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The role of the EU in strengthening the rule of law, economic growth and sustainable development in the Western Balkans

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SUPERVISOR'S OPINION

on Constantin Plamadeala's PhD dissertation to be submitted for final defence

Debrecen, 31 May 2025

Constantin Plamadeala's draft doctoral dissertation focuses on the role of the European Union in strengthening of sustainable development in the Western Balkan region. Within this topic, the special focus of his research is the relation between the economic growth and the principle of rule of law. The research approaches the rule of law as a multidimensional concept having several components such as the security of person, protection of fundamental rights or trust in public institution.

Due to the geopolitical position of the countries examined in the research, the relevance of the topic is undeniable, both in the international context and from a European perspective. The issue of sustainable development in the Western Balkan, also as a key element in the process of EU integration of the region, gained particular attention nowadays in the light of the current Ukraine crisis.

Constantin formulated five main hypotheses regarding the relationship between the rule of law, economic growth and sustainable development, and the role of the European Union in strengthening these factors. In order to prove the hypotheses, Constantin conducted research based on a multidisciplinary methodology with a specific approach. In addition to comparative legal and policy analysis based on legal and policy documents, this includes the use of multivariate statistical methods based on publicly available economic data and composite indices. The main academic value of the thesis lies in the conclusions drawn from this specific approach and the use of multidisciplinary methods.

Based on the above, as the supervisor of the doctoral research, I support the acceptance of the dissertation for the final defence.



Dr. Ildikó Bartha, supervisor

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INTRODUCTION

Aims and scope of the dissertation

Through its enlargement policy, the European Union (EU) seeks to foster democratisation in six southeast European countries that aspire to become EU members. Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia (in short, the Western Balkans six or ‘WB6’) have all been, albeit in different stages, in a long accession trajectory since 2003 that has since lost both efficacy and political momentum. Particularly in the spheres of democratisation and the rule of law, reform processes remain deadlocked or only move slowly.¹

Due to the lack of democratic consolidation in the WB6, more and more attention is being paid to the negative effects of EU policies. Several recent analyses argue that the EU unintentionally contributes to the formation of so-called ‘stabilitocracies’ in the region: Countries with obvious democratic shortcomings that nevertheless claim to work towards democratic reform and offer stability²

In supporting rule of law reform and constitution building in other regions, the EU aims to ensure the same degree of respect for fundamental values and democratic culture as in its own member states. These values are paramount. By supporting rule of law reform and constitutional development in other regions, the EU aims to ensure the same level of respect for fundamental values and democratic culture as in its member states.

At the same time, the experience of other regions, where regional cooperation is closely linked to the EU integration process (Visegrad Group and the Baltic States), has shown the advantages of a more streamlined region. The informal group "Western Balkans Six" brings together countries that are more or less at the same stage of resumption of relations with the EU and essentially share the

¹ Kmezić, M. (2020) “Rule of law and democracy in the Western Balkans: addressing the gap between policies and practice”, January 2020. Vurmo, G. (2020) “Tailor-made laws in the Western Balkans,”

² Kmezić M., Bieber F. (2017), “The Crisis of Democracy in the Western Balkans. An Anatomy of Stabilitocracy and the Limits of EU Democracy Promotion,” The Balkans in Europe Policy Advisory Group, , 95; Florian Bieber, “What is a stabilitocracy?” *The Balkans in Europe Policy Advisory Group*, May 5, 2017; Solveig Richter and Natasha Wunsch, “Money, power, glory: the linkages between EU conditionality and state capture in the Western Balkans” *Journal of European Public Policy* 27, no. 1 (2020): 42.

same goal of integration into the European Union, facing challenges economically similar. The development can benefit from better coordination and sharing of many common cultural features. The quality of the rule of law is one of the prerequisites for faster and sustainable economic growth and development of the Western Balkan countries, taking into account their historical context, the breakup of South The past, the specific economic circumstances of the transitional recession of the 1990s, the slow economic recovery of the early 21st century, the strong impact of the global economic and financial crisis and the path towards the European Union.

In the 2010s, some EU leaders already demonstrated a clear commitment to enlargement, as Chancellor Merkel did at the Western Balkans conference in August 2014.³ This intention was further confirmed by EU leaders in their Brussels Declaration issued at the 2024 Western Balkans Summit.⁴

This situation raises questions not only about how EU policy towards the region is formulated but also about the sustainability of membership-related reforms in candidate countries.

This is particularly relevant to judicial reform (Negotiating No. Chapters 23 and 24), which is often cited as the main challenge in the ongoing accession negotiations.

As for EU candidates, the EU appears to be allied with governments in the Western Balkans that support legal reform but do not necessarily implement it. In fact, candidate governments, including members of populist parties, will be the EU's interlocutors in the negotiations.

The main research problem of the thesis is to examine the dynamic relationships between the rule of law and the connected elements and sustainable development and economic growth in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Subject matter of analysis

The rule of law involves a set of common standards of action, established by law and applied in practice through procedures and accountability mechanisms, ensuring reliability, predictability and "provisions of law". The rule of law includes the following four universal principles: "the government, its officials and agencies are accountable to the law; clear, open, stable and fair laws that protect basic rights, including human and property security; making, administering and

³ Euroaktiv (2014) *Merkel seeks to strengthen EU ties to Western Balkans*

<https://www.euractiv.com/section/enlargement/news/merkel-seeks-to-strengthen-eu-ties-to-western-balkans/>

⁴ Brussels Declaration (2024) <https://www.consilium.europa.eu/media/wvld5ka1/brussels-declaration-2024-en.pdf>

enforcing laws accessible, effective and equitable, justice is delivered by competent, efficient and independent representatives and neutrals who are sufficient in number, have adequate resources and reflect the community they serve”.⁵ The first part of the thesis provides an exploration of the essence and key elements of the rule of law, drawing on relevant EU legislation and academic literature.

The rule of law is considered one of the key aspects that determine the quality and good governance of a country. There are indices that measure the extent to which regulations are enforced fairly and effectively. Such indices are also used in the thesis to analyse the relationship between the rule of law, sustainability and economic development in the Western Balkans.

The rule of law is recognized by international legal instruments and used by lawyers and policymakers. “Exporting the rule of law” has become an important topic in the rhetoric of countries and international organizations that have relations with countries in

transition and in developing countries around the world. The same goes for the European Union, which is committed to promoting the rule of law both in the context of enlargement and within the framework of its neighborhood policy. This is because the rule of law is not only considered a common core value within the EU constitutional framework but is also used as a cross-cutting foreign policy goal and a benchmark against which to evaluate the actions of candidate countries. The EU has sought to increase efforts to promote human rights, democracy and the rule of law in all aspects of its foreign affairs. Furthermore, the EU promotes a broad and substantive understanding of the rule of law, which is seen as closely linked to the principles of democracy and respect for human rights, which underpin foundation for all sustainable political, economic and social stability.

The preamble of the Treaty on the European Union (TEU) requires signatory states to respect the values such as inviolable rights of the person, freedom, democracy, equality and the rule of law. EU treaties consistently link the rule of law to the principles of democratic governance and the protection of human rights, and suggest that these principles should be understood and promoted as interconnected. This is also consistent with respect for these fundamental values in all EU institutions, which must guide EU action in every policy and at every level of decision-making.

⁵OECD Library, Strategic Gouvernance

,https://www.oecd-ilibrary.org/rule-of-law_5k3tx6gf1hlp.pdf

As a result, EU support for the rule of law has been embedded in a number of intersecting agendas, from security to development, good governance and enlargement.

3)Literature Review

Hoxhaj (2020) provides empirical evidence demonstrating that countries with stronger rule of law frameworks tend to experience higher economic growth rates. However, the Western Balkans exhibit a paradox where legal reforms, while extensive on paper, fail to translate into economic stability due to weak institutional capacities. The slow implementation of judicial reforms and the selective application of legal norms create an uncertain business climate, limiting the region's economic potential. The Western Balkans, despite extensive legal reforms aimed at fostering economic growth, have faced challenges in translating these reforms into tangible economic outcomes. The weak enforcement of laws and the persistence of informal political networks have created a climate of uncertainty, which undermines investor confidence and hampers economic growth.⁶

In conclusion, the rule of law remains a cornerstone of the EU integration process for the Western Balkans, yet significant gaps remain between policy and practice. While legal reforms have been implemented to meet EU accession criteria, their effectiveness in fostering economic growth is constrained by weak enforcement mechanisms and political interference. The literature suggests that while the EU's conditionality approach has led to some progress, structural challenges such as political resistance, informal governance structures, and weak institutions continue to impede meaningful change. To unlock the full potential of the rule of law in driving economic stability and institutional development in the region, these obstacles must be addressed, ensuring that legal reforms are not only implemented but also effectively enforced.

Methodology

Quantitative research methods focus on objective measurements, with statistical analysis or the collection of numerical data. In the thesis, the numerical data is collected from different reports such as International Monetary Fund, World Bank, Transparency International, World Justice Project etc.

⁶ Hoxhaj, A. (2020). *EU Rule of Law Initiatives in the Western Balkans: Achievements and Challenges*.

Globally, the World Bank is renowned for its expertise in development data and has proven highly effective in producing high-quality data. It generates influential and widely utilized datasets and transnational indicators that address critical gaps in information. These resources are instrumental in guiding research, informing policy decisions, and driving political actions. Countries around the world rely on the World Bank's data to shape development strategies, making it a cornerstone for evidence-based decision-making and global progress. The importance of the World Bank's data cannot be overstated, as it serves as a vital tool for fostering sustainable development and addressing key challenges worldwide. The data catalogue of World Bank provide dynamic tools for exploring data by country, indicator, and topic, featuring advanced functionalities like gradient maps. These resources highlight the importance of data in informing development strategies and decision-making

The WJP (World Justice Project) Rule of Law Index is the world's leading source for original and independent data on the rule of law, covering 142 countries and jurisdictions. It relies on over household surveys and legal practitioner and expert surveys to measure how the rule of law is experienced and perceived globally. This comprehensive data is a critical resource for policymakers, civil society organizations, academics, citizens, and legal professionals, providing current and reliable information to guide policy reforms, support program development, and inform research initiatives aimed at strengthening the rule of law worldwide.⁷

Transparency International has become the most important organization in collecting and distributing information related to corruption. One of the many ways that Transparency International systematize this information. The index of corruption perception is the most famous source and is applied the most information on the level of corruption in all countries.⁸

For example together, these tools underscore the critical role of data in driving inclusive, sustainable development and strengthening governance worldwide. The rule of law indexes and its components issued by organizations such as the World Bank, the Heritage Foundation and Freedom House present data from studies of homes and businesses, commercial sources of trade data, non-governmental organizations and open-source organizations. The rule of law indices capture perceptions of the degree to which specialists have certainty in and stand by the rules of

⁷ World Justice Project <https://www.cmi.no/publications/file/2120-is-it-wrong-to-rank.pdf>

⁸ Soreide T. (2006) *Is it wrong to rank? A critical assessment of corruption indices* CMI Working Paper <https://www.cmi.no/publications/file/2120-is-it-wrong-to-rank.pdf>

society. More specifically, they encompass the quality of contract enforcement, property rights, the police, and the courts, as well as the of violence and crime.⁹

Therefore, this study adopts an X-oriented explanatory approach by examining whether an independent variable X influences another dependent variable Y. In this study, the independent variable is the level of rule of law in a given country and the dependent variables are other analysed factors such as corruption and economic growth. The unit of analysis for this study is the country. In order to explore the effects and relationship between rule of law and economic growth and the implication of EU in Western Balkans the following techniques will be used: Regression, Correlation and Risk analysis.

4.1. Regression

Regression is a statistical method used in finance, investing, and other disciplines that attempts to determine the strength and character of the relationship between one dependent variable (usually denoted by Y) which represents a response variable one or more other variables (known as independent variables). The independent variable is also called explanatory variable used to explain or predict the response variable.¹⁰ The regression allows researchers to predict or explain changes in a variable based on another variable.

The regression answer to the question "What factors influence the variation of the dependent variable?" For example, factors that contribute to changes of phenomena and processes. Also the goal of the regression is to compare alternative theoretical explanations.

Regression analysis is essential for this research because it provides a systematic way to explore and quantify how the rule of law influences sustainable development and economic growth. Such an analysis may also contribute to evidence-based policy recommendations.

On the one hand, the objective of regression analysis in this thesis is to explain variability in dependent variable by means of one or more independent (or control) variables. This type of regression is the multiple linear regression. The multiple linear regression model is important for hypothesis testing in this research as it may contribute to a deeper understanding of the relationship between specific segments of the rule of law (such as corruption control or law and order index

⁹ Kaufmann D., Kraay A., Mastruzzi M (2010) *The Worldwide Governance Indicators: Methodology and Analytical Issues* World Bank Policy Research Working Paper No. 5430

¹⁰ Investopedia, Regression: Definition, Analysis, Calculation, and Example

<https://www.investopedia.com/terms/r/regression.asp>

the quality of institutions) as independent variables and economic growth as the dependent variable. Therefore, it helps determine if there's a cause-and-effect relationship between the rule of law and economic performance. On the other hand, the multivariate regression analysis will be used which always involves situations with multiple dependent variables. Multivariate regression is a specific technique used to model the linear relationships between more or one independent variable and more than one dependent variable. This method is important for this thesis because it can help us to explore the relationship between corruption control (which is seen as a fundamental pillar of the rule of law in this thesis) as the independent variable and specific indicators of sustainable development and economic growth as dependent variables.

Beyond theoretical conclusions, the result of regression can serve empirical evidence to show whether there is a strong connection between the rule of law and sustainable development.

4.2. Correlation

The correlation method is a type of non-empirical research method in which the researcher measures two variables, understands and evaluates the statistical relationship between them without the influence of any outliers. For example, data may show that users with certain personality traits tend to use stricter privacy settings than users with other personality traits. Correlation methods balance relevance and accuracy. The direction of correlation can be either positive or negative.

Table: Types of correlation

Positive correlation	Both variables change in the same direction	As height increases, weight also increases
Negative correlation	The variables change in opposite Directions	As coffee consumption increases, tiredness decreases
Zero correlation	There is no relationship between the variables	Coffee consumption is not correlated with height

Source: <https://www.scribbr.com/methodology/correlational-research/>

In this thesis the correlation analysis is applied to identify relationships between governance effectiveness and economic stability, as well as to analyze the link between the rule of law index and environmental policy effectiveness. This approach is justified because correlation analysis helps uncover significant relationships, The thesis also examines by applying this method whether a correlation exists between the rule of law and progress in sustainable development. For example, whether correlation analysis can confirm that upholding the rule of law in the management of natural resources is crucial for promoting inclusive and sustainable economic growth and development.

4.3.Risk analysis

Risk analysis is a multi-step process aimed at reducing the impact of risks on business operations. This method evaluates the degree of risk and the probability of potential scenarios while also offering predictions about each country. The political risk, which is closely tied to the rule of law, plays a critical role in the thesis. By identifying and anticipating political risks, political risk analysis provides a foundation for developing strategies to manage and mitigate the risks from these countries effectively.

There are two main methods of risk analysis. A simpler and more convenient method is qualitative risk analysis. Qualitative risk analysis evaluates or assesses risk based on perceptions of the severity of the risk and the likelihood of its consequences. Quantitative risk analysis, on the other hand, calculates risk based on available data.

The political risk analysis is a way for investors to evaluate business risks in a particular country. These risks include expropriation, war, terrorism, political instability and corruption. The purpose of political risk analysis is to identify potential risks associated with foreign investments. Furthermore the political risk analysis is used to determine the current state of domestic affairs and the likelihood of a change in power. In addition, it also helps estimate an entity's susceptibility to a hostile takeover from either external or internal forces.¹¹

¹¹ Kiran V. (2020) Political Risk Analysis: How to do Political Risk Assessment, Political Marketing

<https://politicalmarketer.com/political-risk-analysis/#:~:text=Political%20risk%20analysis%20is%20a%20way%20for%20investors,associated%20with%20an%20investment%20in%20a%20foreign%20country.>

As this thesis also aims to assess how external factors, such as geopolitical influences and government stability, impact the implementation of the rule of law, political risk analysis is an important methodological tool in this research. This means examining the effect of political instability, as well as identifying risks to sustainable development caused by governance inefficiencies and external actors. The methodology includes SWOT analysis to evaluate legal and economic strengths, weaknesses, opportunities and threats in the countries under analysis. This approach is justified because political risk analysis offers valuable contextual insights into external disruptions that may hinder improvements in the rule of law.

Viewing these methodological tools in their complexity, regression analysis is used to explore causal mechanisms, ensuring a strong empirical foundation, while correlation analysis complements it by identifying key relationships before causality testing. Political risk analysis adds a qualitative dimension, focusing on governance and institutional challenges without relying on numerical data. Through this integrated approach, the research aims to empirically demonstrate the impact of the rule of law on economic growth and sustainable development in the Western Balkans, identify sustainability dimensions most affected by governance quality – particularly in corruption control and institutional effectiveness – —and highlight political risks that hinder effective legal frameworks and economic stability in the region. By linking theoretical insights with empirical methods, this methodology ensures clarity in connecting research questions with appropriate analytical techniques, thereby strengthening the study's academic rigor and policy relevance.

The hypotheses

Political regimes in the Western Balkan states have been consolidated and rely heavily on weak rule of law mechanisms, enabling them to exercise unrestricted power and control over various aspects of a country's activities, including its economy. While this trend itself does not explicitly hinder the region's economic development, it does raise questions about the sustainability of economic growth. Support from the European union is essential to help these countries overcome these shortcomings and ensure the conditions for their EU integration and the EU is committed to provide financial resources for their economic growth and sustainable development. Based on these considerations, the following hypotheses can be formulated.

H₁ The rule of law, as promoted by the EU, is a cause and effect of the economic growth in the Western Balkans.

Improvements in legal frameworks and enforcement, driven by EU initiatives, create a stable environment conducive to economic activity. Transparent, predictable and effectively enforced laws reduce risks for investors and encourage private sector development. Consequently, a stronger rule of law is associated with greater economic growth in the region.

The correlation between success in establishing the rule of law and economic growth may be reciprocal as the strengthening of legal frameworks increases with income.

The core causal mechanisms through which the rule of law is in the connection with economic growth could be the border security, the enforcement of contracts, the control of smuggling and the fighting against the corruption. These dimensions of the rule of law underline to the question of joining Western Balkan countries to EU. Empirical evidence suggests that corruption affects economic growth, especially in countries with low investment rates and poor governance.¹²

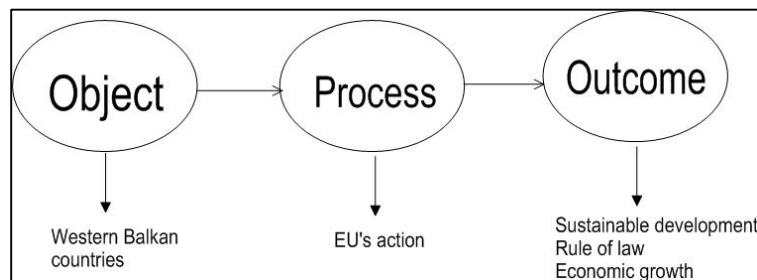


Figure: Overview of EU's action in Western Balkans

Source: Made by author

According to the scheme, the Western Balkans represents an object for which the EU is working to promote through several instruments. The desired outcome is improved rule of law, economic growth and sustainable development. In terms of the rule of law, the European Union upholds the

¹² Swaleheen, M. (2011). *Economic growth with endogenous corruption: an empirical study*. Public Choice, 146: 23-41

Mauro, P. (1995). *Corruption and growth*. Quarterly Journal of Economics 110, 681-712.

Huang, H. (2016). *Is corruption bad for economic growth? Evidence from Asia-Pacific countries*. North American Journal of Economics and Finance 35, 247-256

Mo, P.H. (2001). *Corruption and economic growth*. Journal of comparative economics. 29, 66–79

principle that rulers are subject to legitimate restrictions. This implies that the powers of the government and its authorities are constrained and that they are held accountable.

H₂ The rule of law promoted by the EU results in efficient sustainable development in the Western Balkans.

The establishment of robust legal institutions and governance structures leads to long-term progress that is environmentally, socially and economically sustainable. By reducing corruption, ensuring property rights and promoting transparency, the rule of law creates institutions that are resilient and capable of supporting ongoing development. Therefore, sustainable growth is directly linked to the quality and effectiveness of legal and institutional reforms fostered by EU initiatives. An analysis suggests that countries in the region show different rule of law and economic growth complexes and the level of sustainable development is one of the most important factors in differentiating among them in this regard.

The EU's foreign policy implications are closely linked to the existence of a strong correlation between the rule of law and economic growth that can stimulate the sustainable development.

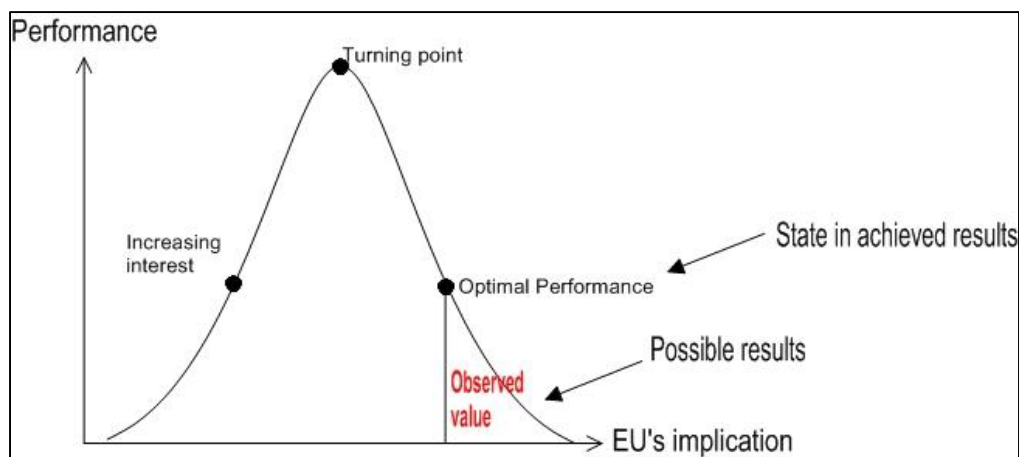


Figure: Prediction of results
Source: Made by author

According to the graph, the more involved the EU's in the region, the greater the interest in achieving new results. The turning point represents the moment when the interests are transformed step by step in achievements. Optimal performance is the region's achieved results in the context of a strong rule of law and economic growth.

H₃ The rule of law promoted by the EU stimulates industrialization in the Western Balkans. This hypothesis is closely linked to H₁ relating to the relationship between the rule of law and economic growth. A stable legal environment encourages industrial growth by attracting foreign direct investment and fostering innovation. When property rights are protected and contracts are enforceable, businesses are more likely to invest in manufacturing and infrastructure projects. A legal system based on the rule of law reduces the uncertainties and risks associated with industrial activities, thereby accelerating regional industrialisation.

H₅ The influence of other powers such as China, Turkey and Russia) can “disturb” the path of the Western Balkans to the EU.

The EU accession process of the region may be slowed down or interfered with by geopolitical influences from other major powers. These external actors may promote alternative alliances or exert influence that conflicts with EU standards and priorities. Such interference could hinder integration and stability in the region.

The originality and novelty of the research

Relatively little existing literature addresses the complex relationship between the rule of law, economic growth and sustainable development in the Western Balkans, or the role of the EU in promoting the rule of law. Most of these academic contributions focus on descriptive, qualitative assessments, with only a few using basic econometric analyses.

Specific aspects of the rule of law in the Western Balkans, as well as the integration process of the countries in the region into the EU, are receiving increased attention in academic literature. It is emphasised that the Western Balkans face unique challenges related to ethnic conflicts, fragile political systems and weaker civil society traditions compared to Central and Eastern European countries. This complicates the Europeanisation and enforcement of rule of law requirements in these states and necessitates a tailored, context-sensitive approach.¹³ Academic studies provide detailed analyses of the structural and political obstacles to establishing the rule of law in the

¹³ Hoxhaj A. The EU Rule of Law Initiative Towards the Western Balkans. *Hague J Rule Law*. 2021;13(1):143–72. doi: 10.1007/s40803-020-00148-w. Epub 2020 Nov 18. PMID: PMC7672688 ; Kmezić, M. (2020). Rule of law and democracy in the Western Balkans: addressing the gap between policies and practice. *Southeast European and Black Sea Studies*, 20(1), 183–198. <https://doi.org/10.1080/14683857.2019.1706257>; Haider, H. (2018). *Rule of law challenges in the Western Balkans*. K4D Helpdesk Report 464. Brighton, UK: Institute of Development Studies.

Western Balkans, which are rooted in the region's legacy of communist judicial culture, post-conflict fragmentation and weak institutional traditions. These studies examine specific themes related to the rule of law, such as judicial reform, institutional challenges (including corruption),¹⁴ political culture,¹⁵ the role of society,¹⁶ the role of the media¹⁷ and public trust.¹⁸ Other analyses focus on the role and instruments of the EU in strengthening the rule of law in the Western Balkans.¹⁹ Scientific papers mentioned above primarily rely on descriptive and qualitative research methods, some of them apply descriptive statistical analysis.²⁰

The number of studies examining, beyond the progress and challenges of the rule of law itself, the complex relationship between the rule of law and economic growth or sustainable development, is rather limited. Some of them also use qualitative or basic econometric analysis. Ftoreková and Mádr used panel data regression analysis for the period 2000–2015 to evaluate the impact of rule of law indicators on economic growth in the Balkan states.²¹ Engjell Pere used econometric modelling with panel data from 1996 to 2012 to assess the impact of good governance (including components of the rule of law) on GDP growth in the region.²²

Unlike prior studies presented above, the novelty of the present research lies in its attempt to combine correlation, regression and risk analysis. I believe that this combination of methods could

¹⁴ Tubbs-Herring, Bryan, *The Battle for the Rule of Law: The Case of the Western Balkans and the EU* (May 16, 2014). <http://dx.doi.org/10.2139/ssrn.2607096>

¹⁵ Draško, Gazela Pudar et al. : *Political Culture in Southeast Europe : Navigating between Democratic and Authoritarian Beliefs and Practices*. Sarajevo, Friedrich ebert Stiftung, 2019.

¹⁶ Natasha Wunsch: *EU Enlargement and Civil Society in the Western Balkans : From Mobilisation to Empowerment*. Springer, 2018

¹⁷ Milica Uvalić (ed.): *Integrating the Western Balkans into the EU : Overcoming Mutual Misperceptions*. Palgrave, 2023

¹⁸ Marina Matic Boskovic : *The Perception of Justice in Western Balkans Countries*. *Regional Law Review* 25, 2021

¹⁹ Hogić, N. (2020). The European Union's Rule of Law Promotion in the Western Balkans: Building a Rule of Law Constituency. *Croatian Yearbook of European Law and Policy*, 16(2020), 197–223. ; Soeren Keil and Zeynep Arkan (eds.): *The EU and member state Building : European foreign policy in the Western Balkans*, Routledge, 2015 ; Mendelski, M. (2016). Europeanization and the Rule of Law: Towards a pathological turn. *Southeastern Europe* 40 (3): 346-384.

²⁰ As examples for the latter, see Boskovic (2021); Hogić (2020).

²¹ FTOREKOVÁ, Michaela, and MÁDR, Michal. 2017. The Rule of Law and Economic Growth in the Balkan States. *European Journal of Business Science and Technology*, 3 (1): 13–20. ISSN 2336-6494, DOI <http://dx.doi.org/10.11118/ejobsat.v3i1.76>.

²² Engjell Pere, 2015. Impact of good governance in the economic development of Western Balkan countries, *European Journal of Government and Economics*, vol. 4(1), pages 25-45

provide a more nuanced understanding of the causal relationships and interdependencies within the rule of law–economic growth–sustainable development nexus. Additionally, while the role of the EU is often discussed in academic papers, the direct and indirect effects of EU instruments on economic and development outcomes through improvements in the rule of law in the Western Balkans are rarely assessed quantitatively. Finally, if existing literature examines the impact of the rule of law from a broader perspective, it tends to focus on its impact on economic law in isolation. Incorporating sustainable development as a key outcome of the rule of law in the present research broadens its scope and relevance, capturing environmental and social dimensions alongside economic factors.

CHAPTER 1: THE CONCEPTUAL FRAMEWORK OF RULE OF LAW AND SUSTAINABLE DEVELOPMENT

1.1. The concept of the rule of law

The rule of law is a foundational principle for democratic governance, economic stability, and European integration. In the Western Balkans, where legal and political reforms are closely tied to EU accession prospects, the rule of law plays a crucial role in shaping economic growth and institutional development. This chapter examines the theoretical underpinnings of the rule of law, its role in Europeanisation, and its relationship with economic development, drawing on key academic sources and judicial precedents.

The rule of law is a multidimensional concept that encompasses both formal and substantive dimensions. According to Kmezić (2020), the formal approach focuses on procedural aspects such as legal certainty, access to justice, and the independence of the judiciary, while the substantive approach includes broader democratic values such as human rights and equality before the law²³. The European Union's rule of law framework integrates both perspectives, emphasizing legal predictability and the accountability of institutions (Hoxhaj, 2020). In addition, Džankić, Kmezić, and Keil (2019) argue that the EU's conditionality mechanism, while effective in some cases, often fails to enforce genuine institutional transformation in the Western Balkans. Despite legal reforms, the persistence of weak governance structures remains a significant challenge. Ashiku (2020) further explores the historical context, demonstrating how the legacy of political instability and fragmentation has influenced the uneven application of rule of law principles.

The Europeanisation process in the Western Balkans has been largely driven by the EU's conditionality mechanism, which ties legal and judicial reforms to progress on accession. However, Džankić, Kmezić, and Keil (2019) suggest that this approach has had mixed results, often resulting in superficial compliance rather than substantive institutional transformation. The discrepancy between formal legal alignment and practical implementation continues to be a significant challenge. Hoxhaj (2020) notes that while the EU's rule of law initiatives aim to promote judicial independence and combat corruption, enforcement mechanisms remain weak.

²³ Kmezić, M. (2020). *The Rule of Law in the Western Balkans: Between Formal and Substantive Dimensions*.

The gap between policy and practice often stems from entrenched political interests that resist meaningful legal reforms, undermining the effective implementation of the rule of law framework.

Ashiku (2020) explores the concept of Balkanisation, highlighting how historical fragmentation and ethno-political divisions have impeded the development of a unified rule of law framework in the region. The persistence of informal governance structures and weak enforcement mechanisms continues to undermine judicial independence and legal certainty. As a result, the Euro-Atlantic integration process faces resistance due to the coexistence of formal legal structures with deeply entrenched informal networks that influence political and economic decision-making. These divisions have led to a fragmented legal system that hinders the development of a coherent rule of law framework, thus impeding effective governance and institutional growth.²⁴

A well-functioning legal system is essential for creating a stable environment for economic activity, attracting foreign direct investment (FDI), and fostering entrepreneurship. Kmezić (2020) notes that despite formal legal reforms in the Western Balkans, investors remain hesitant due to inconsistent enforcement and high levels of corruption. The lack of judicial independence further exacerbates the perception of risk among businesses.²⁵ Džankić, Kmezić, and Keil (2019) emphasize that economic development remains hindered by weak rule of law institutions, which deter long-term investment and business growth. The ability to provide legal certainty and guarantee the enforcement of contracts is a critical factor in attracting investment, yet these conditions are often lacking in the region due to weak institutional capacities.²⁶

The European Court of Justice (ECJ) has played a pivotal role in shaping the discourse on rule of law compliance within the EU. Notably, cases such as C-620/18 Hungary v Parliament and Council (ECLI:EU:C:2020:1001) and C-626/18 Poland v Parliament and Council (ECLI:EU:C:2020:1000) illustrate the EU's enforcement mechanisms against member states that violate rule of law principles. These cases provide a relevant legal context for assessing rule of law deficiencies in accession countries, demonstrating the EU's increasing willingness to condition funding and membership prospects on compliance with fundamental legal principles. This practice

²⁴ Ashiku, E. (2020). *Balkanisation and the Impact of Political Fragmentation on Rule of Law Reforms*.

²⁵ Kmezić, M. (2020). *The Rule of Law in the Western Balkans: Between Formal and Substantive Dimensions*.

²⁶ Džankić, J., Kmezić, M., & Keil, S. (2019). *The EU and the Rule of Law in the Western Balkans: An Analysis of Legal Reforms and Institutional Development*.

could have significant implications for the future engagement of the EU with the Western Balkans, as the EU continues to enforce its rule of law standards for membership.²⁷ Therefore, in the following, I examine the most important concept elements of the rule of law on the basis of the CJEU case-law in details.

1.2. The concept of the rule of law under EU law, as interpreted by the Court of Justice of the European Union

Article 2 TEU explicitly identifies the rule of law as one of the fundamental values on which the Union is founded. The CJEU has emphasised that these values define the EU's identity as a common legal order, and that respect for them is a prerequisite for EU accession under Article 49 TEU.²⁸

The CJEU has established a close link between the rule of law and effective judicial protection, based on Articles 47 of the EU Charter of Fundamental Rights and 19 TEU. According to the case-law of the Court, threats to judicial independence as an integral part of the rule of law. The Court recognises the importance of the independence of national judiciaries for both domestic legal orders and the integrity of the EU legal system, given the role of national courts in enforcing EU law.²⁹ National courts must be free from political control and able to apply EU law impartially. Any national reforms that undermine this independence are incompatible with EU law.³⁰

In addition to judicial independence, the CJEU recognised other legal principles as key elements of the rule of law, including the principles of legality, legal certainty, the right to effective judicial protection³¹ and the separation of powers.³² These concept elements, as defined by the CJEU, are

²⁷ European Court of Justice (2020). *Cases C-620/18 Hungary v Parliament and Council & C-626/18 Poland v Parliament and Council*.

²⁸ CJEU (2020). Judgment in the case C-156/21 Hungary v Parliament and Council, para 124.

²⁹ CJEU (2018). Judgment in the case C-64/16 Associação Sindical dos Juizes Portugueses v Tribunal de Contas.

³⁰ CJEU (2019). Judgment in joined cases C-585/18, C-624/18 and C-625/18 A. K. and Others v Sąd Najwyższy, CP v Sąd Najwyższy and DO v Sąd Najwyższy.

³¹ CJEU (2019). Judgment in the case C-619/18 Commission v Poland, para 47; CJEU (2019). Judgment in joined cases C-585/18, C-624/18 and C-625/18 A. K. and Others v Sąd Najwyższy, CP v Sąd Najwyższy and DO v Sąd Najwyższy, para 167.

³² CJEU (2016). Judgment in the case C-452/16 PPU Openbaar Ministerie v Krzysztof Marek Poltorak, para 35 ; CJEU (2019). Judgment in joined cases C-585/18, C-624/18 and C-625/18 A. K. and Others v Sąd Najwyższy, CP v Sąd Najwyższy and DO v Sąd Najwyższy, para 124.

clearly reflected in the definition in the EU's Rule of Law Conditionality Regulation, which is worded as follows « 'the rule of law' refers to the Union value enshrined in Article 2 TEU. It includes the principles of legality implying a transparent, accountable, democratic and pluralistic law-making process; legal certainty; prohibition of arbitrariness of the executive powers; effective judicial protection, including access to justice, by independent and impartial courts, also as regards fundamental rights; separation of powers; and non-discrimination and equality before the law. The rule of law shall be understood having regard to the other Union values and principles enshrined in Article 2 TEU. »³³

There were also cases where Member States expressed their opinion that EU-level enforcement mechanisms of the rule of law infringe their sovereignty and national competences. Cases C-156/21 Hungary v Parliament and Council and C-157/21 Poland v Parliament and Council challenged the EU's Rule of Law Conditionality Regulation, which enables the EU to suspend funding for Member States, where breaches of the rule of law endanger the EU budget. Hungary and Poland argued that the Regulation lacked an appropriate legal basis and conflicted with Article 7 TEU,³⁴ as well as violating the principles of legal certainty and national sovereignty.

³³ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, OJ L 433I, 22.12.2020, p. 1–10, Article 2.

³⁴ Article 7 TEU:

1. On a reasoned proposal by one third of the Member States, by the European Parliament or by the European Commission, the Council, acting by a majority of four fifths of its members after obtaining the consent of the European Parliament, may determine that there is a clear risk of a serious breach by a Member State of the values referred to in Article 2. Before making such a determination, the Council shall hear the Member State in question and may address recommendations to it, acting in accordance with the same procedure.

The Council shall regularly verify that the grounds on which such a determination was made continue to apply.

2. The European Council, acting by unanimity on a proposal by one third of the Member States or by the Commission and after obtaining the consent of the European Parliament, may determine the existence of a serious and persistent breach by a Member State of the values referred to in Article 2, after inviting the Member State in question to submit its observations.

3. Where a determination under paragraph 2 has been made, the Council, acting by a qualified majority, may decide to suspend certain of the rights deriving from the application of the Treaties to the Member State in question, including the voting rights of the representative of the government of that Member State in the Council. In doing so, the Council shall take into account the possible consequences of such a suspension on the rights and obligations of natural and legal persons.

The obligations of the Member State in question under the Treaties shall in any case continue to be binding on that State.

4. The Council, acting by a qualified majority, may decide subsequently to vary or revoke measures taken under paragraph 3 in response to changes in the situation which led to their being imposed.

However, the CJEU rejected these arguments, ruling that the Regulation had been adopted on a suitable legal basis [Article 322(1)(a) TFEU],³⁵ which was related to the EU budget, and that it was consistent with the EU's competences. The Court confirmed that safeguarding the EU budget against breaches of the rule of law is consistent with EU law and different from the political sanctioning mechanism under Article 7 TEU, which addresses serious and ongoing violations of all the values set out in Article 2 TEU. The Court thus confirmed the Regulation's validity and the EU institutions authority to enforce compliance with the rule of law through financial conditionality.

The academic literature highlights that the rule of law is a somewhat ambiguous concept³⁶ with varying interpretations across Member States. However, the CJEU's case law increasingly views judicial independence as a non-negotiable element of the rule of law (as a kind of minimum standard) which is essential for mutual trust among Member States³⁷ and the functioning of the internal market.

1.3. Analysis of the concept elements of the rule of law

The rule of law enhances the security of person and property, inhibits abuse of authority, promotes equality and provides for impartial and peaceful resolution of disputes. The rule of law is based on the principles of freedom, equality, non-discrimination, fraternity, accountability, and non-arbitrariness, and it is certain, regular and predictable.³⁸

5. The voting arrangements applying to the European Parliament, the European Council and the Council for the purposes of this Article are laid down in Article 354 of the Treaty on the Functioning of the European Union.

³⁵ Article 322(1)(a) TFEU: „The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, and after consulting the Court of Auditors, shall adopt by means of regulations [...] the financial rules which determine in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts.”

³⁶ See for instance Ula Aleksandra Kos, Signalling in European Rule of Law Cases: Hungary and Poland as Case Studies, *Human Rights Law Review*, Volume 23, Issue 4, 2023, 1–37. <https://doi.org/10.1093/hrlr/ngad035>

³⁷ Bárd, P., & van Ballegooij, W. (2018). Judicial independence as a precondition for mutual trust? The CJEU in *Minister for Justice and Equality v. LM*. *New Journal of European Criminal Law*, 9(3), 353-365. <https://doi.org/10.1177/2032284418801569>

³⁸ Mauro, P. (1995). *Corruption and growth*. *Quarterly Journal of Economics* 110, 681-712.

The principle of the rule of law is an inherent component of any democratic society, including post-socialist states.³⁹ According to the Commission of Venice's assessment, the 'rule by law' appears stronger in this region, hindering the development and effectiveness of the rule of law, making it an instrument of power rather than a value to be.⁴⁰

The rule of law as a fundamental legal concept is defined as a principle of governance in which all persons, institutions, and entities (public and private, including the State itself) are accountable to laws that are publicly promulgated, equally enforced, and independently adjudicated, and which are consistent with international human rights norms and standards⁴¹. The United Nations describes its requirements as those which ensure adherence to the principles of supremacy of the law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness, and procedural and legal transparency.

The term “rule of law” is often used to refer to a variety of desirable states. Neither scholars nor practitioners have agreed on an accepted definition. However, the term generally refers to a state in which people, businesses, and the state itself obey the laws and the laws arise from democratic consensus. This is reflected in the definition proposed by the United Nations.⁴²

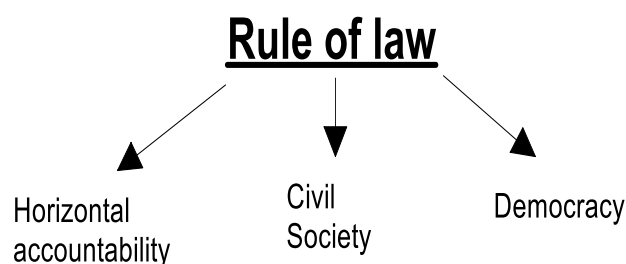


Figure: The elements of rule of law

Source: Made by author

³⁹ Huang, C. (2016). *Is corruption bad for economic growth? Evidence from Asia-Pacific countries*. North American Journal of Economics and Finance 35, 247-256 ; Mo, P.H. (2001). *Corruption and economic growth*. Journal of comparative economics. 29, 66–79

⁴⁰ Venice Commission (2022). "Opinions on judicial reforms," Council of Europe.

⁴¹ UNEP Governing Council Dec. 27/9, Advancing Justice, Governance and Law for Environmental Sustainability, U.N. Doc. UNEP/GC.27/17 (Mar. 12, 2013)

⁴² U.N. Secretary-General, The Rule of Law and Transitional Justice in Conflict and Post-Conflict Societies, ¶ 6, U.N. Doc. S/2004/616 (Aug. 23, 2004).

Tamanaha distinguishes between formal and substantive definitions of the rule of law, identifying a continuum between thin and thick definitions. He argues that substantive definitions embed attributes of formal definitions.⁴³ Tamanaha's distinctions seem to mirror those encountered within democratic theory, in which the main demarcation line runs between procedural definitions, construing democracy as a political method defined by certain procedures, and substantive definitions, construing democracy in terms of its substance.⁴⁴ In a later condensation of his thoughts on the subject, Tamanaha displaces democracy to the substantive realm.⁴⁵

The dynamics of the rule of law can be rendered as core, control, consent, and content of the rules of law, respectively.

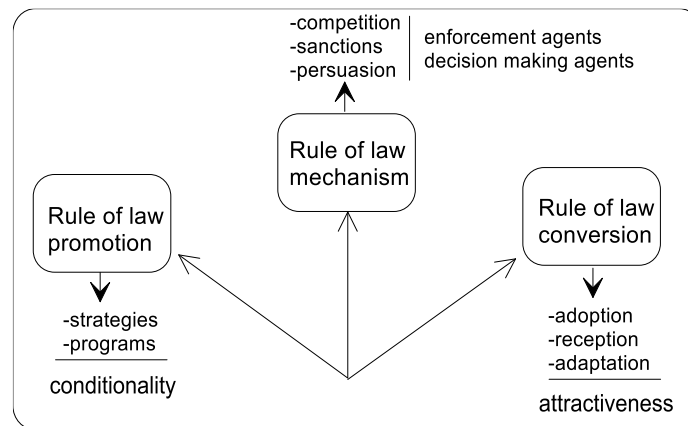


Figure: The dynamics of rule of law

Source: Made by author

In the following, the concept elements of the rule of law will be examined in detail.

⁴³ Tamanaha, B.Z.(2004) *On the rule of law* Cambridge University Press

⁴⁴ Levitsky S., Collier D. (1997) *Research Note Democracy with Adjectives: Conceptual Innovation in Comparative Research*, *World Politics* 49.3 (1997) 430-451, The Johns Hopkins University Press.

⁴⁵ Tamanaha, B.Z.(2007) *Understanding Legal Pluralism: Past to Present, Local to Global*, *Sydney Law Review*, Vol. 29, St. John's Legal Studies Research Paper No. 07-0080

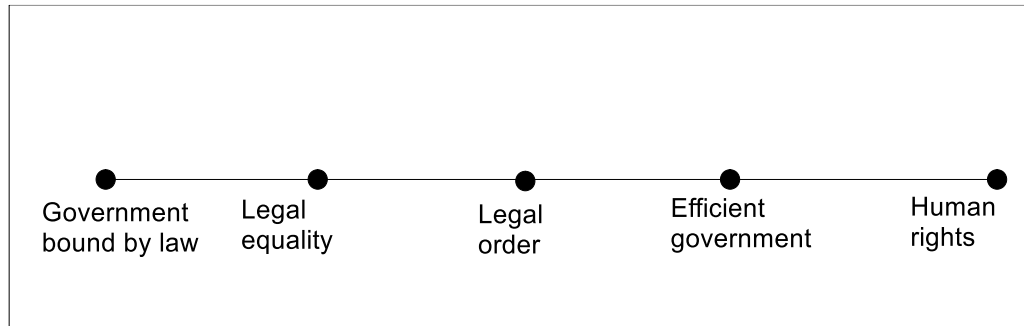


Figure: Elements of rule of law in a state

Source: Made by author

1.3.1. The rule of law and formal legitimacy

At its core, the rule of law means that power is exercised according to legal norms rather than arbitrary decisions. This principle is a feature of most contemporary political systems, in which power is exercised through laws that are general, prospective, clear, certain and applicable to all individuals equally. This concept is often referred to as ‘formal legality’.⁴⁶ The distinction between the minimalist definition of the rule of law, as the mere exercise of power through law, and the more refined notion of formal legality lies in the latter’s emphasis on the characteristics that laws must embody to be considered legitimate. Thus, formal legality encompasses the exercise of power through positive law, but adds stringent criteria regarding the nature and application of such laws.⁴⁷

A state governed by law represents the minimalist conception that is widely recognised in literature.⁴⁸

This minimalist understanding is often contrasted with ‘thicker’ conceptions that incorporate substantive elements, such as the protection of fundamental rights and the pursuit of justice.⁴⁹ As Peerenboom notes, debates over the meaning of the rule of law persist across legal cultures, with the Anglo-American, continental European and East Asian traditions each emphasising different aspects of legality, predictability and justice.⁵⁰

⁴⁶ Fuller, L. (1969). *The Morality of Law*. Yale University Press; Raz, J. (1979). *The Authority of Law*. Oxford University Press.

⁴⁷ Waldron, J. (2016). The Rule of Law. In E.N. Zalta (Ed.), *The Stanford Encyclopedia of Philosophy*.

⁴⁸ As an example, see, Tamanaha (2004) above.

⁴⁹ Möller, J., & Skaaning, S.-E. (2014). *The Rule of Law: Definitions, Measures, Patterns, and Causes*. Palgrave Macmillan.

⁵⁰ Peerenboom, R. (2004). *Asian Discourses of Rule of Law*. Routledge.

1.3.2. The rule of law as an expression of collective will

A fundamental characteristic of democracies is that law serves as a mechanism for expressing the collective will of the people.⁵¹ Through the enactment of laws, the political process determines the allocation of public resources, authorises officials to act on behalf of society, and establishes acceptable standards of behaviour. Constitutions often are the highest expressions of this collective will, reflecting societal consensus on government organisation, powers, and the protection of fundamental human and civil rights.⁵²

When laws are misjudged, not properly implemented, or not properly executed, the democratic process itself is undermined, as the legitimacy of elected representatives and representative bodies depends on the meaningfulness of the laws they enact.⁵³ The rule of law therefore provides a stable foundation for democracy by safeguarding critical rights for maintaining social order and enabling democratic development.⁵⁴ These rights include protection against vigilantism, criminality and violence, all of which threaten the social fabric. Democracy relies on an effective state with a monopoly on the legitimate use of force, which is regulated by constitutional and legal frameworks that define when and how force may be applied.⁵⁵ Without such constraints, political power risks being determined by violence rather than consensus, thereby weakening political equality and participation.

The rule of law ensures that all citizens enjoy equal political rights and responsibilities, irrespective of gender, race, class, or other characteristics, thereby preventing the emergence of ‘second-class citizens’ whose rights are disregarded despite formal equality norms.⁵⁶ Empirical studies, such as those by the Varieties of Democracy (V-Dem) project, confirm that a robust rule of law correlates with higher levels of political equality and participation.⁵⁷

⁵¹ Habermas, J. (1996). *Between Facts and Norms*. MIT Press; Loughlin, M. (2010). *The Foundations of Public Law*. Oxford University Press.

⁵² Elster, J. (1995). Forces and Mechanisms in the Constitution-Making Process. *Duke Law Journal*, 45(2), 364–396.

⁵³ Beetham, D. (1991). *The Legitimation of Power*. Macmillan.

⁵⁴ Przeworski, A. (2010). *Democracy and the Limits of Self-Government*. Cambridge University Press.

⁵⁵ Fukuyama, F. (2011). *The Origins of Political Order*. Farrar, Straus and Giroux.

⁵⁶ Sen, A. (1999). *Development as Freedom*. Oxford University Press.

⁵⁷ Coppedge, M., et al. (2021). *V-Dem Annual Democracy Report*. University of Gothenburg.

1.3.3. Protection of rights and its impact on economic development

The rule of law encompasses the effective protection of fundamental property and contractual rights, guarantees of freedom of association and civil liberties, and mechanisms for compensation and dispute resolution.⁵⁸ It also safeguards individuals against predatory business practices and economic and social discrimination. These protections are essential for social justice, economic development, and poverty alleviation.⁵⁹

A legal environment that enforces rights and obligations fairly and consistently fosters economic activity by providing certainty and trust among economic actors.⁶⁰ Nedanovski and Shapkova Kocevskaja present empirical evidence from Southeast Europe indicating that enhancements in rule of law indicators are linked to increased economic growth and reduced poverty.⁶¹ Similarly, the World Bank's Worldwide Governance Indicators consistently demonstrate that countries with a stronger rule of law experience higher levels of investment, entrepreneurship and innovation.⁶²

1.3.4. Order and security as pillars of the rule of law

Personal security and public order are paramount concerns for citizens and critical components of the rule of law. When public order deteriorates or crime becomes widespread, faith in the government can erode, potentially leading to vigilantism or support for authoritarian measures.⁶³ Likewise, widespread crime and insecurity can prompt demands for draconian policies that suspend human rights in the name of restoring order.⁶⁴

The judiciary, legislature and executive branches all play a role in maintaining order and security, with the executive bearing immediate responsibility. Failure to protect property rights, facilitate economic activity or resolve disputes fairly can lead to social unrest, black- or grey-market

⁵⁸ La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and Finance. *Journal of Political Economy*, 106(6), 1113–1155.

⁵⁹ Sen (1999).

⁶⁰ Rodrik, D., Subramanian, A., & Trebbi, F. (2004). Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development. *Journal of Economic Growth*, 9(2), 131–165.

⁶¹ Nedanovski, P., & Shapkova Kocevskaja, K. (2023). Rule of Law and Economic Growth: Evidences from South East Europe.

⁶² Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). The Worldwide Governance Indicators. *World Bank*.

