, where all opposing views were heard and respected as this is the only way for real change to come, through new, innovative strategies emerging from this dialogue.

The main goal of the conference was to utilise all information and ideas derived from the conference and share them with those in charge of making decisions to influence real changes needed to happen in the Balkan region.

With our Advisory Board members from all the Balkan countries and BEF Ambassadors in most of the Balkan countries and EU public affairs, the Association for regional development Balkan Economic Forum focus is on the development and implementation of innovative strategies and creative solutions to the current economic challenges facing the Balkan countries to stimulate economic growth which, in turn, strengthens regional cooperation, peace and security.

Our ultimate goal is the Balkan Economic Forum to become regional platform where leaders from the Balkans and around the globe, respectable figures from the public and private sector, academics, students, media and others share ideas and suggestions about the biggest economic challenges requiring to be addressed and overcome in the Balkan region.

Balkan Economic Forum members and supporters dream “*envision a Balkan Peninsula with good governance, responsible economic growth, sustainable employment, environmentally sustainable development, regional cooperation and widening educational opportunities. To achieve these goals, the pathway to the future is sustainable development for our region. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen accountability*”.

Panel 1: Regional economic cooperation – myth or reality?

Moderator: **Dr. Rilind Kabashi**, Economist, Joint Vienna Institute

Key speakers:

1. **Mr. Emir Djikic**, Director, CEFTA Secretariat
2. **Ms. Zsuzsanna Kiraly**, Deputy Secretary General, Central European Initiative (online)
3. **Dr. Richard Grieveson**, Deputy Director, Vienna Institute for International Economic Studies
4. **Prof. Sandra Jednak**, PhD, Faculty of Organizational Sciences, University of Belgrade
5. **Ms. Tatjana Shterjova Dushkovska**, PhD, Secretary General, WB6 Chamber Investment Forum

As long as the Balkan economies have a genuine commitment to growth and inclusion, are willing to learn from other countries successes, and adjust the lessons learned to their own economic and political realities, there will be many roads to prosperity.

Key points:

- Regional cooperation is not a myth, but our reality, businesses have been moving borders even at times where politics has kept the doors shut, so it is there, its existing, it is not some imaginary paradigm
- However, it hasn't taken us as far as we hoped 20 years ago and it is not enough. One should be honest and admit that the regional economic cooperation we have at the moment is definitively not the reality we want to see – although a slow progress has been made throughout the years, we are still very far from where we want to be – and again, the request for free movement of goods, services, people and capital may sound as an empty phrase, but is a crucial need for the businesses from the region
- In addition, the region's long-standing weakness in infrastructure connectivity is still very much a reality. A lack of infrastructure, particularly between countries, is a serious hindrance to deepening economic integration.
- The regional market is quite important for the local business community, since many companies distribute their products across the whole region. A large number of suppliers come from the region, and a close connection among them was established in the past. The regional market is of essential importance for many

firms for their business operations, especially in terms of sustainable and long-term export strategy

How to proceed?

- Successful regional cooperation would have to be an intrinsic part of the Balkans' EU accession process.
- The most effective way to improve regional cooperation in the Balkans is to enact policies aimed at raising incomes (one direct way for the EU to achieve this would be to increase budget transfers to the Western Balkans)
- Balkan needs stronger political will and trust not to miss the boat of new trade opportunities, that would bring 6.7% additional GDP increase
- EU should seek to replicate the positive income shock of the 2004 accession round in the Western Balkans. This would have the greatest potential to increase economic integration and development in the region. In the search for a new strategy, the successful economic integration experience of the 2004 EU joiners in particular can serve as a very useful reference point.
- Without more of a positive demand shock for the Western Balkans and better access to foreign capital – which is something the EU could very comfortably deliver – making progress on governance and structural reforms will be much harder.
- The new policies that would create more trade opportunities are set up but awaiting the CEFTA Parties to renew their commitment made in the Common Regional Market Action Plan
- The Central European Initiative (i.e., the know-how transfer and sharing of experiences between EU and non-EU countries) is strongly dedicated to foster European integration and boosting sustainable development in the Balkan region, through political dialogue, multilateral diplomacy, funding, and the implementation of concrete projects and initiatives with a tangible impact on this region

