



## ERPs and EU Guarantee Instruments

21<sup>st</sup> WBIF SC meeting  
London 16-17/12/2019

# Common regional challenges in the ERPs

## - Business Environment

Key facts and figures	Main issues
<ul style="list-style-type: none"><li>• <b>Legal unpredictability, lack of transparency and corruption</b> are among the main obstacles for businesses</li><li>• <b>Insufficient integration into Global Value Chains (GVCs)</b>, which account for nearly 80% of global trade.</li><li>• Investment in Research, Development and Innovation (RDI) <b>below 1%</b> of GDP (EU target – 3% of GDP)</li><li>• <b>FDI inflows into WB remaining the smallest in the region of SEE</b> (rose from EUR 4.9bn to EUR 6.2bn between 2017 and 2018) - increase mainly in Serbia and North Macedonia</li><li>• Share of informal economy estimated at <b>25-35% of GDP</b> in each WB economy</li></ul>	<ul style="list-style-type: none"><li>• Unpredictable regulatory and institutional environment</li><li>• Still sizeable and unprofitable state-owned enterprises in Bosnia and Herzegovina and Serbia</li><li>• Excessive regulatory burden and slow legal procedures</li><li>• Large informal sector and corruption</li><li>• Non-transparent state aid schemes</li><li>• Para-fiscal charges</li></ul>

# Common regional challenges in the ERPs

## - Energy and Environment

Key facts and figures	Main issues
<ul style="list-style-type: none"><li>• Energy intensity of the WB is around <b>three times higher</b> than in the EU.</li><li>• Poor regional integration and lack of interconnections: <b>security of supply</b></li><li>• WB population is exposed to some of the highest concentrations of pollution in Europe, <b>five times</b> the levels set by national laws and the European Union</li><li>• Inefficient individual central heating systems in <b>88 % of buildings in WB</b></li><li>• WB do not fulfil their obligations under <b>Third Energy Package</b></li><li>• WB economies: <b>medium to highly vulnerable to climate change</b> (high percentage of population employed in weather and climate related sectors: agriculture, tourism)</li></ul>	<ul style="list-style-type: none"><li>• Low energy efficiency</li><li>• Lack of security of supply</li><li>• Not fully liberalised energy markets</li><li>• High energy imports → large trade deficit</li><li>• High air pollution, but also high potential for renewable energy sources</li><li>• No cost-covering tariffs and insufficient bill collection</li></ul>

# Common regional challenges in the ERPs - Education, Employment and Social Inclusion

Key facts and figures	Main issues
<ul style="list-style-type: none"><li>• WB scores below the OECD average in PISA test. Some of the WB have <b>around 70% of underachievers</b> with functional and numeric illiteracy. (EU target is under 15%)</li><li>• <b>NEET</b> (Not in Education, Employment or Training) - 23,5% on average (between 16,7% in Montenegro and 30% in Kosovo*, Albania) against 16.5% of EU average</li><li>• High unemployment despite some positive developments: only <b>every second</b> of the working-age population in WB has a job</li><li>• <b>Large employment gender gap</b>: 21.3% on average (between 13.6% in Serbia and 32.0% in Kosovo in 2018) compared to EU 28 at 11,5%</li><li>• <b>Only 25% of the poorest people</b> of the WB are covered by social assistance</li></ul>	<ul style="list-style-type: none"><li>• High unemployment: especially among women and youth</li><li>• Low labour-market participation</li><li>• Weak education system and structural skills mismatch</li><li>• High informality in the labour market</li><li>• Poorly targeted active labour market policies and social assistance</li><li>• Lack of social inclusion of the vulnerable groups</li></ul>

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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