⁶³ O'Donnell, G. (2004). Why the Rule of Law Matters. *Journal of Democracy*, 15(4), 32–46.

⁶⁴ Chevigny, P. (2003). The populism of fear: Politics of crime in the Americas. *Punishment & Society*, 5(1), 77–96. <https://doi.org/10.1177/1462474503005001293>

activities and violent self-help measures, all of which undrmine public safety and security.⁶⁵ The World Justice Project emphasises that effective law enforcement and independent, accountable courts are essential for upholding order while respecting rights.⁶⁶

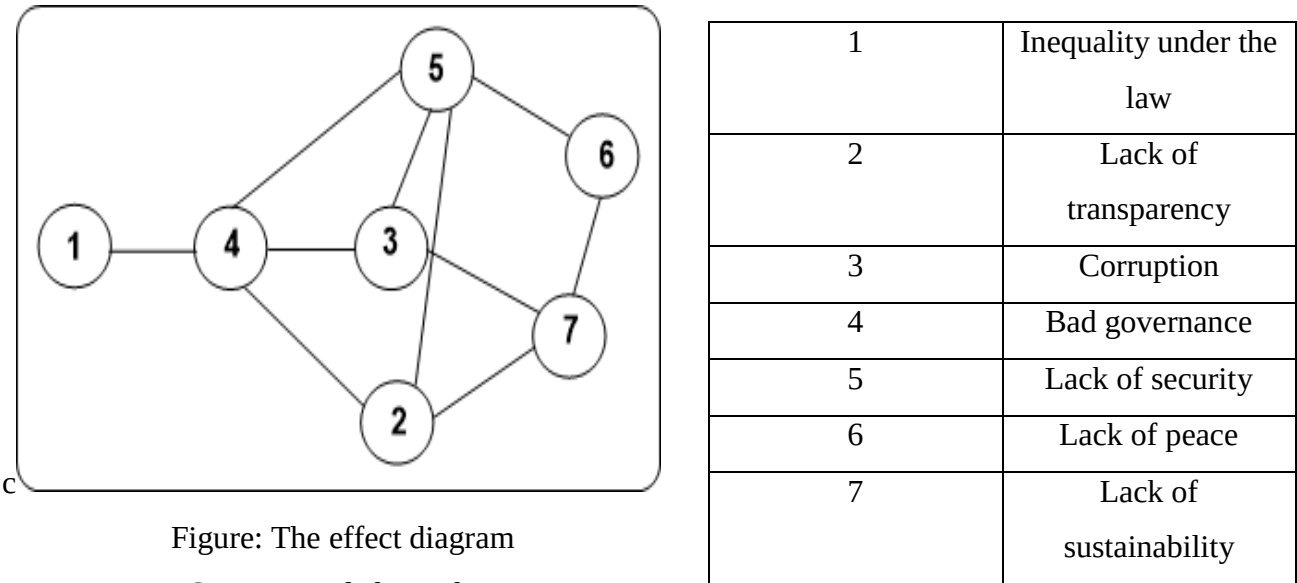


Figure: The effect diagram

Source: Made by author

According to the graph, the cause effect represents that every action in the absence of an effective enforcement could produce a negative reaction.

1.3.5. Legitimacy and compliance with the law

The perception that laws are legitimate and worthy of respect strengthens the rule of law.⁶⁷ Legitimacy arises not only from the primacy of law, but also from its democratic basis, that is the extent to which laws represent the collective will of the people.⁶⁸ In societies where the rule of law is respected, citizens generally comply with laws, even when they conflict with personal interests. This compliance stems not solely from fear of punishment, but from the recognition that laws are

⁶⁵ Acemoglu, D., & Robinson, J. (2012). *Why Nations Fail*. Crown.

⁶⁶ World Justice Project (2023). *Rule of Law Index*. <https://worldjusticeproject.org/rule-of-law-index/downloads/WJPIndex2023.pdf>

⁶⁷ Beetham (1991).

⁶⁸ Webber, J. (2024). A Democracy-Friendly Theory of the Rule of Law. *Hague J Rule Law* 16, 339–374. <https://doi.org/10.1007/s40803-024-00240-5>

enacted within a constitutional framework that incorporates societal input, rendering them fair and oriented towards the common good.⁶⁹

Conversely, a lack of legitimacy can emerge when there is no consensus on the state's fundamental structure, or when laws are enacted by corrupt or elite-controlled legislatures that serve narrow interests rather than the collective will.⁷⁰ In emerging democracies, questions of legitimacy also arise regarding laws inherited from colonial or authoritarian regimes.⁷¹ Thus, legitimacy is a dynamic attribute tied to the community's evolving standards of due process and the extent to which laws encourage voluntary compliance.⁷²

Legitimacy is a dynamic concept which is inherently linked to a community's evolving standards of proper procedure, meaning laws, executive orders, court judgements and citizens' claims are only legitimate if they align with these standards.⁷³ When a rule or its application is deemed legitimate, this implies adherence to proper procedures and the promotion of voluntary compliance by those governed.⁷⁴ This dynamic understanding recognises that legitimacy is not static, but must be continuously earned and reaffirmed through just processes and responsiveness to societal norms.⁷⁵

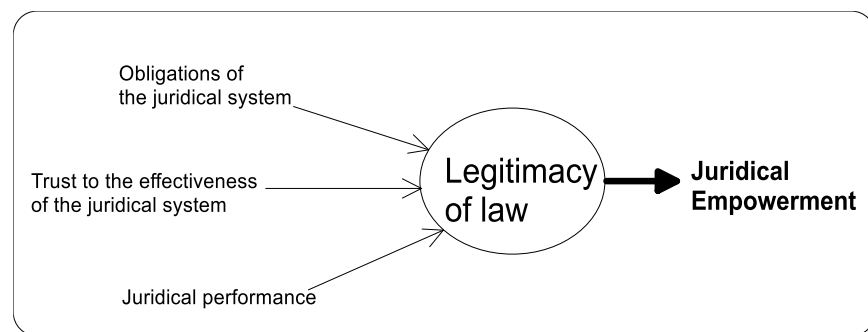


Figure: The legitimacy of the law
Source: Made by author

⁶⁹ Tyler, T.R. (2006). *Why People Obey the Law*. Princeton University Press.

⁷⁰ Mény, Y., & Surel, Y. (2002). *Democracies and the Populist Challenge*. Palgrave Macmillan.

⁷¹ Mamdani, M. (1996). *Citizen and Subject*. Princeton University Press.

⁷² Beetham (2021), Webber (2024).

⁷³ Beetham (1991).

⁷⁴ Tyler (2006).

⁷⁵ Webber (2024).

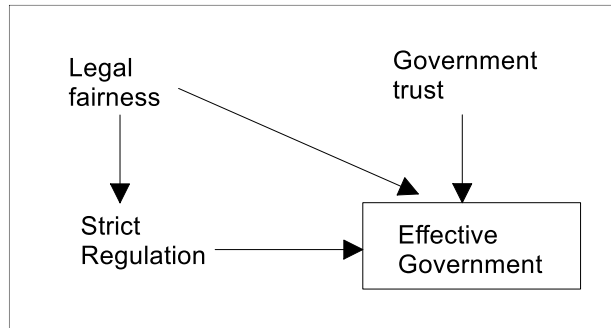


Figure: Legal fairness and relation to effectiveness of government

Source: Made by author

1.3.6. Separation of powers and checks and balances

A hallmark of the rule of law is the separation of governmental powers to prevent the concentration of arbitrary and abusive power. This separation, or at least independent decision-making among government branches, provides the necessary checks and balances to contain government authority.⁷⁶ Checks and balances operate both vertically, among national, regional and local governments, and horizontally, among the legislative, executive and judicial branches. Regional and local governments can counterbalance central authorities, while civil society plays a critical oversight role.⁷⁷

Judicial accountability and independence, as was already highlighted in the analysis of the CJEU case-law above, is essential for maintaining the rule of law and requires transparency in decision-making and resource administration.⁷⁸ Judges must be free from external interference, which is a particular challenge in emerging democracies where judicial independence and capacity often need strengthening.⁷⁹ Higher judicial authorities hold subordinate courts accountable through appeals and disciplinary mechanisms, ensuring that the judiciary functions as a fair and autonomous branch of government.⁸⁰

⁷⁶ Loughlin (2010).

⁷⁷ Diamond, L., & Morlino, L. (2005). *Assessing the Quality of Democracy*. Baltimore: Johns Hopkins University Press.

⁷⁸ Garoupa, N., & Ginsburg, T. (2015). *Judicial Reputation*. University of Chicago Press.

⁷⁹ Hammergren, L. (2007). *Envisioning Reform: Improving Judicial Performance in Latin America*. Penn State Press.

⁸⁰ Garoupa & Ginsburg (2015).

1.4. The concept of sustainable development

Sustainable development has a very broad meaning depending on the dimensions being considered. Sustainable development has received much attention from policy makers and academics for four main reasons. “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”⁸¹ Sustainable development balances and reinforces economic growth, social inclusion and environmental protection. The EU has adopted this concept as a guiding principle for its policies and strategies, particularly by aligning them with the United Nations' Sustainable Development Goals (SDGs), which were established in 2015 as part of the 2030 Agenda for Sustainable Development.⁸²

The EU's approach to sustainable development is rooted in its Sustainable Development Strategy (EU SDS), which was first adopted in 2001 and renewed in 2006 and 2016. This strategy provides a cross-sectoral framework in which environmental, economic and social policymakers collaborate to continuously improve quality of life for current and future generations.⁸³ The Treaty of Amsterdam of 1999 enshrined sustainable development as an overarching EU objective,⁸⁴ emphasising its importance across all policy areas.⁸⁵

The EU SDS focuses on seven key priority challenges: climate change and clean energy; sustainable transport; sustainable consumption and production; conservation and management of natural resources; public health; global challenges posed by poverty and sustainable development;

⁸¹ D., Kraay A., Mastruzzi M (2010) *The Worldwide Governance Indicators: Methodology and Analytical Issues* World Bank Policy Research Working Paper No. 5430

⁸² European Commission: Sustainable Development Goals, https://international-partnerships.ec.europa.eu/policies/sustainable-development-goals_en

⁸³ <https://www.bmimi.gv.at/en/topics/climate-environment/sustainable-development/eu-sds.html>

⁸⁴ Article B of the Treaty on European Union [consolidated version after the entry into force of the Amsterdam Treaty]: „The Union shall set itself the following objectives: to promote economic and social progress and a high level of employment and to achieve balanced and *sustainable development*, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency in accordance with the provisions of this Treaty [...]”

⁸⁵ Article 3c of the Treaty on European Community [consolidated version after the entry into force of the Amsterdam Treaty]: „Environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities referred to in Article 3, in particular with a view to promoting sustainable development.”

social inclusion, demography, and migration. These priorities reflect the EU's above mentioned commitment to addressing sustainability in a holistic way, integrating environmental protection with social and economic development.

The EU has played a leading role in shaping and implementing the 17 SDGs⁸⁶ set by the United Nations in 2015. These goals encompass 169 targets aimed at eradicating poverty, ensuring inclusive and sustainable development, protecting human rights, and safeguarding the planet by 2030. The SDGs are integrated and interdependent, recognizing that progress in one area often impacts others.

1.5. The relation between the rule of law and sustainable development

The rule of law is widely recognized as an essential component of good governance and sustainable development.

Legal literature is replete with articles on whether the rule of law is “thin” or “thick”, about form or function, due process or substantive justice. At a minimum, the rule of law is defined as a system of rules and institutions to constrain the arbitrary exercise of power. Laws must be clear, prospective, and capable of being followed, impartially applied, and equally enforced by institutions. Those who see the rule of law primarily as a tool for economic development often define it in this way, focusing on the predictability, clarity, legality, and due process guarantees that it provides. But should the rule of law only be preoccupied with due process, and remain silent on whether the law itself is fair or not?

The UN Secretary-General has defined the rule of law as: a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards.

General trends in international development policy and practice have influenced international support for the rule of law. The international community has long recognized the

⁸⁶ No poverty (SDG 1), Zero hunger (SDG 2), Good health and well-being (SDG 3), Quality education (SDG 4), Gender equality (SDG 5), Clean water and sanitation (SDG 6), Affordable and clean energy (SDG 7), Decent work and economic growth (SDG 8), Industry, innovation, and infrastructure (SDG 9), Reduced inequalities (SDG 10), Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12), Climate action (SDG 13), Life below water (SDG 14), Life on land (SDG 15), Peace, justice and strong institutions (SDG 16) and Partnerships for the Goals (SDG 17), <https://sdgs.un.org/goals#goals>

imperatives of local ownership and partnership for effective development cooperation. However, progress in fully incorporating those principles into practice has been unsteady. The situation has improved as donors have embraced problem-driven, iterative, and adaptive approaches that are alert to local political, economic, and social dynamics. There is an increased reliance on political economy analysis to support thinking and working politically. Also, the search for politically smart development cooperation has led to increased attention to power relationships and behavioral causes of societal change. Tensions between the aspirations of local actors and those of their international partners are inevitable, however, and the framework of collaborative relations needs to accommodate diverging perspectives.

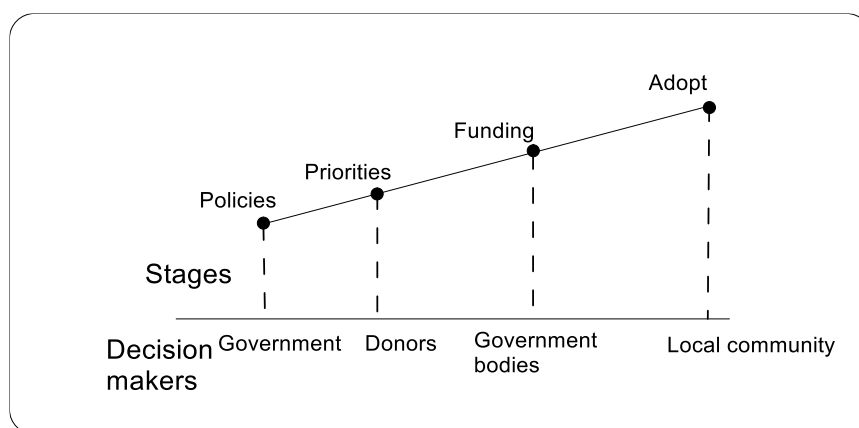


Figure: Participation/interaction in development cooperation in the context of rule of law

Source: Made by author

Another important trend in development cooperation is the growing diversity of participants and financing. The binary structure of donors and recipients is rapidly changing into a multipolar system in which private financing and domestic public resources have become far more prominent than official development assistance.

- Enabling economic development, through a range of factors such as the protection of individual property rights;
- guaranteeing fair and credible contract enforcement;

- setting and enforcing labor laws; facilitating market creation and access, including for the poor and marginalized ⁸⁷(for example, protecting women's inheritance rights or their legal capability to enter into contracts).⁸⁸

In general, policy on the rule of law affects the rules of the game that allow people to transact.⁸⁹ There is strong evidence of a correlation between robust property rights protection and long-run economic growth⁹⁰. On the other hand, it is not clear if property rights protection is an outcome of growth rather than its cause⁹¹. Moreover, while property rights are important, enforcement is a critical variable that is often overlooked⁹². Debates also cluster around the content of the regulation, the level of enforcement and its effects on pro-poor growth. As regards labor laws, their frame the relationship between labor and economic development. Finally, the impact of the role of market creation and access has convincingly been asserted, but the evidence base is limited⁹³.

There is considerable evidence for the relationship between rule of law and economic development. But elements of this relationship need to be further researched. It is not clear, for instance, exactly why and how much the rule of law influences economic growth. For example, some countries and sectors have grown as a result of an industrial policy of favorable treatment for certain companies, while others have benefited from equal treatment under the law. In addition,

⁸⁷ Commission on Legal Empowerment of the Poor (2008). *Making the Law Work For Everyone: Volume 1*. New York: UNDP

⁸⁸ 8 Mary Hallward-Driemeyer and Tazeen Hasan (2012). *Empowering Women: Legal Rights and Economic Opportunities in Africa*. Washington, D.C.: World Bank

⁸⁹ North (1990); World Bank Justice Annex to Governance and Anti-Corruption Update (2012)

⁹⁰ Dam, K.W., (2006) *The law-growth nexus: the rule of law and economic development*. Washington, DC: Brookings Institute Press.

⁹¹ Knack and Keefer (1995), Scully 1988, Acemoglu et al 2001,

⁹² Botero J., Djankov S., La Porta R., Lopez-de-Silanes F., Shleifer A. (2004). *The Regulation of Labor*, Quarterly Journal of Economics 119 (4): 1339-82; Alvaro Santos, Labor Flexibility, Legal Reform, and Economic Development, 50 Virginia Journal of International Law 43-106 (2009); Kennedy, David, 2006. 'The 'Rule of Law', political choices and development common sense'. In: D.M. Trubek and A. Santos, eds., 2006. *The new law and economic development: a critical appraisal*. Cambridge: Cambridge University Press; Faundez, Julio (2009). "Empowering Workers in the Informal Economy", Hague Journal on the Rule of Law, 1: 156–172; Maiti, D., 2009. 'Institutions, networks and industrialisation: field level evidence of fragmentation and flexibility from India', IPPG Discussion Paper, No. 26. Manchester: IPPG.

⁹³ Stephens, M. (2009). "The Commission on Legal Empowerment of the Poor: An Opportunity Missed", Hague Journal on the Rule of Law, 1, 132-157; Mahdi, S., 2010. 'The impact of regulatory and institutional arrangements on agricultural markets and poverty: a case study of Tanzania's coffee market', IPPG Discussion Paper, No. 40. Manchester: IPPG

while liberal understandings of property rights, contract enforcement and so on have tended to be associated with growth, they have significant distributional effects. In some cases, efforts to strengthen the rule of law can be inequitable if they focus on lowering transaction costs for elites rather than facilitating redistributive action or broader access to opportunities.⁹⁴

The elements of the rule of law related to identity, legal recognition, enabling participation and agency, and the allocation and enforcement of claims and rights – including economic and social claims and rights – have been linked to equitable growth, equitable delivery of public services, and the possibility of more effective redistribution.

- The rule of law can be seen as starting with the ability of individuals and communities to participate in defining what is right. Development interventions have attempted to build these skills, or civil society and voice, across sectors. This extends to all levels of the legal system. For example, from high-level rules that facilitate approval and participation (such as the Constitution), national and local administrative laws governing the provision of basic services, the right to natural resources.
- Access to justice and legal empowerment initiatives have proven to be valuable ways to do this. Legal empowerment blends community empowerment and mobilization with legal capacity building and advocacy to build the voice and political impact of the poor and marginalized. Access to legal information and to institutions of the rule of law may enable the poor to take advantage of economic opportunities and resist exploitation, particularly by making local institutions (such as customary courts or local magistrates courts) accessible⁹⁵
- The evidence that exists between specific legal empowerment initiatives and broader social and economic outcomes – predominantly a series of detailed case studies but little comparative work - is mixed. Where legal empowerment

⁹⁴Hyun S., Nanak K. (2007) 'Global estimates of pro-poor growth' *World Development* 36 (6): 1048-1066; Holston, J., 1991. 'The misrule of law: land and usurpation in Brazil.' *Comparative Studies in Society and History*, 33(4), pp.695-725; Scott, J.C., 2009. *The Art of Not Being Governed: An Anarchist History of Upland Southeast Asia*. New Haven: Yale University Press.

⁹⁵ Golub, S., (2010) 'What is legal empowerment?: an introduction', in Golub, S. (ed.), *Legal empowerment: practitioners' perspectives*. Rome: International Development Law Organisation.

approaches have been correlated with more equitable development outcomes, it is clear that social mobilization is an important factor if this approach is to work⁹⁶

Table: Dimensions of Rule of law

Political Dimensions	Legal Dimensions	Social Dimensions
Regulating political power	Independence of juridical system	Legal regulation to reduce socio-economic inequality
Maintaining the political order	Democratic law making	Institutionalized social and universal rights
	Juridical equality	

Source: Made by author

The indicators measure the extent to which individuals have confidence in and abide by the rule of law. The indicators could be found in the changing dimensions of the rule of law. According to the following graph, the government is responsible has chance to get a legal recovery when the political elite is made up of minded individuals.

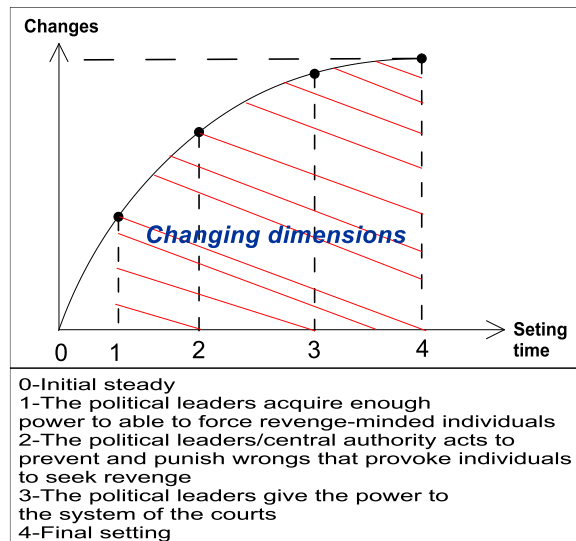


Figure: The changing dimensions

Source: Made by author

⁹⁶ Gauri, V. and Brinks, D. eds., (2008). *Courting social justice: judicial enforcement of social and economic rights in the developing world*. New York: Cambridge University Press;

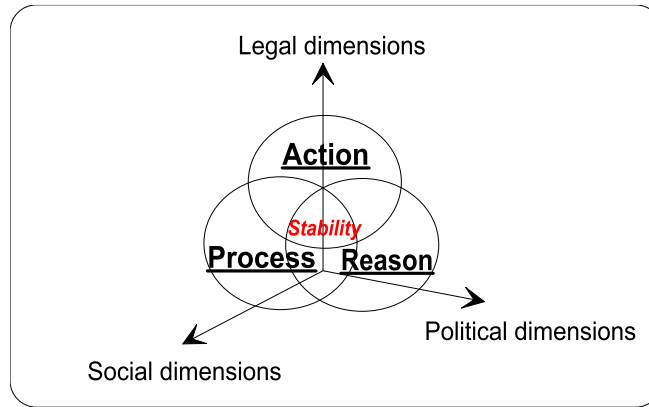


Figure: Steps in the space of rule of law

Source: Made by author

The link between security, stability and development has been clearly established, as has the negative impact of the absence of rule of law on growth⁹⁷ Civil wars are particularly devastating to development, and other forms of widespread crime and violence divert the provision of public goods, destroy private property and infrastructure, and lead to extortion, monopoly and other harmful practices⁹⁸

Strengthening criminal justice institutions tends to be seen as an important step toward improving security and enabling various forms of development, especially in the aftermath of violence conflict. Nevertheless, studies have cautioned against an overemphasis on security (“securitization”) to the detriment of other dimensions of the rule of law⁹⁹

⁹⁷ Marc, A. (2012) *Societal Dynamics and Fragility: Engaging Societies in Responding to Fragile Situations*. Washington, D.C.: World Bank; Gauri, V., Woolcock, M. and Desai, D.

⁹⁸ Collier P. (1999). ‘*On the economic consequences of civil war*’, Oxford Economic Papers 51:168–83; Buvin, M., & Morrison, A. (1999). *Violence as an obstacle in development*. Washington, DC: Inter American Development Bank; Ayres, R. (1998). *Crime and violence as development issues in Latin America and the Caribbean*. Washington, DC: World Bank

⁹⁹ , Harborne, B. and Sage, C., (2010), “*Security and Justice Overview*”, Background Paper prepared for the World Development Report 2011

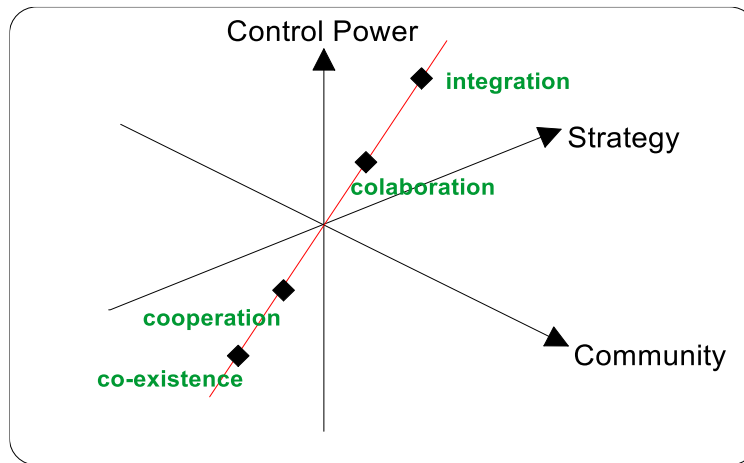


Figure: The space of stability, security and development in the context of rule of law

Source: Made by author

Power always acts within the limits prescribed by law, in accordance with the values of basic rights and democracy, under the control of power. The right to control, an essential element of any law, was replaced by the idea of protecting independent courts.

To ensure cooperation in the space of stability development and security has no an end point, political players can adopt contingent strategies that depend on behavior based on previous events and rounds.

The rule of law entails public and private accountability in the exercise of power, and consistent and fair regulation and dispute resolution, in national and local contexts¹⁰⁰ Depending on a country's constitutional and institutional setting, institutions that enforce and adjudicate the law, such as judiciaries and regulatory agencies, may be in a position to check the arbitrary action of government to varying degrees. This function of the rule of law shapes the meaning of and possibilities for corruption, nepotism and rent-seeking, affecting costs for economic actors¹⁰¹ and the nature of long run growth.

Developing countries need capacity building support – build effective, sensitive, transparent and accountable institutions. Organized crime, money laundering, trafficking, drug trafficking,

¹⁰⁰ O'Donnell, Guillermo A. (2004). "Why the Rule of Law Matters," *Journal of Democracy* 15(4); Weingast B. 1997. ;The political foundations of democracy and the rule of law'. *Am. Polit. Sci. Rev.* 91(2):245–63; UNDP

¹⁰¹ Hallward-Driemeier, M., Khun-Jush, G. and Pritchett, L., (2010) "Deals versus Rules: Policy Implementation Uncertainty and Why Firms Hate It", NBER Working Paper No. 16001

cybercrime-these are very complex issues. Addressing them requires international cooperation, as well as awareness of the huge capacity gaps in many developing countries, especially post-conflict countries. The countries most likely to be the target of organized crime are also usually the ones with the least ability to fight them. It takes time, money and effort to build a system. However, in the area of judicial reform, resources are often scarce.

Building judicial capacity is often a weak cousin of security sector reform in peacebuilding activities. You can rush to underestimate your time for quick, visible and measurable results. Within the current proposed SDGs is Goal 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.", The various targets of SDG 16 address Rule of Law: Target 16.3 seeks to "promote the rule of law at the national and international levels, and ensure equal access to justice for all"; Targets 16.5, 16.6, 16.7, 16.10 and 16.b include, respectively, "substantially reduce bribery and corruption"; "effective, accountable and transparent institutions"; "responsive, inclusive, participatory and representative decision-making"; "public access to information and protect[ion of] fundamental freedoms"; and "enforce[ment of] non-discriminatory laws and policies."¹⁰²

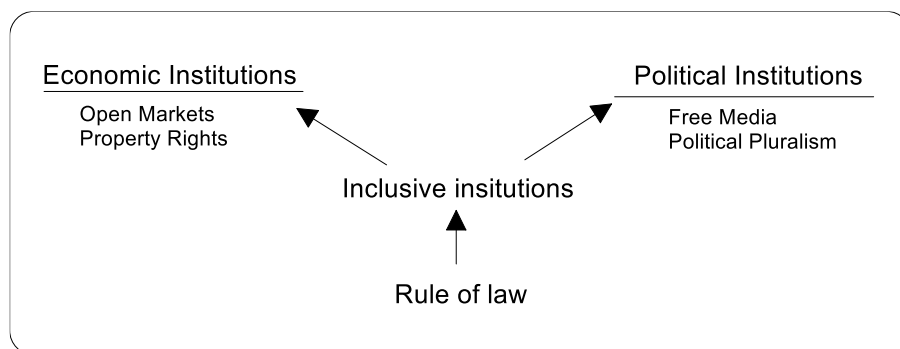


Figure: The rule of law and its connection to inclusive institutions

Source: Made by author

Inclusive institutions ensure that markets are functional and open to competition, and allow for broad citizen participation, pluralism and an effective system of checks and balances, leading to better access to services and opportunity. In that respect, cross-country evidence shows that

¹⁰² Report of the Open Working Group of the General Assembly on Sustainable Development Goals, in letter dated Aug. 1, 2014 from the Permanent Representatives of Hungary and Kenya to the United Nations addressed to the President of the General Assembly, U.N. Doc. A/ 68/970 (Aug. 12, 2014).

inclusive governance can improve development outcomes, such as better literacy and health, or lower infant mortality .¹⁰³

Strengthening inclusive institutions has a great potential to enhance citizen participation, provide better public services, reduce transaction costs, and – ultimately – reduce inequalities while promoting economic growth.

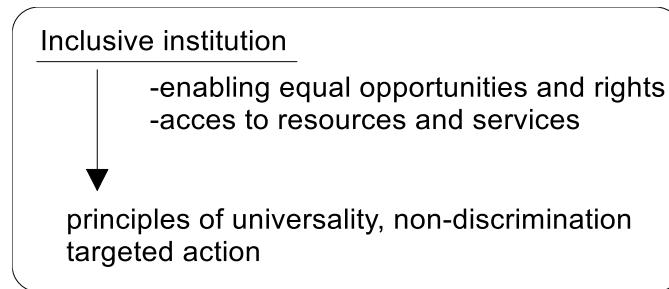


Figure: Inclusive institution
Author: Made by author

Inclusive Institutions for Inclusive Policy Making

- Open and supportive participation, problem identification and decision making holistically
- Instruments of transparency and integrity that help avoid policy decisions that benefit the few
- Participatory mechanisms that promote inclusive policy implementation
- Global workforce representation in the public sector is more socially reflective and participatory
- Access to dispute resolution offers opportunities, particularly for vulnerable groups

By promoting transparency and accountability in decision-making, governments can ensure that the needs and concerns of underserved populations are reflected in policy decisions. , especially when powerful and well-organized interest groups are involved. In addition, meaningful stakeholder engagement can lead to better and more effective policy and policy implementation.

¹⁰³ Halperin M.H., Siegle J.T., Weinstein M. (2010) *The democracy advantage : how democracies promote prosperity and peace* Routledge, New York

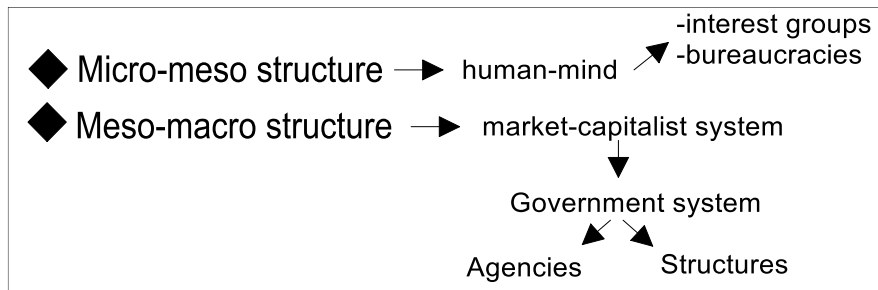


Figure: The structures involved in the rule of law

Source: Made by author

Power relationships and interest groups manifest themselves differently in the public sector.

What characterizes the public sector is that individual organizations are not autonomous, atomistic units operating in competitive markets but are interdependent units within a larger administrative system.

Governmental structures and interest groups attempt to discover where power actually lies in society and how it is distributed institutionally, geographically, and socially.

It can also indicate what kind of power is exercised and how, as well as how and by whom it is understood or perceived.

Political mapping, which addresses interest groups for a particular political reform, focuses more directly on the political context of political reform by determining the strength and nature of political-ideological perspective on a reform issue.

Political maps identify the most important political actors and spatially illustrate their relationships with each other.

Meso-level social structures are largely studied independently, these meso-levels are rarely integrated into existing multi-level models. The author argues that meso-level structures offer untapped richness to underpin multi-level mechanisms and discusses how social groups, associations and other collectives operating at the meso-level can play a more distinct role within the institution.

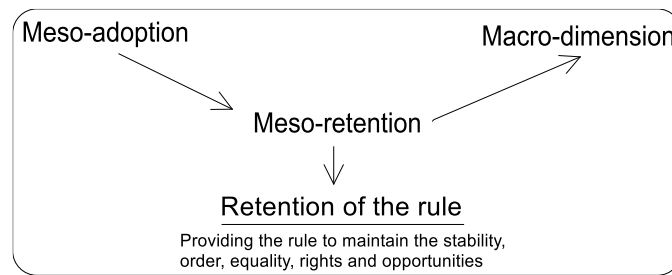


Figure: Retention of the rule
Source: Made by author

The rule of law touches sustainable development directly and indirectly because, for example, it sought to address the "transformative change needed to realize our shared vision of poverty eradication and universal human development in the context of sustainable development, respecting human dignity, protecting our planet, and living in harmony with nature for the well-being and happiness of present and future generations." ¹⁰⁴ The SDGs require a focus on the social, economic, and environmental dimensions. Though the SDGs do not have a pillar or goal on peace and security, Rule of Law was found to be relevant because development is undermined by conflict and violence.

1.6. Economic growth

Economic growth is an increase in the economy's output of goods and services over a period of time compared to the previous period. Economic growth is the increase in the production of goods and services in an economy. Increasing means of production, labor, technology and human capital can contribute to economic growth. Economic growth is typically measured as an increase in the total market value of additional goods and services produced, using estimates such as GDP.

¹⁰⁴ General Assembly, Letter Dated 19 July 2013 from the Co-Chairs of the Open Working Group of the General Assembly to the President of the General Assembly, 1 16, U.N. Doc. A/ 67/941 (July 23, 2013).

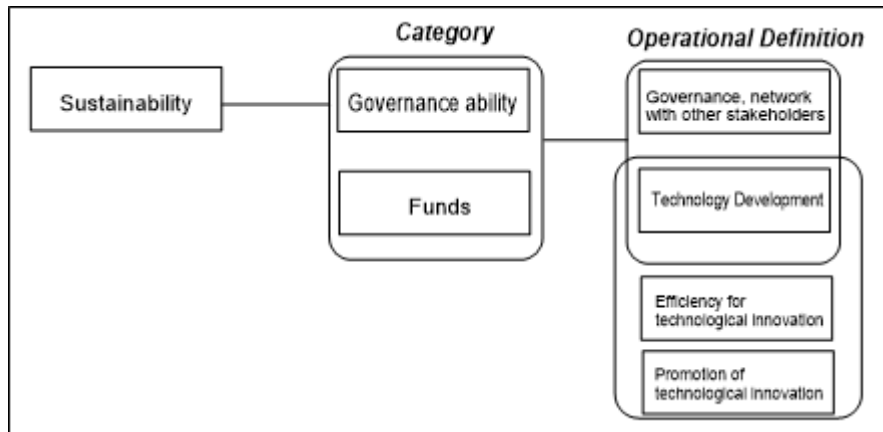


Figure: The relation between sustainability and economic growth in the context of variable and driver

Source: Made by author

According to the figure, between sustainability and economic growth there are drivers and variables. As a driver can be define the governance ability and how government spends the public funds for the implementation of operations. The governance establishes the budgeting and the finance to support further activities. Governance ability refers to the ability of providing an efficient form of governance to an organization in order to gain competitive advantage.¹⁰⁵

The purpose of governance ability is to enable and ensure control over institutions, process, laws and service delivery to the population within acceptable limits set by the government and other structures.

Operations are the activities/policies that are acting as a driver for economic growth and sustainability. The operational definition, when applied to the process and shows a detailed measure of activities. The need for operational definition is fundamental when we can see the process and the activities.

Networking with stakeholders representing groups of people outside government can facilitate efficient, effective and ethical governance in a highly complex and turbulent environment.

Efficiency is process-oriented and primarily at the strategy implementation stage. Efficiency usually leads to the process of innovation.

Efficiency innovation often comes in the form of process improvements and more efficient business models. This enables companies to:

¹⁰⁵ InfoScipedia, *What is the governance capability?* <https://www.igi-global.com/dictionary/governance-capability/67912>

- Simplify and streamline existing processes
- Produce existing products at lower cost
- Sell products and services to existing customers at lower prices

This kind of innovation can have a big impact on companies. It can raise its productivity and competitiveness, optimise its resource allocation and increase bottom-line savings and profits.

Many innovative solutions could help you increase efficiency in your business. For example:

- waste minimisation technologies and processes could help reduce costs
- business process improvements could help increase productivity
- standardisation in supply chain (eg through lean processes) could increase your competitiveness or add value to existing products or services
- finding cheaper materials to make existing products could boost your savings

Technology transfer promotion means activities to promote, create and seek opportunities for technology transfer; providing advertising, exhibition, and technology introduction services; organize technology markets, fairs, exhibitions, technology service centers.

Technology development, including improvement and reevaluation of existing technologies, is necessary to:

- (a) limit or reduce anthropogenic greenhouse gas emissions;
 - (b) absorbing greenhouse gases, i.e. protecting and enhancing greenhouse gas sinks;
 - (c) adaptation of human activities to the effects of climate change; And
 - (d) monitor, detect and predict climate change and its impacts
- Appropriate criteria for selecting technologies (and for technology transfer measures) also include economic efficiency, taking into account all the external costs and benefits.

Optimizing technology is an important factor in improving your organization.

In the context of renewable resources, the government should implement resources which can be renewed or reproduced by physical, chemical or mechanical processes. For example, solar and windenergy, water, forests and wildlife could be managed correctly by government by applying external funds and specific laws. Governments need to shift resources away from consumption and towards investment to competitively diversify the economy away from reliance on the consumption of finite natural resources.

1.7. Institutional structures

An organization's complex system of mutually connected and dependent elements or parts, which make up a definite manner of arrangement.¹⁰⁶

Institutions are the capital stock for policy-making. Institutions affect the production of policy in practice: how economic policy is made, how it is reviewed, and how it is implemented. What happens in practice can often be much different than what is described on paper. Economic actors see what happens in practice. Thus the nature of institutions is crucial for economic actors' assessments of policy credibility.

Institutional structures can constrain the policy options available to individual policy-makers or government organs. A horizontal separation of power among government organs, such as the separation of executive, legislative, and judicial organs, can ensure that the policy-making process is subject to review and constraints from multiple centers of government power. Regular elections provide for a review of government actions and a possible temporal constraint on new policies. Bureaucratic and administrative hierarchies with distributed and circumscribed responsibilities foster decision-making inertia. By making major policy changes more difficult, institutional structure can promote the credibility of current policy.¹⁰⁷

General Multilingual Environmental

Thesaurus <https://www.eionet.europa.eu/gemet/en/concept/13292>

¹⁰⁷ Galbithink, Institutional Structure <https://www.galbithink.org/topics/cred/instruc.htm>

CHAPTER 2: THE POLITICAL RELATIONS BETWEEN THE EUROPEAN UNION AND WESTERN BALKANS

2.1. The Europeanization of the Western Balkans

Democratization has been the key feature of “Europeanization,” while the “carrot” of membership was used to motivate the political elites in the accession countries to adopt and implement important democratic structural reforms. In recent years, the EU’s appetite for enlargement has waned, commensurate with increased doubts in the societies of EU Member States about their own institutions, but also because of skepticism arising from the mixed results seen following earlier accessions. The perception that the EU has reached its absorption capacity has gradually created “enlargement fatigue” in Europe’s populations and its institutions, leading to a new “reform fatigue” in the Western Balkans. It has also contributed to a plunge in public support for the integration process.¹⁰⁸

Since the fall of communism in the 1990s, the Western Balkans have undergone fundamental and diverse transformations, complex in nature and difficult to explain with a single paradigm or model. Such a complex transformation, in which democratization and transition occurred alongside nation-state building and European integration, often came at the cost of the region's mutilated image. Most of the earlier literature studied this region in a very “selective” way, instead of looking at conflict, democratization or European integration as a whole, focusing rather on a specific area in the transition process of the Western Balkans. However, in recent times, the focus has shifted to the integration of the Western Balkans into the EU, thus drawing on the extensive literature.

From the 1990s, the region underwent a number of important transformative processes, moving from a paradigm of “balkanization” to a paradigm of “Europeanization”. Although these transformations have sometimes taken place in parallel and there is no clear definition of the end of one process and the beginning of the other, three main steps for examining the Western Balkans can be distinguished; that of nation-state building (the “last balkanization”), the (delayed)

¹⁰⁸ Zeneli V., (2020) *The West, China and Russia in the Western Balkans*https://www.marshallcenter.org/sites/default/files/files/2020-10/pC_V10N3_en-4_Zeneli.pdf

transition and the (pre-) Europeanization process, thus conceptualizing the many and complex transformations of the region as “multiple stages” .¹⁰⁹

Stages	The last Balkanization	The delayed transition	Pre-Europeanization
The process of ...	Building nation states	Building institutions	Building member states
Problems and issues	Violent disintegration	Governance inability	Compliance
Mechanisms and causes	Correlation between homogeneity and acceptance of the difference	High uncertainty (due to models of communism, the role of the EU and national political elites)	Conditionality (pre-accession impact)

Source : Jano D. (2008). “From ‘Balkanization’ to ‘Europeanization’:The Stages of Western Balkans Complex Transformations” <https://www.cairn.info/revue-l-europe-en-formation-2008-3-page-55.htm#>

The war that dissolved Yugoslavia represents the construction of a new national system for every nation in the region. For half a century there has been unprecedented violence in Yugoslavia. Yugoslavia is an excellent replica of the multinational structure of the empire. Within the federal framework of a war under Tito in particular the recognition of the Macedonian and Bosnian nations.

Since 1990, the successor countries of Yugoslavia have been ambitious vis-à-vis the nation-state. Therefore, the end of Yugoslavia reopened the "Serbian problem" as well as the "Albanian problem". Since the division of the country, Serbia, one of the successor countries, has followed a very different development. In 2000, Slobodan Milosevic was forced to resign from his post as President of Yugoslavia. During this period, the pace of Serbia's transition to democracy has been slower and more complicated. Bosnia was still a controversial country after the war. The many major reforms were carried out on the initiative of international representatives in Bosnia. As for North Macedonia, it is still on the edge of the Western Balkans. It was not until 1993 that Greece and Bulgaria questioned its existence. In 2000 and 2001, violent clashes took place between Albanian separatists and North Macedonian security forces. These conflicts did not lead to open war, but the country remains fragile and inter-ethnic relations remain strained. The conflict

¹⁰⁹ Jano D. (2008). : “From ‘Balkanization’ to ‘Europeanization’:The Stages of Western Balkans Complex Transformations” <https://www.cairn.info/revue-l-europe-en-formation-2008-3-page-55.htm#>

between Greece and North Macedonia over the name of the Macedonian region of Greece does not help to promote the integration of North Macedonia into the EU. Montenegro became an independent country in 2006. For its part, it started an important stabilization and consolidation process which allowed it to obtain the right to start negotiations with the EU in December 2011. Kosovo unilaterally declared independence from Serbia in 2008, but is working to gain international recognition and regain control of all of its territory. Kosovo has been under United Nations administration for seven years. In this period, the European Union and the United States considered that the future of Kosovo must be considered independently of Serbia. This independence represents a major obstacle to its development, security and stability.

Like other states of the former Yugoslavia, Kosovo too is seen by many in Europe as a case of nation and state building. Although Serbia and Kosovo reached their first agreement on border control and Kosovo's representation in regional organizations in February 2012, the country remains structurally weak and relies on international assistance. The stabilization and association process imposed certain measures in order to adopt the process of "Europeanization" in the region. This process resulted in the implementation of membership conditionality.

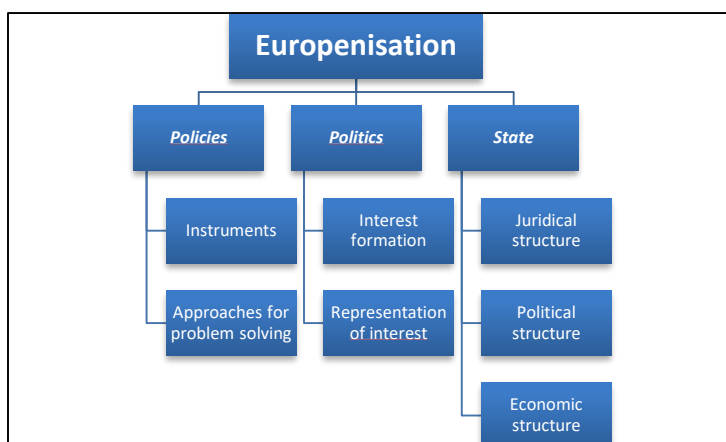


Figure : The Europeanisation of Western Balkans

Source : Propre élaboration basée sur Risse T., Borzel T. "When Europe Hits Home: Europeanization and Domestic Change" European Integration online Papers (EIoP) Vol. 4 (2000) N° 1.
https://pdfs.semanticscholar.org/3b38/4c33da2e2f07af24519d5878c38dedd65cb6.pdf?_ga=2.21103864.278916474.1589734033-123399352.1589734033

The Association and Stabilization Process for the Western Balkans is, through Europeanization, the EU's instrument of conditionality. The main drivers of the EU's integration strategy in the

Western Balkans are due to the pressures that have pushed local institutions to resist, to change and to strategize to maintain external taxation.

The EU's relations with the candidates of the Western Balkans are another case of Europeanization beyond the formal borders of the EU. Before starting accession negotiations with potential new members, the EU focuses on the general principles of European governance, in particular the political criteria of freedom, democracy, rule of law and respect for rights. human rights stipulated by the Treaty on European Union as the main eligibility criteria for membership.

The mechanism for Europeanizing the candidate countries of the Western Balkans is mainly conditionality. The main activities of the EU are to set the conditions for membership, monitor applicants' progress towards compliance and grant or suspend the award accordingly. The conditions for effective conditionality are generally favorable in EU-candidate country relations. The mechanism gives them full and equal access to the internal market, funds, decision-making institutions and legal remedies of the continent's most important economic and political organization. The various Europeanization processes are closely linked to the differential progress made by the Western Balkans in moving closer to the EU.

Over the past two decades, the views of most citizens of the Western Balkans on the benefits of a gradual rapprochement with the European Union have played an important role in supporting the difficult post-socialist and post-war transformation.

However, since the onset of the global economic and financial crisis in 2008, this perception has gradually shifted, giving way to growing and increasingly widespread Euroscepticism.

This vision of the European institutions does not depend only on some of their decisions, but also on at least three fundamental causes which together contribute to the emergence of Euroscepticism. First, the economic and financial crisis that has hit the European Union in recent years has had serious consequences for the Western Balkans and has seriously damaged the development model, which relies heavily on foreign investment. From an economic point of view, the region is already largely integrated into the European Union.

Montenegro and Kosovo adopted the euro, Bosnia-Herzegovina, retaining its own currency, transferred its monetary policy to Frankfurt. While this economic integration has contributed significantly to sustaining GDP growth since the late 1990s, it has also increased the region's vulnerability to external shocks, including the effects of the euro crisis. The first is rising

unemployment rates. In Kosovo and Bosnia and Herzegovina, around half of the population is unemployed and a third in North Macedonia.

The difficulties encountered by the countries of the region, which are already part of the European Union, therefore serve as alarm signals to future members. In particular, the catastrophic effects of the economic and financial crisis in Greece have intensified skepticism towards the EU. Only a few years ago the country was seen as a model for the neighbors, apparently reaching decisive stages, moving from a state of underdevelopment linked to prosperity and stability, all after joining the European Union. But today, Greece's experience is misleading and raises doubts about the supposed benefits of rapprochement and integration.

The citizens of the Western Balkans recognize the responsibility of the ruling class for the economic catastrophe in Greece and the decline of the political and social development of the country, but at the same time they blame the escalating crisis in the European Union and politics of austerity. The deterioration of the situation in some "old Balkan" member states of the European Union in recent years is a further reason for skepticism.

It is not a particularly popular topic with the European public. According to a YouGov poll on attitudes towards enlargement in five EU Member States (Denmark, Finland, France, Germany, Sweden) as well as in the UK and Norway, in most of these countries, there are more people who believe that candidates from the Western Balkans should not join the EU and these are viewed with a certain skepticism by the public in the countries studied.

Building on these trends in public opinion, it has become easier for Eurosceptic and populist parties to use the "threat" of enlargement in their anti-EU and anti-immigration rhetoric. The subject is therefore in danger of being sidelined during the campaign, both by the main center-right and center-left parties, but also by the EU institutions.

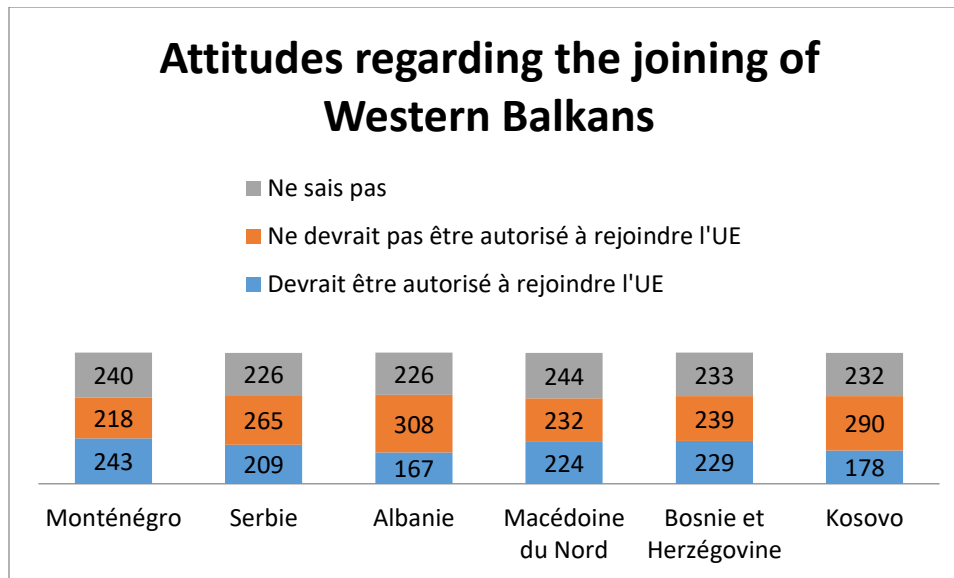


Figure 5: Attitudes regarding the joining of Western Balkans

Source: https://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/ofavfkfy8j/YouGov%20Eurotrack%20EU%20membership%202.pdf

According to the survey which was done in December 2018, if we look at the positive result regarding EU membership, we can see that. The greatest numbers of favorable people are found in Montenegro. The number of those who said they were in favor of Montenegro joining the EU is 243. The second place is North Macedonia which represents 224. The smallest number for those who have agreed to join the EU is for Albania and is 167. Unfortunately for Albania a lot of people are opposed when it comes to joining. The number of those who are against Albania's accession to the EU is 308. In this chapter, the second place is Kosovo. For Kosovo, 290 people were against EU membership.