Panel 2: Balkan energy prospects for faster energy transition

Moderator:

Mr. Aleksandar Dedinec, PhD, Scientific Collaborator, Research Center for Energy and Sustainable Development, Macedonian Academy of Sciences and Arts

Key speakers:

- 1) **Mr. Grzegorz Zielinski**, Director, Head of Energy Europe, EBRD
- 2) **Mr. Hinrich Fischer**, Head of Energy& Project Finance, ERSTE Banking Group, Vienna (online)
- 3) **Dr. Ante Babic**, Senior Policy Officer at European Commission DG ENER (online)
- 4) **Mr. Gábor Szántó**, Managing Director, Western Balkans Green Center, Hungary
- 5) **Prof. Neven Duic**, PhD, Full professor at the Department of Energy, Power Engineering and Environment, Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb;

Vice-president of Croatian Academy of Engineering, and President of the Management Board of The Centre for Sustainable Development of Energy, Water and Environment Systems (online)

6) **Mr. Damir Miljevic**, Member of Managing Board, Sustainable Energy Transition Center, Bosnia and Herzegovina

7) **Mr. Milos Mladenovic**, Managing Director, SEE Power Exchange (SEEPEx), Serbia

8) **Mr. Todor Angjushev**, member of the Management Board of the Chamber of Commerce of North Macedonia, President of the Renewable Energy Sources Group at the Macedonian Energy Association (part of the Chamber of Commerce)

(Western)Balkan countries have neglected the modernisation of their energy sector for decades, with creaking coal plants the dominant form of power generation there. As Europe moves forward with its Green Deal, the region now needs to redouble efforts or risk being left behind. It is obvious that the transition is needed, but it should be green, transition that should reduce the carbon footprint and the transition in which the private investors will be involved.

Key points:

- Energy is a public good
- The transition of the energy sector is important, but It also has to be viewed in the context of the green economy (energy) transition. Only those business that are able to produce final goods with small carbon footprints are going to be sustainable and competitive in the EU market, as well as the Balkan region
- Sustainable energy transition is a process which closely follows the requirements of security of supply and environmental protection, and which takes place in the most cost-effective way. The energy transition process should be just (to cause the least socio-economic disruption) and should be implemented with active participation of citizens and businesses (to be inclusive)
- Governments of the Balkan countries are not ready and capable to lead sustainable energy transition (the readiness of the countries is not at the necessary level for successful management of this complex transition process). Institutional capacity to lead complex, long-term transformation processes, such as the energy transition, is insufficient, meaning that decarbonization might happen in an uncontrolled (without the real ownership of the process) and chaotic (with major socio-economic consequences) manner, and be economically inefficient and far more costly than necessary
- Big electricity companies do not have enough knowledge, skills and financial resources for fast sustainable energy transition
- If the eneprs transition is not managed in a sustainable way, it will occur spontaneously, under the influence of markets and external political pressures, which creates a risk of uncontrolled transformation of the economy and society that could turn into a „perfect storm“ scenario.
- The renewable sources of energy are the most competitive alternatives for the green energy transition – the real question is how to get and use them in a most constructive way

- Balkans should not make the mistake EU did by becoming overdependent on gas and other fossil fuels, but rather should focus on building (transition to) new green economy based on renewable energy sources
- It is clear that any investment in energy efficiency, as well as rapid deployment of wind and solar are low hanging fruits. Removing barriers from investment into wind and solar must be high priority, since they are way cheaper than any alternative
- In the transition towards fully climate neutral energy systems, hydrogen and hydrogen based fuels will be balancing the system, but before we arrive to hydrogen era, countries we will need to make hard choice of using natural gas as first step transition fuel, which is now expensive and risky, or stick to local coal, which is exhausted

How to proceed?

