



South East Europe 2020 Strategy

Implementation results



Summary

In 2016 the region saw **varied progress in SEE 2020 Strategy implementation**. The constantly changing SEE 2020 implementation context significantly influenced the performance of participating economies.

Despite the negative influence of political developments on investment and growth - reduced investment inflows and increased cost of capital; hindered capacity of the governments to implement reforms; and seized up business activity within the economies, **in economic terms, the region has returned to a steady growth pattern**, with positive trend expected in the coming period.

A welcome development is the **underlying rebalancing of the economy** that has been happening over the past five years, with steadily increasing exports and somewhat subdued imports. This has led to a considerable reduction of the negative trade balance that the region has with its trading partners.

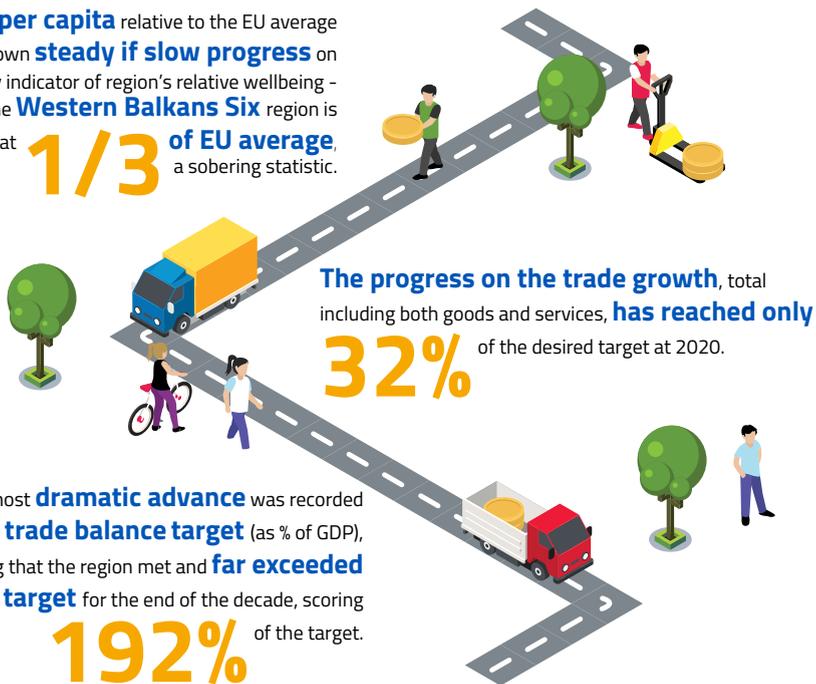
Return of employment growth is another success story. **The Western Balkans economies have managed to add almost 400,000 jobs in the previous five years**. Although performance differed between the economies, the trend is easy to spot and is also expected to continue into the next year.

Croatia withdrew from the SEE 2020 monitoring process during this year due to its EU 2020 monitoring responsibilities. This had an obvious impact on the quantification of regional headline targets and on their composition. In addition, the regional 2020 projections for the four new SEE2020 targets are still provisional, pending endorsement. However, dynamic comparisons are still possible between the WB6 economies, allowing identification of some important trends and developments in SEE 2020 implementation.

Progress towards meeting the SEE 2020 targets

SEE 2020 Headline Indicator	2010 (baseline)	Progress towards the target	2020 target
GDP per capita relative to the EU-27 avg (in PPS), %	32	17%	40
Total trade in goods and services (EUR million)	54,686	32%	129,500
Trade balance, trade in goods (% of GDP)	-22.1	192%	-20.8
Intra-regional trade in goods (% of GDP)	10.6	-15%	14.3
Overall FDI Inflows (EUR million)	3,587	27%	7,300
GDP per person employed (EUR)	26,597	24%	36,300
No of highly qualified persons in the workforce (mil)	1.09	146%	1.44
Net enterprise creation (no. of companies)	29,639	N/A	26,790
Share of renewables in gross final energy consumption	27.1%	62%	31.2%
Employment rate - age group 20-64, % (NEW)	48.7%	57%	55.0%
Government's effectiveness, WGI (scale 0-5)	2.21	52%	2.65

GDP per capita relative to the EU average has shown **steady if slow progress** on this key indicator of region's relative wellbeing - the **Western Balkans Six** region is exactly at **1/3** of EU average, a sobering statistic.



The most **dramatic advance** was recorded by the **trade balance target** (as % of GDP), revealing that the region met and **far exceeded** its **target** for the end of the decade, scoring **192%** of the target.

The **intra-regional trade in goods** (% in GDP), however, has been mostly **stagnant**, as revealed with a negative achievement of **-15%**

While the **overall trade** with partners outside of WB6 **grew** by more than **37%** in the 2010-15 period, the **intra-regional trade** has **expanded** by only **12%**, thus further shrinking the share of intra-regional trade in overall trade.