Regarding neutrality without giving an exact answer, we see the case of North Macedonia. For this case, the number of those questioned is 244. On this chapter on second place, we have Bosnia and Herzegovina with 233.

Disapproval rates for individual countries in the Western Balkans are broadly comparable at between 49 and 65 percent, and much higher than for Norway and Iceland, yet lower than for Turkey (Figure 2). Roughly half of respondents state that they are against Montenegro and North Macedonia joining the EU (49 percent, with 27 and 25 percent respectively approving). Up to 60 percent state their disapproval of Bosnia and Herzegovina, Serbia, and Albania joining (opposed

to around 20 percent approving) and as many as 65 percent are against Kosovo joining the EU (with only 15 percent in favour).¹¹⁰

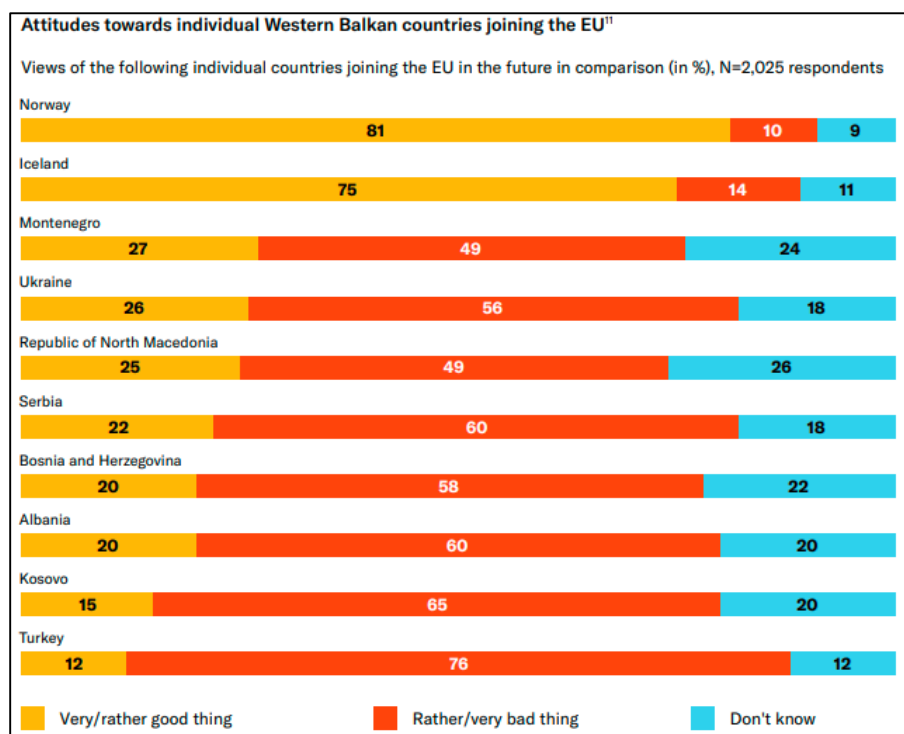


Figure 6: Attitudes towards individual Western Balkans countries joining EU

Source: <https://www.opensocietyfoundations.org/uploads/86b64122-f094-4576-a747-f493cbd86f8b/it%E2%80%99s-the-eu-not-western-balkan-enlargement-20210201.pdf>

2.2. The evolution of political relations between EU and Western Balkans

The Western Balkans region has experienced a complex transformaztive process toward European integration, shaped by political upheaval, conflict, and concerted international efforts to promote stability, democracy, and economic development. From the early 1990s to late 2022, the European Union (EU) has played a critical role in shaping the trajectory of these countries by granting financial assistance, diplomatic engagement, and progressive enlargement policies aimed at integrating the region into the EU framework.

¹¹⁰ Cvijic S. (2021) *IT'S THE EU, NOT WESTERN BALKAN ENLARGEMENT... FRENCH PUBLIC OPINION ON EU MEMBERSHIP OF THE WESTERN BALKANS* <https://www.opensocietyfoundations.org/uploads/86b64122-f094-4576-a747-f493cbd86f8b/it%E2%80%99s-the-eu-not-western-balkan-enlargement-20210201.pdf>

In the Western Balkans, the EU economic policy was the main goal of “healing” the region first. For this reason, there were negotiation rounds on partnership and stabilization,¹¹¹ as will be presented in details below.¹¹²

After the end of the socialist order, relations between the EU and the countries of central and eastern Europe developed rapidly in all areas, while the collapse of the socialist regime in the Socialist Federal Republic of Yugoslavia caused ethnic issues. The dissolution of the socialist regime in the early 1990s was a pivotal moment for the Western Balkans. Croatia and Slovenia declared their independence on June 25, 1991, with North Macedonia following on September 8, 1991, and Bosnia-Herzegovina on March 3, 1992. These declarations triggered extensive armed conflicts and regional instability, particularly marked by the Bosnian War. During these chaotic years, the European Union responded by providing various forms of financial aid aimed at mitigating the humanitarian and economic fallout of the turmoil. These early assistance measures were crucial in stabilizing regions affected by war and promoting the initial seeds of post-conflict reconstruction.

A major diplomatic milestone was reached in 1995 with the peace conference held in Paris, which resulted in the Dayton Accord, an agreement that formally ended the Bosnian War. On the proposals of the Council of the European Union, the Royaumont Process was established to oversee and ensure the correct implementation of the Dayton Accord provisions. This process exemplified the EU's early engagement in peacebuilding and conflict resolution in the Balkans. At the meeting of the General Affairs Council on 26 and 27 February 1996, a “regional approach” policy was adopted for the countries of the Balkans. This policy was created to ensure the implementation of the provisions of the Dayton Accord, as well as to determine the conditions

¹¹¹ Noutcheva G., Emerson M., (2005) *From Barcelona Process to Neighbourhood Policy: Assesmtens and Open Issues* CEPS Working Documents No: 220, 1, p.5.

¹¹² See also Prifti E. (2013). “The European Future of the Western Balkans: Thessaloniki@10 (2003-2013)” EUISS, https://www.iss.europa.eu/sites/default/files/EUISSFiles/Thessalonikiat10_01.pdf; European Commission “Overview - Instrument for Pre-accession Assistance” https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/overview-instrument-pre-accession-assistance_en; G. van der Gracht “Timeline Western Balkans 2000-2017” Clingendael Spectator 4-2017 <https://spectator.clingendael.org/pub/2017/4/timeline-2000-2017/>; European Commission European Neighbourhood Policy and Enlargement Negotiations https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/negotiations-status_en; https://www.eeas.europa.eu/eeas/eu-candidate-status-bosnia-and-herzegovina-message-people-and-tasking-politicians-0_en

necessary for stability, economic development and good neighborliness in the region. In this context, the content of the regional approach policy is as follows:

- To help successfully meet the conditions of the Dayton Peace Agreement,
- Create an area of economic prosperity and political stability,
- Guarantee and advance the rule of law, democracy, respect for human rights and respect for the rights of minorities,
- Relaunching economic mobility.

Importantly, this policy introduced a classification that grouped the Western Balkans countries based on their relations with the EU, recognizing differential progress and intent among them.¹¹³

Five countries with the necessary conditions in the regional approach policy Albania, Bosnia and Herzegovina, the Federal Republic of Yugoslavia (Serbia and Montenegro) and North Macedonia are divided into two groups, taking into account the diversity of their relations with the EU. These groups are;

- Federal State of Bosnia and Herzegovina, Croatia and Yugoslavia, which are parties to the Dayton Peace Agreement and must respect EU principles before developing relations with the EU.
- Albania and North Macedonia, which did not participate in the Bosnian war and are therefore sufficient to conclude trade and cooperation agreements with the EU.

While determining the regional approach policy of the EU, it tried to create an environment conducive to the development of political relations between EU states and regional states by dividing regional states in half. States in the region have helped the EU to conduct more effective policy in the region in order to participate separately in the political dialogue. The regional approach policy, in particular for the solution of political problems between North Macedonia and the EU, was a start. He was not involved in the Bosnian war and had signed a 2nd generation agreement with the EU in this context. Albania and North Macedonia to be signed are included in the first group. In parallel with the regional approach, the Council, in June 1996, immigrated to these countries, in order to ensure good neighborly relations and regional cooperation between Bosnia and Herzegovina, North Macedonia, Serbia and Montenegro, in order to establish civil society and democratic life in these countries.

¹¹³ Council Regulation (EC) No 1628/96 of 25 July 1996 relating to aid for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia

In June 1996, the OBNOVA program has been started, designed to consolidate regional cooperation and neighborly relations among Bosnia-Herzegovina, Croatia, North Macedonia, and Serbia-Montenegro. This program also aimed to nurture democratic institutions, the growth of civil society, and to facilitate the return of refugees displaced by conflict. OBNOVA manifested the EU's multi-dimensional approach that combined financial aid with social and political goals, consistent with the emerging norm of comprehensive support in post-conflict contexts.

The years following began to shape the political dialogue more intensively. In 1997, the Council of the European Union declared the importance of fostering bilateral dialogue with Western Balkan countries predicated on democratic governance, adherence to the rule of law, respect for human rights, minority rights protection, and market economy reforms, alongside regional cooperation. This declaration paved the way for more substantive and conditional relations between the EU and Western Balkan states, aligning with the EU's broader enlargement conditionality framework.

The formalization of this framework came in May 1999 when the European Commission launched the Stabilization and Association Process (SAP), a process designed to guide the Western Balkans through structural and political reforms necessary for closer integration with the EU. This was accompanied by the launch of institutional Stabilization and Association Agreements (SAAs) expected to be signed with the countries, laying down the legal and economic groundwork for integration.¹¹⁴ Furthermore, following the air strikes launched by NATO against the Serbs in 1999, the Stability Pact for South-Eastern Europe was initiated at the Cologne summit on 10 June 1999, in accordance with the recommendations of the German Presidency, in order to take more effective measures in the region. This strategy is the biggest international initiative towards the EU and the countries of the Western Balkans, aiming for these countries to carry out transformations similar to the countries of Central and Eastern Europe and become members of the EU. First of all, the EU made sure to bring these countries back to a specific level of stability before taking into account their specific problems and integrating them directly. The Stabilization and Association Process represents a pragmatic pathway to EU membership conditioned on comprehensive reform and

¹¹⁴ COM (1999) 235. Communication from the Commission to the Council and the European Parliament on the Stabilisation and Association Process for South-Eastern Europe. Bosnia-Herzegovina, Croatia, Federal Republic of Yugoslavia, former Yugoslav Republic of Macedonia and Albania.

regional cooperation.¹¹⁵ The most important feature of the Stability and Partnership Process is that it has treated the countries of the region within its terms and developed a contractual approach. Within this framework, the contracts (agreements) which must be concluded by the countries of the region have been regular, taking into account the situation of these countries in detail. This process resulted in the conclusion of the stabilization and association agreements which were crucial from the point of view of a future accession of the Western Balkan countries to the European Union. These agreements generally provides for:

- Gradual implementation of EU legislation in most regions of the Western Balkan countries;
- Creation of a commercial zone with the EU
- In the areas of the interior, border justice, energy and transport Cooperation with the EU
- Signing of agreements between the countries of the region, including services, goods, labor and free movement of capital.

Scholarly opinions highlight two different reasons for distinguishing between the stabilization and association agreements with the Western Balkan countries and the European Agreements concluded with the Central and Eastern European countries before their accession to the European Union in 2004. The first of these reasons lies in the purpose of concluding the stabilization and association agreements. The aim of the Stabilization and Association Agreements is to ensure political stability in the region, rather than to contribute to the processes of economic and political transformation in the countries of the Western Balkans. It is stated in the rationale for the agreements that the objective of the European Union is not only to create a partnership between the parties, but also to establish stability in the short and medium term¹¹⁶. It is argued that the other reason why these agreements were launched differently from the European Agreements is that the European Union, which, at the end, have completed the most extensive enlargement process in its history, did not contain a clear promise to membership to the contracting states.¹¹⁷ The Stabilization and Association Agreements, however, should be regarded as arrangements that pave

¹¹⁵ Bieber, F. (2015). "The Western Balkans and the European Union: 'The Hour of Europe'?" *Journal of Southeast European and Black Sea Studies*, 15(4), 547-562; Ker-Lindsay, J. (2013). "The Cyprus Problem: What Everyone Needs to Know." Oxford University Press.

¹¹⁶ Phinnemore D,(2003) *Stabilisation and Association Agreements: Europe Agreements for the Western Balkans?*, *European Foreign Affairs Review*, No:8, p.78-79.

¹¹⁷ Friis L,(1997) *When Europe Negotiates:From Europe Agreements to Eastern Enlargement* PhD Thesis (Copenhagen Institute of Political Science, University of Copenhagen) , p.171.

the way for EU membership after the countries of the Western Balkans have fulfilled the necessary conditions.

To financially support the above mentioned initiatives, the EU Council introduced the CARDS program in December 1999 (Community Assistance for Reconstruction, Democratization, and Stabilization). CARDS represented a significant funding modality designed to incentivize reforms and provide operational resources for democratization and economic restructuring.¹¹⁸

The year 2000 marked significant political affirmations of the EU's enlargement ambitions. At the June Feira summit, EU member states explicitly expressed their support to the Stabilization and Association Process and identified Western Balkan countries as potential EU candidates, showing a path toward membership for states willing and able to meet the criteria. Later that year, the Zagreb summit convened the first meeting of Heads of State, Government, and Foreign Ministers of Western Balkans and EU countries, legally formalizing the SAP.

Building on these foundations, the Copenhagen Council in December 2002 reasserted the EU's commitment to the region's membership prospects, emphasizing the necessity of continued reform and alignment with EU standards. January 2003 saw the launch of the EU's first Common Security and Defence Policy (CSDP) mission in the region [the European Union Police Mission (EUPM) in Bosnia and Herzegovina] which was an important step in the evolution from financial and political engagements to security capacity building.

March 2003 was notable for two reasons. The European Council summit in Brussels reinforced the message that European integration would be incomplete without the Western Balkans, underscoring the region's strategic importance to the EU. Additionally, the EU launched EUFOR "Concordia," its first military operation in the Former Yugoslav Republic of Macedonia under the Berlin Plus agreement, representing a further extension of EU security engagement.

In May 2003, the European Commission advanced a comprehensive proposal to further deepen the Stabilization and Association Process, stressing the need to prepare partnership documents for each country, implement twinning projects, offer technical assistance through the TAIEX system,

¹¹⁸ Council Regulation (EC) No 2666/2000 of 5 December 2000 on assistance for Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia, repealing Regulation (EC) No 1628/96 and amending Regulations (EEC) No 3906/89 and (EEC) No 1360/90 and Decisions 97/256/EC and 1999/311/EC, OJ L 306, 7 December 2000.

and integrate Western Balkan states into EU projects.¹¹⁹ The June Thessaloniki summit reiterated that SAP would remain the cornerstone of EU-Western Balkans relations and explicitly stated that accession opportunities could materialize when countries meet stipulated conditions.

Security and police reform remained a priority into the mid-2000s. EUFOR Althea was launched in Bosnia and Herzegovina in 2004 as a military operation under the Berlin Plus agreement. The completion of the EUPOL "Proxima" police mission in North Macedonia in December 2005 was followed by the establishment of the EU Police Advisory Team (EUPAT), emphasizing the EU's multifaceted approach to institution-building. The EU Council's Brussels summit in December 2005 formally accepted North Macedonia's candidacy for EU membership, reaffirming the enlargement momentum.

In 2006, the European Council renewed its enlargement consensus, reiterating the centrality of the Western Balkans' EU future. The Council emphasized that progress toward membership depended on individual countries' adherence to the Copenhagen criteria and the stability requirements embedded in the SAP.

Further consolidation of EU presence occurred with the February 2008 launch of the European Union Rule of Law Mission (EULEX) in Kosovo and the replacement of the Stability Pact for South Eastern Europe by the Regional Cooperation Council in the same year. These moves reflected a shift toward sustained regional cooperation frameworks and rule-of-law promotion.

Visa liberalization initiatives materially enhanced regional mobility. On December 19, 2009, citizens of North Macedonia, Montenegro, and Serbia began traveling visa-free to the Schengen area with biometric passports, followed by similar freedoms granted to citizens of Albania and Bosnia and Herzegovina in December 2010. These steps were pivotal in integrating these countries socially and economically with the broader European space.

Throughout the 2010s, accession dialogues and visa liberalization roadmaps were systematically advanced. The European Commission launched an accession dialogue with North Macedonia in March 2012 and handed over a visa liberalization roadmap to Kosovo in June 2012. In April 2013, Serbia and Kosovo initialed an agreement governing the normalization of relations, a critical step toward regional stability. The expiration of IPA I in 2013 and the commencement of IPA II in

¹¹⁹ COM (2003) 285 final. Communication from the Commission to the Council and the European Parliament. The Western Balkans and European Integration.

March 2014 represented the continuation and refinement of EU financial assistance aimed at institutional and economic reforms.

Over this period, the EU and Kosovo also initialed a Stabilisation and Association Agreement (SAA) in July 2014, with Bosnia and Herzegovina's SAA entering into force on June 1, 2015, and Kosovo's SAA coming into force on April 1, 2016. Bosnia and Herzegovina formally submitted its EU membership application on February 15, 2016, signaling political intent aligned with EU norms.

The Berlin Process, initiated in July 2017 and supported by six EU member states, expanded financial support particularly for infrastructure and transport in the Western Balkans, bolstering connectivity and integration efforts. European Commission President Juncker's September 2017 promise of a credible enlargement perspective and European Council President Tusk's series of high-level reform meetings, including the 2019 Sofia summit, reaffirmed the EU's long-term commitment to the region's integration.

The path to negotiation opening was concretized with the Council's June 2018 decision on North Macedonia, followed by Kosovo's completion of visa liberalization benchmarks in July 2018. The EU Council's endorsement of Bosnia and Herzegovina's membership application in December 2019 and its subsequent decision to open accession negotiations with North Macedonia in March 2020 further advanced enlargement.

Adoption of IPA III in September 2021 and its entry into force signified a continued EU investment in the Western Balkans' reform and integration agenda. The region's progress was capped by Bosnia and Herzegovina receiving official candidate status on December 15, 2022, marking a significant institutional milestone.

2.3. The influence of other actors on the relations between the EU and Western Balkans

The European Union is at risk of being defeated in the backyard to Russia and China, as delays in decision-making have created openness to rivals and increased tensions in the most volatile regions of the continent.

With the EU stumbling from crisis to crisis, the pace of expansion has slowed since Croatia joined in 2013. That's created an opportunity for rival forces, including Russia, China and Turkey to build their influence.

Different areas have different geopolitical actors, often influenced by historic ties or religion. China is primarily focusing on economic relations, while Russia and Turkey put greater effort into building political and societal ties.

None of the geopolitical players openly sabotage the EU accession of the Balkan states, however, these six states may function as “Trojan horses” in foreign policy and destabilize the unity in the future, the report said.¹²⁰

In the context of the process of Europeanization in the Western Balkans, consolidated statehood is a prerequisite for becoming a member of the EU. At the same time, a limited state significantly reduces the transformative power of the EU accession process by undermining both the capacity and the willingness of candidate countries to implement the common acquis.

But the stages which are mentioned previously were affected by some political changes during the transition period. Political changes in Central and Eastern Europe in the 1990s and 2000s limited Russian influence in Europe.

Moscow's traditional ties with the Slavic and Orthodox countries resulted in a stronger state alliance with Serbia, Montenegro and North Macedonia. For example, Russia has opposed the UN forum to NATO military operations in Serbia while refusing to recognize Kosovo's independence. Overall, the Kremlin pursues a two-pronged policy towards the region. First, by maintaining positive relations with Serbia, Montenegro and North Macedonia, Moscow establishes its own zone of influence, based on traditionalist and nationalist groups in all countries that oppose integration with the European Union. or carry out activities aimed at preventing any further reconciliation. with the community. Likewise, the Kremlin pledged to press for the implementation of the southern gas pipeline that would cross the territories of the countries of the Western Balkans. Russia seeks to increase its influence through corruption, coercion, business activities and national publicity with the aim of destabilizing the region and preventing Euro-Atlantic integration by combining hybrid measures. To achieve that goal, the Kremlin used cultural means and religious influence among the Orthodox communities, used that energy, conducted disinformation campaigns, and deployed its intelligence agencies. West Balkan is a new block of interest in

¹²⁰ Palickova A. (2019) *Turkey, Russia and China covet Western Balkans as EU puts enlargement on hold.* *Euroactiv* <https://www.euractiv.com/section/enlargement/news/turkey-russia-and-china-covet-western-balkans-as-eu-puts-enlargement-on-hold/>

Russia, but its strategy for achieving foreign policy goals is the same as that of the Eastern Partnership countries.

Serbia is Russia's most important partner and the center of Russia's influence in the Western Balkans, based on many years of cultural and historical ties. However, Russia's influence is widespread throughout the region. Belgrade is Moscow's closest ally, not only refusing to impose EU sanctions following Russia's illegal merger of Crimea, but also despite criticisms from the EU, Russia-led Eurasian Economic Union Sign a free trade agreement with. Moscow's opposition to Kosovo's independence has helped maintain its popularity among Belgrade and the Serbian people throughout the Balkan Peninsula, such as Bosnia and Herzegovina and Montenegro.

Besides Russia, there is another power in the region, Turkey. Turkey is adopting a proactive and multifaceted policy to consolidate its presence on the scene in the Western Balkans. In the countries of the Western Balkans, it tries to be particularly close to countries with a strong Muslim presence, such as Albania, Bosnia and Herzegovina, Kosovo and North Macedonia. The existence of a large number of Turkish minorities is another reason for Ankara's interest in this region.

The presence of embassies in all the states of the Western Balkans, as well as the frequent visits of senior state officials confirm Turkey's commitment there. In Turkey there is also the presence of a large Balkan diaspora which occupies key positions within government institutions and undeniably contributes to the rapprochement of Ankara with their countries of origin. Thanks to investments in strategic sectors of the economy, Turkish companies are now able to compete successfully with those of: European Investments = 70%, then the Chinese, well behind the Turks. Culturally, Turkish television series, broadcast mainly in prime time, have already conquered the Balkan television channels. Also in this region the Turkish Agency for International Cooperation and Development (TİKA) finances numerous projects for the reconstruction of emblematic sites of the Ottoman heritage.

There is also the second power in the region, which is China, but this country plays an important role from the point of view of investment. China has invested heavily in the region since the creation of the 17 + 1 platform in 2012. The countries of the Western Balkans are also part of the Chinese Belt and Road Initiative.

Beijing wants to use this area as a trade and transportation portal A platform to Western Europe where China's true interests exist. With simple money and soft power (trust-building initiative, cultural exchange, media presence, Confucius Institute), China will soon take advantage of the

lack of local infrastructure, combined with lack of capital, loose regulation and loose public. Has gained influence in procurement regulations and poor labor regulations. All of these factors make it easier for Chinese investors to build a foothold and invest in the EU backyard. Many Western officials, mainly state-owned enterprises (mainly state-owned enterprises), hampered by the region's suspicious business environment, which are well-capitalized and willing to spend more, are large national subsidies and state-owned. Backed by banks and ready for construction, it retains a clear advantage at low cost, without strict (and costly) requirements for environmental and social compliance.

In line with Beijing's economic and geopolitical agenda in Europe, the West Balkans is the larger Chinese footprint raises concerns in an era of great power competition in the West. "The Balkans can be one of the chess boards where you can play games of the great powers," Mogherini said. The Chinese approach is more subtle than the Russian approach, but its ambition can be more important-accessing the EU from the backyard. Skepticism about Russia is rising in the region, but attitudes towards China are still open.

Even though Chinese interests are not characterized as a political influence on Europe, Enlargement Commissioner Johannes Hahn has expressed concern about Chinese loans. He says some states are borrowing a lot from China and he's not sure they'll be able to repay it. In this case, they expose themselves to Chinese domination. In general, the Chinese approach is very similar in all the countries of the Western Balkans. The most important sectors are highways and railways.¹²¹

Another important role in this region plays the perception of the local population and of the few EU countries.

¹²¹ Palickova A. *La Turquie, la Chine et la Russie convoitent des Balkans occidentaux délaissés par l'UE*. <https://www.euractiv.fr/section/l-europe-dans-le-monde/news/turkey-russia-and-china-covet-western-balkans-as-eu-puts-enlargement-on-hold/>

CHAPTER 3: THE ECONOMIC RELATIONS BETWEEN THE EU AND WESTERN BALKANS

Regional integration is often seen as a way to support development and economic growth in developing countries through trade and welfare benefits. Economic integration theory goes through two stages of development, each of which refers to the economic and political context appropriate to its era. The role of political and economic uncertainty is examined and it is found that trade uncertainty is also a significant contributing factor.

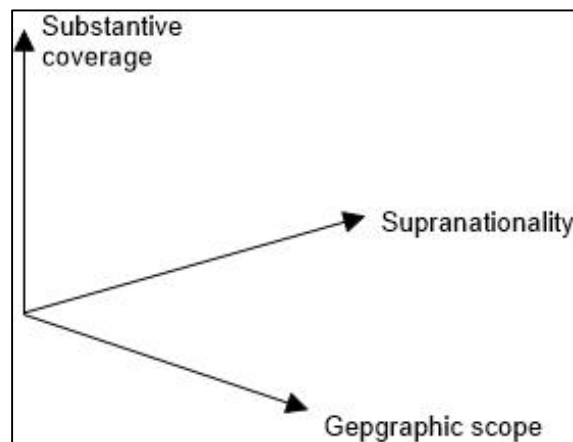


Figure: The regional integration

Regional integration can be defined along three dimensions:

- geographic scope illustrating the number of countries involved in an arrangement (variable geometry),
- the substantive coverage or width that is the sector or activity coverage (trade, labor mobility, macro-policies, sector policies, etc.), and
- the depth of integration to measure the degree of sovereignty a country is ready to surrender, that is from simple coordination or cooperation to deep integration.

In the context of the economic integration, the first stage is considered classical theory or static analysis and includes traditional theories of economic integration that explain the possible benefits of integration.

Traditional theory assumes that the larger (in economic terms) the participating countries are, the more substantial the benefits of integration will be. According to Abdel Jaber if the size of the

economy is measured by the gross national product, integration benefits for developing countries are negligibly small.¹²² Balassa on the other hand claims that integration gains depend not only on the size of the countries participating in the integration arrangement, but also on their rate of economic growth. Thus, as developing economies tend to grow at higher rates than already developed ones, the benefits of integration for them would be even bigger¹²³. Another possible measurement of the size of the integration community is the number of population. Under this criterion, developing countries will surely benefit from integration as they are usually over populated.¹²⁴

The second phase includes new theories of economic integration commonly known as dynamic analysis of economic structures. Besides these two theories, there is a third type of integration theory that deals with the impacts, advantages and limitations of economic integration agreements of developing and least developed countries, because in most cases, the theory of economic integration and its benefits - dynamic, but all more static theories, are not entirely applicable to integration agreements between developing and underdeveloped countries.

Table: The Static and Dynamic effects on economic integration

Short term effects-Static	Long term effects-Dynamic
Trade creation	Increased competition enhances productivity improving allocation of resources and decreases prices
Stabilization of the economic neighborhood and min trade partners	Scope and specialization enhance competitiveness
Improvement of the collective ratio between a country's export prices and its import prices	Access to the new technology
Administration savings	Growth in output increases welfare

Source: https://www.semanticscholar.org/paper/Advantages-and-Disadvantages-of-Immediate-or-into-*-Svetli%C4%8Di%C4%8D-Udovi%C4%8D/25a8f8356ba8eb95a9a7c826d67af81fc9cd7136

¹²² Abdel Jaber, T. (1971) *A review article: The relevance of traditional integration theory to less developed countries*. Journal of Common Market Studies 9 (3): pp. 254-267

¹²³ Balassa, B. (1961) *The Theory of Economic Integration*. Richard D. Irwin. Homewood, Illinois, p.38

¹²⁴ Hosny, A.S. (2013) *Theories of Economic Integration: A Survey of the Economic and Political Literature*. International Journal of Economy, Management and Social Sciences 2 (5) May 2013, pp. 133-155

The reconstruction of the Western Balkans became an urgent issue for the post-war international community in the 1990s . In fact, the European Union has been trying to define a strategy for the integration of the Western Balkans.

The most important means of the European Union for the integration of Western Balkans is the Stabilization and Union Process (SAP), which started in 2000 and the main is to develop the Western Balkans in terms of both political efforts and finances. Ultimately, these countries aim to prepare for future EU accession. "The future of the Balkans is in the European Union" (EU West Balkan 2003), as recently declared at the EU West Balkan Summit in Thessaloniki on 21st June 2003.

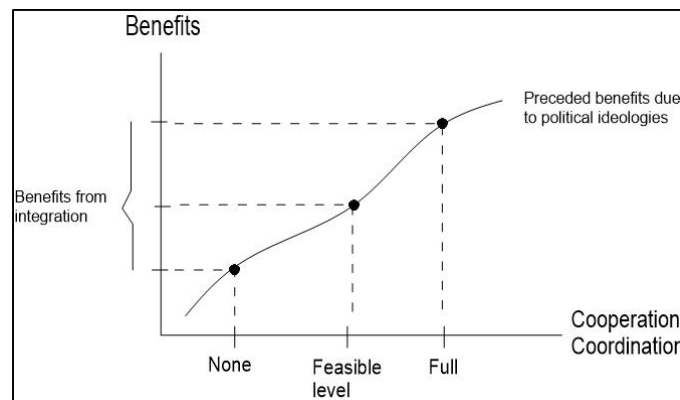


Figure: Relation with EU in terms of cooperation and coordination

According to the figure, the cooperation the regional cooperation represents very important tool for the Western Balkans and was seen as the driving force to bring the entire region out of conflict and strengthen peace and democracy.¹²⁵ Several challenges such as political and conflict in the region were addressed between 1999 and 2008, establishing good neighborhood relations under a stability agreement. Given the lack of cooperation in the Western Balkans, it was important to strengthen regional cooperation by the European Union, as the Western Balkans needed a European agenda. Major regional initiatives between the West Balkans between 2001 and 2008.

Trade plays a crucial role in the efforts of the European Union to bring stability, peace, freedom and prosperity in the Western Balkans region. In general, exports in the Western Balkans

¹²⁵ Erler, 2004, p.11

have started to increase very rapidly in recent years, as EU trade has been important in the region of Western Balkans.

The EU's strategy for the West Balkans places great emphasis on regional cooperation, including the economic sector. This reflects the assumption that increased economic integration and interdependence will help solve political problems between countries. The Bertelsmann Stiftung survey found that various initiatives for regional economic integration (especially CEFTA) increased the flow of trade between Western Balkan countries. However, the degree of integration varies from country to country. Serbia, in particular, is more widely integrated outside the region than inside the region.¹²⁶

The Western Balkans are one of the poorest countries in the Central and Eastern Europe, and if all other conditions are the same, poor countries should grow faster than rich countries. However, in the last two decades, most Western Balkans have converged to Western Europe more slowly. This strongly suggests that the general economic development model is not working, including the EU's focus on regional economic integration.

A founding summit, it formalized the accession process on the basis of a double conditionality. In addition to the Copenhagen criteria there came, in effect, specific conditions which resulted from the painful legacy of the recent wars: full cooperation with the International Criminal Tribunal for the former Yugoslavia -ICTY – regional cooperation and good neighborly relations between States and their neighbors. The tools of the fifth enlargement were transposed to the Balkans, political dialogue and a free-trade area in the Stabilization and Association agreement, technical and financial assistance, reform priorities in “European partnerships” and preparation by the countries in question of “national programs for the adoption of the “community acquis”. At the same time the Union launched the Stability Pact in Cologne in June 1999, to facilitate democratization, development, cooperation and security in the Balkans in the ilk of the Helsinki Charter. Officially launched on 29th and 30th July in Sarajevo it formed the foundation of many agreements and cooperation networks in the areas of police work, justice, transport and trade.

A free-trade agreement between the countries was signed in December 2006 which took the name of the one that linked the countries of Central Europe in the 1990's, the Central European Free-

¹²⁶ Grieverson R. (2021) *Western Balkan economic integration with the EU: Time for more ambition*

<https://biepag.eu/blog/western-balkan-economic-integration-with-the-eu-time-for-more-ambition/>

Trade Agreement (CEFTA). The Stability Pact was replaced by the Regional Cooperation Council (RCC) on 11th May 2007, created by ten countries in the Cooperation Process in South East Europe: the five countries, which then comprised the Western Balkan

Since 1990, the region has been economically and politically disintegrated, although the common history, geography, and stage of development would be conducive to regional coordination, cooperation and economic integration. Thus, the conditionality imposed on the region would appear as a force to re-merge formerly integrated countries.

An indispensable part of the process of accession of the Western Balkans to the European Union is the economic integration. It is the economic issues and criteria that are amongst the most important ones when acceding to the Union, especially in the light of the recent financial and economic crisis and its aftermath

Political inadequacies as flawed democratization, nationalism, highly centralised or also weak states may be interpreted as barriers to increased cooperation and the set up of free trade arrangements.¹²⁷ Partly, there are strong resentments against the EU's instrument that is used for the first time and exclusively for the Western Balkans¹²⁸

Following the disintegration of Yugoslavia, the first steps towards regional economic integration in the Western Balkans date back to 2001. Within the framework of the Stability Pact for South East Europe, the countries from the region jointly with Bulgaria and Romania concluded a Memorandum of Understanding on Trade Liberalization and Facilitation, which resulted in the establishment of a network of 32 bilateral Free Trade Agreements (FTAs).¹²⁹

In the second stage, it was aimed to establish a new free trade agreement in the Western Balkan region. These goals were finalized when the Stability Pact was put in place with the Regional Cooperation Council. Trade liberalization in the Western Balkans

It is the first basis for the development of trade relations between countries. In this view, free trade agreement is very important for the countries in this region. Free Trade Agreements (FTAs) are the most important tool for regional cooperation in the field of trade policy and the establishment

¹²⁷ Anastasakis and Bojčić-Dželilović (2002).

¹²⁸ TSEMI, Friedrich Ebert Stiftung, Western Balkans' Accession to the European Union: Mission (Im)Possible <https://library.fes.de/pdf-files/bueros/sofia/08091.pdf>

¹²⁹ European Commission (2021) *Factsheet: Western Balkans and Turkey* https://ec.europa.eu/info/sites/default/files/economy-finance/dp080_western_balkans.pdf

of bilateral FTA networks. Albania concluded the Free Trade Agreement with other Western Balkan countries in 2001 according to the terms of the Agreement Memorandum. The first free trade agreement was signed with North Macedonia in June 2002. The next agreements were signed with Kosovo in October 2003, with Serbia and Montenegro in August 2004, and with Bosnia and Herzegovina in December 2004. After the Dayton Agreement of 1995, the two regions located in Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina and the Republika Srpska, have different commercial laws. Due to the commercial reform made in 1998, the customs regime was unified. Although it establishes a customs policy at the state level, it is implemented instead of assets at the level. Bosnia and Herzegovina received international aid because it had a trade deficit balance. It signed agreements with North Macedonia in 2002 and with Albania in 2004. Serbia and Montenegro signed a free trade agreement with the Stability Pact member states. When the free trade agreement with Bosnia and Herzegovina entered into force in June 2002, it confused the abolition of taxes on agricultural and industrial imports. The free trade agreement with Albania entered into force in 2004, and a new free trade agreement with North Macedonia was signed in 2005.

In May 2003, Kosovo joined the Balkan trade liberalization method, signed the Agreement Memorandum in 2002 and joined the Trade Working Group. The FTA signed with Albania provided duty-free trade for most industrial products and reduced tariffs for other products. However, this agreement did not provide for agricultural products. Kosovo signed an FTA first with North Macedonia and then with Serbia and Montenegro. In February 2006, it started an FTA with Bosnia and Herzegovina.

Table: Free trade agreements between Western Balkan countries

	Albania	North Macedonia	Serbia	Montenegro	Kosovo	Bosnia- Herzegovina
Albania		2002	2004	2004	2003	2004
North Macedonia			2006	2006	2005	2002
Serbia						2002
Montenegro						2002
Kosovo						2006

Bosnia- Herzegovina						
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According to the relevant literature, the economic agreements signed between the Western Balkans countries, such as the establishment of an economic or monetary union, converge on the same idea. First of all, the free trade agreement will provide many opportunities as the economic structure of the countries in the Western Balkans is small. In fact, according to many theories, free trade agreements have not been able to play the role of developing economic relations between these countries.

The liberalization of the Balkan economies was seen by the EU, as necessary to attract politically and financially, the ex-Yugoslav nations on the way to western model of society. The Central European Free Trade Agreement (CEFTA) in its most recent shape was established in 2007 and since then have made achievements but also raised problems.

The main aim of the CEFTA is to facilitate investments in the region, by providing framework for eliminating barriers to trade. Over the last years, CEFTA has been able to remove most intra-regional tariff barriers for goods. With the adoption of CEFTA Additional Protocol 5 (AP5) on Trade Facilitation and CEFTA Additional Protocol 6 (AP6) on Trade in Services, the region has at its disposal instruments for a further deepening of regional economic integration and alignment with the EU acquis¹³⁰

CEFTA 2006 had a favorable impact on the melioration of political and economic relations in the Western Balkans by improving the business climate. It has led to the de-tensioning of states' bilateral relations previously affected by interethnic conflicts and territorial disputes.

Moreover, CEFTA 2006 is regarded as a preparatory instrument for the future European integration of the Western Balkan countries.

With the new millennium, the progressive development of trade volume enhanced by the CEFTA from 2007 on, considerably diminished the probability of another conflict of any kind in the Balkans and gave the opportunity to the governments to look forward to the EU membership.

¹³⁰ Launch of a new project to further enhance economic integration in the European Neighbourhood Policy and Enlargement Negotiations (DG NEAR)

https://ec.europa.eu/neighbourhood-enlargement/news/launch-new-project-further-enhance-economic-integration-western-balkans-and-republic-moldova-2020-07-28_hr

The political development that came during the 1990 period was formed by the European Union in 1999 with the Stability Pact. The Stability Pact first promoted trade relations between countries in the economic field. Therefore, countries in the region signed free trade agreements and Stability Pact with the EU. In addition, the Stability Pact tried to abolish customs tariffs in order to increase trade between the countries in the region and the EU. In 1997, it abolished customs duties on all industrial products. Furthermore, interregional trade has magnified and complemented a large increase in trade with the EU. Successfully, the EU is the dominant trading partner for CEFTA, despite increasing regional trade. In general, CEFTA is an integration project at the EU's eastern borders. The main goal of CEFTA is to integrate faster in the EU. If each country has a commercial relationship with CEFTA, it must follow the CEFTA membership criteria. They stated in the Poznan Declaration:

- Membership in the World Trade Organization,
- Signature of the association agreement with the EU
- Approval of CEFTA members

They now form a free trade area where the exchange of goods, services and capitals is encouraged by erasing all assorted trade and customs barriers. In fact, the CEFTA membership criteria are three: the association with the World Trade Organization, the establishment of mutual free trade agreements between all the CEFTA members and the ratification of the European Union Association Agreement. These membership terms imply that the economy of each affiliate state must be open to the other CEFTA states, to the European Union nations and to the world. The commercial and financial ties with the EU, arranged under this framework, have been of particular importance for two reasons. First, the development of economic links were seen as a the easiest way to begin the political path towards EU membership, a decision taken by the Western Balkans governments already before 2007. Second, the Western Balkans executives were aware of the economic weakness that is typical of the area. Accordingly, they needed a stronger partner - the EU - able to help rebuild and foster the productive activities in all the Western Balkan countries.

From the economic perspective, however, the change in EU policies towards the WB region has been fundamental, as it has undoubtedly facilitated transition, integration and economic development.

The EU has provided a strong anchor for the process of economic and institutional reforms in WB countries even before the signing of a Stabilization and Association Agreement, since many new

laws have been adopted in conformity with EU norms. As a result of bilateral free trade agreements, trade within the Western Balkans has increased significantly, but various institutions have prevented the region from fully developing its economic potential, especially in terms of direct investment.

CEFTA eliminated existing quantitative restrictions and prohibited the introduction of new equivalent measures on exports and imports between member countries.

In addition, all existing tariffs or duties that have a similar effect on exports between member countries were eliminated. With regard to imports, CEFTA stipulated that existing tariffs would not be increased and that new tariffs or charges with equivalent fiscal effects would not be introduced. As part of CEFTA, an additional protocol was signed that allows most tariffs and quotas on agricultural products to be eliminated by May 1, 2011.

Although not legally obligated, the countries plan to gradually and comprehensively liberalize not only trade in goods but also trade in services, investment, and employment.

The announced prospects of EU membership, financial assistance, trade liberalization and the conclusion of SAAs have greatly facilitated integration of the WB economies into the EU. Increasing Balkan - EU foreign trade, FDI inflows, banking and financial integration has, until recently, contributed to much faster economic development of the WB countries than otherwise would have been the case. But increasing economic integration of the WBs with the EU economy has also rendered them more vulnerable to external shocks. For the WBs integration proved to be a double-edged sword: in good times, the European core exported its prosperity towards its south-eastern periphery; but now, at a time of crisis, it is exporting instability.¹³¹

Given the high dependence of the WB economies on the EU, factors that have made them vulnerable to the global economic crisis - including trade openness, economic, financial and banking integration - are precisely the factors that will reinforce growth once the EU economy recovers. For the moment, however, economic recovery in the WBs looks extremely fragile, in view of the unfavorable short-run economic prospects in the core EU members states. While overcoming the Eurozone crisis is important for achieving faster growth also in the WBs, it will

¹³¹Uvalic M. (2013) *The economic development of the Western Balkans since Thessaloniki*, the European Future of the Western Balkans. Thessaloniki@10 (2003-2013) (pp.73-82), Publisher: Paris: European Union Institute for Security Studies, Editors: Eviola Prifti

not be sufficient to resolve some of the structural problems these countries were facing before the onset of the economic crisis

They therefore formulated the strategy of regional cooperation, which was based on the following assumptions:

- Intensifying economic contact would lead to better economic outcomes.
- Better economic outcomes would lead to a convergence of economic interests.

The idea that countries which are more economically integrated are less likely to go to war goes back at least as far as Plutarch. The liberal idea rests on two assumptions:

1) trade brings people into more contact with each other (and, therefore, they are less likely to fight);

2) trade increases the prosperity and power of the productive and peaceful members of a society.

The economic fundamentals of the region in the early 2000s added to the hurdles currently facing the EU's regional cooperation strategy.

At least before 2008, growth in the EU and global economies was strong, providing a supportive backdrop, while the Western Balkan countries had different comparative advantages, meaning that, in theory, there was a complementarity in production structures.

However, even taking into account the disruption to regional trade caused by the wars of the 1990s, the potential upside to regional economic integration – for both trade and investment – was not very high.

For all of the Western Balkan partners, the EU is the leading trade partner accounting for almost 70% of the region's total trade; while the region's share of overall EU trade is only 1.4%.

Trade between the EU and the Western Balkans was hit by the COVID-19 pandemic in 2020, falling by 7.8% compared to 2019, in line with the decline in trade in other markets. However, trade with the region has grown by 184% over the past 10 years, with the total trade between the EU and the Western Balkans still reaching over EUR 50 billion in 2020. This trade expansion has overall been to the benefit of the Western Balkan partners; in the last 10 years, the region increased its exports to the EU by 218% against a more modest increase of EU exports to the region of 165%.

In 2020, the EU's main imports from Western Balkans were

- machinery and appliances (24.9%),
- base metals (11.4%),

- and chemicals (10.0%).

The EU's exports to the Western Balkans were mainly

- machinery and appliances (21.9%),
- chemicals (11.5%),
- and base metals (9.3%)¹³²

Trade in goods 2018-2020, € billions			
Year	EU imports	EU exports	Balance
2018	22.3	30.6	8.3
2019	23.0	31.9	8.9
2020	21.3	29.2	7.9

Figure: EU-Western Balkans: Trade in goods

Source: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/western-balkans/>

¹³² European Commission, *EU trade relations with the Western Balkans. Facts, figures and latest developments* <https://ec.europa.eu/trade/policy/countries-and-regions/regions/western-balkans/>

CHAPTER 4: THE EU CORE VALUES AND WESTERN BALKANS

4.1. Rule of law as Copenhagen Criteria and its implementation in Western Balkans

The notion of “rule of law”, conceived by European nations as a common value and fundamental principle for greater unity, was recognized in the Statute of the Council of Europe of 1949 (ETS No. 1). This principle, together with those of democracy and human rights, plays a significant role today in the Council of Europe and the case law of the European Court of Human Rights in particular.¹³³

In June 1993 the European Council of Copenhagen laid down the conditions (the so-called Criteria of Copenhagen) for the accession process of Central and Eastern European Countries to the EU. The political requirements for accession stipulate that any candidate country must have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.”¹³⁴

To tackle democratic backsliding in Member States, the European Union has created several new tools and mechanisms to safeguard European values, democracy and the rule of law. For the first time, the bloc has introduced a »rule of law conditionality« for accessing EU funds, with the aim of ensuring better protection from these funds being misused by EU governments. Although the new rules apply first of all to Member States, they will be also closely monitored by candidate countries, especially in the Western Balkans.

Article 6 (1) TEU states: "The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law; these values are common to all Member States."

¹³³ Parliamentary Assembly, *Text adopted by the Standing Committee*, acting on behalf of the Assembly, on 23 November 2007 (see [Doc. 11343](#), report of the Committee on Legal Affairs and Human Rights, rapporteur: Mr Jurgens).

<https://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=17613&lang=en>

¹³⁴ Copenhagen European Council, June 1993. Since then, through the entry into force of the Treaty of Amsterdam in May 1999, the political criteria defined at Copenhagen have become a constitutional principle in the Treaty of the European Union. Article 6(1) of the consolidated TEU reads, “The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law.” Accordingly, Article 49 of the TEU stipulates “Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union.” More recently, these principles were emphasized in the Charter of Fundamental Rights of the European Union that was proclaimed at the Nice European Council in December 2000.

The values and principles of the EU are not only essential components of every Member State's legal system but also part of social reality. In the societies of all Member States of the Union there exists a common consensus regarding these values and principles, which are also part of practical life. Also in the new Central and Eastern European Member States a broad social consensus on European values exists, due to the painful experiences of the past communist regime.

Within the EU the concept of rule of law is stringently linked to that of a functioning democracy and respect for human rights. Democracies are however fragile and not to be taken for granted, whether in the EU or globally. According to the latest figures of the Economist Intelligence Unit's 2021 Democracy Index, which measures democracy in a thick sense on the basis of five measures (electoral process and pluralism, the functioning of government, political participation, democratic political culture and civil liberties),⁴⁴ only 21 out of 167 countries worldwide currently qualify as 'full' democracies. ⁴⁵ Of those, 12 are countries in Western Europe albeit not all EU Member States. ⁴⁶ The report points out that 'full democracy' currently benefits only 6,4 % of the world population, whilst "less than half (45.7%) of the world's population now live in a democracy of some sort". This includes the other EU Member States (as well as for instance the USA) which are currently labelled as 'flawed' democracies, although they may still qualify as 'functioning' democracies.

It is clearly in the interest of the EU to ascertain that candidate countries fully share all the EU values expressed in Article 2 TEU, at least by the time of their accession. The pre-accession conditionality requires full compliance with the 'thick' rule of law concept and triggers the full intra-EU reference frame as applies to the EU Member States. Candidate countries are thus under a firm obligation as to result to duly respect the rule of law, democracy and human rights, subject to control by the European Commission. The fact that the leverage exerted by the prospect of EU membership status is lost immediately upon EU accession, qualifies the pre-accession conditionality truly as the most powerful Rule of Law enforcement instrument at the disposal of the EU, all internal and external situations confounded.

Table: Definition of the rule of law

EU-definition	World Bank definition	Congressional Review Act definition
EU Enlargement Rule of Law Criteria	World Bank World Governance Indicators	Congressional Review Act Sovereign political risk

• Supremacy of law • Separation of power • Juridical independence • Respect for procedural fundamental rights • Active measures to counter corruption	• Voice and accountability • Political Stability • Government Effectiveness • Regulatory Quality • Rule of law • Corruption	• Stability and legitimacy of political institutions • Popular participation in political process • Orderliness of leadership successions • Transparency in economic policy decisions and objectives • Public security • Geopolitical risk
The 1993 Copenhagen Criteria for accession to the EU “Membership requires that candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, respect for protection of minorities		

Source: Valter A., Wennerstrom E.O. (2015) The Rule of Law in Times of Financial Crises - How EU Rule of Law Correlates with the Market <https://www.semanticscholar.org/paper/The-Rule-of-Law-in-Times-of-Financial-Crises-How-EU-Wennerstr%C3%B6m-Valter/26e27cb358b506332755e5224884934884cc81bb/figure/2>

Table: Requirements of the membership

1) Membership requires that the candidate country has achieved: • Stability of institutions guaranteeing democracy, the rule of law, human rights and respect and protection of minorities • The existence of functioning market economy as well the capacity to cope with competitive pressure and market forces within Union • The ability to take the obligation of membership including adherence to the aims of political, economic and monetary union
2) Membership requires that the candidate country has created: the conditions for its integration through the adjustment of its administrative structure, so that European Community legislations can be transposed into national legislations implemented effectively through appropriate administrative and juridical structures.

Source: <http://europa.eu/int/comm/enlargement/intro/criteria.htm>

The legal order of the EU also comprises the national constitutional traditions of EU Member States, the Charter of Fundamental Rights of the European Union, the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) and the jurisprudence of the CJEU. Thereby, a functioning rule of law is a cornerstone of a democratic system in all EU-states, indispensable for both the efficient implementation of the internal market and for the common area of security and justice.

The Union is legally obliged to promote its fundamental values, which underline the Union's external relations and interactions with sovereign states and other unions and regional organisations. Therefore, a functioning rule of law is an important element of the EU's enlargement policy, as its implementation creates a key condition for aspiring members to join the Union.

Countries that are having status as EU-candidates, as future members of the EU, are obliged to comply with the rule of law principles before they join the Union.

There are also problems concerning the rule of law and democratisation as in the Western Balkans with cases of domestic political elites have established “democratic façade” by holding more or less regular elections, by promulgating legal acts guaranteeing freedom of expression, and by constitutionally declaring a strict system of checks and balances but in reality relying on informal structures and clientelism, control of the media and even regular manufacture of crises to undermine democracy and the rule of law.