- What should we do, and how we should react? A continuous and stable supply of electricity is proving to be crucial these days, especially at affordable prices. We must focus on utilizing the resources we have to maximize our electricity production. Now, let's use all possible capacities, a large part of which are conventional, but at the same time invest in new and new capacities from renewable sources, use the potential of the sun, wind and our rivers, as well as invest in new technologies for storage and utilization of hydrogen as a fuel.
- How to solve renewable variability/intermittency problems: 1) more grid interconnection, 2) flexibilization of thermal power plants, 3) wholesale markets coupling, 4) demand response and integration of power, heating, cooling, transport and water systems, and 5) dedicated electricity storage.
- Green energy transition will not be successful without significant involvement of the private sector investments. WB6 integration, as a market, will create opportunities for significant private sector investments in the region
- Important step forward is to reduce the energy consumption, i.e. to save the energy in most cost-effective ways, something that cannot be done overnight (the most efficient way is the education of the final consumers, i.e. achieving short-term energy savings through behavioural change)
- One of the major challenges when structuring long term financing is the management of volatile power prices. Contract for differences, power purchase agreements and hedging agreements including financial base load contracts help to ensure bankability.
- One of EBRD's priorities is to kick start the renewable energy sector and finance first renewable projects, helping governments to establish an enabling environment and attract investments. This is because renewable energy is the single greatest opportunity, we have to drive the energy transition and meet the climate challenges.
- Four EU flagship initiatives: 1) EU Solar PV Industry Alliance, 2) Permitting package, 3) EU Solar Rooftops Initiative, and 4) EU large-scale skills partnership for onshore renewable energy, including solar energy
- EU support package to WB countries (Nov 2022): 1) EC will put forward a substantial energy support package for the Western Balkans: EUR 1 billion in

grants, 2) EUR 500 immediate financial support for vulnerable households and vulnerable businesses (adopted in December and available in January), 3) EUR 500 million in grants, will be dedicated to investments in energy infrastructure (interconnectors), and 4) In addition, strengthen the security of supply by improving and facilitating the access in each other's energy pipelines and storages.

- Creation of organized markets (power exchanges) and their coupling within the region and especially with the EU market is a measure that will significantly improve regional cooperation in the Balkans. The development of new markets in Balkan energy exchanges leads to better opportunities for market participants and better prices for consumers. The goals of ADEX (Alpine/Adriatic-Danube Exchange) are to create a preferred spot power exchange in Central, Eastern and Southeastern Europe, to enhance cooperation between TSOs and NEMOs and to benefit from synergies among existing power exchanges
- The development of regional power markets and exchanges goes hand-in-hand with the building of new interconnections between countries in the Balkan region. Through these parallel developments, markets will become more coordinated and price signals in one market will lead to a rise or drop in prices in neighboring markets
- This extraordinary achievement will additionally boost regional electricity market development and provide a robust and reliable market environment needed for new RES investments and sustainable green transition. In addition, we believe that this open-minded initiative will act as a role model for other CSEE countries to join this advanced business infrastructure

Panel 3: Financing development & regional cooperation

Moderator:

Dr. Nikola Popovski, former Minister of Finance, Current nonexecutive member of the Council of the National Bank of North Macedonia

Key speakers:

1. **Ms. Joan Hoey**, Regional Director (Europe) and Editor, The Economist Intelligence Unit, UK
2. **Ms. Sandra Svaljek**, PhD, Deputy Governor, Croatian National Bank
3. **Ms. Rozalija Karchicka - Vasilevska**, MPPM, Regional Economic Growth Specialist/Deputy Project Manager (REDI), USAID North Macedonia
4. **Ms. Katerina Bosevska**, PhD, Managing Director, EOS Matrix, North Macedonia and Kosovo
5. **Ms. Herjola Spahiu**, CEO, NOA Albania

There is a pressing need to unlock greater benefits of broader financial sector diversification for boosting growth, jobs and economic convergence in the Balkan region. Many of the economic, social and environmental challenges faced by the Balkans today are not confined by national borders – their effects are felt and shared across countries. Thus, regional cross-border and transnational cooperation is a key driver to find shared solutions to these issues.