Increasing the **FDI inflows** from EUR **3.6 billion** to EUR **7.3 billion** in 2020 – has seen slightly better performance, at **27%**, but the trend seen so far indicates **the region will likely miss the FDI target by the end of the decade** unless more decisive reforms are implemented both in terms of investment policy as well as improving the overall business environment.



The share of renewables in gross final energy consumption (%) is **far advanced**, as it has met **71%** of the 2020 target.

Another **encouraging progress** is one referring the **employment rate** – age group 20-64 (%), currently at **57%** of the implementation of the target.



Finally, the **performance on the governance target** has also seen good progress with more than **half** of the target already reached, although some setback is evident in the last year observed.

ALBANIA

Albania **leads** the region with achieving the SEE2020 target in **Intra-regional Trade in Goods** (% of GDP) with

111%

of the target achieved.

Substantial progress has been made on **Government effectiveness**, with

68%

of the target fulfilled.

Significant headway has been made regarding the **number of highly-educated persons** in the workforce, with

88%

of the target fulfilled.

Overall FDI inflows:

12%

of the target reached.

Two large foreign direct investments in the energy sector are major drivers for expansion in the near term. More efforts are needed to attract FDI to higher value-added activities.



BOSNIA AND HERZEGOVINA

Trade balance, trade in goods:

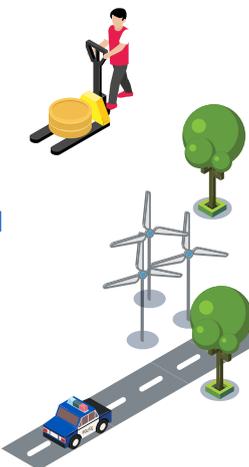
62%

of the target achieved

Government effectiveness:

52%

of the target achieved



Bosnia and Herzegovina is one of the **better performing** economies in region in achieving the target on Net enterprise creation with the **jump from**

3,772

new enterprises in 2015 to

4,294

new enterprises in 2016.

Bosnia and Herzegovina had its share of **FDI decline** over the past years, resulting in -

-25%

negative progress towards the 2020 target.



THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

added over
86.000
jobs in the past 5 years



The positive trend with

44%

gains towards the 2020 target is still below the level needed to reach the ambitious objective of doubling **FDI** by the end of the current decade.



Number of **highly qualified persons** in the workforce: SEE 2020 target **surpassed by**

48%

The **GDP per person employed** lacks **growth momentum** and it is only at

(now is at)

55%



20%



The economy is among those where the **employment** shows continuous **increase** as it is on a good path to meet the set employment target until 2020.

KOSOVO*

When it comes to the **net enterprise creation** the results are showing steady **progress** on this key indicator as it increased from

9,929
created enterprises in 2015 to
10,445
in 2016.



When it comes to the **Employment rate**, age group 20-64, the economy is at

42%

of reaching the 2020 target.

added over
50.000
jobs in the past 5 years



Government effectiveness indicator: already **halfway reached** 2020 target, at

51%

Foreign direct investments - FDI declined from **369 million** in 2010 to 216 million euros in 2016, which makes a **drop of**

-35%

towards the 2020 target that is 800 million euros.

*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

MONTENEGRO

Montenegro leads the region in FDI inflows with 687 million EUR in Foreign Direct Investments, reaching

73%

progress towards the 2020 target.

Renewable energy sources in gross final energy consumption:

Montenegro, is the best in the region and already fulfilled, and even overachieved the 2020 target at

131%



added over
15.000

jobs in the past 5 years



Large progress in increasing the number of highly-educated persons in the workforce has been achieved by Montenegro, with

106%

progress towards the 2020 target.

Montenegro is showing the lowest progress in the governance effectiveness,

reaching only

14%

of 2020 target.

However, due to establishment of new institutions and deployment of substantial efforts to foster specialisation, both in the police and within the judiciary, upward progress is expected.



SERBIA

added over
300.000

jobs in the past 5 years



Serbia made

66%

progress towards the 2020 target in FDI inflow, with 2.080 million EUR.



Serbia leads the WB6 when it comes to the number of highly qualified persons in the workforce. With 783.000 highly educated citizens, Serbia has considerably exceeded the target, and is at

248%

Serbia already reached

80%

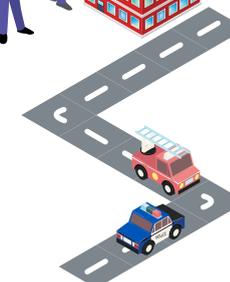
of its 2020 employment target, showing significantly positive signs of growth with increase of 7.9 points in the 20-64 employment rates.



Lowest progress has been achieved on the government effectiveness indicator, where only

33%

of the 2020 target has been achieved.





Regional Cooperation Council Secretariat

Trg Bosne i Hercegovine 1/V
71000 Sarajevo, Bosnia and Herzegovina
T +387 33 561 700 F +387 33 561 701 E rcc@rcc.int



rcc.int



RegionalCooperationCouncil



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