Table: EU rule of law methods in candidate countries

Enforcement mechanism	Benchmarking/monitoring	Dialogue	Financial and technical assistance
Article 49	Copenhagen Criteria	Accession negotiation chapters 23 and 24	IPA
	Progress Report	Structured dialog on rule of law	Twinning
	Strategy Papers		TAIEX
	Per review mission		

Source: Lausevic V. (2020) *Protecting the rule of law in EU Member States and Candidate Countries*
<https://vladanlausevic.medium.com/protecting-the-rule-of-law-in-eu-member-states-and-candidate-countries-16b8f54cc705>

Enforcement mechanism

Enforcement can be defined as detecting non-compliant behaviour and forcing non-compliers to change their behaviour with a view to respecting the rules.⁷ Monitoring is the first and rather soft phase of enforcement activities, potentially generating legal action.¹³⁵ Huber (2007) likewise tries to tease apart the mechanisms by which political influences shape a variety of different enforcement outcomes. mechanisms by which the relevant constructs shape regulatory outcomes.¹³⁶ It is important to understand how political constructs are constituted, conveyed, received, and enacted. For instance, it may be well established that public views about regulation are associated with regulatory enforcement levels.

The instrument for assessing the respect for the rule of law in candidate countries is provided for in Article 49 of the TEU. It stipulates that only European countries that respect the EU values set out in Article 2 of the TEU and are committed to promoting them can apply for membership of the Union.

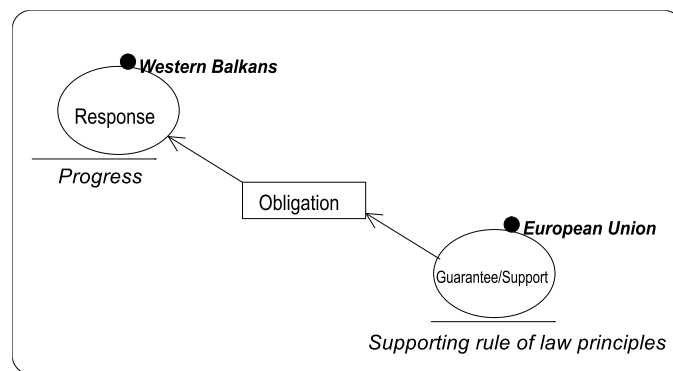


Figure: Enforcement mechanism between EU and WB
Source: Made by author

According to the figure, as a response of EU to Western Balkans through the Rule of law, represents a support that enables the development of equitable and just communities with strong institutions in Western Balkans.

In order to be full member states, the European Union offers the obligation to the Western Balkans through an approach aimed at comprehensive, integrated and coordinated by its foreign policy

¹³⁵ Clingendael, Monitoring and Enforcement Policy Brief in the European Union: towards a multilevel subsidiarity-based independent governance model https://www.clingendael.org/sites/default/files/2019-12/Policy_Brief_Monitoring_and_Enforcement_in_the_European_Union_november_2019.pdf

¹³⁶ Huber G (2007) *The Craft of Bureaucratic Neutrality: Interests and Influence in Governmental Regulation of Occupational Safety*. Cambridge University Press, Cambridge

action, so that the Union can link together multiple policies across institutions from Western Balkans. The goal is also to work towards a smoother transition from a crisis to long-term development cooperation.

Furthermore, through this support, European Union “obliges” Western Balkan countries to follow fundamental values and rights, offers the best practices of law and investment-friendly business environment.

Benchmarking/monitoring

The essence of benchmarking is the process of identifying the highest standards of excellence for products, services, or processes, and then making the improvements necessary to reach those standards ± commonly called “best practices”¹³⁷ Benchmarking is a way to move away from tradition. It carefully dissects the organization into segments, and then removes and inserts pieces to account for changing environments. Changes occur once the process has started, and will continue to change and mold the organization for as long as individuals are continuously striving to make it better

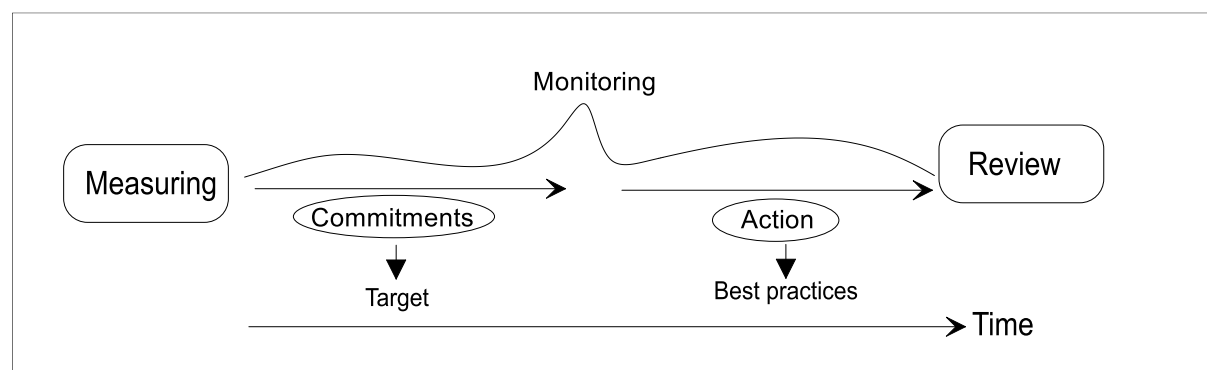


Figure: Monitoring of EU in WB
Source: Made by author

Following its expansion to Romania and Bulgaria in 2007, the EU redefined its control mechanisms, introducing stricter conditionality.

Dialogue

Under this new approach, the dialogue will be organised into two different types of political discussions:

- A horizontal discussion covering general rule-of-law developments in the EU;

¹³⁷ Bhutta S. Khurum M., Huq F.(1999) *Benchmarking – Best Practices: An Integrated Approach*, *Benchmarking An International Journal* 6(3):254-268

- Country-specific discussions addressing key developments one by one in each Member State

intended to bolster exchange and cooperation in the area of law and to deepen the longstanding friendship between both peoples

Rule of law is a core founding value of the EU. Our new dialogue is a further instrument in the EU's toolkit to strengthen and protect the rule of law. It aims to establish an open and constructive debate on the situation regarding the rule of law in all member states: equal treatment of all member states, non-discrimination and objective criteria are key aims to elevate policy discussion around democratic institutions, civil engagement and hemispheric cooperation

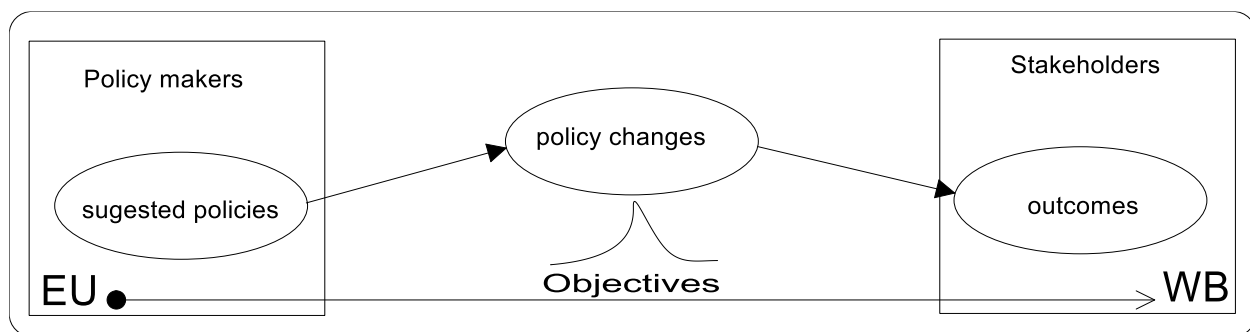


Figure: The dialogue between EU and WB

Source: Made by author

In context of EU's foreign policy, the policy making for EU is an important process that explores the link between model and mechanism for policy making and its implementation in Western Balkans. Process success rests first of all on the preservation of government's policy goals and instruments. Program success occurs if the measure that government adopts, including a stance of doing nothing, produces the results desired by government. The dialogue it is important not only to share the decision-making process but also to percept the EU's best practices in terms of rule of law.

Technical Assistance

“knowledge-based support to governments to shape policies and institutions, support implementation and build organizational capacity” It is seen as the search for technical solutions to political challenges.

If the capability gap is not a major impediment to organizational performance, there is no reason to expect technical assistance to deliver better results.

Technical assistance is a non-lending activity that consists of advisory services, capacity building programs, and business linkages that help mitigate the risks of a transaction and aim to build the capacity of sponsors.¹³⁸

Technical assistance for non-sovereign operations focuses on designing interventions that support the achievement of desired development outcomes and enhance inclusion by targeting non-state actors such as small and medium enterprises, youth and female entrepreneurs.

Technical assistance activities are designed alongside non-sovereign activities and grants provided by various trusts and donors.

Technical assistance to enhance local economic opportunities, create jobs, and promote public-private dialogue through linkages between small and medium-sized enterprises; SMEs access skills, training and capacity building; Access to finance for SMEs; Develop SME value chain and prepare public-private partnership (PPP) projects.

The expression “finance and financial assistance” means any action, regardless of the specific means chosen, by which an individual, organization or agency is involved, conditionally or unconditionally.

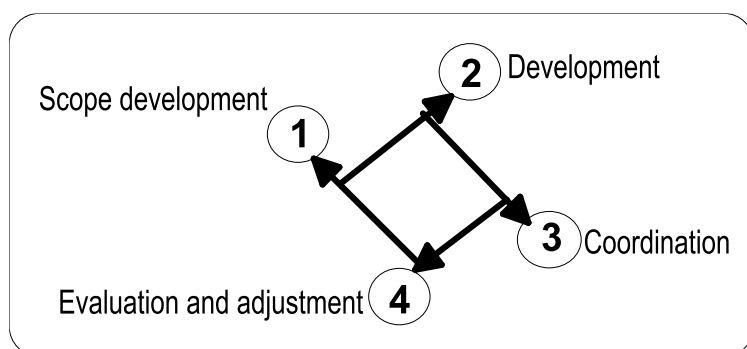


Figure: Financial and technical assistance

Source: Made by author

Scope is the description of the boundaries of the project. It defines what the project will deliver and what it will not deliver. Scope is the view all stakeholders have from the project; it is a definition of the limits of the project.¹³⁹

¹³⁸ African Development Group, Technical Assistance Solutions

<https://www.afdb.org/en/technical-assistance-solutions>

¹³⁹ PM4DEV *A methodology to manage development projects for international humanitarian assistance and relief organizations* <https://www.pm4dev.com/resources/free-e-books/7-project-scope-management/file.html>

4.2. Copenhagen criteria and the enlargement process

Twenty years ago, the Thessaloniki summit in 2003 opened the door to a European future for the Western Balkans. Since then, progress towards affected countries joining the EU has been slow. The countries in the region have struggled to implement necessary economic and political reforms or chapters on the rule of law and good neighborly relations.

European Commission adopted a strategy in 2018 aimed at “a credible enlargement perspective and increased EU engagement in the Western Balkans”. This strategy reaffirms the region's European future as “a geostrategic investment in a stable, strong and united Europe based on shared values” and points to 2025 as a possible date for import. However, in June 2019 and again in October 2019, the Council postponed the decision to open negotiations with Albania and North Macedonia, despite the positive recommendation of the European Commission and the support of the European Parliament. By delaying this decision, some argue that the EU is sending a vague message to the region, undermining its credibility and potentially even promoting nationalist, open rhetoric. From other side, it opens the door to the influence of third powers, especially China, Turkey and Russia.

The accession process is composed of nine consecutive steps represented in Table 1 below. Experience shows that the longest is step 6 – the actual negotiations –involving detailed screening of the acquis. Currently, Albania, Montenegro, North Macedonia, Serbia at this stage. Bosnia and Herzegovina has been granted candidate country status. Kosovo is a potential candidate.

Table: Steps of a country for joining to EU

STEP 1	Country submits membership application to Council (EU Member States)
STEP 2	Commission submits opinion on the application
STEP 3	EU Member States decide unanimously to grant the country candidate status
STEP 4	Once the conditions have been met, the accession negotiations are opened, with the agreement of all Member States
STEP 5	Commission proposes a draft negotiating framework as a basis for the talks. Member States must agree on this negotiating framework before accession negotiations can formally begin
STEP 6	During the negotiations, divided into clusters and chapters, the country prepares to implement EU laws and standards. In each case, all EU Member States must agree that all requirements have been met

STEP 7	Once negotiations on all areas are finalized, the Commission gives its opinion on the readiness of the country to become a Member State
STEP 8	Based on this opinion, EU Member States decide unanimously to close the negotiation process. The European Parliament must also give its consent
STEP 9	All EU Member States and the candidate country sign and ratify an accession treaty, which enables the country to become an EU Member State

Source: European Parliament, Briefing on Enlargement policy: Reforms and challenges ahead.

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/757575/EPRS_BRI\(2023\)757575_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/757575/EPRS_BRI(2023)757575_EN.pdf)

The Copenhagen Criteria are accession criteria that a country wishing to become a member of the European Union must meet before joining. The European Council declared that “accession will take place immediately. ” when a country associates “ Union enlargement was discussed at the Copenhagen European Council in 1993 and the Madrid European Council in 1995. Between these two councils, the membership criteria were laid down. The European Council's so-called Copenhagen criteria stipulate that countries wishing to join the EU must have the followings:

- Stability of institutions ensuring democracy, rule of law, human rights and respect and protection of minorities
- The existence of a functioning market economy as well as the ability to cope with competitive pressures and market forces within the Union.
- Ability to assume the obligations of membership, including compliance with the objectives of the political, economic and monetary union.

The European Council held in Madrid in December 1995 “resolutely oriented EU policy towards enlargement”¹⁴⁰ and also added that a candidate country must be able to EU law applies. “While it is important that European Community law be translated into national law, it is even more important that that law be effectively enforced through administrative and judicial structures.

¹⁴⁰ Sedelmeier U. (2005): *Eastern Enlargement*. In Wallace H., Wallace W. and Pollack M. (eds.), *Policy-Making in the European Union*, 5: 401–429. New York: Oxford University Press.

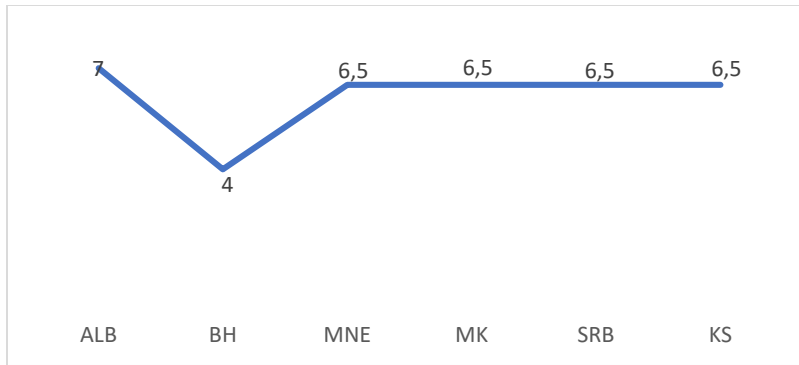


Figure: Stability of democratic institutions index (2019)

Source: Our World Data, https://ourworldindata.org/grapher/stability-democratic-institutions-index-bti?tab=chart&yScale=log&time=earliest..2019®ion=Europe&country=ALB~OWID_KOS~MNE~MKD~BIH~SRB

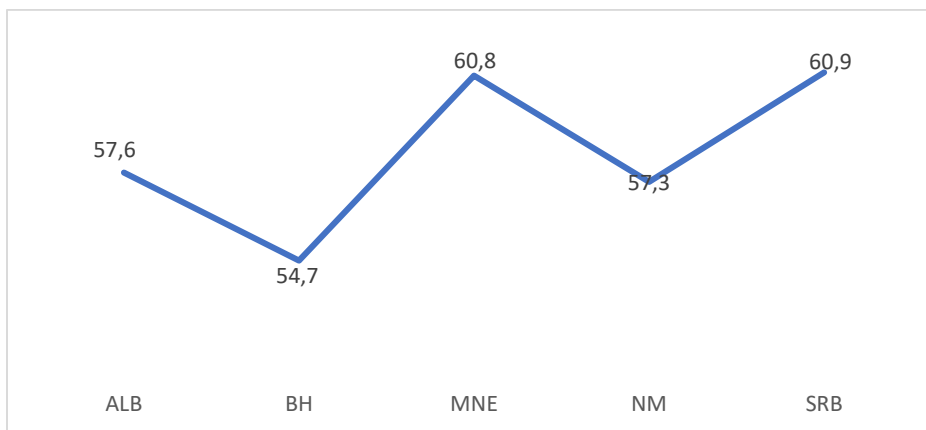


Figure: Competitiveness index (2019)

Source: World Economic Forum

https://www.theglobaleconomy.com/rankings/davos_competitivenes_new_measure/Europe/

The European Union is open to any country that wants to be part of it, but that also respects the values of the EU, the democratic values, the human rights that were in place when the EU was founded. But after many waves of enlargement, the political, economic and legal nature of the EU has become a mandatory factor for countries wishing to join the bloc. “Only in the mid-1990s did the Union's enlargement prospects begin to become clearer following the adoption of the Copenhagen criteria in June 1993...”¹⁴¹ The idea of strengthening criteria in general and political criteria in particular is specifically emphasized in the Lisbon Treaty as the main legal basis of the EU.

¹⁴¹ Landabaru, 2007: 11

Article 49 of the Treaty on European Union (2012: 43) states: “Any European State that respects the values referred to in Article 2 and is committed to promoting them may subscribe become a member of the Union”. Furthermore, Article 2 of the Treaty on the European Union clearly stipulates: “The Union is founded on the values of respect for human dignity, freedom, democracy, equality and equality, the rule of law and respect for human rights, including the human rights of minorities. These values are common to Member States in a society where pluralism, non-discrimination treatment, tolerance, justice, solidarity and equality between women and men prevail.” However, a country can only become a member if it meets all the membership criteria and the EU will supervise monitor the applicant's progress on this matter. The EU has the power to decide when a candidate country meets the Copenhagen criteria.

A country must first be stable and only then can it move towards association with the EU. For Western Balkan countries, in addition to the three Copenhagen criteria, the EU also sets other conditions for participating in the Stabilization and Association Process, focusing on establishing good neighborly relations and regional cooperation.

The EU's Western Balkans enlargement policy has been operating on "autopilot" for 15 years, and the accession process is considered a difficult undertaking by both academics and the European Parliament.

After the onset of the eurozone crisis in late 2009, EU enlargement was no longer on the EU's political agenda.¹⁴² However, in February 2018, the Commission continued this approach by adopting the strategy “Credible Enlargement Perspective to Strengthen EU Engagement in the Western Balkans”, which took place almost fifteen years later the last EU summit -Western Balkans, in Thessaloniki¹⁴³. The 2018 EU-Western Balkans Strategy set out renewed political goals for future EU enlargement and saw the Western Balkans as a geostrategic investment for the Union bloc.

At the same time, the EU also hopes to reset the future direction of the entire Union after the damaging Brexit vote.¹⁴⁴ According to Louwerse and Kassoti, compliance with the rule of law

¹⁴² Gstohl (2016).

¹⁴³ Meurs van W. (2003) *The next Europe: Southeastern Europe after Thessaloniki*, CAP Working-Paper

¹⁴⁴ Ker-Lindsay J. (2017). *Turkey's EU accession as a factor in the 2016 Brexit referendum*. Turkish Studies. ISSN 1468-3849.

conditions set out in the Copenhagen criteria is key to the success of Western Balkan countries in their EU accession negotiations.¹⁴⁵

The 2018 EU-Western Balkans Strategy focuses on establishing good neighborly relations in the context of persistent ethnic conflicts in the region. Furthermore, it identifies six “flagship initiatives”, which constitute areas of common interest for both the EU and the Western Balkans, namely: (1) rule of law; (2) security and migration; (3) socio-economic development; (4) transport and energy connectivity; (5) digital agenda; and (6) reconciliation and good neighborly relations.

In essence, these flagship initiatives provide a framework and foundation for the development of future joint action plans in each of these six key areas, which will be led by the Commission and its stakeholders. Furthermore Western Balkan governments design, through technical and political dialogue, appropriate reforms with EU guidelines.

In 2019, a year after the EU-Western Balkans Strategy, the EU published national progress reports for each Western Balkan country.

The reports provide an in-depth assessment of the progress each Western Balkan country has made in meeting EU9 membership criteria, especially progress towards meeting rule of law criteria.¹⁴⁶

On this occasion, the Commission also made a proposal to the 27 EU Member States for its Council to discuss the situation in the Western Balkans, in particular by checking that these countries respect the Copenhagen criteria related to State activities according to rights or not..¹⁴⁷

The main proposals sent to the 27 EU member states were that the Commission identified Serbia and Montenegro as frontrunners for EU membership and recommended that both countries be allowed to join the Union there in 2025.

Although this theoretical day aims to encourage Serbia and Montenegro to continue their internal reforms aimed at implementing the EU agreement, a sustained achievement and clear progress towards the Copenhagen criteria (in particular Chapters 23 and 24 of the agreement, on “justice

¹⁴⁵ Kassoti E., Louwerse L. *Revisiting the European Commission's Approach Towards the Rule of Law in Enlargement*, Hague Journal on the Rule of Law, Volume 11, pages 223–250, (2019)

¹⁴⁶ Sargentini, J. ; Dimitrovs A. (2016) *The European Parliament's Role : Towards New Copenhagen Criteria for Existing Member States?* <https://www.econbiz.de/Record/the-european-parliament-s-role-towards-new-copenhagen-criteria-for-existing-member-states-sargentini-judith/10014125786>

¹⁴⁷ Fouéré (2019).

and fundamental rights” and “security and justice” have been clearly identified as necessary for the hope of joining the EU within the time frame.¹⁴⁸

With respect to Albania and North Macedonia, the Commission proposed that Member States allow the opening of accession negotiations without further preconditions.

Albania had to adopt a comprehensive judicial reform aimed at strengthening the rule of law and making progress in meeting the Copenhagen criteria, adopted in June 2016, by amending more than a third of the constitution.

The Commission proposed to the Member States to grant EU candidate status to Bosnia and Herzegovina and visa liberalization to Kosovo.

4.3 The Sustainable Development as a core value for EU

Sustainable development policy aims to achieve continuous improvement in the quality of life and well-being of the people. This involves pursuing economic progress while preserving the natural environment and promoting social justice.

In 2015, the United Nations (UN) approved the 2030 Agenda for Sustainable Development and adopted 17 Sustainable Development Goals (SDGs)¹⁴⁹ as reference points for inclusive and sustainable growth and development.

Since then, the agenda, along with the Paris Climate Agreement,¹⁵⁰ has charted a universal path towards a more sustainable growth model in each of the three dimensions : economy (prosperity), society (people) and environment (planet).

¹⁴⁸ Hillion C. (2016) *Overseeing the rule of law in the European Union: Legal mandate and means*, SIEPS European Policy Analysis, Swedish Institute for European Policy Studies (SIEPS)

¹⁴⁹ See listed them in Chapter 2 of the dissertation.

¹⁵⁰ United Nations, 2015

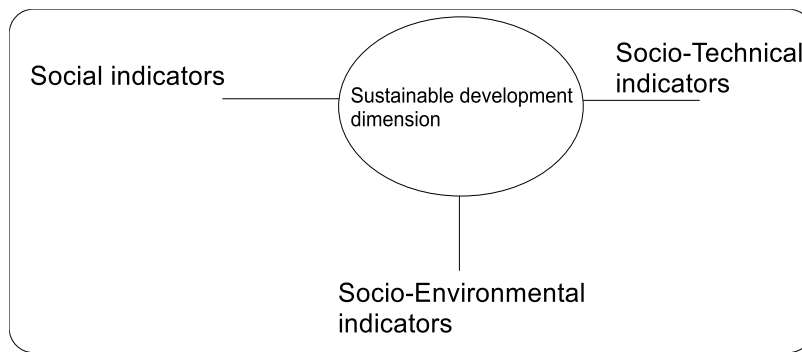


Figure : The sustainable development dimensions

Source : Made by author

These three measurements are closely interlinked and commonly subordinate. In case, for illustration, one figure influences a specific measurement, sooner or afterward this may have positive or negative results for the other measurements. These are measured by pointers. Be that as it may, such estimation strategies are the subject of warmed dialogs, as certain perspectives are troublesome to measure. It isn't conceivable to create a clear qualification between the three measurements since they cover to a few degrees and have common focuses of crossing point.

Many individuals are motivated by a desire to positively impact society and the environment, with the knowledge and tools to actively contribute to sustainable practices and policies, whether through research, advocacy, policy development, or practical implementation.

The sustainable development energizes all-encompassing and systems-based approach to problem solving. It creates basic considering abilities and examination of complex frameworks, understanding their interdependencies, and, most vitally, recognizing use focuses for transformative alter.

The Sustainable Development could be a crucial and overarching objective of the European Union, pointing to ceaselessly move forward the quality of life and well-being for display and future eras, by connecting financial advancement, assurance of the environment and social equity.

Economic, environmental and social aspects are all part of the EU Sustainable Development Strategy (EU SDS) adopted in 2001 and renewed in 2006. Sustainable development is embedded in European treaties and has long been central to European policy. The EU is fully committed to playing an active role in helping to optimize progress towards the Sustainable Development Goals. The EU Sustainable Development Strategy includes the goals of

environmental protection, equity and social cohesion, economic prosperity and the implementation of commitments at international level, taking into account the wider scope and world of current challenges.

The in general aim is to attain a change within the quality of life of citizens through maintainable communities that oversee and utilize assets productively and tap the biological and social development potential of the economy, so as to guarantee success, natural assurance and social cohesion.

As an emergence for the society, the main scope of the sustainability is to ensure wellbeing for present generations without compromising that of future generations. As an importance to the society, the objective of the sustainable development is to meet human development goals while at the same time sustaining the ability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend.¹⁵¹

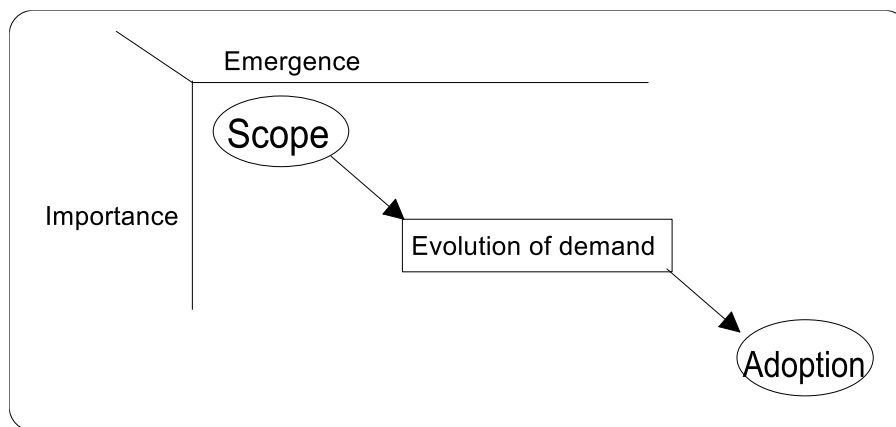


Figure: The Importance, the emergence and the adoption of the Sustainable development
Source: Made by the author

According to the figure, in the context of Sustainable Development a carefully planned strategy is used to embrace growth while using resources more efficiently, *with utmost consideration*.

¹⁵¹ Cerin, P. (2006). *Bringing economic opportunity into line with environmental influence: A discussion on the coase theorem and the Porter and van der Linde hypothesis*. Ecological Economics, 56, 209–225.

The development that meets the needs of the society without compromising the ability of future generations to meet their own needs. It means that sustainability requires increased social rationality as well as changes to both our political and economic institutions.

The emergence of that need requires (i) disposable income so that consumers can purchase goods and services, and (ii) a set of preferences that make these goods and services attractive. The emergence of new industries will increase the diversity of the economic system. Therefore, demand saturation may contribute to the differentiation of the economic system.

It is especially important to find ways to protect the interests of future generations.

Specific changes will require in-depth research embedded in social processes, facilitating in-depth discussions about the specifics of different solutions and ways of thinking to achieve them.

Sustainable development also requires reform of economic institutions, which will be a central element of a reformed political decision-making system. This means that market demand and supply requirements are the main drivers for the adoption of sustainability initiatives.

The main role of sustainable development is to operationalize it to monitor the implementation of the strategy by identifying a series of measures.

Measuring progress in this area, an integral part of the EU Sustainable Development Strategy, is based on a set of sustainable development indicators developed by the European Commission in cooperation with member states, EFTA (European Free Trade Association) and EU candidate countries. Monitoring of the EU's Sustainable Development Strategy is carried out on the basis of development principles and goals for each aspect.

The 2006 EU Sustainable Development Strategy (EU SDS) sets out a unified and coherent strategy for how the EU can more effectively address sustainable development challenges.

This is a comprehensive vision of achieving a continuous improvement in the quality of life of the people through sustainable communities that manage and use resources efficiently and harness the ecological and social innovation potential of the economy.

reaffirm our goals to ensure prosperity, environmental protection and social cohesion.

Measuring progress towards sustainable development is an integral part of the EU's sustainability strategy, with biennial monitoring reports based on the EU Sustainable Development Indicators (EU-SDI).

Eurostat has previously published two monitoring reports, in December 2005 and October 2007.

This third report of his highlights the progress and main challenges in implementing the strategic objectives. The SDS defines goals and objectives aimed at putting the European Union on the path to sustainable development. Taking these goals and objectives into account, this report provides a relative assessment of whether the EU is moving in the right direction. This approach is essentially quantitative and focuses on the EU's GDI as of October 2008. This complements the political analysis in the Commission's progress report on the implementation of Sustainable Development Strategy.

Only a comprehensive approach to this problem, taking into account the interrelationship between the ethical and philosophical realm and the normative realm, will make this possible.

Understand how the concept of sustainable development helps to strengthen human dignity and the protection of the common good (for the actual sustainable development goals, see Sustainable Development in the European Union .Statistical view from the perspective of the United Nations Sustainable Development Goals).

The aim is not to replicate the findings of the principles that define sustainable development and its meaning for the European Union, but rather to explore the link between sustainable development and value systems in European Union law.¹⁵²

The issue of sustainable development has haunted the European Union since the creation of this international organization.

It has become a determining factor in legal action, community policy, and union formation.

Although the concept of sustainable development appears in different contexts across the European Union, it is a slogan that neither EU legislators nor law enforcement authorities ignore in their activities.

The importance of this category for the functioning of the EU is due to the fact that sustainable development appears directly in the articles of the EU Law and can therefore be developed into other legal acts and has an impact on the EU. Furthermore is proven by Laws and Policies of Member States¹⁵³

¹⁵² Sjaafjell, 2010, 2-5; Sjaafjell, 2009.

¹⁵³ Pallemarerts, M. (2006). *The UE and Sustainable Development: An Ambiguous Relationship*. In: M. Pallemarerts, A. Azmanova (Eds.), *The European Union and Sustainable Development: Internal and External Dimensions* (pp. 20-25). Brussels

It should be noted that the European Union and its institutions' understanding of sustainable development is related to and consistent with global challenges and regulations.

First of all, it should be noted that the expression “sustainable development” appears in the text of EU law and is therefore a normative category. This concept can be found in major EU legislation according to the following articles:

- Preamble to the Treaty on the Functioning of the European Union (TFEU)
- Preamble to the Treaty on the Functioning of the European Union (TEU),
- Article 3 TEU, providing for Purposes of the European Union Express,
- Article 21 TEU,
- Article 11 TFEU, Article regulating the definition and implementation of Union policy
- Article 191 TFEU, Article on the Union's environmental policy
- Article 37 of the Charter of Fundamental Rights.

Sustainable development appears as a goal in art. 3 TFEU, Art. 11 of the TFEU and TFEU is generally found in the Preamble of the TFEU and Article 37 of the Chapter of Fundamental Rights.

The above shows that sustainable development is a category that, due to its heterogeneity, can be used to justify certain political, legislative and legal decisions. However, the reference point when interpreting the concept of sustainable development must be the values on which the European Union is based.

CHAPTER 5: THE RULE OF LAW IN THE WESTERN BALKANS

5.1. The level of corruption in the region

The International literature offers numerous definitions for the concept of corruption⁶. This is partly due to the fact that – because of its historical cultural nature and its versatile character – the phenomenon is a rather difficult one to describe in general terms. The situation is further complicated by continuously ongoing debates between experts in an effort to reach consensus on a general definition (see for example Lambsdorff, 2007, pp. 15-20). The creation and acceptance of a general definition is made difficult by a number of factors. For one thing, the term stands for a number of distinct, but related, phenomena. Moreover, differences become apparent even when examining the issue from the legal and cultural perspectives of a given country.¹⁵⁴

Drawing upon the concepts described above, a corruption equation can be set out as follows (Klitgaard 1998):

$$C = R + D - A$$

In the above equation, C stands for corruption, R for economic rent, D for discretionary powers, and A for accountability. The equation states that the more opportunities for economic rent (R) exist in a country, the larger will be the corruption. Similarly, the greater the discretionary powers (D) granted to administrators, the greater will be the corruption. However, the more administrators are held accountable (A) for their actions, the less will be the corruption, and hence a minus sign in front of A. Stated differently, the equation tells us that a fertile ground for growth of a thoroughly corrupt system will emerge in a country if it satisfies the following three conditions: (i) It has a large number of laws, rules, regulations, and administrative orders to restrict business and economic activities and thereby creates huge opportunities for generating economic rent, and especially if these restrictive measures are complex and opaque and applied in a selective, secretive, inconsistent and non-transparent way;

¹⁵⁴Szanto Z., Janos T.J., Varga Sz. (2012) *The social and institutional structure of corruption: Some typical network configurations of corruption transactions in Hungary*, Networks in Social Policy Problems p.156-176

(ii) Administrators are granted large discretionary powers with respect to interpreting rules, are given a lot of freedom to decide on how rules are to be applied, to whom and in what manner they are to be applied, are vested with powers to amend, alter, and rescind the rules, and even to supplement the rules by invoking new restrictive administrative measures and procedures; and (iii) There are no effective mechanisms and institutional arrangements in the country to hold administrators accountable for their actions.¹⁵⁵

Corruption, as a phenomenon undermining core democratic values, the stability of institutions and economic growth, is a direct threat to meeting EU accession requirements, often referred to as the 'Copenhagen criteria'. To meet these standards, candidate countries need to improve their political, economic and administrative standards. Thus, since the 1990s when the central and eastern European states applied for EU membership, the fight against corruption has been a key issue for accession. The candidate states need to follow the key anti-corruption measures applicable to EU Member States and stemming from the EU legislative framework, as well as the guidance provided by relevant international organisations, such as the United Nations, the Council of Europe and the Organisation for Economic Co-operation and Development.

Corruption is one of the greatest challenges to the rule of law, life opportunities and the livelihoods of the people of the Western Balkans. This is both the cause and effect of the criminal culture that pervades the region, and the way corruption is politically related suggests some systematic corruption in the region, as well as an element of state power.

There is little research on corruption and organized crime on the Western Balkans. Civil society's involvement in the field of corruption is also limited.

Corruption is perceived as a major hurdle to investing in the region and doing business efficiently.¹⁵⁶ National studies also point out that corruption creates considerable difficulties for doing business.¹⁵⁷ Although there is a common view on the regional prevalence of corruption and

¹⁵⁵ Myint U.(2000) *Corruption : Causes, Consequences and Cures*. Asia-Pacific Development Journal Vol.7, No.2 p33-58

¹⁵⁶ EUROCHAMBRES, 2009

¹⁵⁷ e.g., see Budak, 2006 for Croatia; Džafić et al., 2011 for Bosnia and Herzegovina; Stošić, Nikolić and Đukić, 2011 for Serbia

its adverse impacts on business sector development, there are many outstanding research and policy issues to explore the nexus of corruption and the business climate¹⁵⁸

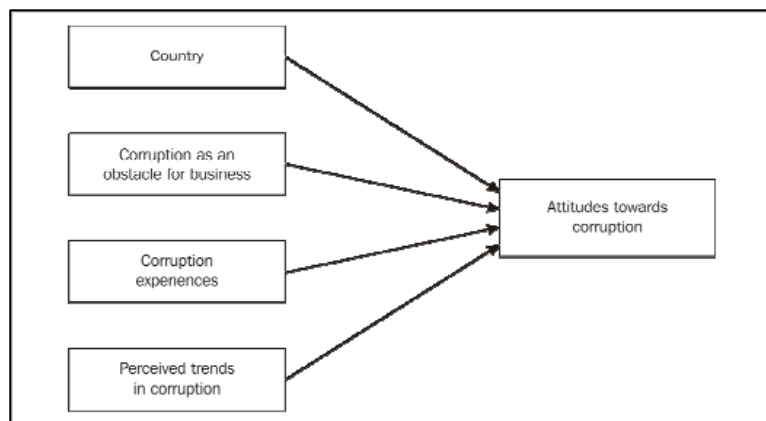


Figure : Conceptual Framework to Assess Business People's Attitudes Towards Corruption

Traditions of business culture and corporate social responsibility differ among countries,¹⁵⁹ thus shaping opinions on what kind of behaviour is acceptable in a particular country. Business activities may be exposed to various obstacles (e.g., restrictive business regulations¹⁶⁰), where corruption is one of them. In the business environments where barriers other than corruption (such as poor ICT infrastructure, lack of funding, etc.) hinder everyday business activities, business people may see corruption as a less important obstacle. Furthermore, business people with bribery experiences may tend to act in a more opportunistic way and justify corruption as a proven mechanism to get things done. On the contrary, experience with corruption may encourage victims of corruption to confront corrupt practices and to refuse to pay the extra rent. Tendencies in the perceived prevalence of corruption are related to the level of anti-corruption awareness. In the circumstances where perceptions of corruption decrease and anti-corruption efforts show results, the business community may be more aware of adverse impacts of corruption. However, an increasing or high level of corruption may lead to public resignation to corruption.

¹⁵⁸ Rajh E., Budak J. (2011) *Corruption as an Obstacle for Doing Business in the Western Balkans: A Business Sector Perspective* Radni materijali EIZ-a EIZ Working Papers EIZ-WP-1104 https://www.eizg.hr/UserDocsImages/publikacije/serijske-publikacije/radni-materijali/Corruption_as_an_Obstacle_for%20Doing_Business_in_the_Western_Balkans.pdf?vel=571501

¹⁵⁹ Ware and Noone, 2003

¹⁶⁰ The World Bank Doing Business, <http://www.doingbusiness.org/>.

In every procedure, bribes may be used for different purposes. People may, for example, give bribes in relation to some medical treatment or a passport issuing procedure in order to speed up the procedure, reduce the official fee, receive information or get better treatment.

The bribes are frequently offered because they bring an immediate benefit to the bribe-payer, overcoming bottlenecks and inefficiencies in the delivery of public services. In other cases, the public official is unafraid to request kickbacks, either explicitly or implicitly, with, say, a nudge and a wink or through a third party, which shows a more premeditated and organized approach by certain public officials.

Bribery is a mechanism that tends to reproduce itself: bribes are often paid when there is a diffuse perception that bribes are necessary for solving certain bureaucratic problems and each bribe given reinforces the expectation that bribery is widespread and inevitable. It is a vicious circle and understanding the procedure of bribery is useful for developing measures that can fight it. In contacts with public officials resulting in the giving of money or gifts, it is noteworthy that in a large number of cases is offered by citizens themselves without a request, whereas in more than half of cases payment is actually made following a request

By definition, bribery involves two parties, one offering payments, gifts, or opposite benefits, and the other receiving, but as shown in the previous chapter, the third. May act as an intermediary. The identity of the victim is not very clear. You may be the payer of the bribe, especially if you have to pay to access the service, otherwise you will be at the expense of an explicit or implicit agreement between the two parties. Such ambiguous boundaries of third parties, whether specific individuals, groups, or the entire community, may shed light on the characteristics and characteristics of bribery payers, the development of anti-corruption policies and bribery.

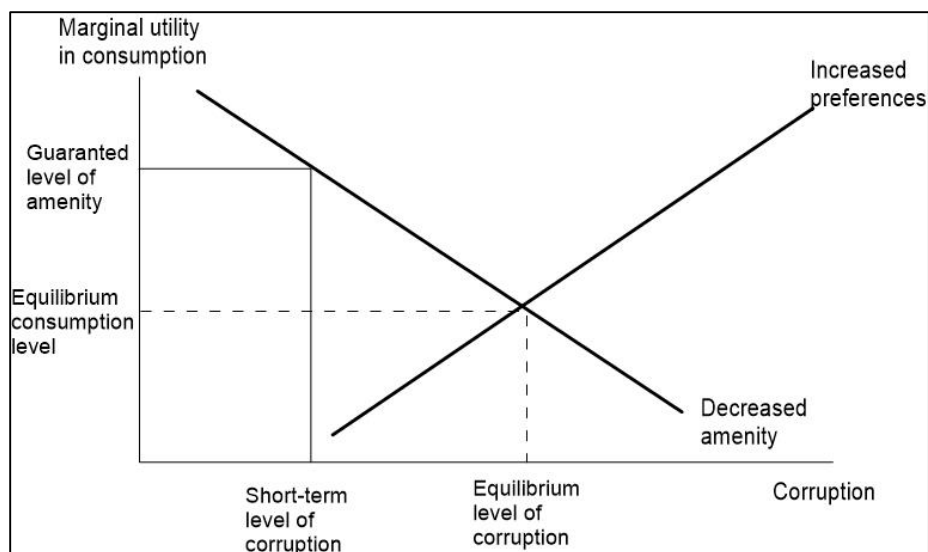


Figure : Marginal cost and marginal benefit for providing services in the context of corruption

Source : Made by author

The Figure shows the typical marginal cost and marginal benefit curves for providing services. When policy or other restrictions prevent access to services – individuals seek to use illegal methods of expanding the supply of service to equal the demand. Individuals seeking services care have every incentive to pay bribes.

According to the scheme the marginal utility is the added satisfaction that a consumer gets from having one more unit of a good or service. The concept of marginal utility is used by economists to determine how much of an item consumers are willing to purchase.¹⁶¹

A 2016 survey by SELDI (a southeast European network of think tanks against corruption) shows wide distribution of low-level administrative corruption in all the countries. Albania, North Macedonia and Bosnia and Herzegovina ‘lead’ the group with 40%, 29% and 28% of the respondents reporting involvement in at least one incident of bribe, gift or favor exchange. Then come Kosovo with 22%, Montenegro with 20% and Serbia with 19% of the respondents involved in corruption. While two groups of countries are discernable, all countries still have very significant portions of the population involved in corruption.¹⁶² The considerable problem for

¹⁶¹ Bloomenthal A. *Marginal Utilities: Definition, Types, Examples, and History*

<https://www.investopedia.com/terms/m/marginalutility.asp>

¹⁶² Popovikj M. *Corruption: The Western Balkans’ Achilles Heel?* ISPI

<https://www.ispionline.it/it/publicazione/corruption-western-balkans-achilles-heel-20518>

the Western Balkans countries – corruption is widespread, systemic and the institutions are relatively inefficient in tackling it. Defined as the highest level of systemic corruption where entire segments of government are taken over for private interests, state capture becomes the new buzzword for the Western Balkans. The EU started echoing such civil society assessments in 2016 for North Macedonia, but it continued to use it to flag concerns for the remainder of the Western Balkans.

Nevertheless, the question is whether the current and future reforms in rule of law will sustainably tackle corruption and build resilience against the creeping elites aiming to capture branches of governments. There are several issues here. All the countries must essentially build effective institutions in the executive and develop competent and independent judiciary and parliaments ready to call for accountability of the first two branches. One must change entire governance cultures in large branches of government, make the necessary human and capital investment in reforms to achieve this and leave ample space for independent media and civil society to do their oversight.

In Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia powerful patronage networks have infiltrated and consolidated their control of state institutions. These networks wield influence in many fundamental judiciary, law enforcement and anti-corruption institutions. As a result, politically independent and effective oversight and prosecution mechanisms can be absent, and corrupt officials and organised criminals can occasionally engage in acts of corruption with impunity. Overall, the region has lost momentum, neither moving forward nor regressing.

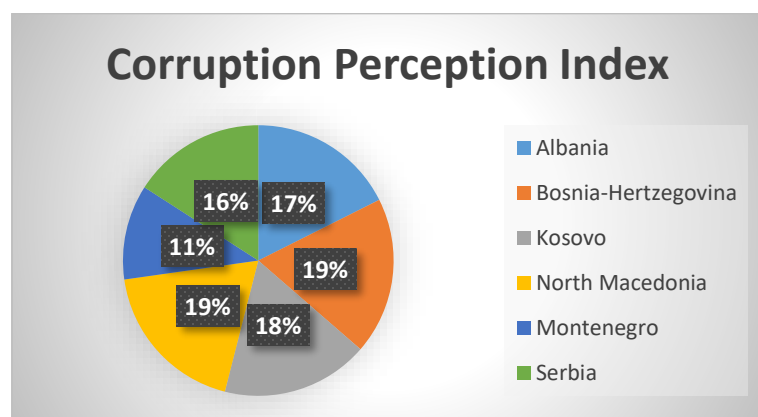


Figure: Corruption Perception Index in 2020

Source: <https://www.transparency.org/en/cpi/2020/index/nzl>

Perceptions of corruption, and the practice itself, remain widespread in the region. While established corruption trends in the region seem to be holding (in terms of economy and sector especially at risk), there is a concerning increase in frequency of bribes being paid. The South Eastern European community into closer alignment with relevant EU standards and practices bearing little fruit.

Instances of bribes being paid are more common within the respondent population, while the majority of people in the region feel that hard work means less than connections when it comes to succeeding in the public sector.

Political parties (77%), healthcare providers (77%), the judiciary (75%) and parliament (69%) are considered most corrupt by a majority of respondents. Institutions perceived to be least corrupt are characterised by two features: i) they are not routinely involved in the large-scale day to day management of public finances; and ii) their ability to influence citizen lives through provision of services is limited.¹⁶³

Perceptions corruption in Western Balkans according to the newest Global Perceptions Corruption Index published by the international watchdog Transparency International : Bosnia and Herzegovina and North Macedonia against ranked worst in the Western Balkans, with 35 points out of 100 – 100 points being very clean and 0 being the opposite – and sharing 111th place in the list of 180 countries. North Macedonia declined five places, down from 106th last year, while Bosnia and Herzegovina declined faster, by 10 places, from 101th place last year. Bosnia and Herzegovina was one of 22 countries that Transparency International said had seen a significant decline since 2012, Serbia's and Kosovo's rankings also worsened compared to 2019. Serbia declined by one point from 39 points to 38 and was ranked in 94th place in 2020, down from 91 the previous year. Kosovo again scored 36 points and was ranked in 104th place, a decline of three places compared to 101 the previous year.¹⁶⁴

¹⁶³ Balkan Barometer 2019, *Public Opinion Analytical Report*
https://www.rcc.int/seeds/files/RCC_BalkanBarometer_PublicOpinion_2019.pdf

¹⁶⁴ Stojanovic M. (2021) *Corruption Perceptions Worsening in Balkans, Central Europe, Transparency Says*
<https://balkaninsight.com/2021/01/28/corruption-perceptions-worsening-in-balkans-central-europe-transparency-says/>

Institutions perceived to be least corrupt are characterized by two features: 1) they are not routinely involved in the large-scale day to day management of public finances; and 2) their ability to influence citizen lives through provision of services is limited.

The EU supports member countries' anti-corruption efforts with technical know-how in various projects and financial contexts through means of pre-affiliation assistance. It also works with international organizations such as the Council of Europe's Anti-Corruption National Group (GRECO) to regularly assess progress. The 2015 IPA Anti-Corruption Assistance Thematic Assessment showed that EU anti-corruption measures were generally well-related. In 2016, the European Court of Auditors (ECA) meta-audit also evaluated EU financial support as broadly effective in strengthening the region's administrative capacity, but moved into key areas, including the fight against corruption. It was emphasized that funding is relatively limited.

The Western Balkan countries have declared their commitment to fighting corruption and have taken key steps in that respect. All of them are parties to the major international conventions of relevance and members of GRECO, which monitors compliance with the CoE's anti-corruption instruments. They have national anti-corruption strategies in place and a relatively developed legislative and institutional framework.

Table: The anti-corruption body and its strategy of each Western Balkan country

Country	Main preventive anti-corruption body	National Anti-Corruption Strategy
Albania	National Coordinator for Anti-Corruption (NCAC)	Inter-sectoral Strategy against corruption 2015-2020
Bosnia-Hertzeogovina	Agency for the Prevention of Corruption and Coordination of the Fight against Corruption	1. Strategy for the Fight against corruption 2009-2014/RS 2. Strategy of Fight against Corruption 2013-2017/FBiH Anti-Corruption Strategy 2016-2019
North Macedonia	State Commission for the Prevention of Corruption	1. State Program for Prevention and Repression of Corruption

		2. State Program for Prevention and Reduction of Conflict of Interests (2016-2019)
Kosovo	Kosovo Anti-Corruption Agency (KAA)	Anti-corruption strategy 2013-2017
Montenegro	Agency for the Prevention of Corruption	National Strategy for the fight against corruption and organized crime (2010-2014)
Serbia	Anti-Corruption Agency	National Anti-Corruption Strategy 2013-2018

Source: RAI anti-corruption institutional framework, 2016

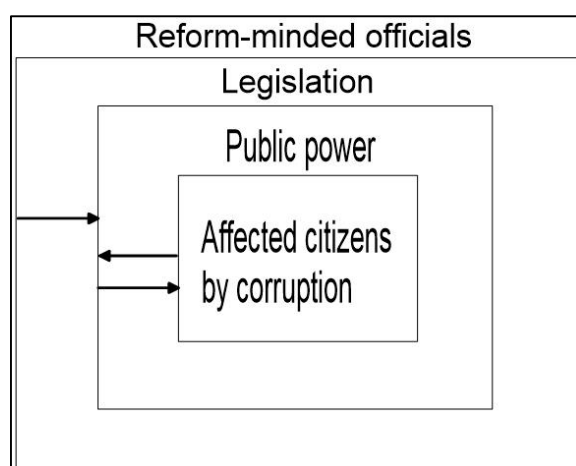
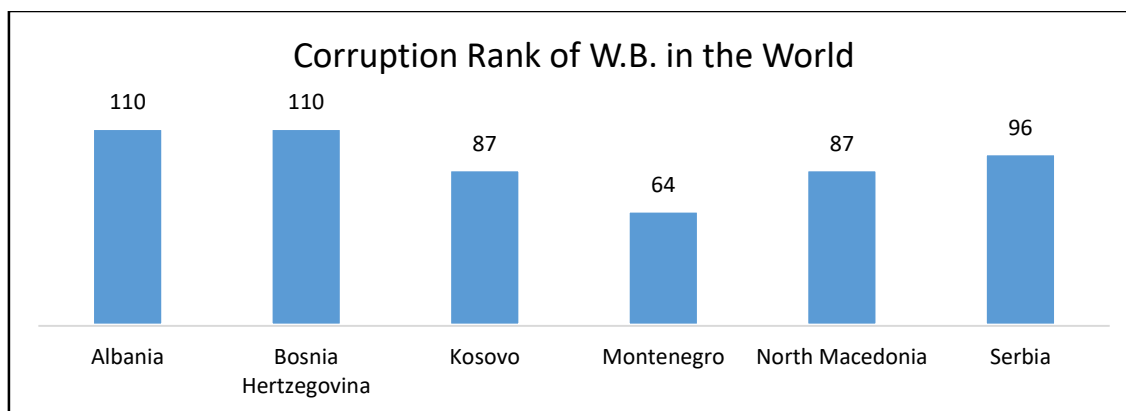


Figure : Mechanism of citizen's efforts for fighting against corruption

Source : Made by author

According to the graph the interventions of social mobilization can be effective against corruption. The Rule-changing strategies also present a mixed picture. Given that this category is very broad and different studies pick up on very different types of rules, the evidence base is very thin. The rules are essential pieces of the integrity puzzle and often constitute hooks for social mobilisation, but are likely to unfold their full impact only in the context of proper enforcement and a mobilised citizens.