Key points:

- Bringing economic and political change in the Balkans depends not on the outsiders and on foreign capital of any type, but very much on the governments, businesspeople, and the citizens of the Balkans
- Neither democracy nor growth can be brought by the outsiders (international community, EU, etc.)
- There is a tendency to overestimate the positive effects of foreign aid on the economic development in the region (there is very little empirical evidence of positive correlation between the foreign aid and economic growth)
- FDI have much more pronounced positive effect on the overall socio-economic development in the region
- There are manyfold and permanent positive effects of Croatia's eurozone accession. However, after a decade of Croatia's EU membership, it is obvious that foreign trade is one of the areas where the positive effects of joining the common market are particularly visible
- There are no shortcuts to development, collaboration is a strong factor for the overall socio-economic development of the Balkan countries (especially in the era of constant change)
- In order to create the appropriate conditions for an advancing financial market in the individual Balkan countries and in the region as a whole, as well as to successfully approach full harmonization with the financial markets of the EU, it is necessary for institutions and all stakeholders in the domestic and the regional financial markets to step forth toward finding solutions with an integrated, systemic and a multidisciplinary approach
- Opportunities for cross-border action will be significantly improved, individual markets will increase, experiences will be exchanged, and results will be multiplied. For this to happen, a space for the exchange of ideas and expertise is necessary. A space which will enable constructive dialogue and joint creation of solutions

How to proceed?

- The major challenge for the region is how to achieve faster and sustainable catch-up growth
- The most important thing is that the Balkan countries develop and implement their own development strategies, to enable them to make the difference for the citizens living in the region
- Back in the 90s, microfinance was introduced to the countries of the former communist block as an accelerator in supporting their transition towards free-market economies. The reason for microfinance's success appears to go beyond the "system change" as it points to its human dimension as its major comparative advantage. Even though banks are now omnipresent, excluded and rural families, small entrepreneurs and farmers keep asking for microloans because they are disbursed through a human interaction enriched by a tailor-made advisory, a constant follow-up and wide geographical outreach. It is for this specific reason

that microfinance today may serve as a major socio-economic integrator also for the rural cross-border areas considered to be peripheral to our national capital's banking networks.

- Inspired by the success stories of financial institutions in Europe, EOS Matrix strives to create a financial community that will successfully contribute to the improvement of the domestic and regional financial market. With the new platform launched by EOS Matrix, "Finance Talks", they create an opportunity for systemic change through transparent communication and exchange of insights, analyses and expertise. They want to provide the space for the exchange of expertise and experience between distinguished professionals and experts in the industry following our purpose of changing finances for the better.
- This dialogue should be encouraged within the finance community, discussions should be encouraged amongst the experts and the audience, and specific but relevant topics in the finance industry should be identified and targeted.
- USAID is focusing on financing regional economic integration in the Balkans. Increasingly, global private investors are eyeing the (Western) Balkans as potential for diversifying their portfolios. The USAID CATALYZE Engines of Growth Activity is working with WM Equity Partners (WMEP) to help raise awareness among small- and medium-sized enterprises (SMEs) on how private equity can serve as a valid option to further develop their business or as an opportunity to take on a financing or strategic partner in lieu of closing or selling the company.
- Eight new financial products and services has being identified, designed, and co-created in private equity, venture capital, alternative financing, fintech platforms, microfinance and green financing with local partners in the Western Balkans 6.

Panel 4: Reskilling and upskilling of the Balkan labor force

Moderator:

Mr. Zoran Martinovski, President at Prime Point Partners, North Macedonia

Key speakers:

1. **Ms. Dragana Marjanovic**, Specialist for Economic Inclusion, European Bank for Reconstruction and Development
2. **Ms. Ana Anžej**, CEO, SAŠA incubator, Velenje, Slovenia
3. **Mr. Mladen Mojsilovic**, Head of HR at STAX Technologies, Čačak, Serbia
4. **Ms. Vesna Ivanoska**, Vice President of MASIT (ICT Chamber of Commerce), General Manager, SEAVUS Education & Development Center, Skopje, North Macedonia
5. **Ms. Biljana Markovic Stamenova**, Program Director, Makprogres Progressive Academy, Vinica, North Macedonia

Better education and more relevant competencies are prerequisites to boosting productivity, creating jobs, encouraging civic participation and making the Balkan region an attractive place to live, work and invest in. People across all age groups still lack competencies relevant for the labour market and for civic participation more broadly. New technologies and changes in work organisation are creating new jobs with very different

skill needs than those they are replacing. Globalisation is raising demand for high-level skills that can help economies remain competitive by moving up global value chains.

Key points:

- Skills are changing, jobs are changing, organizations and industries are changing – the whole landscape of work is changing and it's happening at breakneck speed
- Equipping the workforce with the skills required to meet rapid socio-economic and environmental changes is most likely the most efficient way to address and cope with the challenges posed by the future of work
- Only an educated and skilled labour force can help economies become competitive and grow and, very importantly, create jobs and reduce unemployment, including among women and the youth, people from rural areas and others facing disadvantages
- Youth is considered as an important cross-cutting issue. Besides the fact that many programs implemented in the region are focusing on youth-related issues, certain groups of youth still remain excluded from these processes
- However, no company can tackle the issue of skills gaps alone and close cooperation with education policy makers is necessary.
- If any company would like to position itself in the future on the labor market the best choice would be to establish its internal academy
- Advanced technological development is seriously affecting the future of workforce making organizations to look for new and different skills creating and offering completely different roles and pathways. At the same time, future employees' expectations have changed due to variety of factors and their career choice and frequent career shifts relies heavily on this vision of desirable working environment. All this is happening with enormous speed, so it's almost impossible and unrealistic to expect that formal education solely could respond to this ever-changing mega trend
- To ensure their workforce remains competitive and agile, organizations will need to constantly evaluate employees' individual capabilities and the future skills needed for their business to thrive—setting the stage for continuous learning

How to proceed?

- The extent to which individuals, firms and economies can harness the benefits of global trends and domestic developments will critically depend on the readiness of each economy's formal and non-formal education systems to help people develop and maintain relevant skills over their working careers
- Better education and more relevant competencies are prerequisites to boosting productivity, creating jobs, encouraging civic participation and making the Balkans an attractive place to live, work and invest in
- Organizations that cultivate a culture of learning that is continuous, inclusive and digitally-enabled will have greater success in winning the war for talent.