Note : 100-Very clean ; 0-Highly corrupt

Figure : Corruption Rank of the W.B. countries in the world

Source : Trading Economics

5.2. Governance in the Western Balkans

Recently, the term "good governance" is used more and more in development literature.¹⁶⁵ Poor management is increasingly seen as one of the root causes of all evils in the society. Large donors and international financial institutions are increasingly giving aid and lending on the condition that reforms that ensure "good governance" are implemented.

The concept of "administration" is not new. It is as old as human civilization. Pretty simple "administration" means: decision-making process and the process by which decisions are made (or not taken). In the context of the rule of law, the Governance can be used in a number of contexts such as corporate governance, international governance, national governance, and local governance.

Good governance has eight key characteristics. It is participatory, consensus-based, accountable, transparent, responsive, effective and efficient, fair and inclusive, and respects the rule of law. It ensures that corruption is minimized, the opinions of minorities are taken into account, and the voices of the most vulnerable in society are heard in the decision-making process. It also meets the present and future needs of society. Concerning the definition above one has to distinguish different elements of good governance¹⁶⁶:

➤ Participation

¹⁶⁵ Liu, J et (2018) Economies ; Bauer, M-W. Becker, S (2014) Journal of European Integration

¹⁶⁶ OECD, 1997, p. 60 ff; Wimmer, 2004, p. 310, COM(2001) 428 final

- Consensus orientation
- Accountability
- Transparency
- Responsiveness
- Effectiveness and efficiency
- Political stability¹⁶⁷

The democracy is around government and administration by the individuals completely different shapes. to have an satisfactory working of this support and of the elections, transparency on sake of the government could be a vital condition for a popular government. Democracy embodies responsive and responsible governance, rule of law, human rights, civic participation and peaceful transfers of power through electoral processes. Each of these underpins a peaceful and stable society. ¹⁶⁸

Reflection to basic material values of a modern democratic and constitutional state governed by the rule of law is a necessity. These basic values derive from international, supranational, and national legal norms containing various fundamental rules, such as principles of the rule of law and democracy, which are transparency, participation, knowledge-based or rational decision-making, the possibility to choose (having alternatives), accountability, constitutionality, and legality, direct representation and presence of the legitimacy chain, the division of powers, respect for the parliamentary minority's rights as well as for human rights. To put it in a very simply manner, the basic value elements of a (constitutional) state governed by the rule of law (values of constitutional democracies) include the recognition of fundamental rights, the division and separation of state powers, the dominant role of laws (especially Acts of parliaments), the principle of rule of law and related legal certainty¹⁶⁹

¹⁶⁷ Banerji A. (2015) *Global and National Leadership in Good Governance*, United Nations
<https://www.un.org/en/chronicle/article/global-and-national-leadership-good-governance>

¹⁶⁸ Democracy & Governance | United States Institute of Peace
www.usip.org

¹⁶⁹ The request of legal certainty implies that enactment should be arranged and calculated so as to guarantee the clarity of the legitimate corpus, the consistency of changes and the common execution of laws as well. Additionally, it moreover involves that the draft or proposition defined by the sketcher is coherently, coherent and fundamentally clear-cut, defined in a plain dialect and it fits into the existing legal framework. By regarding these rules, there's a awesome chance that there would not take put any infringement of obtained rights and ended lawful relations. It is as it were a chance as there may be circumstances that meddled within the communication handle of drafting, such as political (e.g. hazy and unclear political targets), specialized (e.g. utilizing complex dialect rather than well organizing

The power does not compensate the potential deficit of democracy by deepening it, by providing effectively more of it, but by the reinterpretation of democracy and by the returning of the importance of its essential components, which does not eliminate the democracy itself in this phase, yet significantly reinterprets it and in certain respect makes it formal.¹⁷⁰

Making democracy official also affects the law. To see if only formal processes are carried out, then the concept of quality of law can be proposed, which obviously entails not only compliance with formal but also material requirements. The more a national legislator achieves some sort of “ideal type” in terms of legal quality, the more likely it is that the national decision-making process will also involve certain material factors.

As for the quality content of the laws, in a constitutional democracy jurisprudence can never be value neutral in the sense of placing itself in a vacuum and dealing only with the mechanic study of the relevant fields of science or studying only the effectiveness of its areas from a formal aspect (legal methodology, tactics, technique).¹⁷¹

Legislation (regulatory) is today considered a managed process, so legal preparation and implementation can be seen as a project where project management concepts and techniques can be apply. During the well-managed preparation phase, the issue in question, defined according to the guidance of the decision maker (government), is evaluated and analyzed by a unit, committee or task force. family. Guidelines, reports and recommendations are published and disseminated to

the legitimate content) and individual qualities of the drafter (e.g. need of information of creating a authoritative plot). See more approximately it within the paper of Stefanou. Constantin Stefanou, 'Drafting as a shape of Communication', in Marta Tavares Almeida, Luzius Mader, eds., *Procedures of the 9th IAL Congress Quality of Legislation—Principles and Disobedient*. Lisbon, 24–25 June 2010 (Nomos Verlag) 317–320.

¹⁷⁰ In differentiate, e.g. to EU, where at slightest nonstop steps are being taken to overcome the majority rule shortage, on the one hand by reinforcing the powers of the European Parliament, and on the other hand through the development of the part of national parliaments in EU, indeed if—mostly in association with the last mentioned dimension—this handle of democratization cannot be respected as total. Regarding national parliaments see Mohay Ágoston, 'Az EU-Szerződés 12. cikkének magyarázata [Explanation of Article 12 of EU-Treaty]', in Osztoivits András, ed, *Az Európai Unióról és az Európai Unió működéséről szóló szerződések magyarázata 1. [Explanation of the Treaty on the European Union and the Treaty on the functioning of the European Union 1.]* (Budapest, CompLex Wolters Kluwer 2011) 111–125, in English: Mohay Ágoston, Takács Tamara, 'The Role of National Parliaments in the EU after the Lisbon Treaty', in Drinóczi Tímea, Takács Tamara, eds, *Cross-border and EU legal issues: Hungary-Croatia* (Pécs; Osijek 2011) 483–498.

¹⁷¹ This approach is somewhat different from that of Bartram S Brown applied in his article. He, quite logically in the context of his article, understands the horizontal approach as a main focus point of comparative law, and understands vertical dimension an angle that shows how ideas and approaches used at national level is adapted and applied at international level or vica versa. His vertical approach shows similarities to the one indicated in this article above. See Bartram S Brown, 'Vertical dimension in the quality of law', in *International Scientific Conference. The Quality of Legal Acts and its importance in contemporary legal space* 4–5 October 2012 (University of Latvia Press 2012) 103, also available at http://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/Book_LU-JF_konference-2012.pdf.

relevant consultative bodies and government agencies. After consultation, the draft law is prepared by the competent ministry, discussed within the framework of intergovernmental cooperation and finally decided with the government whether the draft law can be submitted to the parliament. .

The rank of the democracy could be measured and concluded according to the following elements:

- Electoral process and pluralism
- Functioning of the government
- Political participation
- Political culture
- Civil liberties
- Government efficiency¹⁷²

The following table lists countries by their scores on the Democracy Index and its components for Western Balkan countries. The Freedom House measures the state of democracy in 167 states and territories.

Table: Democracy index of the WB countries (2021)

Country	World Rank	Electoral process	Functioning of governance	Civil liberties	Political Rights	Democracy score
Albania	68	7.00	6.44	39	28	3.75
Bosnia-Herzegovina	95	7.00	3.29	34	19	3.29
Montenegro	74	7.42	6.43	41	28	3.82
North Macedonia	73	7.42	6.43	39	28	3.82
Serbia	63	8.25	6.07	41	21	3.79
Kosovo*				31	25	3.75

Notes: There is lack of information about Kosovo.

Source: Global Freedom, Freedom House, [Countries and Territories | Freedom House](#)

The comparison of scores of Western Balkan countries has several results. The North Macedonia and Montenegro have the highest results in terms of democracy score for 2021. These countries have 3.82 for 2021. As a world rank the Montenegro is on 74th place and North Macedonia on 73th place. Kosovo has a lack of information according to the table.

¹⁷² Economic Intelligence Unit, *Democracy Index 2023 Age of conflict*

<https://latinoamerica21.com/wp-content/uploads/2024/02/Democracy-Index-2023-Final-report.pdf>

5.2.1. Transparency

Rules and procedures must be open to scrutiny and easy to understand, which implies that a transparent government makes it clear what is done, how and why actions take place, and who can be involved and to what standard decisions are made transparent. It is also one of the most important principles underpinning the fight against corruption.

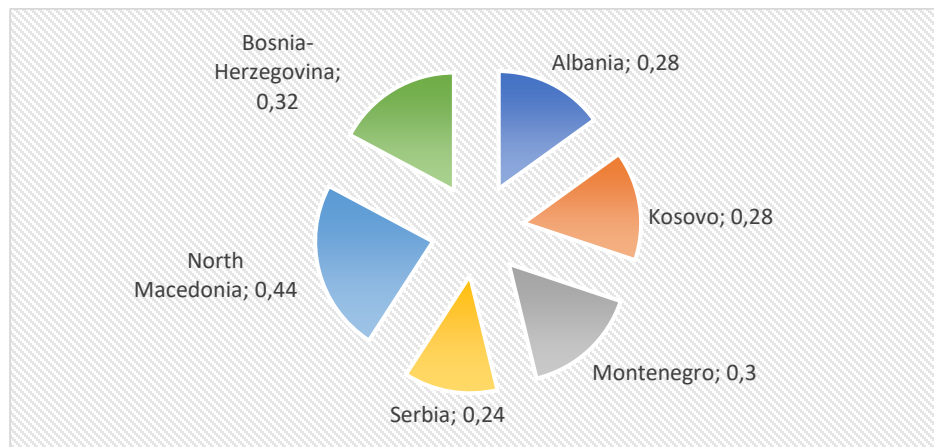


Figure: Governance Participatory Index
Source: Human Progress

5.2.2. The governance efficiency

The effect is to do more with less. It involves maximizing outputs such as the volume of services provided, minimizing inputs such as the number of resources or capital required to produce those services and maintain or improve quality. Efficiency can be measured by the cost of implementing a program compared to previous years or compared with peers, or the relative results achieved by the government from a given level of expenditure.

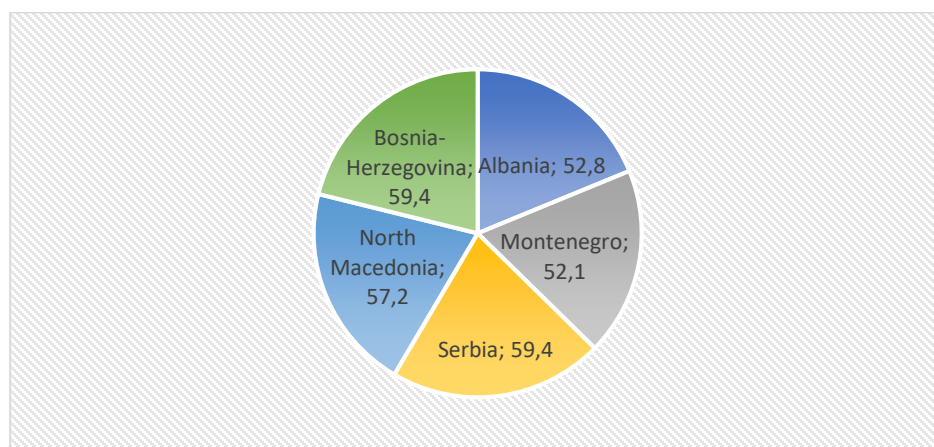


Figure: Governance Efficiency

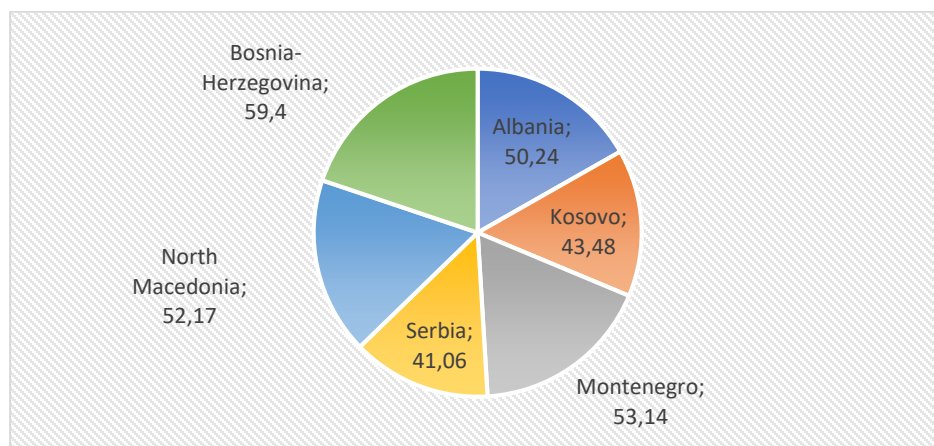
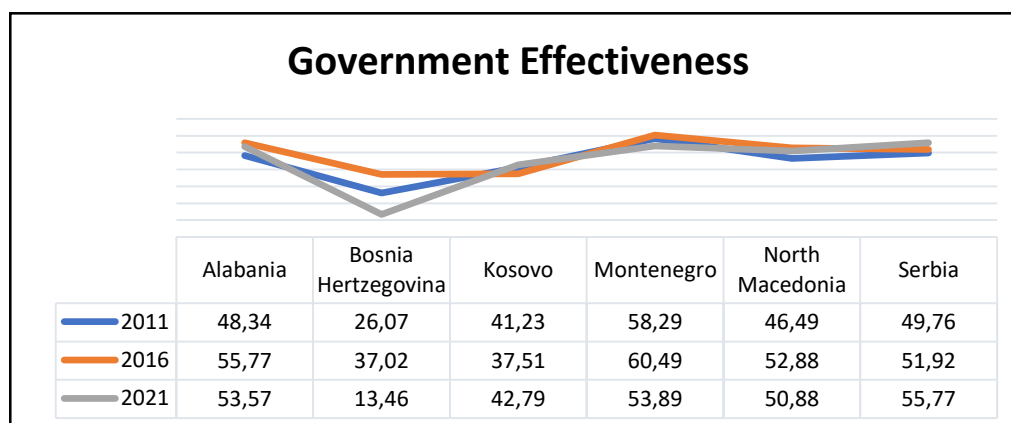


Figure: Voice and accountability (2021)
Source: World Bank

5.2.3. Government effectiveness

The government effectiveness is capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

There is no escaping the potential conflict between “effective” government on the one hand and “just” and “benevolent” government on the other. This means that, for example, the rule of law guiding fair government to provide citizens with calculation, predictability, and credibility is sometimes at odds with the requirement for efficient government to be required. demand for flexible decision-making in the evolving context.



Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy

formulation and implementation, and the credibility of the government's commitment to such policies.¹⁷³ The government effectiveness has the following key points:¹⁷⁴

- The perception of the quality of the public services
- The quality of the civil services and the degree of its independence from political pressures
- The quality of policy formulation and the implementation and the credibility of the governments commitment to such policies
- The competence of civil service; effective implementation of government decisions; and public service vulnerability to political pressure;
- The ability to manage political alternations without drastic policy changes or interruptions in government services;
- The flexibility, learning, and innovation within the political leadership; ability to coordinate conflicting objectives into coherent policies;
- The efficiency of revenue mobilization and budget management;
- The quality of transportation infrastructure, telecommunications, electricity supply, public health care provision, and public schools; the availability of online government services;
- Policy consistency; the extent to which government commitments are honored by new governments;
- The degree to which bureaucratic delays hinder business activity;
- The existence of a taxpayer service and information program, and an efficient and effective appeals mechanism;

5.2.4. Consensus orientation

Consensus decision making is a creative and dynamic way of reaching agreement between all members of a group. Instead of simply voting for an item and having the majority of the group getting their way, a group using consensus is committed to finding solutions that everyone actively supports, or at least can live with. This ensures that all opinions, ideas and concerns are taken into account. Through listening closely to each other, the group aims to come up with proposals that work for everyone.

¹⁷³Government Efficiency, Sustainable Competitiveness Observatory [Government Effectiveness - SCO \(ferdi.fr\)](https://www.ferdi.fr/en/government-effectiveness-sco)

¹⁷⁴ Millenium Challenge Corporation, *Government Effectiveness Indicator*

<https://www.mcc.gov/who-we-select/indicator/government-effectiveness-indicator/>

By definition, in consensus no decision is made against the will of an individual or a minority. If significant concerns remain unresolved, a proposal can be blocked and prevented from going ahead. This means that the whole group has to work hard at finding solutions that address everyone's concerns rather than ignoring or overruling minority opinions.

Consensus is used widely by people around the world working towards a more just and equitable society: from small voluntary groups, co-operatives and campaign networks to businesses, local communities and, in some cultures, across much wider regions. The exact process may differ depending on the size of the group and other factors, but the basic principle of co-operation between equals remains the same.¹⁷⁵

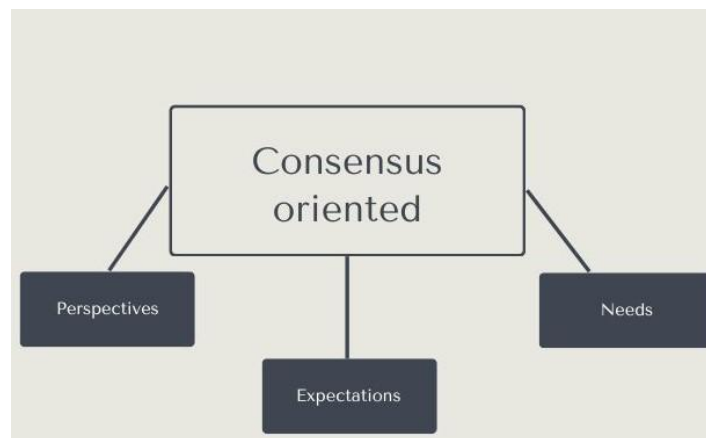


Figure: Consensus orientation

Source: Made by author

According to the scheme, the consensus orientation is starting by presenting and clarifying the problem. This ensures that everyone has relevant background information. In the governance, in the context of consensus orientation, clearly is defined the scope of the discussion and the key issues to be addressed.

It can be tempting to jump straight into problem solving. However, one the key stage of consensus is to open discussion to allow people to share their feelings, needs and opinions, before trying to find a solution.

The prioritization of everyone is key to finding solutions that work for everyone. The proposals in the context of the governance should be clarified and revised to help resolve outstanding issues

¹⁷⁵ <https://www.seedsforchange.org.uk/consensus>

concerns. Several agreements in the context of governance should be checked by stating the last clause and asking people to signal whether they agree or disagree. This step is important to check if there are unheard concerns.

5.2.5. Political stability

Political stability is a variable of great importance in the development of a country because over time it is identified as the source of the level of economic growth, but it is also seen as a consequence of economic development.

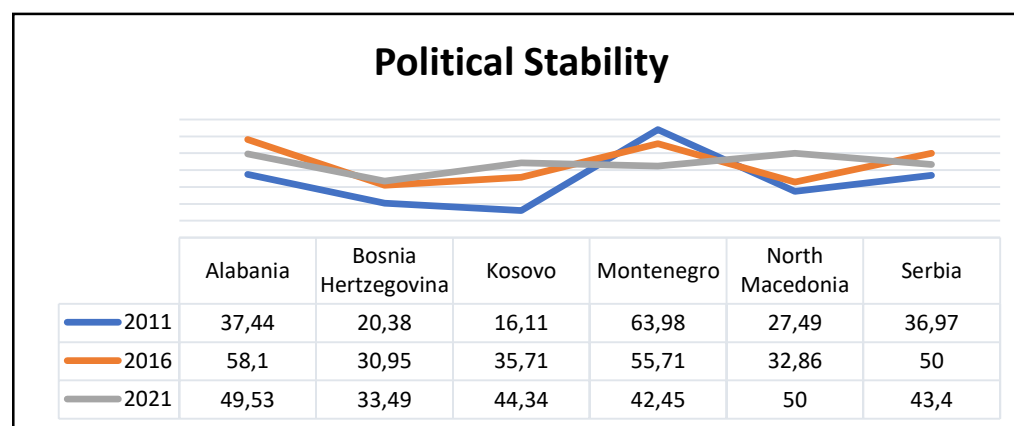
From the theoretical point of view, political stability should be considered as a positively connected variable with Economic Social and Governance orientation.

In fact, countries with a high degree of political stability, i.e.

the absence of terrorism and political violence, are also those with the highest social and environmental aspirations, i.e. Western countries.

Countries with democratic political institutions also tend to have higher political stability.

It therefore follows that countries with anti-democratic, autocratic, vertical, anti-liberal political institutions have difficulty in successfully applying the "economic, social, governance" type of model in both the public and private spheres.



Source: World Bank

5.3. The rule of law in the Western Balkan region

5.3.1. General overview of the rule of law in Western Balkans

In order to join the EU, the candidate states must demonstrate that they are fully capable of taking on the obligations of EU membership. The main requirements for EU membership are set forth in the Copenhagen criteria, a set of conditions laid down at the June 1993 European Council meeting in Copenhagen. The first of these criteria requires candidate countries to develop stable institutions that guarantee democracy, the rule of law, human rights, and respect and protection of minorities.

These conditions are based on the values on which the EU is founded: democracy, the rule of law, respect for fundamental rights, as well as the importance of a functioning market economy

In this accession process, existing EU rules are divided into 35 different policy areas (chapters). Each of them is evaluated individually. Two of these seven policy areas specifically aim to support the rule of law:

The Chapter 23 that represents the “Justice and Fundamental Rights” and the Chapter 24 – “Justice, Freedom and Security”.

A country operates under “rule of law” when it has, among other institutions and services, a legislature that enacts laws in accordance with the constitution and human rights; an independent judiciary; effective and accessible legal services; and a legal system guaranteeing equality before the law¹⁷⁶. Both the quality of laws (clear, general, stable, coherent and enforced laws) and quality of the judicial system (capable, independent, accountable and impartial) are important to the rule of law¹⁷⁷.

The rule of law is central to the accession process. It is necessary prerequisite for becoming an EU member. Rule of law issues should be addressed at the outset of the accession process and the pace of negotiations depends on the progress made in this area by the candidate country.

The Western Balkan countries have strong economic potential, but this is hampered by weaknesses in the rule of law.

In the context of the Copenhagen criteria the 2015 EC Enlargement Strategy introduced a new methodology to quantify the progress of Western Balkans in the aspect of rule of law. The chart of the Progress Reports is in the areas of the rule of law (functioning of the judiciary, fight against

¹⁷⁶ Gome, T. M. R. C. (2017). Promoting the rule of law in Serbia. What is hindering the reforms in the justice sector? *Communist and Post-Communist Studies*, 50: 331-337. <https://doi.org/10.1016/j.postcomstud.2017.10.004>

¹⁷⁷ Mendelski, M. (2018). The Rule of Law (in Central and Eastern Europe). In Fagan, A. and Kopecký, P. (Eds.), *The Routledge Handbook of East European Politics*, 113-125. London: Routledge. http://www.mpifg.de/people/mm/downloads/The_rule_of_law_in_Eastern_Europe.pdf

corruption and fight against organized crime). The scores are on a five-point scale: (1) at an early stage, (2) some level of preparation, (3) moderately prepared, (4) good level of preparation, and (5) well advanced.

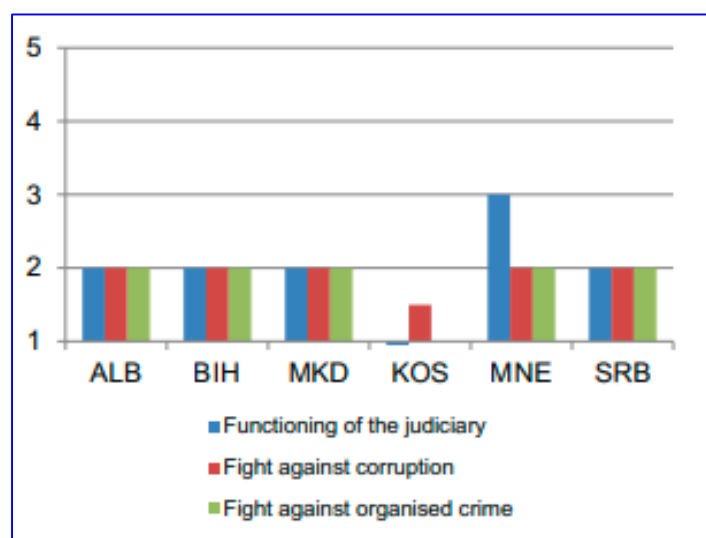


Figure: State of progress of Western Balkan countries in the area of the rule of law

Source: : European Commission, Progress Reports.

According to the graph almost six countries have displayed the same level of the state of progress with small exceptions. On the one hand graph shows that the functioning of the judiciary, fight against corruption and fight against organized crime is on the some level of preparation .This means that these countries although are candidates they have limited prospects of future accession to the European Union. The biggest corruption takes place on the governmental level. This kind of corruption distorts national policies, interrupts the way that states are run, and enables leaders from these countries to benefit at the expense of the public.¹⁷⁸ On the other hand the graph shows that from the perspective of functioning of the political judiciary Montenegro is on the top . According to the level, the functioning of judiciary is moderately prepared, however there should be progresses for the joining EU. From the opposite, the lowest scale is represented by Kosovo. Kosovo has an early stage regarding the fight against corruption

¹⁷⁸ LSEG Data&Analytics, *Speeding-up progress ending government corruption expert talk* https://www.refinitiv.com/content/dam/marketing/en_us/documents/expert-talks/speeding-up-progress-ending-government-corruption-expert-talk.pdf

Their institutions are poorly functioning and excessive state involvement hinders their economic development. It also makes them less compatible with existing EU legislation, which candidate states for EU membership must apply.

The Western Balkans Strategy pays particular attention to issues related to the rule of law. The EU implemented a strategy¹⁷⁹ to strengthen the rule of law in the region and emphasizes that over the period between 2018-2020. The European Commission developed a detailed action plan with countries in the region to address key gaps and prioritize issues to align current legislation and practice with EU standards. Furthermore, the strategy suggests that the EU will work closely with the Western Balkans to ensure that judicial reform is adopted and implemented appropriately. In addition, the EU will provide technical assistance to the Western Balkans in the fight against corruption and organized crime.

The index of rule of law which was elaborated by World Justice Project was conducted using the following principles:

1. A General Population Poll (GPP) conducted by leading local polling companies, using a representative sample of 1,000 respondents in each country and jurisdiction;
2. Qualified Respondents' Questionnaires (QRQs) consisting of closed-ended questions completed by in-country legal practitioners, experts, and academics with expertise in civil and commercial law; constitutional law, civil liberties, and criminal law; labor law; and public health.¹⁸⁰

The index measures respect for the rule of law by looking at the outcomes of policies, such as whether people have access to courts or whether crime is effectively controlled.

¹⁷⁹ European Court of Auditors. Strengthening the rule of law in the Western Balkans (2021) https://www.eca.europa.eu/Lists/ECADocuments/AP21_01/AP_Rule_of_law_Balkans_EN.pdf

¹⁸⁰ World Justice Project, Rule of Law Index for 2020 https://culturajuridica.org/wp-content/uploads/2020/05/WJP-ROLI-2020-Online_0.pdf

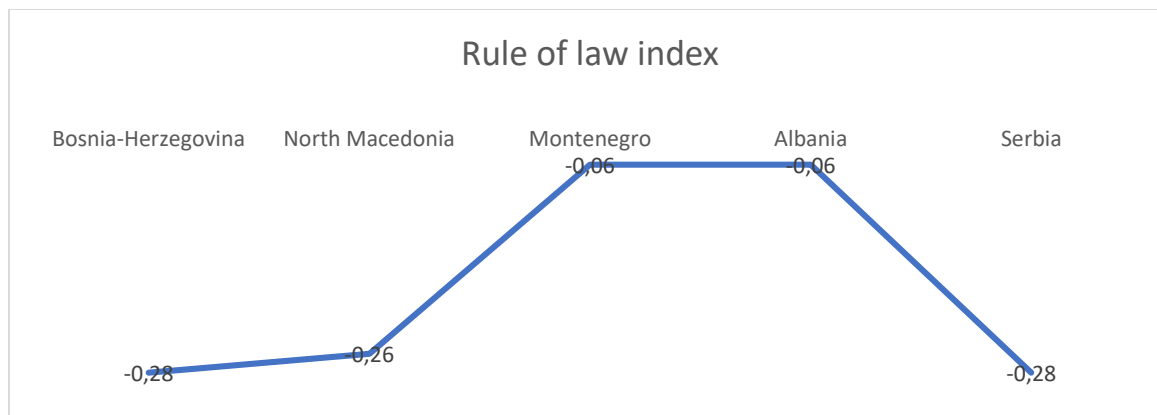


Figure: Rule of law index in Western Balkans
Source: <https://www.theglobaleconomy.com>

According to the graph, the rule of law index has a low rate in Western Balkans. The data provided by the Global Economy, shows that the highest scores are represented by the Albania and Montenegro with -0,06. It should be mentioned that there is no data for Kosovo. However the Kosovo is represented in the data made by the World Justice Project.

5.3.2. Overall score of the rule of law

Establishing the rule of law remains a key challenge in the Western Balkans. Progress in the region, while different across countries, is slow.¹⁸¹ The rule of law criterion has emerged as one of the top priorities and key concerns in EU enlargement policies for the region.¹⁸² The EU Commission's new enlargement strategy emphasizes that "the rule of law must be strengthened significantly" (EC, 2018). Strengthening the rule of law is not only an institutional issue, but also requires societal transformation in the countries and incorporation of particular fundamental values into daily culture¹⁸³.

¹⁸¹ Milošević, M. and Muk, S. (2016). *Back to basics: Re-affirming the rule of law in the Western Balkans*. Podgorica, Montenegro: Institute Alternativa. <http://media.institutalternativa.org/2017/02/reaffirming-the-rule-of-law-in-the-western-balkan.pdf>

¹⁸² Elbasani, A., Šabić, S. (2018). *Rule of law, corruption and democratic accountability in the course of EU enlargement*. Journal of European Public Policy, 25(9): 1317-1335. <https://doi.org/10.1080/13501763.2017.1315162>

¹⁸³ Hoxhaj, A. (2018). *The new EU Rule of Law Initiative for the Western Balkans*. In *Rule of law in the Western Balkans: Exploring the new EU enlargement strategy and necessary steps ahead*, 21-26. 16-19 April. Alt Madlitz. <http://www.aspeninstitute.de/wp-content/uploads/Reader-Rule-ofLaw.pdf>

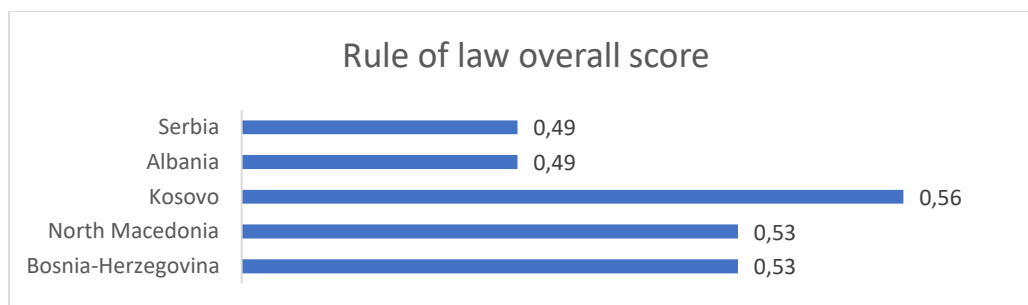


Figure: Rule of law overall score of the Western Balkan countries
Source: World Justice Project

According to the graph, the overall index score of Western Balkan countries differs from one to another. The highest score is in the case of Kosovo. There are no significant differences across between Serbia and Albania or between North Macedonia and Bosnia-Herzegovina.



Figure: Global rank of the Western Balkan countries in the context of the rule of law
Source: World Justice Project

According to the graph, on the global rank of rule of law, the Albania is represented with 87 points which is the Albania. On the second place is Serbia with score of 83. The lowest score is of 53 and is represented by Kosovo. It should be noticed that World Justice Project didn't elaborate an analysis for Montenegro.

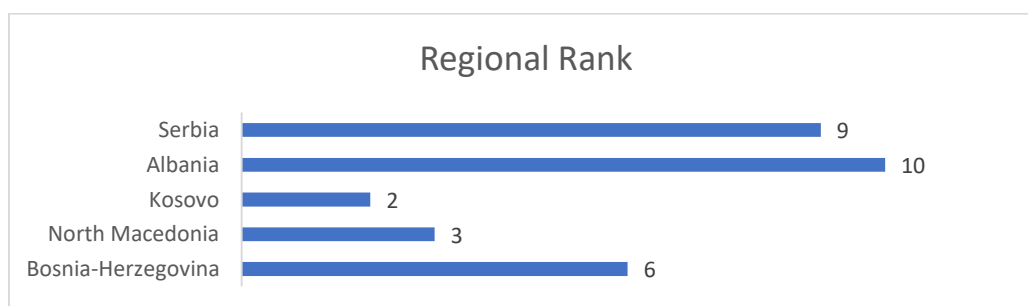


Figure: Regional rank (Central and Eastern Europe) of the Western Balkan countries in the context of the rule of law

Source: World Justice Project

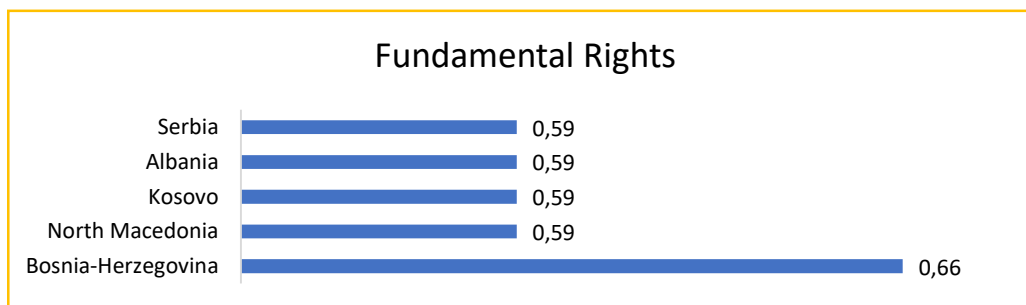
Note: There is no data for Montenegro

Taking in the consideration whole Eastern and South-Eastern Europe with EU members, the Western Balkans have different places in the region according to the graph. The highest index is for Kosovo and the lowest for the Albania.

5.3.3. Fundamental rights

In fact, the judicial protection of fundamental rights is the most important expression of the rule of law. The emphasis on the effectiveness of rights protection underlies the difference between the two possible connotations of the rule of law. In the formal ("thin") sense, the concept of the rule of law mainly represents procedural limitations on the exercise of state power; in other words, it represents a guarantee of compliance with official procedures concerning the allocation and exercise of public power. In the substantive ("thick") sense, the concept of the rule of law includes the concept of protecting the judicial right by considering the content of the exercise of public power. According to this latest version, the rule of law implies that the legitimacy of rules - or more generally legislative activity - involves more than just compliance with formal procedures (mainly related to principle of law). separation of powers) but also involves respect for fundamental principles.

The EU is a community of shared values and laws. Democracy, equality, justice... and respect for fundamental rights and freedoms are the cornerstones of the EU project. The same values and conditions apply to aspiring EU members¹⁸⁴



¹⁸⁴ European Justice, *Part 1-Protecting fundamental rights within European Union*

https://e-justice.europa.eu/563/EN/part_i__protecting_fundamental_rights_within_the_european_union

Figure: Fundamental rights in Western Balkans

Source: World Justice Project

According to the graph, the highest score for the fundamental rights is represented by Bosnia-Herzegovina, with 0,66. The rest of countries (there is no data for Montenegro), have the score, 0,59.

5.3.4. Order and security in Western Balkans

The Western Balkans pose a potential threat, not in a military conventional sense, but regarding human (ins)security, since poor life conditions drives the natives from several of those regions to seek for a better life, elsewhere.¹⁸⁵

In recent years, millions of refugees from Syria, Iraq and countries so far apart as Afghanistan, Bangladesh, Eritrea, Libya, Southern Sudan and Yemen have reached the fringes of Europe, many of them passing through routes that cross the West Balkans, crossing the north of Greece, and passing through Albania, Serbia and North Macedonia.¹⁸⁶

Also the tensions between Serbia, Bosnia and Herzegovina and Kosovo were highlighted, with the second country imposing a 100% tax on all imports from the former. Since these relationships are still based on political and cultural ties between different actors, the EU has not been able to achieve the expected impact in improving these relationships. Moreover, in terms of foreign and security policy, alignment is still largely driven by traditional geopolitical alliances.

¹⁸⁵ Bobic M. (2015) *Congruous or Conflicting? Great Power Configurations in the Balkans*. . In KLIEMAN, Aharon (ed.) - *Great Powers and Geopolitics International Affairs in a Rebalancing World*. Switzerland: Springer International, . ISBN (ebook): 9783319162898. DOI: 10.1007/978- 3-319-16289-8. p.87–112.,

¹⁸⁶ Lilianova V.(2016) *The Western Balkans Frontline of the migrant crisis*,. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573949/EPRS_BRI\(2016\)573949_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/573949/EPRS_BRI(2016)573949_EN.pdf)

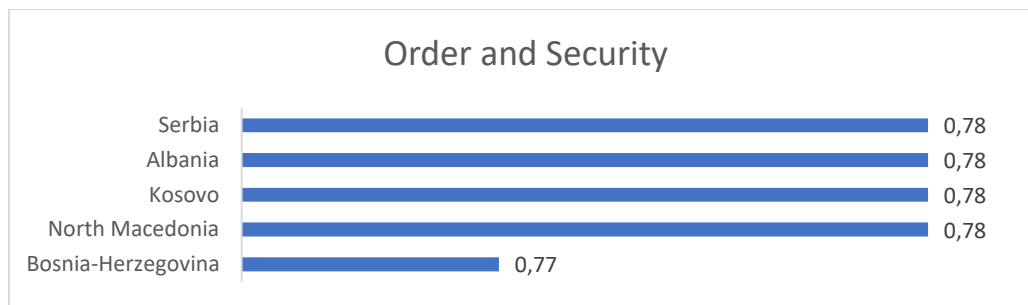


Figure: Order and security
Source: World Justice Project

Bosnia-Herzegovina, is posted the lowest score on the Order and security according to the graph. The fact is that the 0.78 is the score for rest of the countries from the region. The relatively low average on this measure in Western Balkans is not surprising, given the region's poor performance on all of the Order Index and Security component metrics in 2020.

5.3.5. Civil Justice

In the Western Balkan countries, although many reforms have been made in the judiciary, its fairness is disputed and the judiciary is considered by the public to be the most corrupt sector. Failure to implement effective anti-corruption policies is related to modest media freedoms and the lack of relevant laws. The citizenship education has been integrated into the national curriculum, but greater participation by NGOs is struggling due to lack of government support. The civil society organizations play a role in promoting prejudice reduction, but ethnic tensions remain remarkably high and implementation of the national policy on inclusive education faces challenges at this stage. the beginning.

In Western Balkans the NGOs have contributed to the protection of human rights by drafting a number of laws.

To improve the fairness of the judiciary, it was modified so that judges are elected and dismissed by the Judiciary Council. However, public perception of the judiciary is still constrained by skepticism.

Since the activities on civil justice are not self-sufficient and depend on foreign donors, civil society organizations should inform public officials of the importance of funding these programs. . Although many reforms have been made in the judiciary, its fairness remains controversial and

the judiciary is considered by the public to be the most corrupt sector. Failure to put in place effective anti-corruption policies is related to modest media freedoms and the lack of relevant laws. For example the Serbian government has adopted the so-called Slovak model, in which Civil Society organizations play an independent supervisory role without being part of formal working groups. Therefore, the possibility that NGOs may be excluded from the negotiation process remains a challenge. Some Civil Society Organizations are actively monitoring human rights issues, but the government needs to consult more frequently with the civil sector. Mandatory public hearing procedures should be used when drafting statutes.

. Civil society organizations need to be able to monitor the functioning of the courts, especially in relation to two issues - human rights protection and the fight against corruption - in order to establish themselves as the real watchdog. justice system, but these efforts are being hampered by many factors. Although the anti-corruption strategy envisages the role of civil society organisations, it is still necessary to create the conditions for greater citizen participation and improve the legal framework. NGOs are still engaged in lobbying and advocating for education reform, also through networks and they would welcome the government's more openness to allow them.

The mentality of non-interference in all aspects of the programs exists in the civil justice of Western Balkans. The inadequacies in legal aid law enforcement hinder effective access to justice, especially for vulnerable people.

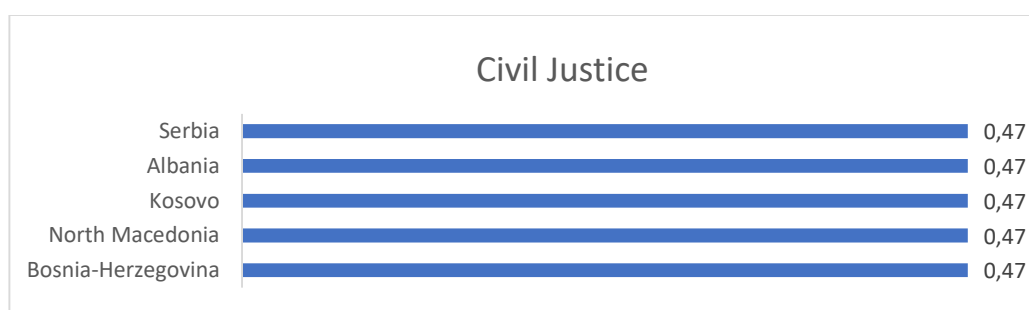


Figure: Civil justice in Western Balkans

Source: World Justice Project

According to the graph, the security scores are the same for each country.

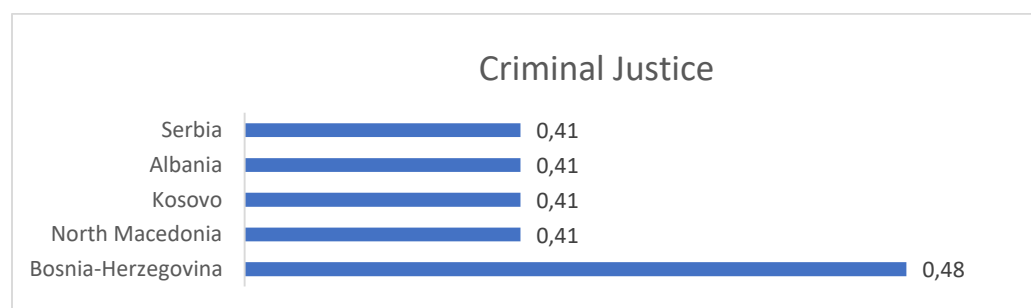
5.3.6. Criminal justice in Western Balkans

The criminal justice and judicial cooperation in criminal matters are governed by separate principles and rules. They are carried out through procedures designed to meet interests and goals beyond those of the authorities responsible for the investigation and prosecution of crimes, and include in particular the protect the rights of individuals, including the rights of suspects and accused persons.

Regulatory initiatives to equip law enforcement with the tools to communicate, collect, exchange, and process large amounts of data can be difficult to reconcile with legally binding goals is to ensure fairness (including through equality of arms) in legal proceedings.

Judicial corruption and organized crime are the main factors undermining the democratization and strengthening of the rule of law in the Western Balkans.

While many envision a new democracy and retroactive justice for the excesses of former community leaders, many former politburo members today still hold important positions in the economy and politics. They do so against a backdrop of blossoming organized crime and judicial corruption.



Source: World Justice Project

The following graph shows that the criminal justice index has almost the same index for each country from Western Balkans is almost the same. Except Bosnia-Herzegovina with score of 0,48 and Montenegro (lack of data), the index for criminal justice is 0,41.

5.4. Influence of corruption on sustainable development

Corruption has the potential to undermine sustainable development in many ways. The extent to which corruption actually does so is determined by an economy's institutions and its existing capital assets. This is because they control the opportunities and incentives for politicians and

bureaucrats to engage in the ‘sale of public assets for private gain’.¹⁸⁷ that corruption is one reason why many societies do not make sufficient investments in their productive base. Take, for example, education, that is, investment in the stock of human capital.

Sustainable development is loosely defined as present economic paths that do not compromise the well-being of future generations.¹⁸⁸ Arrow et al. (2004) propose a more precise definition, which we adopt for the purpose of our study. Their starting-point is an index of the intertemporal social welfare of an economy at a given time. Intertemporal social welfare, is a measure of the present discounted value of social welfare attained at each future date along a given development path. An economy is, then, said to be on a sustainable development path if and only if social welfare is not decreasing over time along that path. Clearly, this definition puts the emphasis on the change in social welfare, not on its level, and on the intertemporal aspect. One consequence of the intertemporal emphasis is that trade-offs are allowed, in the sense that social welfare may be lower at some future date than it is today so long as the discounted present value is not declining¹⁸⁹

Table: The units and sources of the variables

Variables	Unit	Source	Type of variable
SDI	Number	UNDP	Dependent
HDI	Number	UNDP	Dependent
CPI	Number	Transparency international	Independent
Carbon Emissions	Metric tons per capita	World Bank	Dependent
GDP	USD \$	World Bank	Dependent
FDI	USD \$	World Bank	Dependent

¹⁸⁷ Shleifer and Vishny (1993).

¹⁸⁸ United Nations, Commission on sustainable development begins fifth session meeting as preparatory body for assemblys review of agenda 21 8 April 1997 <https://press.un.org/en/1997/19970408.endev408.html>

¹⁸⁹ Arrow, Kenneth J., Partha Dasgupta and Karl- Göran Mäler (2003), ‘*The genuine savings criterion and the value of population*’, *Economic Theory*, 21(2): 217–25.

5.4.1. Data analysis

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc.¹⁹⁰

Table: Human Development Index 2020

ALB	0.796
MNE	0.832
SRB	0.802
NM	0.770
BH	0.780

Source: United Nations Development Programme. 15 December 2020. pp. 343–346. ISBN 978-92-1-126442-5. Retrieved 15 December 2020.

The following data indicates the index of CO2 emissions of the Western Balkans. Each country experienced various CO2 emissions according to the data provided by World Bank.

Table: CO2 Emissions 2021

ALB	1.7
MNE	4.2
SRB	6.6
NM	4.0
BH	6.4

Source: World Bank

According to the table we can observe that the index for CO2 in 2021 has a high rate. This means that Western Balkan countries experienced an increased amount of CO2 emissions. The highest index for CO2 emissions in 2021 was 6.6 and it was in Serbia. On the second place the share of CO2 emissions was in Bosnia Herzegovina and were 6.4.

¹⁹⁰ UNDP, Human Development Index

<https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

Gross domestic product (GDP) is a standard measure of the value of final goods and services produced by a country during a given period of time.

Although GDP is the most important indicator for calculating these economic activities, it is not a good measure of a society's well-being and is only a limited measure of individuals' material living standards.

Table: GDP 2021 (mln. USD)

ALB	18,255.79	SRB	63,082.05
BH	23,365,361.64	KS	9,412.03
MNE	5,861.27	NM	13,825.05

Source: World Bank

The following table shows the GDP for the 2021 for the Western Balkans. According to the table, the country with the highest GDP is Serbia with 63,0282.95\$, followed by Bosnia Herzegovina with 23,365\$ and Albania with 18,255.79 \$.

The Sustainable Development Index addresses these concerns by focusing on the ecological efficiency of nations in delivering human development. the SDI promotes a new vision for progress in the 21st century - one compatible with the ecology of our planet.

Table: Sustainable Development Index 2021

Country	Sustainable development goal Index Score
Albania	71.6
Bosnia-Herzegovina	71.7
North Macedonia	72.3
Montenegro	68.8
Serbia	75.9

Source: World Bank

Corruption is associated with political instability and the weakening of institutions . For decades, these countries have invited dirty money permitting political elites to extend their riches, control and geopolitical desire. Shifting public resources from the common good to special interest groups can cause widespread discontent.

Table: Corruption Perception Index 2021

Albania	104
Bosnia-Herzegovina	111
Kosovo	104
North Macedonia	111
Montenegro	67
Serbia	94

Source: World Bank

According to the table, with the highest score of 111 on CPI, the Bosnia-Herzegovina and North Macedonia were leading. With score of 104 on CPI, the Kosovo and Albania were on the second place in 2021. According to the table, the lowest score on CPI was 67 and it was registered by Montenegro.

Foreign direct investment (FDI) is an integral part of an open and efficient international economic system and a major catalyst for development. Developing countries, emerging economies and countries in transition increasingly see FDI as a resource for economic development and modernization, increasing incomes and employment.

Table: Foreign Direct Investments (net BoP, Mln. USD) 2021

ALB	-1168644883
MNE	-682165179
SRB	-4285587496
NM	-453227590
BH	-556144856
KS	-382152062

Source: World Bank

The table shows gradual increase in the inward FDI stock accumulated by the particular country groups during the last period. During this period, the total inward FDI stock decreased. The biggest leap in this direction was recorded by the Western Balkan countries as well. The popularity of inward FDI in comparison to world trade can be explained by the fact that FDI is driven by economic and political changes in the region.

5.4.2. Methodology

Most empirical studies on the consequences of corruption for the economy as a whole use real GDP to measure the development. Ultimately, development is about sustainable improvements in human well-being. Everyone realizes that GDP is not necessarily a good measure of these improvements. In short, the point is that GDP is a flow variable. However, this outflow can increase over a period of time by depleting an economy's capital reserves - for example, reserves of renewable and non-renewable resources, or human capital. people of the economy - with the consequence that these capital reserves would then be partially depleted. lost for the future.

To investigate whether corruption is indeed related to, unsustainable development, empirical estimates of real investment over time and space are needed. Although it is conceptually clear from calculation what needs to be measured, doing so is not a simple task. One problem is estimating the effect on Sustainable Development Goals.

The primary portion of the calculation will be taken after by linear regression analysis in which the other independent variables are statistically controlled. Control variables are included in the regression model to ensure that any later inference statements are robust. Growth in Gross Domestic Product , Human Development Index, CO2 emissions, and Sustainable development index will be used as the dependent variables in the regression analysis as a measure of sustainable growth. The main independent variable will be the Corruption Perception Index (CPI) which represents the level of corruption in a country.

5.4.3. Results

5.4.3.1. Linear regression

From regression equation, the predicted value of each variable was calculated using each variable and country. The predicted value can also be considered to the average value of the response values (Sustainable development, human development, CO2 emissions, foreign investments and gross domestic product). The following table represents the estimated value of a response variable in a linear regression model.

Table: Predicted values of dependent values

		SDI	HDI	CO2	FDI	GDP
CPI	ALB	72.4581	0.7878	4.5924	-1176741412	523200,5639
	MNE	70.2264	0.834	4.5228	-1700878474	-252936,7233
	SRB	71.8549	0.8002	4.5736	-1318400077	313433,7295
	NM	72.8803	0.779	4.6056	-1077580346	670037,348
		72.8803	0.779	4.6056	-1077580346	670037,348

	BH KS				-1176741412	523200,5639
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Source: Made by author¹⁹¹

According to the table, the predicted value from the table refers to the estimated value of the response value.

So we predicted that some values may be influenced positively and other negatively.

According to the predicted values, as an example we can conclude that due to the high increase of corruption the CO2 may increase. As well the FDI may decrease if the corruption will rise.

In the table below, we see that the terms of interaction don't make sense at all levels. Some values of both t-statistics are negative. The t-test is used in regression to determine if there is a statistically significant difference between the mean of two variables. . This indicates that an effect observed in the data is unlikely to be the product of randomness. In other words, it measures the probability that the null hypothesis is true relative to the acceptable degree of uncertainty about the correct answer. A negative t value only means that there is a significant decrease (if $P < 0.05$) between the first and subsequent series.

The p value (probability value) is a quantitative measure to report the results of a statistical hypothesis test.

As the value of p, it represents the probability by regression that a statistical summary is equal to or greater than its observed value.

Our data is time-related and varies from one variable to another. A value of T will indicate that corruption may affect one variable more than another.

According to the following results, we find no evidence that corruption promotes economic growth when the quality of institutions is considered.

Table: The regression between Corruption and rest of elements

Y	X	t-stat	P-Value
CPI	HDI	-0,388296	0,7176
	FDI	0,31603	0,7678
	SDI	-0,265319	0,8039
	CO2	-0,210968	0,8432
	GDP	0,79299	0,4722

Source: Author's calculations

¹⁹¹ Calculations are made based on data delivered by World Bank

According to the results, we can observe that corruption affects the sustainable development. According to the p-value obtained we cannot reject the hypothesis. We cannot say that the corruption doesn't have a small influence on sustainable development and to related variables. The corruption also affects the five pillars of sustainable development – people, planet, prosperity, peace and partnerships. These crimes are illegal and erode trust in democratic institutions and governments, impede social equality, and threaten economic growth.

Corruption can directly affect a country's CO₂ emissions. For example, embezzlement and bribery may erode public funding for environmental programs and leave fewer checks on carbon dioxide emissions.¹⁹²

Corruption can increase the cost of doing business to the point of making it unprofitable, which reduces FDI. Corruption in that sense falls within the broader negative effects of being a rent-seeking activity that increases transaction costs in the economy.¹⁹³

5.4.3.2. Correlation results

Because there is no specific data for Kosovo, the correlation was done separately using not all variables.

Table: Correlation results (with Kosovo)

	GDP \$	FDI
CPI	0,369467837	0,15607865

Source: Author's projection

Table: Correlation results (without Kosovo)

	GDP \$	FDI	CO2	SDI	HDI
CPI	0,417275716	0,116519237	0,017197582	0,436420817	-0,964675375

Source: Author's projection

¹⁹² Yue-Jun Zhang, Yan-Lin Jin, Julien Chevallier, Bo Shen, (2016) *The effect of corruption on carbon dioxide emissions in APEC countries: A panel quantile regression analysis*, Technological Forecasting and Social Change, Volume 112, , Pages 220-227

¹⁹³ Moustafa E. *The relationship between perceived corruption and FDI: a longitudinal study in the context of Egypt* https://unctad.org/system/files/non-official-document/diaeia2021d2a4_en.pdf

As a conclusion, we note mainly:

- a) Correlation matrix between CPI and HDI clearly shows the negative impact of corruption on Human development. It means that this impact is intensified in 2021. According to this indication, there might increase in the impact of corruption on economic development in the Western Balkans.
- b) The correlation between the corruption perception index and sustainable development index is higher than others and it illustrates that as the perception of the corruption increases we anticipate that the sustainable development also would be higher. It means that if the countries would be clean from corruption, the sustainability might increase.
- c) The correlation between CO2 and corruption perception index is also positive. It means that if corruption doesn't render an economy less efficient, it doesn't cause more damage to the environment.
- d) There is a positive and high correlation result between GDP and CPI. This means that if the Gross domestic product increases, the level of corruption decreases.

CHAPTER 6: THE EMPIRICAL STUDY ON GDP GROWTH OF WESTERN BALKAN COUNTRIES

6.1.The institutional variables and Gross Domestic Product

6.1.1. Interest groups and economic growth

The interest groups are groups of people, whether loosely or formally organized, that work to encourage or prevent changes in public policy without trying to be elected themselves.¹⁹⁴

Interest groups form with the stated purpose of influencing the policy making process. So when interest groups we're involved with help pass or block bills, influence presidential decision-making, or even influence court outcomes, we feel marginalized. bound to the government. Interest groups give us a way to focus political attention on specific issues or , economic and political priorities.

The existing literature primarily indicates a positive association between institutions and economic growth. However, institutions do not exert similar impact on economic growth across different set of countries The positive contribution of institutions is shaped by many different factors such as individual perceptions of institutions, social norms and community norms of a particular group of individuals. Sometimes institutions with similar characteristics produce wildly different outcomes across groups, regions, and societies.

Alonso and Garcimartin signify the role of stages of economic development in determining the growth effects of institutions and found that level of development determines the quality of institutions which, in turn, enhances higher economic growth.¹⁹⁵

Few studies have empirically investigated the growth effects of institutions at various stages of development.¹⁹⁶¹⁹⁷ These studies have shown that the impact of institutions on economic growth is different across countries. These studies conclude that institutions perform better in

¹⁹⁴Longley R (2021) *What Are Interest Groups? Definition and Examples* ThoughtCo, , <https://www.thoughtco.com/interest-groups-definition-and-examples-5194792>

¹⁹⁵ Alonso, J. A. and C. Garcimartin (2013) *The Determinants of Institutional on the Debate*. Journal of International Development 25:21, 206-226

¹⁹⁶ Nawaz, S. (2014) *Growth Effects of Institutions: A Disaggregated Analysis*. Islamabad: COMSATS Institute of Information Technology

¹⁹⁷ Valeriani, E. and S. Peluso (2011) *The Impact of Institutional Quality on Economic Growth and Development: An Empirical Study*. The Journal of Knowledge Management, Economics and Information Technology 1:6, 274-299

developed countries as compared to developing ones. A study on transitional economies shows that control over corruption is growth enhancing if complemented by strong democratic institutions not necessarily otherwise. Institutional measures promote economic growth in strongly democratic economies and fail to boost growth in weakly democratic countries.¹⁹⁸ However, these studies lack a theoretical foundation to capture the linkages between institutions and economic growth, and also suffered from possible endogeneity problem. It can be argued that theoretical foundation is essential to understand the mechanism through which institutions are linked with economic growth. Furthermore, controlling endogeneity is important for reliable empirical findings.

Acemoglu and Robinson argue that institutions are the fundamental determinant of economic growth and cause development differences across countries.¹⁹⁹ North defines²⁰⁰ institutions as the rule of the game in a society or, more formally the humanly devised constraints that shape human interaction.

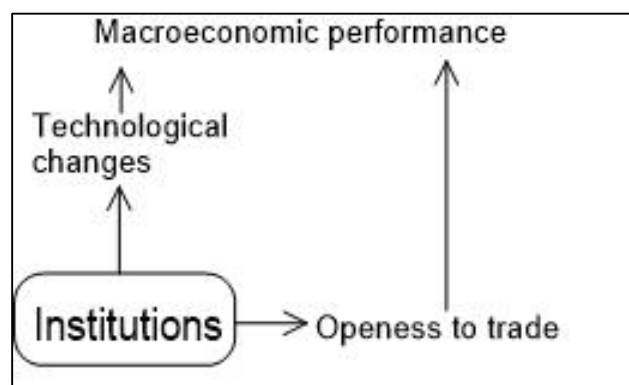


Figure: The role of state institutions in the macroeconomic performance
Source: Made by author

¹⁹⁸ Iqbal, N. and V. Daly (2014) *Rent Seeking Opportunities and Economic Growth in Transitional Economies*. *Economic Modelling* 37:0, 16-22

¹⁹⁹ Acemoglu, D., & Robinson, J. (2010). *The Role of Institutions in Growth and Development*. *Review of Economics and Institutions*, 1.
<https://doi.org/10.5202/rei.v1i2.14>

²⁰⁰ North DC (1981) *Structure and change in economic history*. W.W. Norton, New York

According to the figure, the macroeconomic performance is the extent to which a country is successful in achieving key government goals or policy goals. The main objective is to improve the average real standard of living.

This means that institutions shape the incentive structure in the society that may increase or hamper the economic activities. Poor quality institutions may slow down the economic activities by providing room to economic agents to remain busy in redistributive politics with lower economic returns rather than growth promoting economic activities²⁰¹. On the other hand, good quality institutions may promote incentive structure that leads to higher economic growth through reducing uncertainty and promoting efficiency North²⁰², as well as Hall and Jones²⁰³ argued that overall productivity of factors of production in a country is driven by the quality of its institutions. Efficient, well developed and without corruption in institutions guarantee that labor can only be used for productive purposes and not wasted in rent seeking activities, which leads to higher economic growth. Good quality institutions enhance the ability of a country to adopt new technologies invented elsewhere which may play an important role in upgrading the development process of a country.²⁰⁴

Iqbal and Daly argue that weak institutions divert resources from the productive sector to the non-manufacturing sector, thereby promoting profiteering activities. While strong institutions reduce the chances of profiteering activities and promote economic growth and reproducible factor productivity. This study argues that a weak institutional framework that creates opportunities for predatory behavior can shift resources to inefficient sectors.²⁰⁵

The interest groups can have both positive and negative effect on economic growth. The negative effect might arise since these groups have motivation to lobby the government in solely

²⁰¹ Shleifer A., Vishny R.B.(1993),*Corruption*The Quarterly Journal of Economics, Vol. 108, No. 3 pp. 599-617

²⁰² North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press

²⁰³ Hall R. E. , Jones C. I.(1999), *Why Do Some Countries Produce So Much More Output per Worker than Others?*, Quarterly Journal of Economics,p. 83-116.

²⁰⁴Bernard A., Jones C.(1996) *Productivity across Industries and Countries: Time Series Theory and Evidence* The Review of Economics and Statistics, vol. 78, issue 1, p.135-146

²⁰⁵ Iqbal N., Daly V. (2014) *Rent seeking opportunities and economic growth in transitional economies*, Economic Modelling, Volume 37, Pages 16-22

their favour, affecting the state effectiveness to deal with market failure, as well as their organization could potentially affect economic prosperity.²⁰⁶

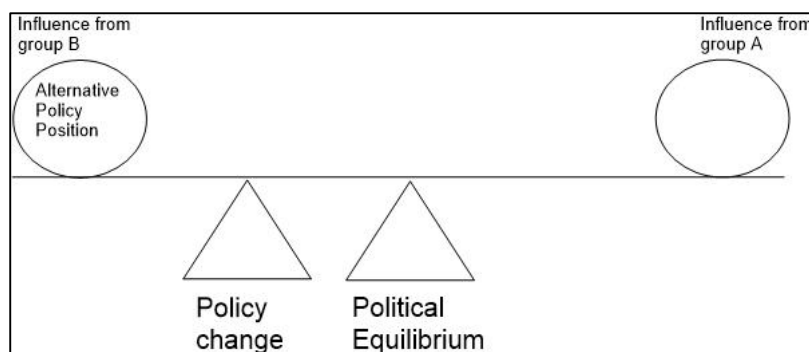


Figure: The balance between interest groups
Source: Made by author

According to the figure, the interest groups may influence the pathway of the institutions. For the interest groups may have several positions that might influence by sharing ideologies. If there are the same ideologies and goals from the both groups, there might be same policy change and a political equilibrium. The policy change refers to incremental shifts in existing structures, or new and innovative policies. Reform usually refers to a major policy change.²⁰⁷ The political equilibrium refers to a state of balance that can be achieved if one side of the political spectrum receives the vote of the majority of those who can exercise it.²⁰⁸

In the context of policy changes, the interest groups may provide information to the governance institutions for an economic growth. The following table shows the type of information provided and the manner of how is provided by the interest groups.

Table: How the interest groups are providing the information in the context of changes

Providing Information	How?
Make rating to influence public opinion of lawmakers	Public opinion polls Writing editorials supporting the interest group positions

²⁰⁶ Olson, M. (1982) *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*. Yale University Press

²⁰⁷ OECD CRI, *The nature of policy change and implementation* <https://www.oecd.org/education/ceri/The%20Nature%20of%20Policy%20Change%20and%20Implementation.pdf>

²⁰⁸ Study.com, *What factors influence the political equilibrium?* <https://homework.study.com/explanation/what-factors-influence-the-political-equilibrium.html>

Give political response to official by describing how policy changes will affect the public and how the issue fits in with the political elites and the agenda	
Monitoring government programs	Evaluate effectiveness Suggest challenges

Source: Made by author

The interest groups concentrates on changing details of a legislative act that do not run counter to any other stakeholder interest and do not touch the core contents of the legislation – and thus especially do not run counter to the political interests of the decision-makers (“technical influence”).

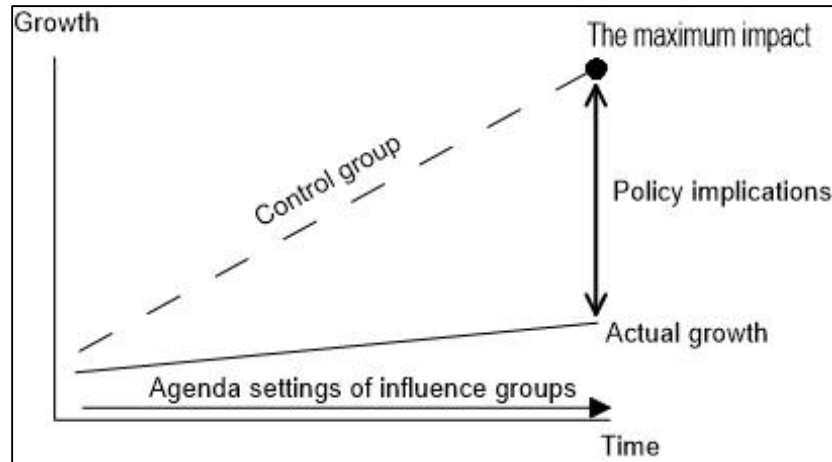


Figure: The agenda settings of interest groups in policy implications

Source: Made by author

According to the figure, the interest groups may influence the initial getting on the agenda of an issue (“agenda-setting influence”). Agenda setting can be defined as the process of setting the political agenda of decision makers. Policy agendas reflect how policymakers give serious attention and priority to a portfolio of policy issues, such as in our case the economy. Interest groups influence policy making, but are an important part of decision making.

6.1.2 Political stability

The number of interest groups in a country increases with the time of political stability of a country.

Political stability is a variable of great importance in the development of a country because over time it has been identified as the source of the level of economic growth, but it is also seen as a consequence of the economic growth and development. As the period of political stability continued, more and more new interest groups emerged, adding to a steady number of already existing groups. Thus, the number of interest groups in a country increases with the time of political stability of that country.

The political stability can be achieved through oppression or through having a political party in place that does not have to compete to be re-elected. In these cases, political stability is a double edged sword.

Democratic regimes, like all political regimes, are fragile. Irrespective of political regimes, if a country does not need to worry about conflicts and radical changes of regimes, the people can concentrate on working, saving, and investing.²⁰⁹

Table: The characteristics of the WB countries in terms of freedom and democracy

Country	Freedom Status	Democracy status
Albania	Partly Free	Transitional or Hybrid Regime
Kosovo	Partly Free	Transitional or Hybrid Regime
Bosnia-Herzegovina	Partly Free	Transitional or Hybrid Regime
Montenegro	Partly Free	Transitional or Hybrid Regime
North Macedonia	Partly Free	Transitional or Hybrid Regime
Serbia	Partly Free	Transitional or Hybrid Regime

Source: Freedom House
<https://freedomhouse.org/countries/nations-transit/scores>

²⁰⁹ Hussain Z. (2014) *Can political stability hurt economic growth?*

<https://blogs.worldbank.org/endpovertyinsouthasia/can-political-stability-hurt-economic-growth>

According to the table we can conclude that the Western Balkan countries are still in the transition. This means that there is an interval between two regimes. In Western Balkans, many political systems enter into a transition because their old regime.

In this case, no altering of fixed positions is necessary, but positions have been initiated by interest groups.

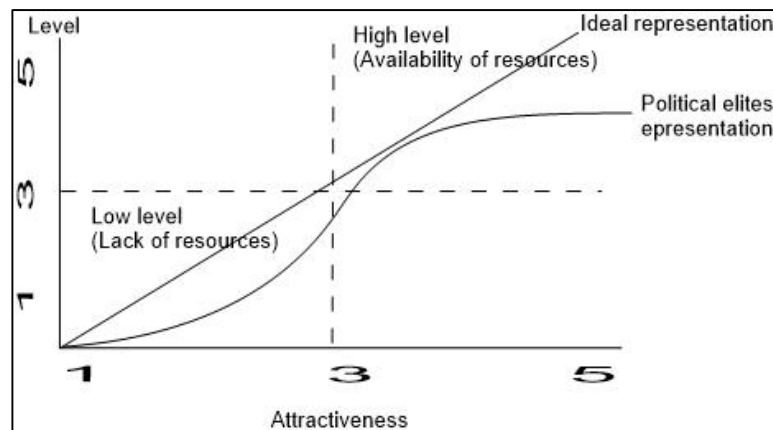


Figure: The conceptual representing the conflict between groups

Source: Made by author

According to the figure, policy being enacted increases in linear in an ideal manner. Political elites are far more likely to enact legislation and policies that are in the best interests of the wealth and power.

Another idea presented in the literature is that implemented policies tend to differ between left-wing and right-wing parties. Left governments usually focus on the low income part of society and reducing the level of unemployment, which accelerates economic growth, while right governments pays attention to lower inflation, thus slower economic growth.²¹⁰ Empirical support to these arguments have been found by Boix²¹¹ and Bartels.²¹² Furthermore, Lange and Garrett suggest that favorable conditions for economic growth are when strong and concentrated unions are present in a leftist government, which will pursue expansionary policies. to avoid pressure to

²¹⁰ Hibbs (1977).

²¹¹ Boix C. (1999). *Setting the rules of the game: The choice of electoral systems in advanced democracies*. American Political Science Review 93 609-624.

²¹² Bartels 82008).

reduce wages and when unions are weak and fragmented along with good governments, then lean towards policies that support the free market.²¹³ The institutions and policies, including quality education, trade and financial liberalization, and patent rights, have a significant impact on economic growth of a country.²¹⁴

While discussion about whether institutions affect growth is still ongoing, researchers have come to an agreement on one topic – the indicators of good institutions. The most widely used definition of Acemoglu, Johnson & Robinson²¹⁵ states that good institutions secure property rights of investors, maintain stability in the political arena and provides an opportunity for society's participation. In other words, those with an opportunity to invest in productive actions should be able to expect and receive fair return on their investment. While secure property rights attract investment, high risk of expropriation, on the other hand, only discourages it. Additionally, wealth should not be concentrated in the hands of few, instead everyone should be given an equal chance to obtain sufficient income which can be invested. As reinforced by Rodrik,²¹⁶ good institutions are a stimulus for business activity and a helpful tool to ensure balanced macroeconomic indicators. Additionally, several studies have acknowledged the beneficial impact of economic freedom on economic growth. Aisen and Vega²¹⁷ also show that higher economic freedom results in a higher economic growth, while democracy might have negative albeit small impact. Financial development and openness also might play an important role. However, only few studies try to look at the impact of different aspects of economic freedom on economic growth. For instance, Fung presents evidence for conditional convergence and relationship between level of financial development and GDP per capita.²¹⁸ For low-income countries the likelihood to catch-up is higher if they have well-developed financial sector in comparison with the same income level countries with less developed financial sector. The study also points out that human capital is crucial for

²¹³ Lange P. Garrett G. (1985) *The Politics of Growth: Strategic Interaction and Economic Performance in the Advanced Industrial Democracies, 1974-1980*, The Journal of Politics Volume 47, Number 3

²¹⁴ Bulderberga, Radzeviča A.M. “*The Role of Institutional Quality in Economic Growth: Implications for the Baltic States*”, Bachelor Degree thesis, Stockholm School of Economics in Riga, May 2018, https://www.makroekonomika.lv/sites/default/files/2018-06/3_vieta_Bulderberga_Radzevica.pdf

²¹⁵ Acemoglu D., Johnson S., Robinson J. A. (2001) *The Colonial Origins of Comparative Development: An Empirical Investigation* The American Economic Review, Vol. 91, No. 5 p. 1369-1401

²¹⁶ Rodrik (2008).

²¹⁷ Aisen and Vega (2013).

²¹⁸ Fung (2009).

growth in the early periods of economic development, while economic freedom gains accelerating importance. Hassan, Sanchez, and Yu (2011)²¹⁹ report positive relationship between financial development and economic growth in developing countries. Another aspect is trade openness. Yanikkaja uses a variety of measures of trade openness and shows that, contrary to popular opinion, trade barriers have a significant positive relationship with economic growth, especially in countries. developing.²²⁰ Furthermore, an international study by Feld and Voigt²²¹ shows that real GDP per capita growth is positively influenced by de facto judicial independence. In addition, Park & Ginarte conducted a cross-sectional study to explore the impact of securing intellectual property rights and economic growth. They find that guaranteed intellectual property rights indirectly have a positive effect on economic growth through R&D and physical capital accumulation.²²²

First of all the skills, innovation, and institutional factors play in directly influencing the productivity growth.

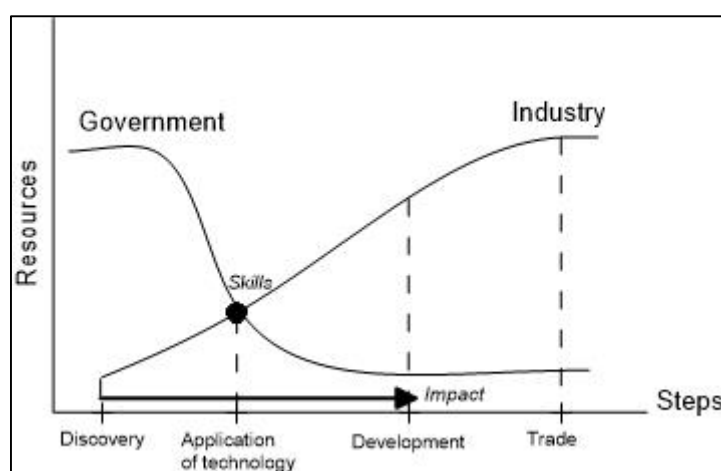


Figure: Steps and resources in the interaction of government and industry

Source: Made by author

Secondly, according to the figure is identified how institutional quality across the different regions of the world become a productivity enhancing force – or as an obstacle – by intensifying

²¹⁹ Hassan, M. Kabir & Sanchez, Benito & Yu, Jung-Suk, (2011). "Financial development and economic growth: New evidence from panel data," The Quarterly Review of Economics and Finance, Elsevier, vol. 51(1), pages 88-104

²²⁰ Yanikkaja (2003).

²²¹ Feld, L. P., & Voigt, S. (2003). *Economic Growth and Judicial Independence: Cross-country Evidence Using a New Set of Indicators*. European Journal of Political Economy, 19(3), 497-527.

²²² Park, W., G., & Ginarte, J., C. (1997). *Intellectual Property Rights and Economic Growth*. Contemporary Economic Policy, 15(3), 51-61.

– or reducing – the returns on productivity of physical and human capital investments and of the innovation effort.

6.1.3 The institutional quality

The Institutional quality is a broad concept that captures law, individual rights and high quality government regulation and services. Institutional quality and economic development reinforce each other over the longer term, but we argue that institutional quality leads this virtuous circle²²³

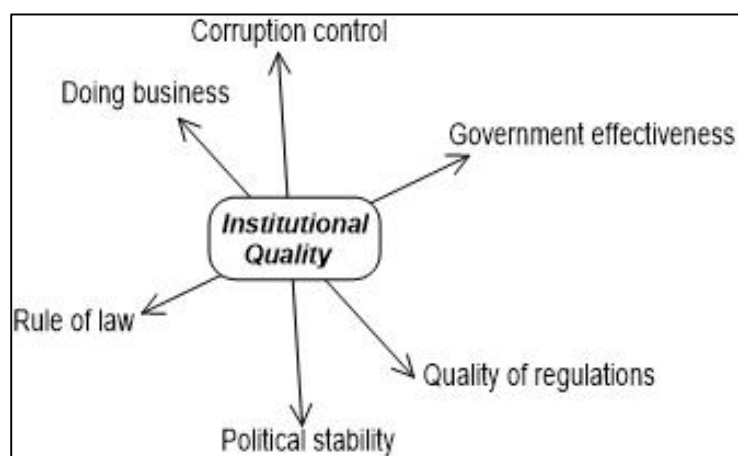


Figure: The key elements of institutional quality

Source: Made by the author

The main reason for this is that institutional quality strongly mediates the effects of, especially, human capital on changes in productivity.

Rodrik, Subramanian, & Trebbi²²⁴, claim that the quality of institutions plays a crucial role in determining long-term economic growth. Another issue is the endogeneity of institutions. The main question is whether the high institutional quality is the cause of economic growth or is it the advancements in the economy that lead to better institutions. Barro (1996) argues that institutional quality has no influence on the growth of developed countries, because they are already sufficiently

²²³ Radobank (2016) *Institutional Quality and Economic Performance*
<https://economics.rabobank.com/publications/2016/january/institutional-quality-and-economic-performance/>

²²⁴ Trebbi F., Subramanian A., Rodrik D. (2002) *Institutions Rule: The Primacy of Institutions over Integration and geography in Economic Development*, IMF Working Paper, <https://www.imf.org/external/pubs/ft/wp/2002/wp02189.pdf>

advanced and no further changes would have a considerable impact in the long run.²²⁵ Nevertheless, majority agrees that institutional quality matters and has to be taken into account when assessing the growth drivers. While discussion about whether institutions affect growth is still ongoing, researchers have come to an agreement on one topic – the indicators of good institutions.

Regions with low institutional quality encounter strong barriers in translating skills and training into greater productivity in the labor market.

The economic success depends to a large extent on the quality of institutions. Local institutions create the conditions and incentives that reduce transaction costs and make the development of economic activity more viable.²²⁶ Institutions are also at the heart of innovative activity.²²⁷

But the role of institutions for innovation goes far beyond that related to the establishment of formal bodies, such as the presence of an IP protection authority, to include agreements. more informal,²²⁸ such as building trust between different economic actors . Good institutions also facilitate innovation at all levels, as they help create both the right environment for scientific breakthroughs and the conditions for assimilation of innovation.²²⁹ All of these factors are necessary for businesses to adopt innovation and, therefore, to increase labor productivity.

6.1.4 Regulatory quality index

Efficient institutions can play an important indirect role in facilitating the efficient use of physical and human capital as well as market innovation, which in turn leads to productivity. higher.

²²⁵ Baro R.J. (1999) *Determinants of democracy* Journal of Political Economy, Vol. 107, No. S6 (December 1999), pp. S158-S183

²²⁶ Rodríguez-Pose A. (2013) *Do Institutions Matter for Regional Development?* Regional Studies, vol. 47, issue 7, 1034-1047

²²⁷ Rodríguez-Pose and Di Cataldo (2015).

²²⁸ Mokyr J. (2009) Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth. *American Economic Review*, 99 (2): p349-55.

²²⁹ Mokyr (2009).

In this regard, appropriate institutions are at the heart of networks of trust that link researchers with industrialists²³⁰ and facilitate the diffusion of new knowledge among business actors.²³¹

The institutional environment play a crucial role in determining the level of development. As a part of institutional environment, the regulatory quality is very important for economic growth and the development. Superior quality institutions having regulatory quality could reward productive entrepreneurship and reduce incentives.

The regulatory quality index represents an indicator that measures the ability of the government to formulate and implement policies and regulations that permit and promote private sector development. The regulatory quality index of the countries is evaluated on the following factors:

- prevalence of regulations and administrative requirements that impose a burden on business; ease of starting and closing a new business; ease of registering property;
- government intervention in the economy; the extent to which government subsidies keep uncompetitive industries alive;
- labor market policies; employment law provides for flexibility in hiring and firing; wage and price controls;
- the complexity and efficiency of the tax system; pro-investment tax policies;
- trade policy; the height of tariffs barriers; the number of tariff bands; the stability of tariff rates; the extent to which non-tariff barriers are used; the transparency and predictability of the trade regime;
- investment attractiveness; prevalence of bans or investment licensing requirements; financial regulations on foreign investment and capital; legal restrictions on ownership of business and equity by non-residents; foreign currency regulations; general uncertainty about regulation costs; legal regulation of financial institutions; the extent to which exchange rate policy hinders firm competitiveness;
- extensiveness of legal rules and effectiveness of legal regulations in the banking and securities sectors; costs of uncertain rules, laws, or government policies;

²³⁰ Mokyr (2009).

²³¹ Rodriguez-Pose, A., Di Cataldo M. (2015) *Quality of government and innovative performance in the regions of Europe* Journal of Economic Geography, Volume 15, Issue 4, Pages 673–706

- the strength of the banking system; existence of barriers to entry in the banking sector; ease of access to capital markets; protection of domestic banks from foreign competition; whether interest rates are heavily-regulated; transfer costs associated with exporting capital;
- participation of the private sector in infrastructure projects; dominance of state-owned enterprises; openness of public sector contracts to foreign investors; the extent of market competition; effectiveness of competition and anti-trust policies and legislation;
- the existence of a policy, legal, and institutional framework that supports the development of a commercially-based, market-driven rural finance sector that is efficient, equitable, and accessible to low-income populations in rural areas;
- the adoption of an appropriate policy, legal, and regulatory framework to support the emergence and development of an efficient private rural business sector;
- the existence of a policy, legal, and institutional framework that supports the development and liberalization of commercially-based markets (for inputs and produce) that operate in a liberalized and private sector-led, functionally efficient and equitable manner, and that are accessible to small farmers; and the extent to which:
- corporate governance laws encourage ownership and financial disclosure and protect shareholder rights, and are generally enforced;
- state intervention in the goods and land market is generally limited to regulation and/or legislation to smooth out market imperfections;
- the customs service is free of corruption, operates transparently, relies on risk management, processes duty collections, and refunds promptly; and
- trade laws, regulations, and guidelines are published, simplified, and rationalized.²³²

²³² Milenium Challenge Corporation, *Regulatory Quality Index*, <https://www.mcc.gov/who-we-select/indicator/regulatory-quality-indicator>

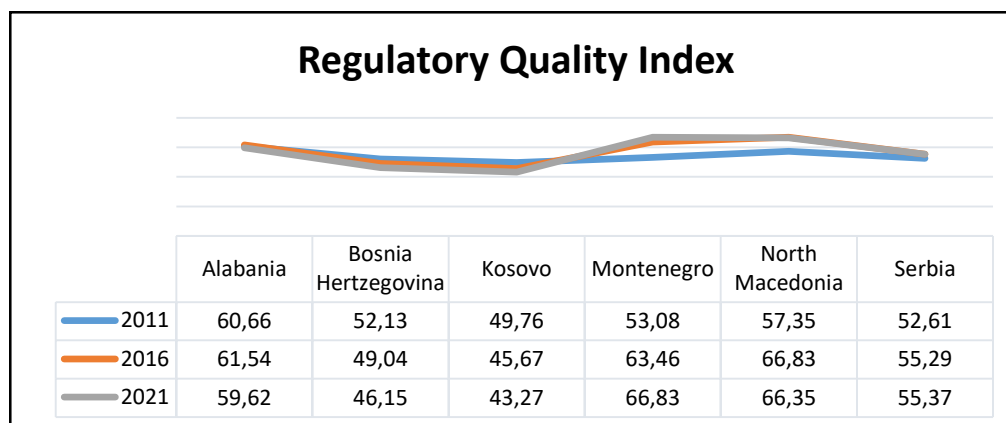


Figure: Regulatory quality index A comparison for 2011, 2016, 2021
Source: World Bank

6.2. The effect of the rule of law on economic growth

Robert Solow argues ²³³that the growth in output of an economy is a positive function of growth in physical and human capital. Under the dual assumptions of constant returns to scale and competitive markets, the discrepancy between an economy's actual output growth and implied growth can be attributed to changes in technology and institutions, such as sudden changes in law and order (and property rights) through armed conflict and political upheaval. Therefore, economic institutions play an important role in promoting economic growth.

Where do economic institutions come from? Some researchers propose political institutions theory. They argue that different individuals have different preferences for economic institutions because these institutions play a role in allocating resources. In general, people's preferences for economic institutions are heterogeneous, as different institutions benefit different people. Holders of political power have the ability to choose economic institutions. Political power can be *de jure* (based on the constitution, laws and electoral rules) or *de facto* (based on circumstances, such as the ability to induce nonviolent protests and demonstrations, and /or violence). Those with greater economic resources tend to hold greater *de facto* political power. Political power over law and in practice jointly determines the economic institutions of today and the political institutions of the future. In short, political institutions lead to economic institutions.

As Solow noted, economic growth is based on three key factors: physical capital growth, human capital growth and technological innovation. If individuals are less confident that their private

²³³ Solow R.M. (1956) *A Contribution to the Theory of Economic Growth*, The Quarterly Journal of Economics, Vol. 70, No. 1, pp. 65-94

ownership will be respected, they will be less likely to invest in physical capital (businesses, plants, and production equipment) because physical capital may be expropriated. This expropriation can be done by the state if the country does not have the rule of law, or if the rule of law does not impose respect for private property rights. If a country has the rule of law but does not enforce respect for private property rights, expropriation can take the form of looting of non-state individuals by force and threats of violence. arming the owners of physical capital. Human capital is more difficult to obtain than physical capital. The main reason most people invest in human capital (education, apprenticeship, job training) is because it improves their ability to generate income and create wealth. Income and wealth can be expropriated almost as easily as physical capital. Thus, if individuals are less confident that private ownership of their income and wealth will be respected, they will be less likely to invest in human capital. Most often individuals use their human capital to generate income and create wealth by starting a business, selling to customers, employing employees, expanding the business, selling to many more customers, hire more employees; with this self-sustaining positive impact on job and wealth creation. Thus, when individuals stop or reduce their investment in human capital, this has an exponential negative impact on job creation and economic growth.

The rule of law can be an effective tool for the economic growth. The rule of law includes not only (a) the legalization of formal rules, but also (b) the establishment of an enforcement mechanism. and (c) change the attitudes of citizens and governments to comply with official rules²³⁴ . In this context, reform of the rule of law must be part of an overall institutional reform aimed at economic growth.

6.2.1. Variable description

In the first case it was decided which methodological approach to use, one variable was chosen to measure the effect of economic growth on rule of law. Using these variables, regression is applied

²³⁴ Carothers classified rule of law reform into three categories: the first type focuses on the law itself such as commercial law, criminal law, etc. ; the latter focuses on strengthening law-related institutions to make them more capable, efficient and accountable; and a third type of legal reform aimed at increasing government compliance with the law. He noted that the rule of law projects supported by foreign aid have focused on the first, and the second is easier to achieve than the third, which involves real change in government compliance with the law. and is 'the slowest, most difficult kind of assistance. Accordingly, rule of law 'affects the least of the most important elements of the problem'" (Carothers 1998:P. 99-100, 105).

to test whether the rule of law affects economic growth. Regression is applied to test whether it is favored by the policy variables that define the level of stability.

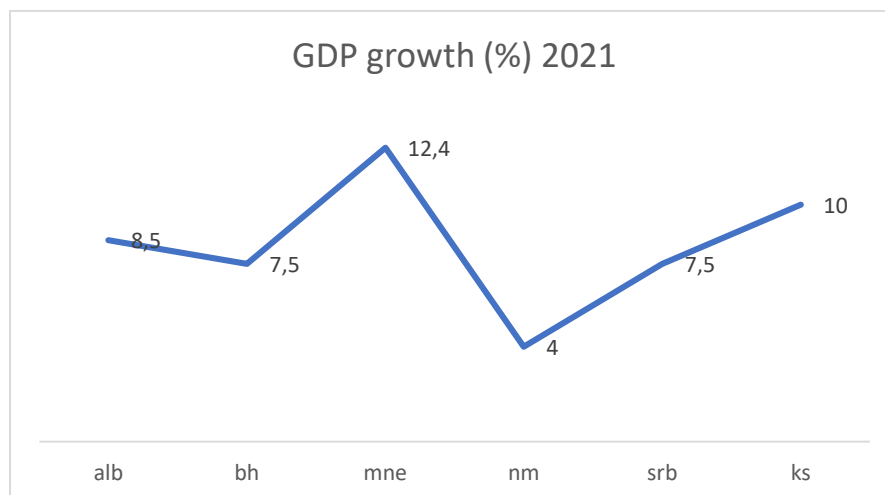
No	Variables	Data source	Expected Effect	Type of variable
2	Rule of law	World Justice Project	+/-	Independent
3	Law and order	World Bank	+/-	Independent
	Control of corruption		+/-	Independent
7	GDP per capita	World Bank	+/-	Dependent

According to the table, the variables for testing the effect of the economic growth on rule of law are: political stability, government effectiveness and regulatory quality. The data on these variables are used from World Bank as a source. The result could vary according to the variable.

6.2.2. The data

In order to determine the effect of rule of law on economic growth, an analysis was carried out on the GDP growth, Control of corruption, law and order. The data was taken from different sources such as World Bank and GALLUP. The data analyzed is for year 2021.

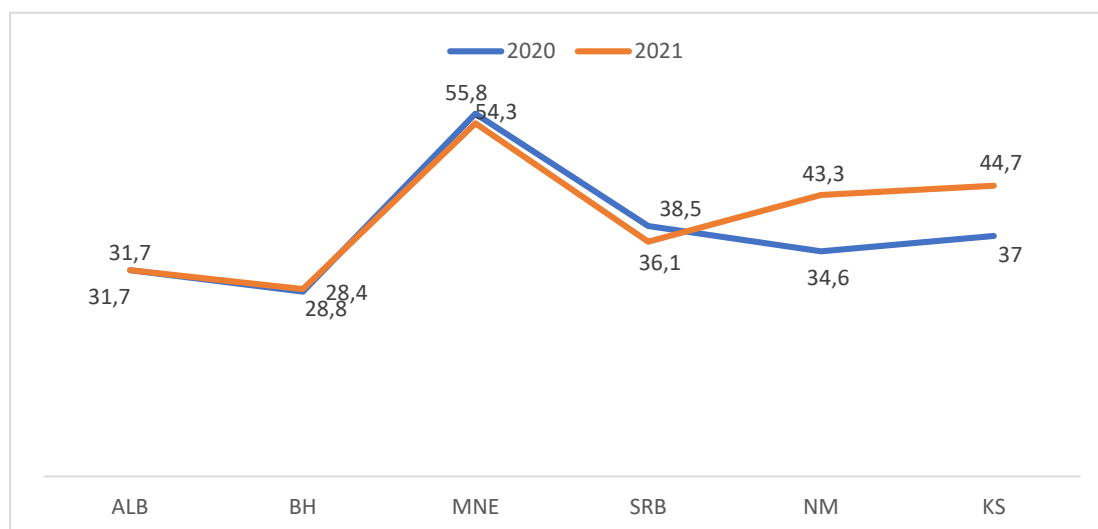
Graph: GDP per capita



Source: World Bank

The following figure indicates the corruption percentile rank. This means , how well each country from Western Balkans performed the control of corruption in comparison, in a specific year.

Graph: Control of corruption (Percentile Rank)

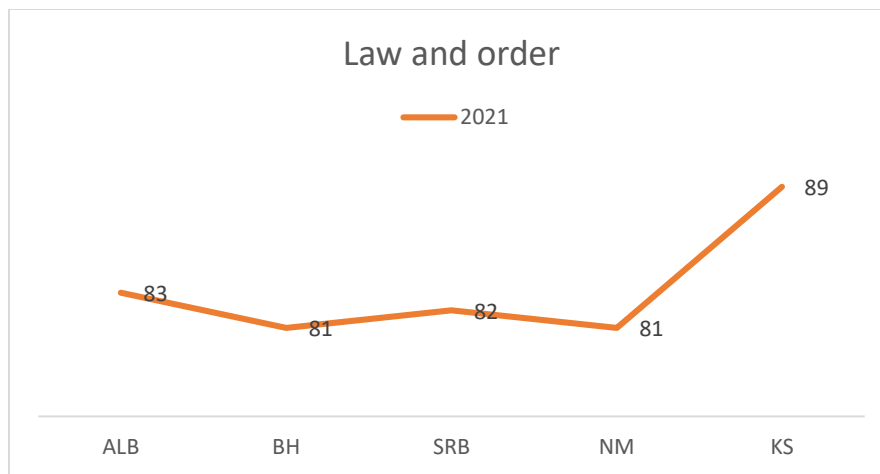


Source: World Bank

According to the figure, there is not too many changes in the control of corruption in both years. It is observed that the Kosovo and North Macedonia have some big changes. The percentile rank of control of corruption in Kosovo for 2020 was 37 and in 2021 44.7.

According to the Corruption Perceptions Index in 2021, Albania dropped to 110th place out of 180 countries, thus being six places lower on the list of Transparency International compared to 2020. The next figure is about law and order index in Western Balkans. The Law and order index measures the countries' progress toward achieving the United Nations' goal for peaceful, secure societies.

Graph: Law and order



Source: Global Law and Order Report

<https://mylibrarianship.files.wordpress.com/2022/10/2022-global-law-and-order-report.pdf>

The score for the most countries from Western Balkan ticked downward. It can be observed that Kosovo made progress in the field of law and order. The index for law and order in Kosovo is 89.

6.2.3. Methodology

The aim of the methodology is to see how the rule of law influence the GDP growth. Through the regression the aim is to determine how GDP growth is affected and in which manner is affected by rule of law .

To investigate further influence of rule of law on the GDP growth , the data was collected from 2021 from the World Bank for all countries. While annual GDP growth is considered as the dependent variable representing economic growth in the calculation, rule of law, the order and law and the control of corruption were as independent values. It should be stated that in the calculation, the rule of law index was taken from another chapter.

As output of the calculation, the t-value and p-value is presented.

The t-value measures the degree of deviation from variation in our data. The t-statistic measures standard error with coefficients far from zero. Regarding the p-value, it measures the probability of obtaining the observed results of the effect of rule of law on GDP growth.

6.2.4 Results

For transformation economies from Western Balkans, the influence of the rule of law on GDP can be seen in the following table.

Table: The regression results

	GDP	
	T-stat	P-value
Law and order	0,385212	0,7258
Rule of law	1,68307	0,1910
Control of corruption	1,76556	0,1522

Source: Made by author

Note: There is data only on "Control of corruption" for Montenegro. The rest of the calculations were made without Montenegro

According to the table it is summarized that the high P-value (> 0.05) means that we conclude that the explanatory variable affects the dependent positively. According to the table is concluded that the economic growth is interconnected with rule of law, legal order and control of corruption. On the one hand, the uncertainty associated with a lack of corruption control may reduce investment and raise of black markets.. On the other hand, poor economic performance may lead to government collapse.

In general in the Western Balkan countries, the rule of law and economic growth is most easily explained by the lack of dependency between the features of corruption, which, under governance, does not promote business activity, as well due to the political instability and personal interests of the politicians.

CHAPTER 7: THE STRUCTURAL CHANGES IN WESTERN BALKANS

7.1. The rule of law and industrialization in the region

7.1.1. Industrialization and industrial production

Industrialization is the process of transforming the economy of a nation or region from a focus on agriculture to a reliance on manufacturing. Mechanized methods of mass production are an essential component of this transition. The positive characteristics of industrialization include economic growth, a more efficient division of labor, and a growth spurt in technological innovation²³⁵

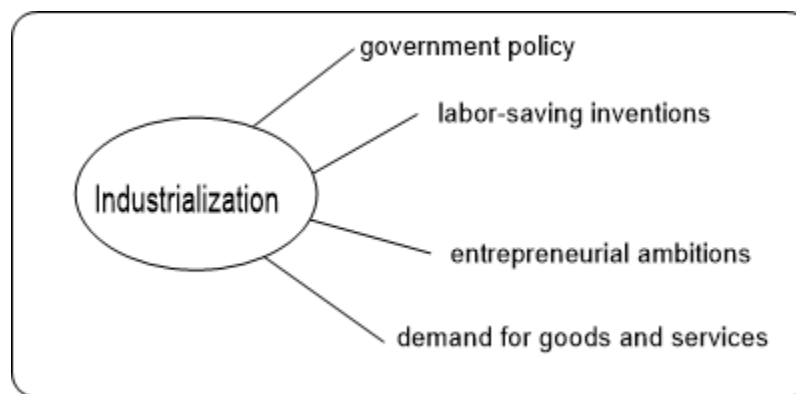


Figure: Elements of industrialization
Source: Made by author

According to the figure, the industrialization can be driven by a combination of factors, including government policies, labor-saving inventions, business ambitions, and demand for goods and services.

The industrial Production is an economic indicator that reports the total value of the industrial output of a country or an economic region and covers sectors such as manufacturing, electricity, mining, gas and steam and air-conditioning (adjusted for inflation). Industrial output is a valuable indicator as it is closely correlated with other areas of interest such as employment, earnings and consumer confidence. Considering that production is highly influenced by changes in demand,

²³⁵ Investopedia, Industrialization: *What It Is, Examples, and Impacts on Society*

<https://www.investopedia.com/terms/i/industrialization.asp>

Industrial Production is classified as a coincident indicator. When figures are higher than expected, they tend to have a positive effect on a country's currency value.²³⁶

The industrial production process helps to gauge the development of the industry. It acts as a metric that contributes to the creation and improvisation of economic policies and strategies for the government. Additionally, the metric provides an overview of total demand in sectors such as manufacturing, mining, and utilities.



Source: desttis.de

Note: There is no data for Kosovo

The figure shows that there was a high index of industrial production for a country and mostly a low index for other countries. As it seen that the highest index is represent by Albania with 183.3. On the other side the lowest is 97,8 and is registered by Montenegro.

7.1.1.1 Government policy

Government efficiency captures the perceptions of public service quality, the quality of civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (Kaufmann et al. 2008; Kaufmann 2011).²³⁷

Innovation in the Region

²³⁶ FX PRO, Industrial Production, <https://www.fxpro.com/help-section/traders-glossary/industrial-production>

²³⁷ Kaufmann D., Kraay A., Mastruzzi M. (2008) 'Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008', Social Science Electronic Publishing, 23/2: 1-30

The Global Innovation Index (GII) ranks the innovative performance of the economies each year by highlighting the strengths and weaknesses of certain innovation metrics. This index is based on the most recent global innovation trends and aims at measuring the innovation metrics based on indicators like political environment, education, infrastructure and knowledge creation of the economies.

This index is calculated by averaging the scores of two indices: the innovation input index and the innovation output index. These two subindices are composed of seven pillars (the innovation input index of five pillars and the innovation output index of two pillars).²³⁸

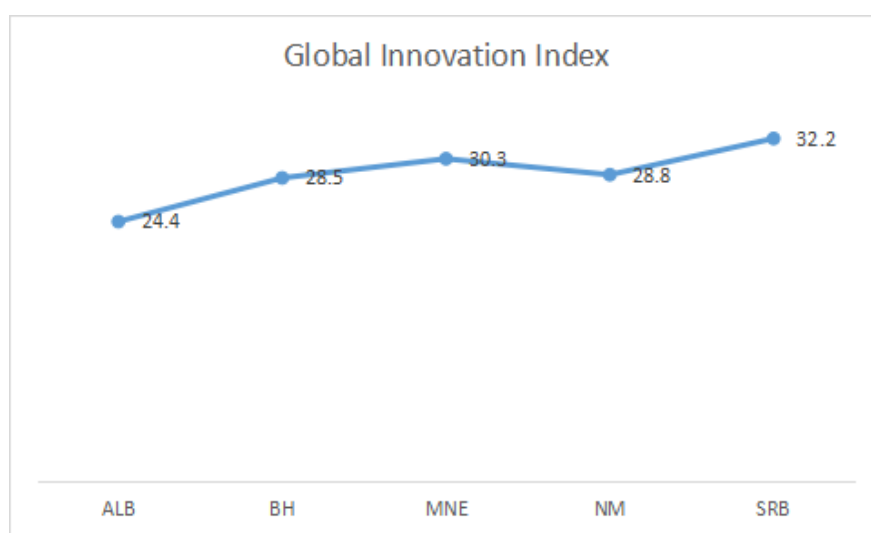


Figure: Global Innovation index 2011-2013

Source: The Global Economy

<https://www.theglobaleconomy.com>

Entrepreneurship in the region

Table: Measurement the number of newly registered companies with limited liability or its equivalent from Western Balkans

Country	Number of new limited liability companies	New business density
Albania	2945	1,52
Bosnia Hertzegovina	2229	1,01
Kosovo	5768	4,72
Montenegro	3270	7,95
North Macedonia	4985	3,46
Serbia	9030	1,99

Source: World Bank <https://www.worldbank.org/en/programs/entrepreneurship>

²³⁸ Cleartax (2023) *Global Innovation Index* <https://cleartax.in/g/terms/global-innovation-index>

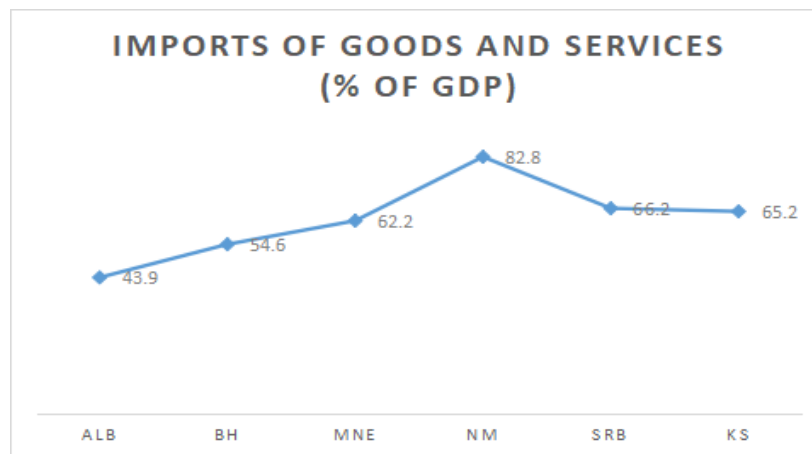
7.1.1.2 Demand for goods and services

Demand is an economic concept related to the desire of consumers to purchase goods and services and their willingness to pay a specific price for them. An increase in the price of a good or service tends to decrease the quantity demanded. Likewise, a decrease in the price of a good or service will increase the quantity demanded.