- Any organization that wants to thrive and remain competitive against this backdrop of constant innovation needs to foster a culture of continuous lifelong learning, where reskilling and upskilling are a top, strategic priority.
- This requires a thorough understanding of what skills are needed today and what skills will be needed tomorrow, in the near, middle and long term. First and the most important step is changing the mindset of the people (working with young people from the secondary education and the universities is the key)
- The second step is to give the people the right kind of knowledge (soft skills in the first place), i.e. to create “good workers of the future (people who see the solution for every problem and not the problem for every solution)”
- It is of vital significance to develop tailor-made strategies that would substantially contribute to the needs of young people belonging to the specific target groups (NEET, youth living in rural areas, Roma, youth without qualifications and long-term unemployed youth). The ultimate goal of this endeavor would be improving the skills of individuals belonging to the mentioned target groups that would match labor market needs, consequently leading to their better positioning on the labor market
- Non-formal tech education has proven to be the real solution for today’s most in-demand skills. Its recognition and affirmation as complementary to formal education is critical not only for IT, but for the global economy, especially at this very moment of rapid digital transformation.
- So what can businesses do to stay afloat in this era of rapid change? One possible approach is to focus on skilling, upskilling and reskilling, treating your workforce as flexible rather than only seeing each employee in a set role. This allows them to transform their workforce without having to hire anybody new, which puts businesses in a better position to meet the challenges of modern-day business
- Strategic investments in long-term skills development programs are critical for closing the skills gap and increasing productivity and employee retention. Despite the rapid advances in technology, the need for soft skills is even more emphasized given that the human capital needs to have a flexible mindset, quickly adopt new skills, and conceptualize innovative solutions
- While formal education is primarily backward-looking and produces a cadre that the companies needed years ago, the private sector needs to be forward-looking in anticipating the skills required in the future and providing opportunities for people in adopting these skills.
- EBRD is aware of the major efforts needed to address these challenges facing labour markets and economies and has stepped in to give support and be of assistance. Their approach to economic inclusion places a strong emphasis on skills development, as they support the private sector to address challenges related to skills mismatch and, at the same time, create opportunities for women, young people and other disadvantaged groups

Panel 5: Policy making innovations in the Balkans
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Moderator:

Mr. Goran Petreski, Journalist and TV host

Key speakers:

1. **Ms. Aliye Taygun**, Development Team, Cyprus Forum, Cyprus
2. **Mr. Stefanos Loukopoulos**, Co-founder/Director, Vouliwatch, Greece (online)

Parliamentary monitoring organisations and civic technology (as a tool to enhance citizen oversight over parliaments) are of significant importance to foster the publics' trust & interest in them. As argued in their book *Why Nations Fail* by Harvard professor James Robinson and MIT professor Daron Acemoglu, democracies in which political institutions are open and have a long history of participation are more likely to kept for more years. This panel presented the experiences of two parliamentary monitoring organizations.

1) NOMOPLATFORM (Cyprus)

- There is a global trend towards policymaking innovations such as regulated lobbying, open Parliament, efficient public consultations, and e-petitions
- Nomoplatform, the digital legislative observatory is a politically independent initiative that aims to increase transparency within the Cypriot Parliament
- Nomoplatform provides every citizen with access to the procedures of the submission, discussion and voting of pending bills
- Nomoplatform strives to contribute to activating more citizens, whether they come from the business world, academia or are generally active citizens, to participate in policy making

2) VOULIWATCH (Greece)

- Vouliwatch is a non for profit parliamentary monitoring and transparency watchdog organisation that promotes political integrity, engages Greek citizens with legislative politics and grants them with the opportunity to communicate, evaluate and hold elected representatives in the Greek and the European Parliament accountable.
- The organisation's main goal is to bridge the gap between citizens and their political representatives whilst promoting a culture of transparency, accountability and active citizenship, by making use of innovative digital technology applications which purpose is to facilitate the monitoring of parliamentarians' activities, the transparent communication between MPs/MEPs and their constituents, as well as the recording of all parliamentary activity (legislative process).
- All the services and valuable data, information and research that Vouliwatch has been producing are free and open to the public

INSTEAD OF CONCLUSION

Balkan Economic Forum 2022 brought us a lot of knowledge and transferred lessons from some of the most important economic leaders in Europe. The impulse that will last the longest is of course the new friendships and the great atmosphere filled with very, very positive energy!

An old African proverb says “if you want to go fast, go alone ... but if you want to go far, go together.” We live in the most culturally diverse and naturally gifted part of Europe. Our strength lies in our diversity and in our determination to be part of the European family of democratic nations.

Association for regional development Balkan Economic Forum do believe that **TOGETHER we can build a brighter future for the Balkan region!**

BEF 2022 conference links:

1. <https://www.balkaneconomicforum.org/initiatives/events/balkan-economic-forum-2022/>
2. www.youtube.com/watch?v=UftxGpnLphQ
3. www.youtube.com/watch?v=sejdBjKs2uk



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