Demand is a concept that consumers and businesses are familiar with because it makes sense and occurs naturally on almost any day. For example, buyers interested in a product they want will buy more when the price of the product is low. When an event pushes prices up, such as a seasonal change, buyers will buy less or may not buy at all.

Import of goods and services

An import is a good or service bought in one country that was produced in another. Imports and exports are the components of international trade.²³⁹ Import demand arises from the demand for imported intermediate inputs.²⁴⁰



Source: World Bank

²³⁹ Investopedia, Definition of Import <https://www.investopedia.com/terms/i/import.asp>

²⁴⁰ Tokarick S. , *A Method for Calculating Export Supply and Import Demand Elasticities* <https://www.elibrary.imf.org/view/journals/001/2010/180/article-A001-en.xml>

Export of goods and services

Export represents the goods and services produced in one country but supplied to buyers in another are known as exports.²⁴¹

Export demand refers to the demand by foreign countries for goods and services produced domestically. Ultimately, these goods are exported to foreign residents.²⁴²

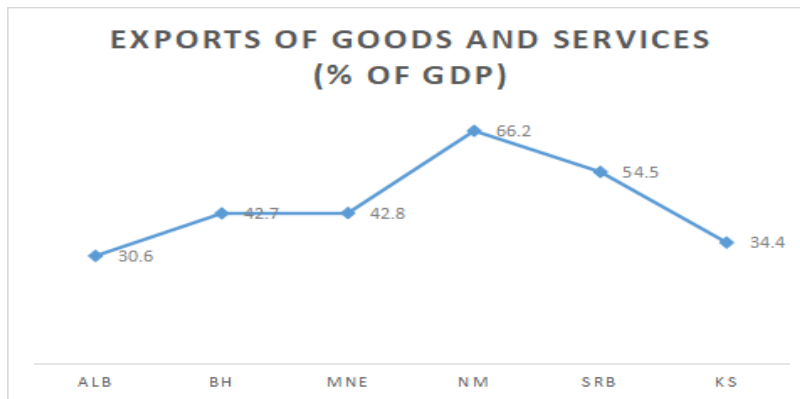


Figure: Exports of goods and services 2022
Source: World Bank

7.1.2 Calculations

First of all the index rule of law was taken from the other chapter in order to make the calculations. Through the regression was analyzed the influence of rule of law on industrial production.

In the regression, we assume that according to the t-static, would be determined the correlation between the response variable which is the Industrial production and the predictor variable which is Rule of law.

In order to illustrate the correlation method we use other data set. Each data set represents the element of industrialization. The industrialization elements were analyzed in correlation with rule of law. Each part of industrialization was analyzed in correlation with rule of law.

²⁴¹ The Economic Times, *What is 'Export'*

<https://economictimes.indiatimes.com/definition/export>

²⁴² Saylordotorg, *Export and Import Demand*

https://saylordotorg.github.io/text_international-finance-theory-and-policy/s11-06-export-and-import-demand.html

7.1.3 Results

7.1.3.1 Industrial production and Rule of Law

	Standard error	T-static	P-value	
Industrial production	162,85	0,1134	0,9169	$P > 0,05$

Source: Author's calculations

According to the result of the regression between rule of law and industrial production ,we can conclude that the rule of law can effect the industrial production.

We assume that the p-value for our tests has a positive effect. In this case we assume that the rule of law has a strong impact on industrial production.

In the context of industrial production, the rule by law provides a legal framework, contractual certainty and dispute resolution mechanisms that support economic growth .

7.1.3.2 Correlation of Rule of law with some elements of industrialization

The following table represents the relationship between rule of law and industrialization elements but without emphasizing the entrepreneurship. Due to the lack of data for Kosovo, the correlation was calculated without entrepreneurship index.

	Government effectiveness	Innovation index
Government effectiveness		-0,3395
Innovation index	-0,3395	
Imports	0,2901	-0,0211
Exports	0,0608	0,5319
Rule of law index	0,0516	-0,3399

	Exports	Rule of Law index
Government effectiveness	0,0608	0,0516
Innovation Index	0,5319	-0,3399
Imports	0,7950	0,0410
Exports		0,0723
Rule of law index	0,0723	

The following table shows the correlation result between rule of law and elements of industrialization without including Kosovo due to the lack of data on entrepreneurship.

	Innovation	Entrepreneurship	Governance
--	------------	------------------	------------

	index		effectiveness
Rule of Law index	-0,4659	0,2298	0,4025

Source: Author's calculations

Note: There is not data for the innovation index for Kosovo

In the relationship between Innovation and government efficiency , it is seen a negative correlation. Innovation not only exerts a major impact on the performance of business organizations but also counts in public sector innovation contributes to the overall optimization of social development policies (Chena et al. 2008)²⁴³, and improved innovation capacity helps to promote R&D investment cooperation among countries.²⁴⁴quality of government, governance efficiency, the quality of public policies, and their implementation.

In our case due to the negative correlation, there could not be a government contribution on innovation and vice versa. There could not be an optimization for sustainable development if there is lack of governance implication . Due to the negative correlation it is stated that the government is not improving the innovation capacity and R&D for a sustainable development.

In the relationship between Innovation and rule of law, it is seen a negative correlation.This means that the negative correlation indicates two the innovation and rule of law are located oppositely. In the respective case the result is -0,4659 which represents that there is a weak relationship. In this sense, it is concluded that there could not be a promotion of innovation to uphold the rule of law. The lack of promotion of rule of law that there is no specific technologies in order to enhance equal access to justice, eliminate discrimination, increase transparency, and create a stable and just future for all.

7.2. Rule of law and social transformations in Western Balkans

7.2.1. Theoretical aspect of social transformation

Social transformations are explained by the individual initiatives which are limited (Tarde 1902, quoted by Michaelides/Theologu 2010, 363) they are directing and explanatory force drivers of social transformations.

²⁴³ Chena K.-H. M., Hsiaob H.-M., Yangc H.-Y. (2008) *Spillover Effects of Innovation*, Applied Economics, 1: 21.

²⁴⁴ Fritsch M., Franke G. (2004) *Innovation, Regional Knowledge Spillovers and R&D Cooperation*, Research Policy, 33/2: 245–55.

Social transformations caused by globalization, changing global environment and economic and financial crisis, leading to growing inequality, extreme poverty, exclusion and denial basic human rights.

The governance can influence associated with the capability of interest groups or directly for providing policies or even information to support the social transformations.

Through the system it can be understood that the, processes and procedures for interpreting the law could be affected by intra-system and extra-system groups.

Through the interpretation of law, the social transformation will depend on the intra-system and extra system impact. The intra-system impact will be created by the government or other interest groups but the extra system impact represents the impact of groups from outside of country.

Table: Intra system impact and extra system impact on the social transformation in the context of rule of law

	Intra system impact	Extra system impact
Society impact	Significance of change	Resource flows into society ○ Not regulated by law ○ Grants supporting rule of law in the region
	Changes in intra system ○ Changes in laws ○ Imposing changes to legal system ○ Legal institutions promote accountability by imposing rule on governmental structures	Significance of Impact
		Impact exerted by flow source

Source: Made by author

In other words the social transformation can be considered also as social change from the sociological perspective. The social change is very important for the society because it is

characterized by sort of values , rules behaviors, social organizations. Social transformations has can bring positive aspects in society by forming the social progress.

Social progress is defined as the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential.²⁴⁵

Social progress is defined as the capacity of a society The social progress captures outcomes related to the sustainable development.

The social progress has the following elements:

- Personal safety
- Access to information and communication
- Personal freedom and choice
- Personal rights

5.2.1.1. Data description elements of social progress in Western Balkans

The following part includes statistics of the social progress elements for the Western Balkans. The following , analyses the various indicators in detail which can then form the basis of a more in-depth analysis of the social progress and its connection with rule of law.

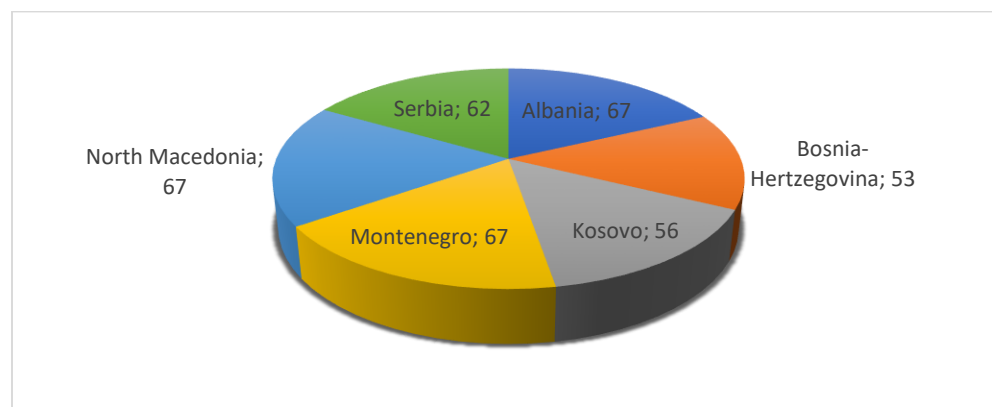


Figure: Freedom Index in Western Balkans in 2021
Source: Freedom House

²⁴⁵ Harvard Business School. Institute for strategy and copetitiveness *Social Progress Index*

<https://www.isc.hbs.edu/research-areas/Pages/social-progress-index.aspx>

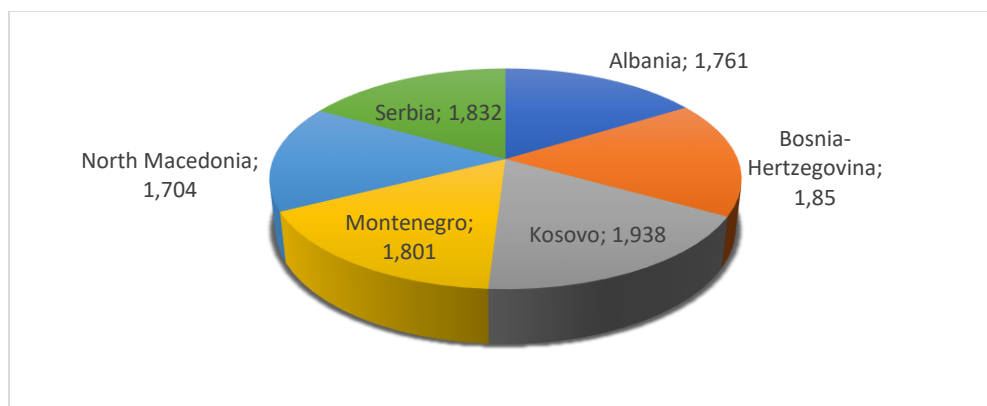


Figure: Safety index in 2022

Source: Global Peace index

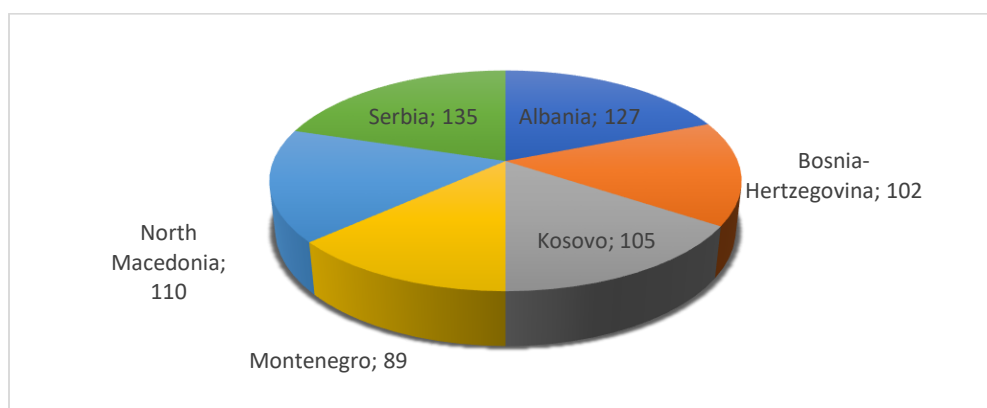


Figure: Right to information score in 2022

Source: rti-raiting.org

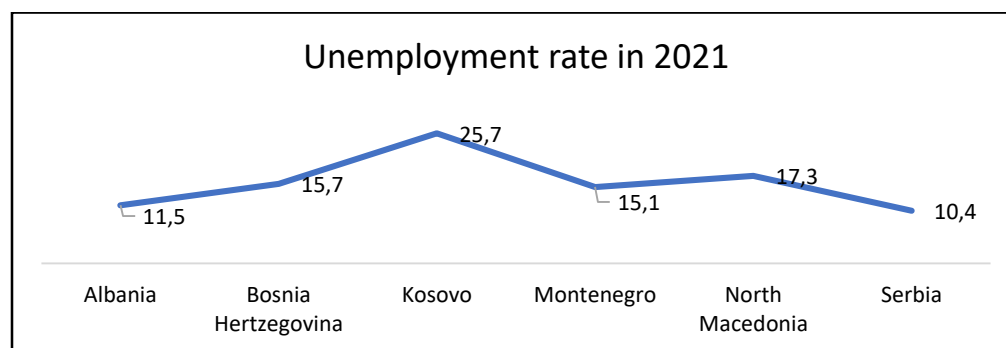
There is no increased social progress in Western Balkans due to the social programs such as: level of poverty, income inequality, low living standards and unemployment rate. Through the data below we can observe the inequality and unemployment rate. The inequality and unemployment rate have a strong connection to the elements of social progress. As a conclusion could be state that there could not be a high index of social progress if there is a high rate of inequality and unemployment.

Table: Inequality Index

	2012	2013	2014	2015	2016	2017
Albania	38,4					

Bosnia-Hertze-govina				39,2		
Kosovo		28,2				
Montenegro			29			
North Macedonia					33,6	
Serbia						33,6

Unemployment rate



Source: OECD

7.2.1.2 .Model

A methodology is represented for obtaining a valid correlation matrix. The method calculates the correlation of the social progress elements among them and GDP in order to identify if there might be a social transformation. This model consists from a simple linear correlation and it measures is the degree to which two variables vary together.

7.2.1.3. Results

The following table shows the correlation coefficients between variables. Each cell in the table shows the

correlation between two variables. Though the matrix is used to summarize interaction of the variables as an input into a more advanced analysis.

	<i>GDP PER CAPITA</i>	<i>SAFETY INDEX</i>	<i>FREEDOM INDEX</i>	<i>RIGHT TO INFORMATION</i>
GDP PER CAPITA	1			

SAFETY INDEX	-0.7026	1		
FREEDOM INDEX	0.426169	-0.78431	1	
RIGHT INFORMATION INDEX	-0.03625	-0.15982	0.156311	1

Table: Results

Source: Made by author

According to the results, the correlation coefficients differ. In the correlation of right information index and GDP we observe a negative correlation. Right to information is not only a human right, but an essential tool that empowers the population to demand accountability from governments and participate in public life, In this context we can observe that people are not to active. Being active, they also can contribute to the GDP growth and sustainable development through joining several start-ups and programs initiated by the government.

We can observe as well a negative correlation between safety index and information index. This means that due to the lack of rule of law the people cannot be active in the sustainable development. We observe also a negative correlation between safety index and GDP. Taking in consideration the economy of the country, we can conclude that there is a lack of labour rights protection and promotion of safe and secure work environments. Also the new businesses might be not developed by foreign investors due to the lack of security in the region. In this sense if we observe that unemployment rate, we can conclude that due to these issues the unemployment might be high.

7.2.2 Collection of nodes in the social transformation

As a mathematical approach in the social transformation can be use the Network approach. This approach represents a set of objects that are connected together (edges and vertices).

The vertices have property know as degree which is the number of the unique vertices. Edges, respectively have properties: weight (how strong the connection is) and direction (if a connection one-way or two-way).

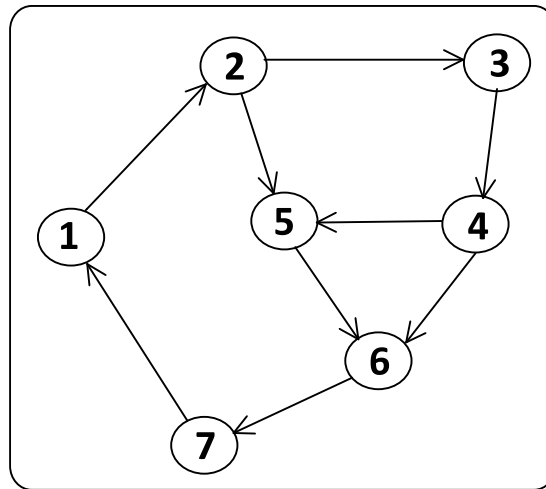


Figure: Collection of nodes
Source: Made by author

Characteristics of nodes within network

1. *Influence of European Union on Western Balkans*

Turbulence of the wars and ethnical clashes in Western Balkans have been external motivation of a rapid development of EU Foreign Policy.

2. *Government influence in society from the region*

Government based on the best practices of EU should create/update an apply new/updated rules. Government should provide parameters for social transformation.

3. *The society*

The society could percept the governance, the effects of rule of law . Due to this the could be happy or unhappy with the government.

4. *Governance and rule of law*

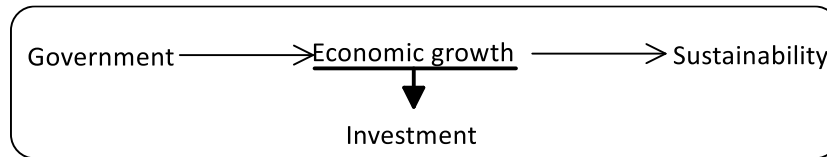
The good governance and rule of law can influence the quality of the life. In this fact, the population might increase. government induces behavior and altitudinal changes to entrance quality of life. A greater population is likely to raise capita welfare in income.

5. *Economic growth*

Government could encourage the investment both domestic and foreign, along with business development and entrepreneurship. The government would apply mechanism and set of rule for the economic development. As well the government would support innovation.

6. *Sustainability*

In the context of economic growth, the sustainability is referring to the need to develop models. The sustainability could be integrated into innovation of products, services, processes and technologies.



7. Exports

Due to the creation of new technologies , products and services, the exports can increase. The exports can reach new markets. New markets can present an opportunity to capture global market share.

7.3. Sustainability and structural change

7.3.1 Sustainable development

The sustainable development is a common, but imprecise term, originally used to describe economic development that meets current needs without compromising affect the ability of future generations to meet their needs. The sustainable development element are the following:

- Social inclusion
- Environmental growth
- Economic growth

Sustainable development has become a new goal of global development and measuring the extent of sustainable development is an important issue. The Sustainability Index can encourage countries to care more about sustainable development than economic growth, and the index's rankings and indicators can provide policy suggestions for improving the level of sustainability. sustainable development.

Table: Sustainable development index in Western Balkans

Country	Sustainable development goal Index Rank	Sustainable development goal Index Score
Albania	61/163	71.6
Bosnia-Herzegovina	59/163	71.7
North Macedonia	57/163	72.3

Montenegro	86/163	68.8
Serbia	35/163	75.9

Source: <https://dashboards.sdgindex.org/profiles/serbia>

According to the figure, for each country from Western Balkans the Sustainable development goal index is measured according to rank and score. According to the rank, it can be deducted that the position of these countries in the world are determined. The total of countries according to the table is 163. Serbia is on the top according to the rank, among the Western Balkan countries. Serbia occupies 35th place out of 163. At the same time Serbia has the score of 75.9. The lowest rank is registered by Montenegro with a score of 68.8 and it situated on the 86th place out of 163. It should be noticed that there is no data for Kosovo.

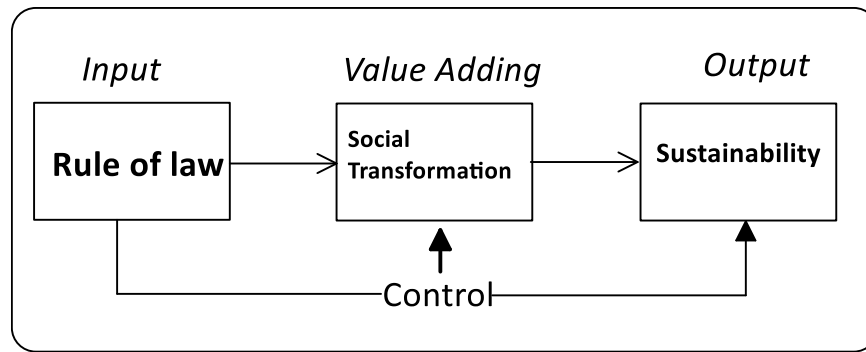
7.3.2. Sustainability and the rule of law

According to the UN, the social inclusion is defined as the process of improving the terms of participation in society, particularly for people who are disadvantaged, through enhancing opportunities, access to resources, voice and respect for rights.²⁴⁶

It is possible that we would the rule of law project as part of a good governance, avoiding the 'vicious circle' by balancing these aspects towards 'development goals' (Huntington 1987)6 . This can be described as a gradual and balanced approach to rule of law reform. In this context, the relationship between the rule of law and economic development is part of all history. It is considered the relationship between the rule of law, economic growth, and democracy. There are different views on this relationship that (a) democracy promotes economic development; (b) it reduces economic growth; or (c) it has no statistically significant effect on economic outcomes.²⁴⁷

²⁴⁶ ESA, *Identifying social inclusion and exclusion* <https://www.un.org/esa/socdev/rwss/2016/chapter1.pdf>

²⁴⁷ Davis K., Trebilcock M.J. (2001), Legal Reforms and Development *Third World Quarterly*, Vol. 22, No. 1 pp. 21-36



7.3.3 Structural changes and rule of law

“Rule of Law” here, but little about the actual or potential impact of the changes observed over time, e.g. the kind of sustainability that concerns us.

There are good reasons why the EU focuses on these institutions – where after all, the EU maintains a comparative advantage and where it may have the most leverage to effect change.

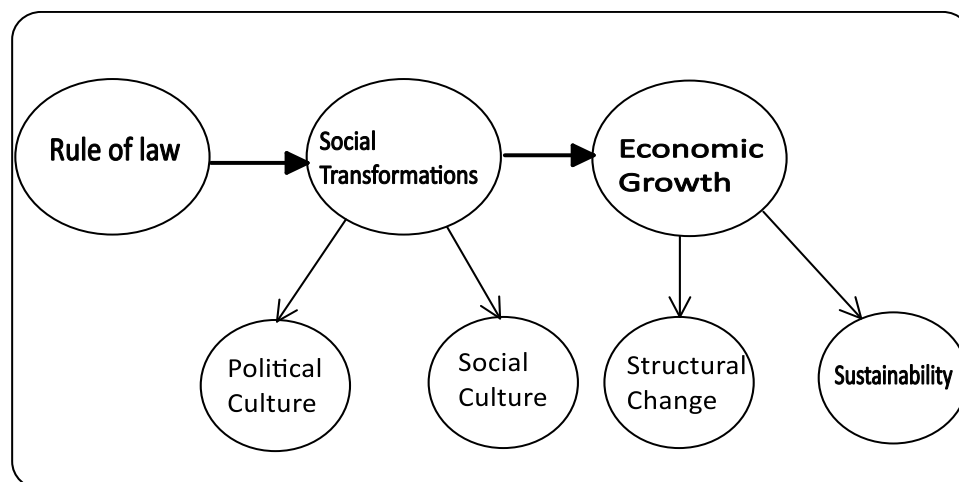


Figure: The chain between rule of law and structural change in the space

Source: Made by author

Culture has always been at the center of all social transformation, because what transforms a society is how it understands itself, determines its priorities and values, lives with differences and adapts to its environment. Culture is known to be a key factor for sustainable development and conservation.

Successful social change. Culture represents the foundational heritage that determines the future. Culture shapes people’s identities, strengthens social cohesion, and divides societies. It builds bridges between groups and people, creates peace, and is a major economic player.

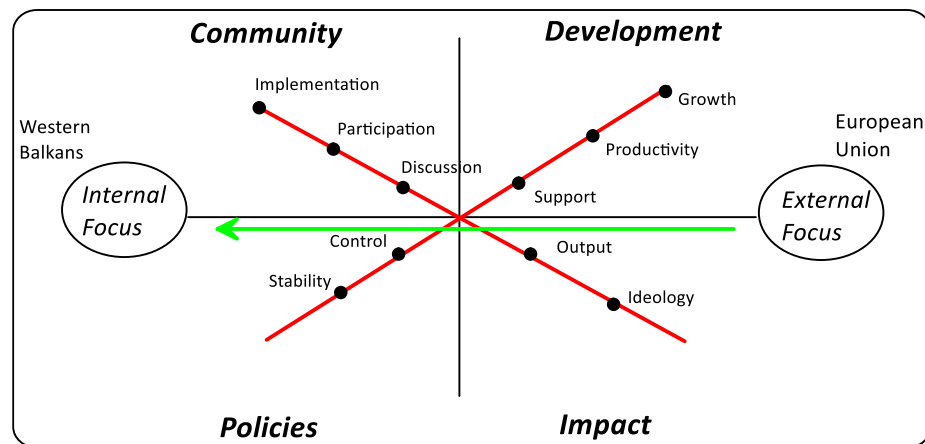


Figure: EU acting from external and internal perspective in Western Balkans
Source: Made by author

The responses provided by each country's governance system from Western Balkans will go a long way to shaping the policy implementation landscape. Conversely, how policy implementation is handled can help shape how a country operates democratic governance.

In most cases, policies require coordinated action by several agencies and groups. Although one of them is theoretically the lead agency, in practice there is no single agency responsible for policy implementation. Authority and responsibility are distributed among the parties involved, which means that traditional command and control management does not apply.

The following tables represent the growth rate and the political stability in the region. These two elements are very important for the social transformations.

Table: Political stability (2021)

Country	Index	Country	Index
ALB	0,11	NM	0,12
MNE	-0,15	BH	-0,38
SRB	-0,13	KS	-0,13

Source: Trading Economics/The global economics

According to the table, the highest index of political stability is represented by North Macedonia with 0.12. Unfortunately, many countries from the region registered a negative index for the 2021. The lowest index in the context of political stability was -0,38 and it was registered by Bosnia-Herzegovina.

Table: Growth Rate (2021)

Country	Rate	Country	Rate
ALB	-3,2	NM	-2,1
MNE	-6,9	BH	-4
SRB	-3,2	KS	-3,1

Source: World Bank

According to the table, the growth rate also is represented by negative values like the political stability. The main difference is that, the all countries from Western Balkans have a negative rate. From the table we can conclude that the highest was -2,1 and it was registered by North Macedonia. The lowest growth rate was -6,9 and it was registered by Montenegro.

In the context of economic growth, three issues are often considered regarding macroeconomic policy settings: the benefits of establishing and maintaining low inflation, the impact of budget deficits on private investment, and the potential for negative growth in the public sector

To investigate the determinants of productivity in Western Balkan countries. We focus our research specifically on the structural characteristics of the countries . As in Sorensen and Whitta-Jacobsen (2010)²⁴⁸, the hypothesis of conditional convergence states that a country's income per worker (per capita) converges to a country-specific long-run growth path, which is given by the basic structural characteristics of the country. Three structural components are of particular importance: savings and investment as sources of capital accumulation, investment in education (investment in human capital) and population growth (in terms of its impact on the labour market)

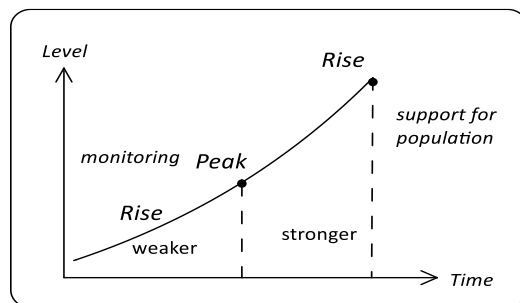


Figure: State regulation

Source: Made by author

²⁴⁸ Sorensen P. Whitta-Jacobsen H. (2010) *Introducing Advanced Macroeconomics: Growth and Business Cycles*, McGraw Hill

Regulation has become one of the major functions of the state in contemporary society

Regulation in its original sense refers to a discretionary process under state control, often centered on a (more or less) independent regulatory body. This agency makes decisions in situations of conflict of interest. The idea is that decision-making is so complex that a specialized body of independent experts is better equipped to do it than public officials. The main features of the regulatory state as discussed by a number of scholars²⁴⁹²⁵⁰ can be summarized as follows: the growing trend towards privatization and the establishment of independent regulatory agencies; the trend of transferring state regulatory power to lower levels of government; direction of regulatory innovation; the focus is on techniques of cooperation between regulators and regulators; the tendency to focus on processes in management activities; separation of operations and policy making; the increasing use of formal rules as guiding tools.

These characteristics reflect a fundamental change in the balance of state responsibilities.

These include: a movement away from attempting to manage the whole economy towards intervention to correct particular market failures; a replacement of integrated, command-and-control hierarchies with disaggregated, loosely co-ordinated public agencies; a displacement of public ownership as a means of control by a 'network' of regulated, privatised industries and public utilities; and a New Strategies and these are the following:

➤ Liberalisation

The reduction or elimination of regulations in an economy with the purpose of increasing participation from the private sector in foreign trade, and receiving reciprocal treatment from fellow nations. .²⁵¹

➤ Privatisation.

Privatization is the process of transferring an enterprise or industry from the public sector to the private sector.

The public sector is the part of the economic system that is run by government agencies. Privatization may involve either sale of government-held assets or removal of

²⁴⁹ McConkey, M. (2003) '*Thinking Regulation: A Roadmap to the Recent Periodical Literature*', Institute of Public Administration of Canada.

²⁵⁰ Loughlin, M., Scott, C. (1997) *The regulatory state* in Dunleavy, P., Gamble, A., and Holliday, I. (eds), *Developments in British Politics* (Basingstoke: Macmillan)

²⁵¹ Infoscipedia, *What is liberalization ?* <https://www.igi-global.com/dictionary/liberalization/47127>

restrictions preventing private individuals and businesses from participating in a given industry.

Privatization is an ongoing trend in many parts of the developed and developing world. Proponents of privatization maintain that the competition in the private sector fosters more efficient practices, which eventually yield better service and products, lower prices and less corruption. On the other hand, critics of privatization argue that some services -- such as health care, utilities, education and law enforcement -- should be in the public sector to enable greater control and ensure more equitable access.²⁵²

➤ Deregulation

Deregulation is the reduction or elimination of government power in a particular industry, usually enacted to create more competition within the industry.²⁵³

➤ New regulatory structures of the regulatory state.

There should be new regulations to achieve better social, environmental and economic regulatory reform, with emphasis on the importance of consultation, co-ordination, communication and co-operation to address the challenges. New regulation is essential if the economies are to function efficiently, while meeting important social and environmental goals.

Systematic and predictable procedures for developing regulations improve the transparency of the regulatory system and the quality of decisions. These include pre-planning (recurring list of upcoming regulations), administrative procedures to manage rule-making, and the legal quality assurance process of new regulations (including training and advice on drafting laws, drafting simple language and supervising by specialized agencies).

The government and its agents are bringing more directly into the functions of the new regulation, in addition to the participation of many other non-state actors in handling regulatory problems.

The status as a regulator reflects a new function or task. The new function is to "direct" the economic and social life of the society rather than to "drive" or participate heavily in solving social

²⁵² TechTarget, *What is private sector ?* <https://www.techtarget.com/whatis/definition/privatization>

²⁵³ Investopedia, *Deregulation: Definition, History, Effects, and Purpose*

<https://www.investopedia.com/terms/d/deregulate.asp>

problems. In the words of Osborne and Gaebler, the State functions as a "catalyst" and knows how to direct rather than manipulate.²⁵⁴

7.4. Analysis of sustainability pillars in Western Balkans

The three pillars of sustainable development are often referred to as ecology, society and economy. These pillars are interconnected and mutually reinforcing. They recognize that environmental, social and economic considerations are interconnected and necessary to achieve sustainable development. First, environmental sustainability includes activities aimed at reducing negative impacts on the environment, conserving available biodiversity and maintaining the natural environment. Second, social sustainability is concerned with the well-being of individuals and communities, including efforts to create just and equitable societies that provide opportunity, protect human rights, and promote social cohesion. Third, economic sustainability depends on the responsible growth of an economy that supports long-term prosperity. This involves activities that promote economic growth while taking into account social and environmental impacts.

1. Social pillar of sustainability

Social sustainability can be a three-dimensional concept that includes: (a) "sustainable development", meeting basic needs, creating social capital and equity; (b) "sustainable transition", which involves changes in behavior aimed at achieving natural physiological goals and; (c) "sustainability", refers to the preservation – or what can be maintained – of socio-cultural characteristics in the face of change and the ways in which individuals cope with or resist these changes. this change effectively.²⁵⁵

Social sustainability can be a quality of society. This concerns the relationship between nature and society, mediated through work, as well as connections within society. The ability to sustain society is achieved when work in society and related organizational action plans (1) meet an

²⁵⁴ Osborne and Gaebler (1992).

²⁵⁵ Vallance S. (2011) *What is social sustainability? A clarification of concepts*, *Geoforum* Volume 42, Issue 3, June 2011, Pages 342-348

² Griessler E., Littig B. (2005) *Social Sustainability. A Catchword between Political Pragmatism and Social Theory*, *International Journal of Sustainable Development*

expanding set of human needs and (2) are shaped so that nature and its regeneration ability is protected for a long time. and legal requirements of social justice, respect and human participation are met (Griessler and Littig, 2005²⁵⁶). Social sustainability is concerned with how individuals, communities and societies live together and seek to achieve the goals of the development models they have chosen for themselves, while taking into account their limitations.

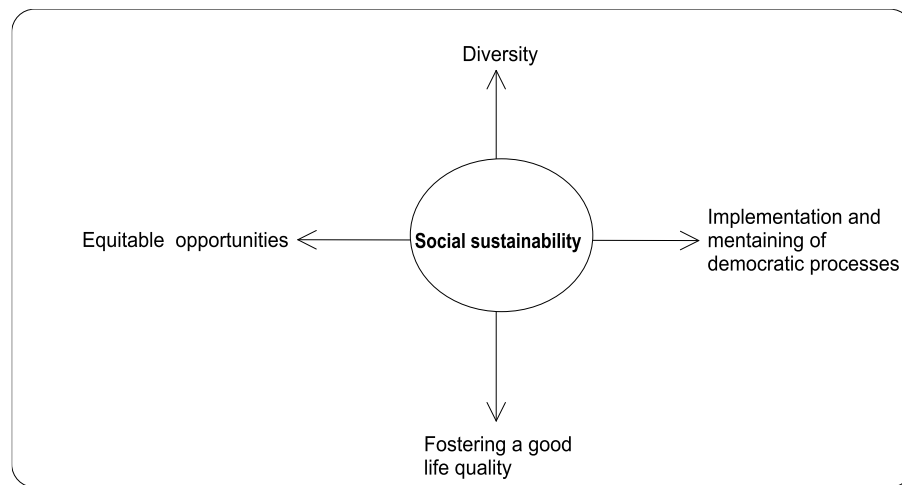


Figure: Social sustainability main components
 Source: Made by author based on Bard Graduate Programs in Sustainability
<https://gps.bard.edu/a-crash-course-in-sustainable-development>

In the context of Social Sustainability an important point the Human Capital Index is represented. It represents a measure that is intended to be transparent and easy to understand in order to assist in the implementation of public policies related to education and health. This composite index combines dimensions related to health and education. It provides an estimate of the quality of human capital that a child born today can expect to obtain at the age of 18 given the health and schooling conditions in a given geographic area.

The index is designed to capture the amount of human capital a child born today could expect to attain by age 18. To improve measurement of a wide range of human capital outcomes, better understand how human capital is accumulated, and identify the country policies that can promote it.

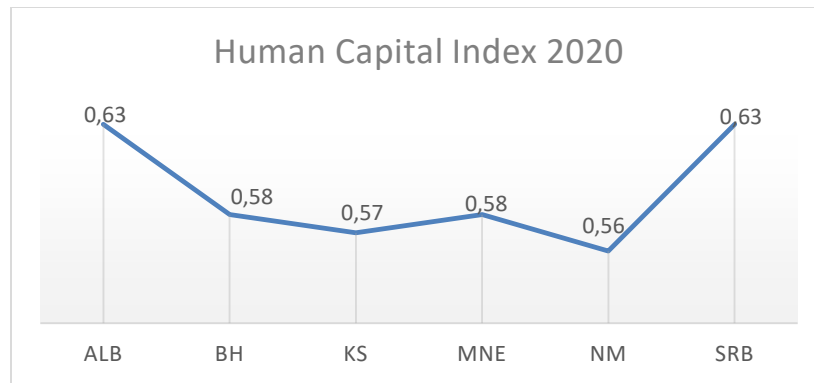


Figure: Human Capital Index in Western Balkan countries for 2020
Source: World Bank

Human Development Index (HDI) assesses how distant forward a nation is in political, instructive, wellbeing care, and other basic ranges of advancement. Individuals' well-being, educational accomplishments, and standard of life essentially affect a nation's social and financial development. The HDI consolidates all of the foremost basic social and financial factors obligated for financial advance.

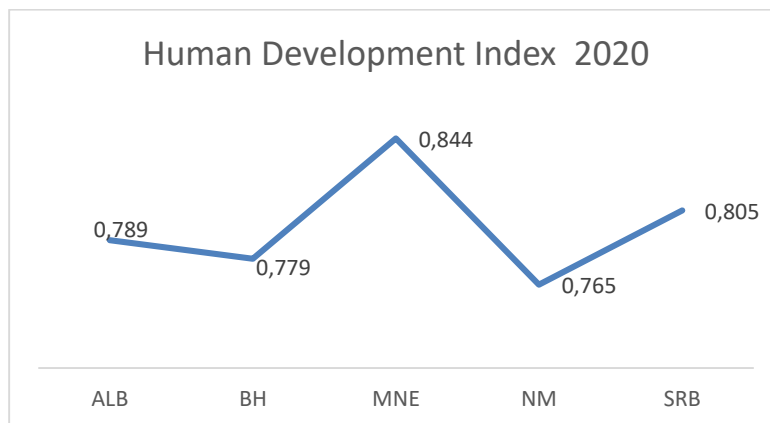


Figure: Human Development Index in Western Balkans for 2020
Source: World Bank

The figure shows a rank among Western Balkan countries in terms of HDI. The range of HDI among Western Balkan countries mirrors the different scaling of the variables. Countries from Western Balkans with low levels of HDI have between 0.765 and 0.799. The Montenegro has the highest HDI in the region according to the figure. This reflects that there is a space left for

improvement in Montenegro. For other countries from the region, it represents that they also have got an achievement.

The social pillar of sustainability also speaks to an fundamental perspective of corporate obligation, emphasizing reasonableness and differing qualities. It's around how businesses connected with individuals - their workers, clients, and the more extensive community.

By cultivating decency in operations and grasping differing qualities, companies can contribute to a more impartial society, advancing social well-being and solidness.

2. *Economic pillar of sustainability*

Economic pillar of sustainability can be better described as the method of distributing and protecting assets while ensuring that natural and social outcomes are positive. The economic sustainability aims to improve living standards. In a business context, it refers to the efficient use of resources to preserve a company's profits over time.

Giving up on financial development is not an alternative. But the improvement that can be achieved is not limited to equitable financial development. The quality of development is more important than the quantity.

The gross income can grow as a economic footprint supporting sustainable economic progress across each country. The economic progress is more clearly coordinated with nature management. The Gross Domestic Product (GDP) and Gross National Income (GNI) are frequently used as indicators for the comparison.

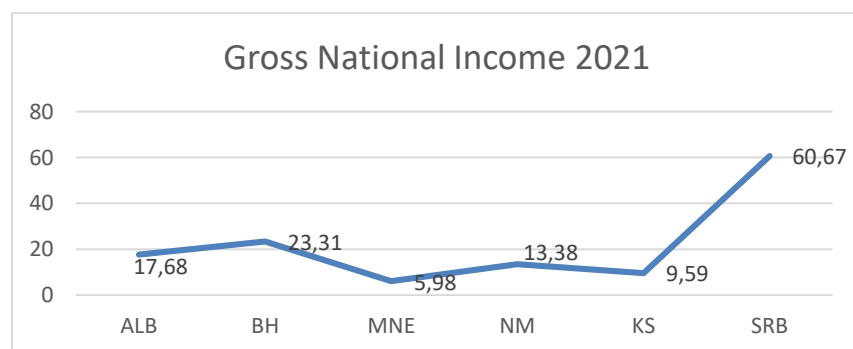


Figure: Gross National Income in Western Balkans for 2021
Source: World Bank

The economic development might be recognized according to this macroeconomic indicator. This indication is utilized as well as a component of the Sustainable Development Goals. The indicator from them figure shows that some countries have a high income but others very low. It means that there is a *high amount of money earned by a people and businesses* in Serbia. This approach will now not bolster financial development, which is why the concept of a green economy has been proposed to supplant boundless financial development.

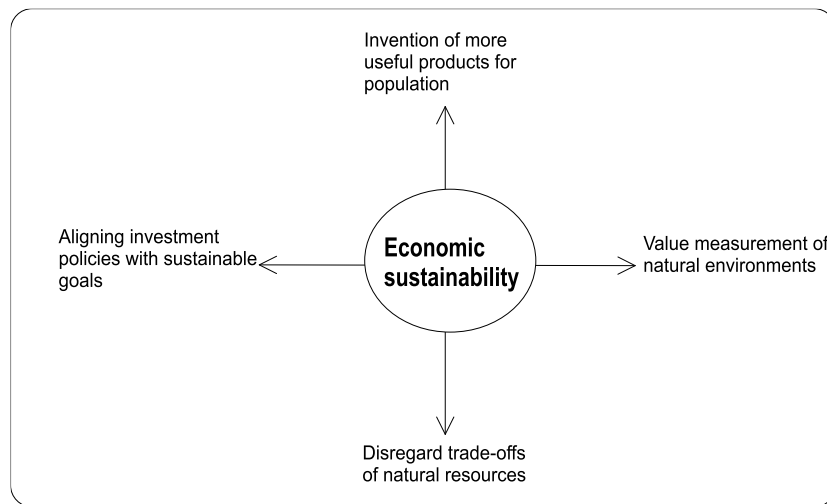


Figure: Economic sustainability main components
 Source: Made by author based on Bard Graduate Programs in Sustainability
<https://gps.bard.edu/a-crash-course-in-sustainable-development>

According to the figure, the economic pillar of sustainability has several components. One of it represents the management of natural assets.

The product development is another important in the context of economic sustainability. The product development has the research aspect and is much more focused and oriented towards specific goal. This means that the product is developed in terms of sustainable environment.

At the country level, the savings have emerged as a leading economic indicator of economic pillar of sustainable development. The aim is to show the value of the net change in whole range of assets that are important for development: natural and human resources, produced assets.

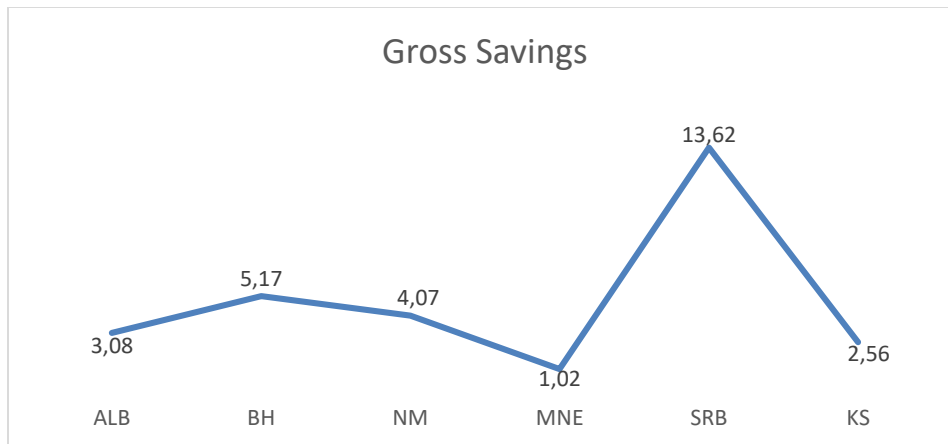


Figure: Gross Savings (current \$) in 2021
Source: World Bank

The following graph shows that highest amount of gross savings was done by Serbia (13.62 mln \$). On opposite is the Montenegro with the lowest amount of Gross Savings with 1,02 mln \$.

3. *Environmental pillar of sustainability*

The environmental pillar of sustainability points to make strides human welfare through the security of natural capital (e.g. water, minerals etc.). Activities and programs are characterized ecologically maintainable when they guarantee that the requirements of the population are met without the hazard of compromising the wants of future eras. Environmental sustainability places accentuation on how business can accomplish positive financial results without doing any hurt, within the brief- or long-term, to the environment.

In the context of the environmental pillar of sustainability there might be a challenge for the businesses. The following challenges are:

- Saving and conserving natural energy or agricultural resources
- Assessing carbon emissions and reducing total greenhouse gas emissions and continue to achieve sustainable development goals.
- Prevent water scarcity and reduce global waste for current and future generations.

By balancing economic success with social progress and environmental pillar, businesses can achieve truly sustainable growth.

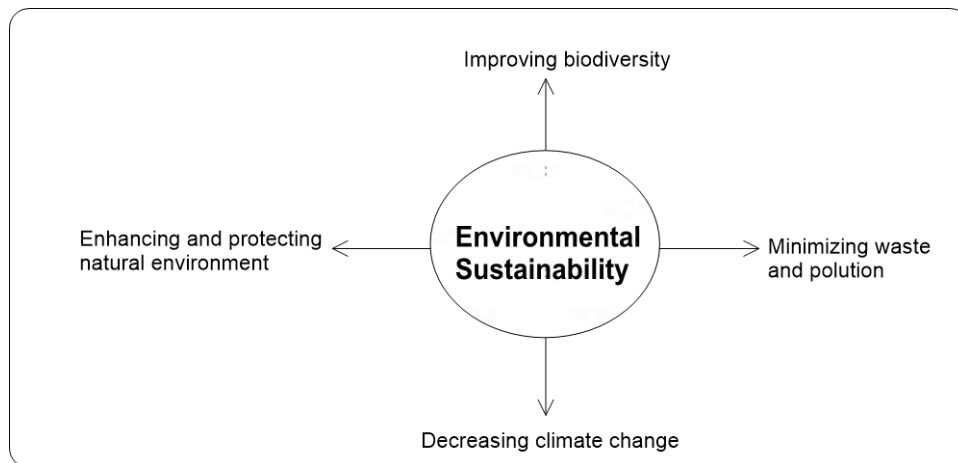


Figure: Environmental sustainability main components
 Source: Made by author based on Bard Graduate Programs in Sustainability
<https://gps.bard.edu/a-crash-course-in-sustainable-development>

The figure represents the main components of the pillar. Without these components the sustainability cannot be expected. In this pillar waste management, reducing climate change and protecting biodiversity has direct impact to the population as well.

Waste management practices help prevent air, water and soil pollution. Recycling also reduces the need for landfilling and incineration, which can release harmful pollutants into the environment. Additionally, recycling can save energy and reduce carbon emissions associated with manufacturing new products.

Increasing biodiversity can be achieved by diversifying the range of habitats or vegetation structures available across an area.

This can be achieved, for example, by changing mowing regimes, planting or sowing native tree and shrub species, or occasionally disturbing the soil.

Animal diversity can be increased by providing a variety of fruit sources, for example by only cutting back berry bushes in January and allowing wildflowers to bloom to provide nectar and produce seeds used as bird food.

On-site drainage can also have a significant impact.

Decreasing climate change means reducing the flow of heat-trapping greenhouse gases in the atmosphere. This involves reducing greenhouse gases from major sources such as power plants, factories, cars and farms. Forests, oceans and soil also absorb and store these gases and are an important part of the solution. Reducing and avoiding emissions requires us to rethink everything

we do: from how we fuel our economy and produce food, to how we travel and live, to how we products we consume. This is a problem felt at local and global levels.

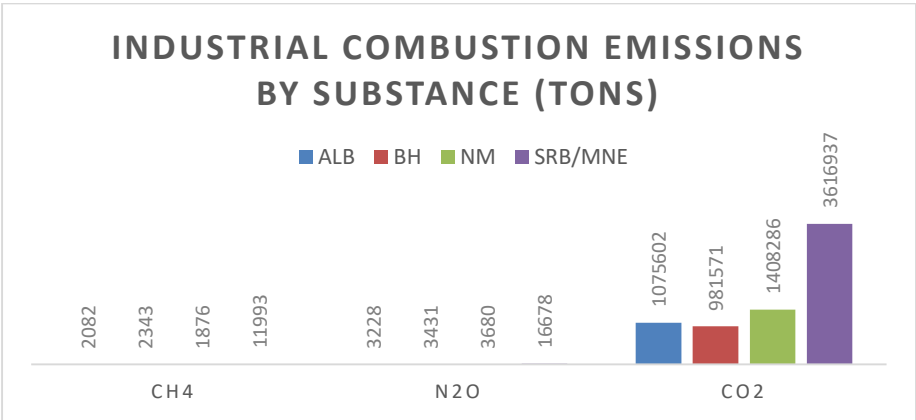


Figure: Industrial Combustion Emissions by Substance in Western Balkans for 2020 (tons)
Source: EDGAR https://edgar.jrc.ec.europa.eu/report_2022?vis=gdp#emissions_table

Tracking industrial combustion *emissions* worldwide provides a *global* context for understanding the emissions of the Western Balkans’ role in climate change.

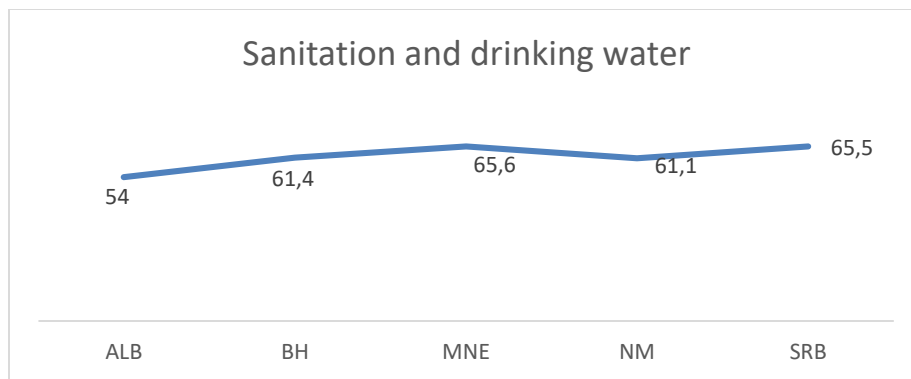
According to the figure, the highest amount is represented by CO2 as a substance of industrial combustion emissions.

Sustainable management of water resources and access to safe drinking water and sanitation are essential to drive economic growth and productivity, and provide important leverage for existing investments in health and education.

The natural environment, contribute to the management and regulation of water resources and water quality, enhance the resilience of river basins and supplement investment in infrastructure physical facilities as well as institutional arrangements and regulations on water access, water use and natural disaster prevention.

Water shortages undermine the food security and income of rural farmers, while improved water management makes national economies, agriculture and food sectors more resilient to change.

Protecting and restoring water-related ecosystems and their biodiversity can ensure water filtration and water quality standards.



Sanitation and drinking water index in Western Balkans for 2020

Source: <https://epi.yale.edu/epi-results/2020/component/h2o>

The figure shows an increased index in some countries. Countries that show improvement in at this topic are Montenegro with 65.6 and Serbia with 65.6 out of 100. It should be mentioned that there is no data for Kosovo at this point.

CHAPTER 8: LAST CHARACTERISTICS IN TERMS OF RULE OF LAW, ECONOMIC DEVELOPMENT AND SUSTAINABILITY

8.1. Albania²⁵⁷

8.1.1. Judiciary and fundamental rights

Albania is decently arranged on the working of the legal. Great advance was made amid the detailing period, with the proceeded usage of the equity change. The verifying handle for judges and prosecutors has progressed with in general great comes about, in spite of the fact that the pace of procedures in offer has to be ventured up in light of the changed protected due date, with due regard to the quality of the method.

Albanian judges have to be guarantee precise legal follow-up on verifying cases where criminal offenses have been demonstrated. The proficiency of the legal framework and get to to equity proceeded to be influenced by the length of procedures, the expanded workload and the expansive accumulation of cases, which remains noteworthy. Advance was made in tending to legal opportunities through the arrangement of a noteworthy number – 40 – of modern officers, sworn in office at the Tall Legal Board in October 2023. Execution of the modern legal outline has begun; in any case, this prepare must be steady with the lawful system and standards of get to to equity. The Particular Structure for Anti-Corruption and Composed Wrongdoing (SPAK) accomplished encourage comes about, and conducted examinations in a few high-level cases, which incorporate the association of two previous priests. A unused Chief Uncommon Prosecutor was chosen in December 2022 after a sound handle. A few positive activities have been taken towards expanding the pertinence of the ceaseless preparing program within the detailing period, be that as it may encourage noteworthy advance is required on last year's proposal with respect to the legal preparing framework. Advance was made on the case administration framework, especially with

²⁵⁷ Commission Staff Working Document Albania 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience. World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Bojan Bugaric (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

the foundation of the inter-operability working gather and the appropriation of the interoperability system setting the premise for the roll-out of the framework.

8.1.2. Justice freedom security

Albania is in between a few and direct level of arrangement to adjust with the EU acquis within the range of Equity, and security. A few advance was made in general. The Particular Structures against Special Anti-Corruption Structure (SPAK) are building an beginning track-record of law enforcement cases, however endeavors have to be be heightens. SPAK kept on accomplish a great level of participation with EU and part state law enforcement organizations.

The track record on money-laundering and high-level debasement cases remains deficiently, and monetary examinations got to be encourage created. In any case, there was advance within the usage of the suggestions of Moneyval and of the Money related Financial Action Task Force (FATF), as in June 2023 FATF chosen to do an on-site visit, which took put in August and driven to Albania's delisting in October. All things considered, Albania ought to guarantee that any future Voluntary Tax Compliance law (counting potential criminal absolutions) complies with the EU acquis and universal guidelines. Albania kept on appear commitment to counter the unlawful generation and trafficking of cannabis. In see of the law received on controlling the development and preparing of cannabis and the fabricating of its by items for restorative and mechanical purposes, Albania ought to guarantee that components are in put to viably anticipate cannabis from being redirected to unintended purposes.

Albania has proceeded its positive engagement with the EU equity and domestic undertakings organizations Albania has contributed to the administration of the blended relocation streams towards the EU by participating to execute the EU Activity Arrange on the Western Balkans. It concluded a reexamined Frontex Status Assentation in September. Referrals and get to to refuge strategies stay to be tended to and there are still inadequacies within the return methods. The number of refuge applications held up by Albanian nationals in EU Part States and Schengenassociated nations remains underneath the pre-pandemic level, but advance expanded in 2022. Tending to this marvel still requires nonstop endeavors. As to movement from third nations, Albania ought to take concrete steps to address the requirements of unaccompanied minors. Albania's visa approach ought to be encourage adjusted with that of the EU.

8.1.3. Economic characteristics

Albania is between a direct and a great level of arrangement in creating a working showcase economy and made a few advance in this zone. In spite of the financial aftermath from Russia's war of animosity against Ukraine, the Albanian economy appeared versatility and GDP development remained solid in 2022. Swelling expanded to over the target in 2022 but remained single-digit and after that diminished in early 2023. The solid recuperation upheld work advertise execution, giving Albania the most elevated cooperation rate and one of the most reduced unemployment rates within the locale. Backed by solid income development and a huge increment in ostensible GDP, the open obligation proportion fell much more than anticipated, to underneath its pre-2019 emergency level, but remains among the most elevated within the locale.

Long-awaited changes were propelled to improve venture use, arranging and execution, and the observing of financial dangers kept on make strides, but shortcomings hold on in both regions. There was a few advance on revenue-related changes but plans to embrace a medium-term income methodology have been abandoned, while a moo income proportion proceeds to block much required speculations. The money related division remained steady and kept on extend but money related intermediation remains low.

The commerce environment benefitted from the next level of digitalisation of open administrations. In any case, challenges related to a expansive casual economy and a deficiency of work with important abilities continue. Discussions of the open by the government did not move forward essentially. Final year's proposals to make strides the working of the showcase economy were incompletely implemented, and stay mostly substantial.

8.1.4. Sustainability

Addressing the issues of climate change by strengthening green transition policies, pursuing efforts in sustainable hydropower generation and ensuring sustainable connectivity, constitute fundamental priorities for economic integration within the region and with the European Union. This cluster and the reforms concerned have significant links to Albania's economic reform programme, the Commission's economic and investment plan for the Western Balkans and the green agenda for the Western Balkans.

8.2. Bosnia and Herzegovina²⁵⁸

8.2.1. Judiciary and fundamental rights

The introduction of independent regulatory agencies and specialized judicial and prosecutorial structures has resulted in several unintended and pathological consequences, such as increased fragmentation, duplication and the party-politicization of state structures. The emerging fragmented state lacks institutional coherence and is unable to effectively coordinate its activities. The result is a fragmented (balkanized) state full of quarrels over competence and posts, frictions, duplication, inefficiency as well as lack of accountability. The most extreme case of a fragmented 'state' is Bosnia and Herzegovina, which is probably the "world's most complicated system of government

Bosnia and Herzegovina has accomplished a few level of planning to actualize the EU acquis in this zone. A few advance was made, outstandingly on the battle against composed wrongdoing by at last putting into operation the Europol contact point, and on overseeing movement and refuge by embracing a unused 2021-2025 procedure and activity arrange on relocation and refuge. The Parliament received a Law on nonnatives in September 2023. Proactive engagement is required to completely take over obligation for overseeing movement, which ought to be bolstered by all levels of government. Bosnia and Herzegovina is palatably actualizing the coordinates border administration technique for 2019-2023. The another methodology and the activity arrange for 2024-2029 are broadly adjusted with the EU acquis and ought to be received in great time. The Chamber of Priests embraced a unused four-year procedure and the related activity arrange for countering fear mongering and anticipating and countering rough radicalism, and an upgraded chance evaluation and going with activity arrange on anti-money washing and combating the financing of fear mongering. Encourage steps are needed to adopt an activity arrange on drugs and to set up a medicate observatory and an early caution framework. Whereas broadly adjusted with

²⁵⁸ Commission Staff Working Document Bosnia and Herzegovina 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience. World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Bojan Bugarcic (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

the EU acquis, enactment is regularly not harmonized over the nation, and regulation participation and coordination stay powerless, driving to uneven and inadmissible execution.

8.2.2. Justice freedom and security

Bosnia and Herzegovina has achieved some level of preparation to implement the EU acquis in this area. Some progress was made, notably on the fight against organised crime by finally putting into operation the Europol contact point, and on managing migration and asylum by adopting a new 2021-2025 strategy and action plan on migration and asylum. The Parliament adopted a Law on foreigners in September 2023. Proactive engagement is required to fully take over responsibility for managing migration, which should be supported by all levels of government. Bosnia and Herzegovina is satisfactorily implementing the integrated border management strategy for 2019-2023. The next strategy and the action plan for 2024-2029 are broadly aligned with the EU acquis and need to be adopted in good time. The Council of Ministers adopted a new four-year strategy and the related action plan for countering terrorism and preventing and countering violent extremism, and an updated risk assessment and accompanying action plan on anti-money laundering and combating the financing of terrorism. Further steps are needed to adopt an action plan on drugs and to establish a drug observatory and an early warning system. While broadly aligned with the EU acquis, legislation is often not harmonised across the country, and institutional cooperation and coordination remain weak, leading to uneven and unsatisfactory implementation. Last year's recommendations remain broadly valid.

8.2.3. Economic characteristics

Bosnia and Herzegovina is at an early organize of setting up a working showcase economy and there was no advance in this region. After a solid bounce back in 2021 from the widespread actuated emergency, financial development moderated down in 2022, reflecting a falling apart worldwide environment and quickening expansion. The work advertise was flexible and unemployment fell, but it in any case remained exceptionally tall, whereas work outmigration continued. Driven by tall swelling, budget incomes expanded emphatically and the open obligation proportion fell. Be that as it may, the quality of open investing remained powerless, whereas the open segment remained wasteful and curiously large. The current account shortage expanded but its financing was guaranteed. The money related segment remained steady. The commerce

environment proceeded to be contrarily influenced by Bosnia and Herzegovina's divided inner showcase and a huge casual economy. The run the show of law and the working of the inner advertise weakened encourage, with later debate on the legitimacy of constitutional court administering for the entire nation and activity blockages at inter-entity boundary lines. Political stalemates and need of participation among the different levels of government proceeded to ruin fundamental auxiliary changes. Russia's war of animosity against Ukraine so distant had basically circuitous impacts, through higher moment costs and instability as well as weaker third-country outside request.

8.2.4.Sustainability

Bosnia and Herzegovina is at early arrange of planning in most regions related to the Green Plan and economical network, to be specific on vitality, environment and climate alter. Enactment related to gas, power, renewable vitality and vitality effectiveness still ought to be received. Bosnia and Herzegovina has some level of arrangement within the ranges of transport and trans-European systems. Extra endeavors are required to progress street security to decrease activity fatalities, and to reinforce the administrative bodies on transport, counting gracious flying. Advance steps are required on network change measures and in adjusting with the Trans-European Transport Arrange (TEN-T) and Trans European Systems for Vitality (TEN-E) Controls. The green move and economical network are key to financial integration inside the locale and with the EU. The execution of the financial and investment plan and the Green Plan needs encourage speeding up within the up and coming period.

8.3.Kosovo²⁵⁹

8.3.1.Judiciary and fundamental rights

Kosovo is at an early arrange in creating a well-functioning legal framework. Amid the announcing period, Kosovo made constrained advance, in spite of an increment within the proportion of profitable court hearings, a speedier pace in planning court hearings, and changes in enlistment of judges and prosecutors. The human assets circumstance and the organization of the organization over the legal remains influenced by wasteful aspects. The National Centralized Criminal Records Framework was built up and has been available online since December 2022, empowering the open to get certificates of criminal records online. The government choice bringing down the pay rates of judges and prosecutors and the ensuing Law on compensations raised concerns with respects to the freedom of the legal. In Walk 2023, the Serve of Equity and the heads of the most equity framework educate marked a joint commitment explanation on equity reforms, reflecting the foremost important reform issues that ought to be handled. Quick follow-up is required to realize unmistakable comes about. In September 2022, the government given over the record related to judgment checks of judges and prosecutors to the Get together, which set up an advertisement hoc committee to finalize the protected corrections and the significant enactment towards judgment checks of senior positions inside the equity framework, in line with the Venice Commission Conclusion of June 2022. Kosovo ought to guarantee that the Venice Commission is re-consulted all through the method of finalizing the draft sacred alterations and significant enactment related to equity change. and set up a guns central point; direly receive enactment on the ownership of weapons by civilians, harmonized and advance adjusted with the EU acquis, counting on checking and deactivation benchmarks deactivation standard.

²⁵⁹ Commission Staff Working Document Kosovo 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience. World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Venice Commission (2022). "Opinions on judicial reforms" Council of Europe; Bojan Bugaric (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

It is significant that the equity change centers on reinforcing the existing instruments to protect the astuteness, responsibility, autonomy and productivity of the equity framework, in line with the proposals of the Venice Commission Supposition and important European benchmarks.

Kosovo ought to guarantee that the direction of the Venice Commission on the revisions to the Law on the Kosovo Prosecutorial Committee is appropriately joined within the modern law. Endeavors ought to proceed to completely utilize the Case Data Administration Framework, assist advance the elective debate determination apparatuses, and guarantee solid factual information. The Commission's proposals from final year were only mostly met and so stay substantial.

8.3.2. Justice, freedom and security

Kosovo is in between an early arrange and a few level of planning in this range. Restricted advance was made. Past advancements within the enactment on the battle against organized wrongdoing have not however conveyed unmistakable comes about. Supported endeavors are required to guarantee more proactive examinations, final court choices and the ultimate reallocation of resources.

Kosovo progressed within the zone of counter-terrorism and avoidance of rough extremism with advance within the usage of the two-sided course of action on counter psychological warfare with the European Commission. Advance was too made on relocation administration as convenience capacity for transients expanded. Kosovo has save capacity to oblige a movement deluge of up to 2 000 individuals. With respects to its refuge arrangement, Kosovo ought to guarantee that outcasts are included in social security plans. Kosovo ought to roll out an data campaign on rights and commitments connected to the visa free travel status, to avoid conceivable abuse. Within the range of drugs, Kosovo is however to receive a unused medicate technique and activity arrange, to require the necessary steps to guarantee the operational capacity of its National medicate observatory and to set up an early caution framework. As final year's suggestions are as it were mostly actualized, they stay substantial.

8.3.3. Economic characteristics

Kosovo is between an early arrange and a few level of planning and has made a few advance in creating a working advertise economy. Kosovo's financial bounce back directed essentially in 2022 as speculation contracted and family utilization development moderated owing to tall swelling,

which surged to double digits within the wake of rising vitality, nourishment and transport costs. Russia's war of hostility against Ukraine had basically roundabout impacts, through higher consequence costs and vulnerability. Backed by tall income development and a critical under-execution of open capital investing, the feature budget was near to adjust in 2022 and the open obligation proportion fell.

In any case, the financial specialist base for government obligation remains limit. Social benefits stay ineffectively focused on. The Gathering passed the unused law on the least wage, which decoupled the level of war veterans' annuities from the least wage. The money related execution of freely possessed undertakings speaks to a monetary hazard. The current account shortage rose essentially on the back of solid increments in vitality consequence costs. The budgetary division remained well capitalised and stable, and bank loaning kept on grow in nominal terms. The economy remained versatile amid later emergencies, but the private division proceeds to be ruined by long-standing auxiliary challenges such as a far reaching casual economy, a tall predominance of debasement and the in general frail run the show of law. The commerce environment made strides to some degree.

8.3.4.Sustainability

Kosovo is at an early arrange or has a few level of arrangement in ranges related to the Green Plan and economical network. Kosovo proceeds to effectively take part within the Transport Community and Vitality Community gatherings. Amid the detailing period, some progress was made within the vitality segment. Kosovo embraced an driven vitality technique, which incorporates an increased share in renewable vitality sources, and propelled the primary solar auction Kosovo remains intensely dependent on coal. Restricted advance was made within the transport segment with the selection of the multimodal transport procedure, though restricted advance was made within the ranges of environment and climate alter.

Kosovo ought to altogether increment its aspiration and regulatory capacities to legitimately execute EU measures on transport, vitality and environment. Methodologies, activity plans and legislation in these segments have to be be more reliable and in line with the standards and targets of the Green Plan for the Western Balkans and the Financial and Speculation Arrange.

8.4.Montenegro²⁶⁰

8.4.1.Judiciary and fundamental rights

Montenegro remains tolerably arranged to apply the EU *acquis* and European guidelines in this range and has made restricted advance in general. No advance was accomplished on equity change, to date the foremost challenging region of the run the show of law. The legal framework kept on confront a profound organization emergency and remains influenced by issues of responsibility, among other shortcomings. As expressed in past yearly reports, debasement and high-level debasement stay issues of concern and are predominant in numerous regions, counting inside state structures. Restricted advance was accomplished in anticipating debasement, but the authoritative and key system have however to be completely updated. A few high-profile cases of debasement are beneath examination. Montenegro should illustrate a exacting and unambiguous criminal equity reaction. Montenegro proceeds to meet its commitments on essential rights beneath universal human rights rebellious and legislation. Be that as it may, challenges stay in guaranteeing successful implementation of enactment, in specific for the foremost powerless. The proceeding slant of increment within the number of femicides and cases of gender-based viciousness remains an issue of genuine concern. Full and viable assurance of writers and other media laborers proceeds to progress, however unmistakable comes about on ancient cases of assaults have however to be accomplished.

8.4.2.Justice, freedom and security

Montenegro's legal framework is modestly arranged, with no advance on the execution of key legal changes. The working of the equity framework kept on confront challenges counting pending arrangements and a number of pivotal posts that stay possessed advertisement intervals past the order constrained by the Structure or other significant enactment This come about in frail

²⁶⁰ Commission Staff Working Document Miontenegro 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience.World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Bojan Bugaric (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

administration and administration, need of key vision and destitute arranging, influencing the country's capacity to convey equity and undermining the authenticity of the most noteworthy legal educate. This was especially genuine for the Sacred Court, which was cleared out without a majority from September 2022 until February 2023, when the Parliament named three judges. The Court still has one vacant position. A few occasions depicted within the content underneath recommend that the freedom, unbiasedness, responsibility and polished skill of the legal have however to be progressed. Guaranteeing the moral and disciplinary responsibility of judges and prosecutors remains an issue.

Moreover, the Law on Legal Committee and judges, and the Law on State Arraignment Benefit, have however to be corrected in line with European benchmarks and the EU *acquis*, taking after the existing European Commission proposals and Venice Commission suppositions. These two laws are central to the working of the legal and the indictment, guaranteeing, separately, their autonomy and independence, unbiasedness, responsibility, and polished skill. The proficiency of the legal also needs to be reinforced. The human, budgetary, physical foundation and ICT administration frameworks require advancement. The selection of a unused technique on the legitimization of the legal organize is still pending.

The proper functioning of the judiciary in line with European standards has yet to be proven. There must be a genuine and unambiguous commitment from the executive and the judiciary to guaranteeing the implementation of reforms, and a political dialogue in the Parliament to secure the required majority for all pending senior judicial appointments and pieces of legislation.

The correct working of the legal in line with European benchmarks has however to be demonstrated. There must be a veritable and unambiguous commitment from the official and the legal to ensuring the usage of reforms, and a political discourse within the Parliament to secure the desired larger part for all pending senior legal arrangements and pieces of enactment.

Montenegro proceeds to create advance on the residential dealing with of war violations, with great legal participation with neighboring nations and the Universal Remaining Instrument for Criminal Tribunals.

8.4.3.Economic characteristics

Montenegro has made constrained advance and is decently arranged in creating a working showcase economy. Financial development proceeded at a solid pace in 2022, made by private

utilization and solid development in tourism, mostly due to a expansive convergence of Russian and Ukrainian nationals taking after Russia's war of hostility against Ukraine. The most headwind came from inflationary weights on the back of higher worldwide product costs. The current account shortage expanded as both trades and imports extended quickly. An expansionary monetary approach fueled household request and contributed to exceptionally tall net wage development. The budget shortfall expanded altogether and a comprehensive medium-term solidification arrange to address mounting monetary challenges has not been framework created. The work showcase circumstance moved forward, but auxiliary issues endure, counting huge territorial incongruities and sex holes, and tall youth and long-term unemployment. The managing an account division remained well capitalised and fluid. Endeavors to move forward the commerce environment and the administration of state-owned endeavors (SOEs) moderated down due to political vulnerability, indeed in spite of the fact that the number of unused businesses expanded. Final year's proposals were tended to to a restricted degree and stay generally substantial. Within the coming year, in arrange to move forward the working of the advertise economy.

8.4.4.Sustainability

A few advance was accomplished on making a working day-ahead vitality showcase. Montenegro effectively joined the Paris Notice of Understanding on harbour state control. Great advance was made on the usage of Brilliantly Transport Frameworks in street transport. There was restricted advance on executing the Transport Improvement Methodology and none on its survey. There was exceptionally restricted advance concerning environment and climate change.

8.5.North Macedonia²⁶¹

8.5.1.Functioning of the judiciary

North Macedonia has in between a few and direct level of arrangement to apply the EU acquis and European measures in this range. In general, there was no advance on fortifying legal freedom and making strides the legitimate system for principal rights security.

The legal framework of North Macedonia is in between a few and direct level of arrangement. There was no advance within the field of the legal amid the detailing period. The Legal Board ought to endeavor to ensure the judgment and freedom of judges and teach and ought to stand up to any outside impact. The questionable expulsion of the President of the Legal Board raised concerns almost undue political impact. The selection of a unused legal change technique is behind plan. It ought to point to make strides the execution of educate. Advance on usage of the human assets methodologies for the legal and indictment administrations was constrained. The need of measures to address the affect of planned retirements influenced proficiency. Most advancements for higher courts confronted encourage delays. Work proceeded on updating the mechanized court case administration data framework for irregular dissemination of cases in courts. A comparative system was presented within the Open Prosecutor's Office.

8.5.2.Justice, freedom and security

North Macedonia is decently arranged to execute the EU acquis. A few advance was made. Participation within the field of counterterrorism, and the anticipation and countering of savage radicalism was assist overhauled by the unused course of action for the execution of a joint activity arrange on counterterrorism. The national methodologies for countering fear mongering (2023-2027) and countering rough radicalism (2023-2027) were adopted in May 2023, together with the related activity plans. Registration of transients should be wiped out a efficient way and protection-

²⁶¹ Commission Staff Working Document North Macedonia 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience.World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Bojan Bugaric (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

sensitive profiling ought to be made strides. The nation should establish a legitimate framework for overseeing unpredictable development and halt the hone of returning transients exterior a lawful system. A possibility arrange to oversee huge transient streams must be finalized and embraced.

The Status Assention for operational participation in border administration with Frontex entered into constrain on 1 April 2023. This made it conceivable to dispatch a joint operation with the sending of officers from EU Part States to supply bolster with border control and the administration of sporadic relocation and cross-border wrongdoing.

8.5.3.Economic characteristics

North Macedonia has made a few advance and is at a great level of planning in creating a working showcase economy. In 2022, the economy was severely hit by the aftermath from Russia's war of hostility against Ukraine, which altogether moderated down its post COVID recuperation. The government bolstered family units and businesses through large-scale vitality appropriations, charge decreases and focused on coordinate wage back. Owing to an inflation driven boost to charge pay and under-execution of a few use categories, the common government shortage remained underneath the changed target. Capital use was raised altogether, but still fell brief of the reexamined arrange. The open obligation proportion dropped, but remains altogether over pre-COVID-19 levels. The central bank fixed its approach position encourage in see of still raised inflationary weights, which started to die down slowly towards the conclusion of 2022 and past. The current account shortage rose significantly as vitality purport costs surged, but outside financing needs were met with the assistance of market-based and IMF borrowing.

A modern Natural Budget Law (OBL) gives for the presentation of monetary rules and a monetary chamber, significantly reinforcing monetary maintainability. Be that as it may, advance has been moderate in executing wider-ranging measures to move forward the administration of open venture, crucial for supporting the government's plans for a sizeable increment in capital use.

The managing an account segment was versatile all through the emergencies, and budgetary solidness was supported by advance on a few key enactment. The work advertise appeared a few advancement, but auxiliary issues continue, counting tall youth and long-term unemployment rates and a expansive sex crevice. The trade environment proceeded to be blocked by the huge measure of the casual economy, moderate advance in streamlining parafiscal charges and an misty and

wasteful State help administration. Final year's suggestions were as it were somewhat executed and stay somewhat substantial.

8.5.4.Sustainability

North Macedonia has accomplished a great level of planning in trans-European systems and a few level of arrangement on environment and climate alter. The nation is modestly arranged on transport and vitality arrangement with a few advance made within the zone of vitality, especially on territorial gas interconnectors and on renewables. Considerable endeavors are required in regions where restricted advance was accomplished, such as transport, trans-European systems and environment. The nation has to quicken the usage of the Financial and Venture Arrange and of the Green Motivation for the Western Balkans within the up and coming period.

8.6.Serbia²⁶²

8.6.1.Judiciary and fundamental rights

Serbia has a few level of arrangement and has made constrained advance in applying the EU acquis and European measures in this region, most outstandingly with usage of the legal change. In spite of progressing work, Serbia remains to finalize and receive an anti-corruption methodology completely in line with EU proposals. On media flexibility, constrained advance was made on the proposals of final year, which still stay substantial.

Serbia has a few level of arrangement within the region of the legal. A few advance was made on final year's suggestions. On 9 February 2023, Serbia took an imperative step to guarantee autonomy and responsibility of the legal with the opportune appropriation of five laws actualizing the 2022 alterations, whereas two of the implementing laws still ought to be embraced: the Law on Legal Foundation and the Law on Seats and Regional Locale of Courts. The Venice

²⁶² Commission Staff Working Document Serbia 2024 Report. Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. 2024 Communication on EU enlargement policy; European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2024). "Western Balkans Country Reports" 2021-2024; World Bank (2023). Western Balkans Regular Economic Report No.23, Spring 2023: Testing Resilience. World Bank. <http://hdl.handle.net/10986/39890>; European Environment Agency (2023). "Western Balkans Environmental Profiles"; Bojan Bugaric (2019) "Judicial Reform and Independence in Post-Communist Legal Orders," *European Journal of Legal Studies*; Stojanovska, E., & Kotevska, O. (2022). "Economic Growth and Transition in the Western Balkans" *Journal of Balkan Economics*.

Commission issued three conclusions that overall evaluated emphatically the enactment and perceived the straightforwardness and inclusiveness of the method. Most of its suggestions were tended to. Pertinent by-laws will have to be embraced by May 2024. The High Judicial Council (HJC) and High Prosecutorial Council (HPC) were built up on 8 May 2022, taking after the race of the lay individuals, which gave down to earth impact to the executing enactment. Serbia should guarantee that the human assets methodology and the related activity arrange are executed inside the planned timelines.

Challenges and delays in usage continue with respect to the unbiasedness, responsibility, effectiveness and polished skill of the legal, get to to equity, and high-quality preparing. The current framework of enrollment, exchange and advancement of judges and prosecutors has not been changed however to guarantee that careers are completely based on justify. Whereas the modern legal laws lay down more exact disciplinary rules, there's a have to be progress the capacity of the disciplinary bodies. With respect to undue weight on the legal the circumstance remains a concern. A number of steps have been taken to reduce the space for political impact on the legal. In any case, it isn't however conceivable to watch a steady decrease of undue impact on judges and prosecutors in hone. Serbia still has not appeared a veritable commitment to exploring and settling war wrongdoings cases. Serbia proceeds to challenge freely the judgments of the Worldwide Criminal Tribunal for the previous Yugoslavia (ICTY), including at the most noteworthy levels. A number of Serbian political parties, lawmakers and media outlets proceeded to give bolster to, and open space for, sentenced war hoodlums.

8.6.2. Justice, freedom and security

Serbia has a few level of planning to execute the EU acquis on equity, opportunity and security. A few advance was made in tending to final year's proposals, in specific through the appropriation of the Schengen activity arrange in July 2023 and encourage arrangement with the EU's visa approach by reestablishing visa necessities for six nations. The Law on inside undertakings has twice been pulled back from the authoritative prepare and is presently once more beneath modification. The proposed law must address the long-pending issue of police independence from the Service of the Insides amid pre-investigation and examination stages, and the suggestions of the European Committee for the Prevention of Torture (CPT).

Serbia contributed to the administration of the blended relocation streams towards the EU and participated with the EU, EU Part States and its neighbors to execute the EU Activity Arrange on the Western Balkans displayed by the Commission in December 2022. Endeavors proceeded to have and oblige significant numbers of third-country nationals, with EU back. Serbia expanded for one more year until Walk 2024 transitory assurance to Ukrainian citizens having fled Russia's war of animosity against Ukraine.

Serbia kept on execute the EU-Serbia readmission understanding and to carry out border control and observation viably. Usage of the unused coordinates border administration methodology for 2022-2027, with its 2022-2024 activity arrange, is postponed. The IBM Coordination Body was named in June 2023. Get to to and arrangement of data with respect to the refuge strategy has however to be progressed, in specific at the airplane terminals in Nis and Kragujevac. Serbia ought to further align with the EU's visa arrangement as set out within the Commission's 6th report beneath the visa suspension component of October 2023. The Government proposed revisions to the Law on citizenship that given the plausibility to apply for Serbian citizenship after as it were a brief period of home and work.. Whereas the EU regards the imperial right of Serbia to choose on its citizenship and naturalisation arrangements, the Commission has communicated its concerns to the competent Serbian specialists as respects the conceivable security dangers for the EU connected to the fast-track procurement of visa-free travel rights for nationals that would be something else visa required. Taking after the concerns raised by the EU the Government has pulled back the proposition. Serbia has to embrace a modern key archive and going with activity arrange that cover all shapes of radicalisation and savage radicalism (independent of political, devout or ethno-nationalist so-called defense), in line with EU approaches.

8.6.3.Economic characteristics

Serbia is in between a direct and a great level of planning within the zone of financial and financial approach. A few advance was made on final year's suggestions with the appropriation of a unused set of financial rules to anchor fiscal arrangement.

Serbia is at a great level of arrangement and has made a few advance in creating a working advertise economy. After a solid bounce back in 2021 from the compression initiated by COVID-19, the Serbian economy decelerated significantly in 2022 affected by the financial aftermath from Russia's war of animosity against Ukraine, in specific as respects rising expansion through taking

off vitality and nourishment costs. After broadening strongly in 2022, the current account shortage diminished within the to begin with half of 2023, in specific due to the lower taken a toll and the lower volume of imports. Keeping money segment steadiness was kept up whereas loaning development decelerated significantly. High increased economy made a difference progress the budget adjust in 2022, in spite of exceptionally considerable capital exchanges to state-owned vitality utilities and assist advertisement hoc financial back measures that were not continuously well focused on. Budget incomes too profited from advance with assess organization changes. The open obligation proportion fell and open accounts are anticipated to be tied down by a unused set of monetary rules. The unemployment rate diminished in 2022 and defenseless categories of specialists profited from the recuperation. Be that as it may, auxiliary issues continue, counting a work supply affected by outward relocation, tireless aptitudes jumbles, and a sexual orientation business crevice. Guaranteeing convenient implementation of the youth ensure arrange is anticipated to contribute to tending to the aptitudes bungle. Major changes of open organization (such as the wage framework change) and of the administration of state-owned undertakings (SOEs) continued to development gradually, drawing out long-standing wasteful aspects. In any case, in 2023, there has been a few increasing speed of administration changes, in specific within the vitality segment. The administrative and regulatory burden for doing commerce has been diminished, but the private segment proceeds to be influenced by a need of transparency and consistency within the way business-related enactment is received. Basic challenges stay for State help, competition and public procurement. The State holds a solid impression within the economy and the private segment is immature and hampered by shortcomings within the run the show of law, in specific with respect to the handling of debasement and legal wastefulness. Final year's suggestions have been in part actualized and stay incompletely substantial.

8.6.4.Sustainability

A few advance was accomplished especially on trans-European systems, where Serbia progressed on updating its framework, with works advancing on the Serbia-Bulgaria gas interconnector, and on climate alter with the selection of the Moo Carbon Improvement Methodology 2023-2030. Within the coming period, Serbia is welcomed to center on the taking after zones: make strides speculation prioritization, arranging and administration over all zones; proceed rail change and progress the vital transport system in line with the EU's and the Western Balkans economical and

keen versatility procedures; directly execute its activity arrange on gas unbundling and assist differentiate gas courses and supplies to diminish reliance on Russia; embrace an yearning national vitality and climate arrange (NECP) reliable with the European Green Deal's zero emanation target for 2050 and step up endeavors on executing and upholding environment and climate enactment, in specific on natural affect appraisal, squander administration, discuss and water quality, transboundary participation and law requirement by government.

CHAPTER 9: THE POLITICAL RISK ANALYSIS IN THE CONTEXT OF THE RELATIONS BETWEEN EU AND WESTERN BALKANS

9.1. The political risk

The EU considers the Western Balkans as its backyard and expects to play a decisive role in the settlement of conflicts, in this region promised to join the Union in the more or less near future. This is why the EU wants leaders in the region to make an unambiguous commitment to promoting membership as their strategic goal, and to clarifying their relationship with Turkey and Russia.

Russia is aware of the limited development potential of the Western Balkans, which seriously threatens the European integration of the Western Balkan countries and welcomes Putin's policy of emphasizing historical origins and appropriate social norms. Putin's policies emphasize historical roots and clean social norms and are welcome in the region. Putin's Russia is more sympathetic than the EU to the Western Balkan elites' interest in maintaining their power. Having an integrated European economy, combined with the vision of a society based on Eastern values and authoritarian democracy, is a priority.

Turkey is strengthening its influence and role in the Western Balkans as well. Until now Turkey had an important influence in Bosnia and Herzegovina, Kosovo, Albania and North Macedonia is not disputed.

	Democratic predominantly, peaceful, legal	Undefined	Autoritarian, Violent
	Low	Medium	High
International Level	1. Relations of Republika Srpska (entity of BH) with Russia 2. Belgrade-Moscow Relations	1. Lack of transport network in the region	1. Ration factor 2. Imperial influence of Turkey in Kosovo, North Macedonia and Bosnia-Hertzevovina 3. Terrorism

National Level	1. The state institutions are scarified to the political influence	1. Populism 2. Lack of Green Field Business 3. Media control 4. Political link of the judiciary system	1. Nationalism 2. Internal clashes (BH, Kosovo, North Macedonia) 3. Authoritarian regime (Montenegro) 4. Border disputes (Serbie and Kosovo)
Social Level	1. Lack of reconciliation among young people 2. Patent intensity is low 3. Lack of high-tech products 4. Lack of digitization	1. Euroscepticism	1. Criminal structures within government

Source: Made by author based on academic literature²⁶³

9.1.1.Bosnia and Herzegovina

Bosnia-Herzegovina has played an important role in raising awareness of the historical ties between Turkey and the Balkans. Turkey has placed particular emphasis on strengthening its economic and cultural influences.

Russia's influence in Bosnia-Herzegovina is very limited. The focus of Russian influence is Republika Srpska, which limits the total capacity for action and lobbying inside Bosnia and Herzegovina.

While the world stands in solidarity with the plight of the Ukrainians, Serbian citizens in Serbia and the Bosnian entity of Republika Srpska have organized mass support for the Russian invasion of Ukraine, spewing messages of genocide while calling for continued aggression. Serbia also asked military reserves to participate in exercises for "the implementation of civil protection measures in peace, state of emergency and war".

²⁶³ Abazi, AE. (2021). Geopolitics in the Western Balkans: Linkages, Leverages, and Rivalries. *Academicus*, 24, 85-108; Garčević, V. (2021). The European Union Dilemma: Russia's and China's Influence in the Western Balkans. Boston University, Pardee School of Global Studies.

9.1.2.Kosovo

China's interest and presence in Kosovo may seem virtually non-existent. The country is not recognized by Beijing and there are no official diplomatic relations. Legitimation and recognition of Kosovo is far too important a matter for Serbia – China's key ally in the Western Balkans – for Beijing to try a different approach. Furthermore, Kosovo's government and society remain vehemently pro-American and pro-Western. It is firmly convinced that Euro-Atlantic proximity offers the only viable guarantee of its survival and development. As a result, the country received a massive presence of Western entities in all segments of society, including the economy.

For Kosovo, Turkey was an important player in the new history. As NATO's largest military after America's, Turkey was involved in the Kosovo air campaign during the 1999 war with Serbia. Turkey recognized Kosovo's independence just over 24 hours after Kosovar leaders declared independence on February 17, 2008. Turkey was among the first countries to establish a coordination office in Prishtina immediately after the end of the war in 1999. In September 2008 , Turkey upgraded the status of its coordination office with those of an embassy.

To encourage freedom of movement between the two countries, in June 2009, the Turkish government took the decision to eliminate visas for Kosovar citizens. Turkey's interest in Kosovo is not only to establish good diplomatic relations with the new state. It's not just politics, it's action. The Turkish presence in Kosovo today is quite visible. Turkish governmental and non-governmental organizations, together with Turkish companies and Turkish investors, show Turkey's commitment to the social and economic development of Kosovo.

9.1.3.North Macedonia

Russian influence in North Macedonia is particularly present around political events and disinformation. Russian obstructionism and the attempt to sabotage North Macedonia's accession to NATO was in function of the confrontation with the EU and the US in the Balkans, and not because of genuine concern for North Macedonian pro-Russian nationalists who tried to boycott and block the process with new campaigns and disinformation about NATO membership.

In 2018, when Athens and Skopje reached a historic agreement, Kremlin-affiliated Russian analysts variously warned of "civil war" in North Macedonia, that Skopje was at risk of becoming a "protectorate" of Greece, and that the countries' leaders had lit the Balkan "powder keg" fuse.

China's economic objective is linked to North Macedonia's geographical position, which is central to the highway initiative and its EU candidate status.

9.1.4.Serbia

The main interlocutor of the Russian Orthodox Church in the region is the Serbian Orthodox Church, which at the same time has a close relationship with the Serbian state and often provides religious legitimacy to internal and external state policies. Outside of Serbia, the Serbian Orthodox Church controls parishes in the autonomous entity Republika Srpska in Bosnia, Montenegro, Croatia and parts of Kosovo. Therefore, Moscow's political and religious influence seeps and flows through Belgrade.

The rise of Chinese influence in Serbia began in 2009, when the two countries agreed to cooperate in economic matters and technological and infrastructure development. China is also a strong presence in Serbian politics, as well as in the digitalization of society.

9.1.5.Albania

China is seeking closer ties with Albania as part of the Chinese Communist Party's mega-project to expand Beijing's influence abroad, making it a central player in the Western Balkans and eventually across Europe.

In the case of Turkey, relations with Albania are particularly close. On 6 January 2021, Albanian Prime Minister Edi Rama and Turkish President Recep Tayyip Erdogan agreed on a "strategic partnership" to intensify cooperation at all levels.

9.1.6.Montenegro

In the context of Montenegro, China adjusts its investment strategy for each country, focusing on its weakest institution. Montenegro is a country with a non-transparent and market-oriented capital that comes from an authoritarian regime.

The Montenegrin case is indeed a mobilization that requires an increase in the resources available to ongoing actors to make claims. Interlinking mobilization with political activities and political values is also crucial, as this process requires shared values coupled with a deliberate set of tactics and strategies, common and realistic goals and reliable methods.

9.2. The Swot Analysis

The SWOT analysis is conducted to analyze the strengths, weaknesses, opportunities and threats regarding the EU integration of Western Balkans. The characteristics of Western Balkan countries could be found in the following table.²⁶⁴

Table : Political SWOT analysis of Western Balkans

Strengths	Weaknesses
1) Important geostrategic position of the region (surrounded by EU and NATO) 2) Transit region - important position for European energy security and transport connectivity 3) Small size and low region integration costs	1) Slow reforms, poor infrastructure 2) Slow progress in bilateral relations 3) Lack of continuity: institutional, strategic alliances, education, business, culture.
Opportunities	Threats
1) Western Balkan countries share the same political goal- EU membership 2) The region is made up of small countries, which can defend their interests only as an interest group, such as the Nordic countries, Benelux and the Visegrad group, when joining the EU 3) Only together can the region attract big investment and reindustrialize	1) Growing influence of non-European players in the region (Russia, China, Turkey) 2) Potential political turbulence in the Western Balkan countries - risks of new conflicts breaking out 3) The enlargement process works better at the technical level than at the political level

Sources: Milnic J (2016). *Advocacy Strategy for the EU Integration of the Western Balkans Guidelines*

<http://arhiva.emins.org/uploads/useruploads/knjige/ASWB-Guidelines-full-version-za-web.pdf>

The EU needs a comprehensive strategy for integrating the Western Balkans into the European mainstream. Despite all the positive impact of EU programs and policies on Western Balkan countries, indecision does not tend to attract the EU as an undisputed model of political development among Western Balkan political elites. The European Union should consider a sub-

²⁶⁴ For details see Milnic J (2016). *Advocacy Strategy for the EU Integration of the Western Balkans Guidelines*
<http://arhiva.emins.org/uploads/useruploads/knjige/ASWB-Guidelines-full-version-za-web.pdf>

regional approach to integrating Bosnia and Herzegovina and Kosovo as other Western Balkan states are now part of the negotiation process.

CONCLUSION

Strength, progress, and development, or even decline and weakness of democracy and political culture may be related to the institutional confidence, viz. the faith in the likeliness of institutions to act in a socially expected way. Institutional trust provides legitimacy, which is a precondition of democratic politics.²⁶⁵

Regional cooperation is one of the greatest achievements of the Western Balkans and it brings two main benefits. First, it reduces tensions and enhances regional stability. And second, it brings many practical benefits arising from the level of circulation of goods and services in the region, improving the competitiveness of relatively small economies and increasing the attractiveness of the region as an investment destination. The European Union remains the main external anchor for stability and comprehensive reform in the region. Strengthening regional cooperation is an explicit requirement for the Western Balkan candidate countries in their application to join the EU. At the same time, regional cooperation is now a wise choice for regional leaders.

The rule of law and development are closely linked and mutually reinforcing, that the promotion of the rule of law at the national and international levels is essential for inclusive and sustainable economic growth, sustainable development, hunger eradication and poverty alleviation, and full realization of the comprehensive benefits of human beings. fundamental rights and freedoms, including the right to development, thereby strengthening the rule of law.

At the national level, the rule of law is needed to create an enabling environment for the provision of sustainable livelihoods and the eradication of poverty. Poverty often stems from disenfranchisement, exclusion and discrimination. The rule of law promotes development by strengthening the voices of individuals and communities, providing access to justice, ensuring due process, and establishing remedies for rights violations. Securing livelihoods, housing, land use rights and contracts can help the poor protect themselves against violations of their rights and empower them to defend themselves. Legal empowerment not only provides legal remedies and supports better economic opportunities

²⁶⁵ Boda Zsolt, Medve-Bálint Gergő, 'Az intézményi bizalom a régi és az új demokráciákban. [Institutional trust in the old and the new democracies]', *Politikatudományi Szemle* (XXI/2) 28.

The new EU expansion strategy for rule of law reform in the Western Balkans holds promise and lays the groundwork for a fruitful dialogue between the EU and the Western Balkan states. Furthermore, it is a clear indication of future EU involvement in the region. The top six initiatives target specific areas of mutual interest, such as the rule of law, security and migration, socioeconomic development, transport and energy connectivity, programs Digital agenda, mediation and good neighborly relations. These constitute encouraging political goals to transform the Western Balkans into more liberal democracies.

For the rule of law to promote sustainable development outcomes, the rule of law must ensure the protection of all human rights, including economic, social and cultural rights, and the right to development. While the “rule of law” can provide a legal framework, contract guarantees, and dispute resolution mechanisms that support economic growth and development, only the rule of law, consistent with international human rights economy, can ensure inclusive and sustainable development.

The Western Balkan aspirants have been backsliding in significant reform areas: democracy, rule of law, media freedom, fighting corruption and building a functioning market economy. They have been criticised for developing into ‘stabilitocracies’, and the EU for not taking a stronger position against their autocratic tendencies.²⁶⁶

Given the present circumstances in the Western Balkans, the implementation of "predictable enforcement" is recommended as a structured conceptual framework. "Predictable enforcement" refers to a systematic approach where regulatory decisions and policy applications follow consistent, transparent patterns that stakeholders can anticipate based on established criteria and precedents. This concept ensures that enforcement actions are not arbitrary but rather follow logical, predetermined guidelines that create stability and trust in the regulatory process. The EU could consistently apply this framework to facilitate and accelerate the accession process of Western Balkan nations. In this context, predictable enforcement enables the system to generate and implement regulatory standards promptly based on existing knowledge and established patterns, rather than postponing decisions until additional precedents emerge or indefinitely

²⁶⁶ Tcherneva V. (2017) *What Europe can do for the Western Balkans*, European Council on Foreign Relations https://ecfr.eu/article/commentary_what_europe_can_do_for_the_western_balkans_7238/

suspending them. This approach ultimately leads to more effective and efficient enforcement strategies that support the integration process.

Through this notion could be understand as the application of rules that makes fact-determination more predictable of the situation in the Western Balkans.

Table : Predictable enforcement

	Predictable enforcement steps
1	Reduction of stabilitocracy
2	Peace and povertry reduction
3	Reduction of corruption and unemployment

Source : Made by author

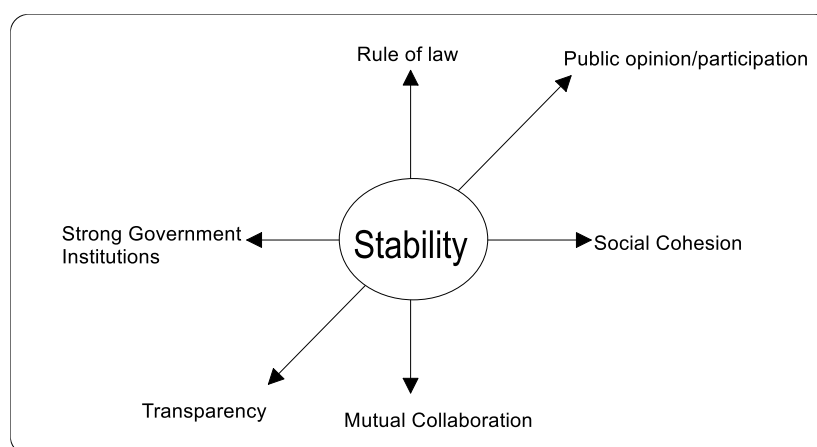


Figure : Main aspects of stability

Source : Made by author

According to our findings in the chapters, we can conclude that the rule of law represents a positive factor for industrialization, economic growth and sustainable development. All results of the tests have shown that the P value is higher than 0,05. In this way we can observe that the EU has a positive impact on the Western Balkans in the context of rule of law.

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have shown statistically significant relationships ($P < 0.05$). In this way we can observe that the EU has a positive impact on the Western Balkans in the context of rule of law.

These findings illuminate a crucial theoretical question regarding which conception of the rule of law drives these positive developmental outcomes.

- *Minimalist conceptions of the rule of law*, where the mere exercise of governmental powers through established legal norms is sufficient to generate positive economic and developmental results, or
- *Thicker conceptions of the rule of law*, requiring more substantial elements such as the protection of fundamental rights and the pursuit of justice as necessary prerequisites for meaningful industrialization and sustainable growth.

This distinction carries important implications for EU accession policies and reform priorities in the Western Balkans. Based on the statistical models presented in the dissertation, we may conclude that the beneficial effects on industrialization, economic growth and sustainable development are attributable to rule of law as understood under the thicker conception, as the analysis was also extended to rule of law indicators such as the protection of fundamental rights and the operation of civil justice and criminal justice.

Based on our findings we conclude that the rule of law has an impact on structural change. The following figure shows how can rule of law can influence the space.

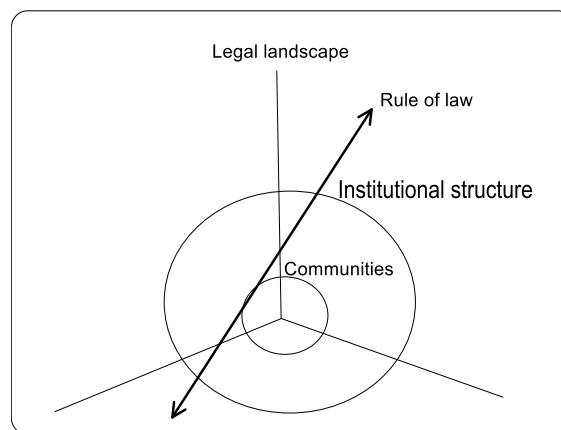


Figure : The effect of rule of law in Structural changes
Source : Made by author

The following figure shows that the rule of law as legal landscape could turn the network of institutions. Once the institutions work on democratic principles, communities benefit from this. The rule of law is the main «influencer» of the legal landscape. Institutions can alter state preferences and therefore change state behavior using values of democracy. This concept as expressed in the principle-institutions is accepted by community to benefit from the system. The legal landscape must be preoccupation of everyone from the community. The community should not have barriers to participate both civically and politically.

Table : Main results of rule of law, democracy score and participation.

Country	Rule of Law Index Legal landscape	Institutional structure Democracy score	Communities Civic and political participation
Serbia	0.49	3.79	69
Albania	0.49	3.75	63.4
North Macedonia	0.53	3.82	64.4
Montenegro	0.57	3.79	63.2
Kosovo	0.56	3.75	-
Bosnia- Hertzevovina	0.53	3.29	-

Note : There is no data for Kosovo and Bosnia-Herzegovina in the context of political participation

Source : Data was taken from the previous chapters

The hypothesis test was made based on the data taken from the previous chapters (Rule of Law Index, Democracy Score and Civic/Political participation). The hypothesis test decided if collected data from the previous chapters can prove if rule of law affects the industrialization.

Table : Hypothesis testing

	Legal landscape	Democracy score
Legal Landscape	1	
Democracy score	0.787296	1
	Legal landscape	Political participation
Legal landscape	1	
Political participation	-0.514061083	1
	Democracy score	Political participation
Democracy score	1	
Political participation	-0.011270632	1
<i>Result of Correlation by adding the final results</i>	RL+DS+PC	0.261964107

Note : The calculation was made by taken those countries with data for all 3 aspects (Rule of law, Political Participation and Democracy score)

Source : Made by author

The result represents an indicator that is intended to be relevant. This shows that a structural change belongs to a strong rule of law. It is possible to have a structural change (industrialization) with sharing of democratic values and good governance.

As the final result by calculating the sum of the correlation results, we can conclude that the industrialization is affected positively by rule of law. We can conclude that the hypothesis is not rejected in this case.

Serbia represents the lynchpin of Russian foreign policy in the Balkans. Although the country is an EU candidate, the Serbian government continues to enjoy deep relations with Russia.²⁶⁷

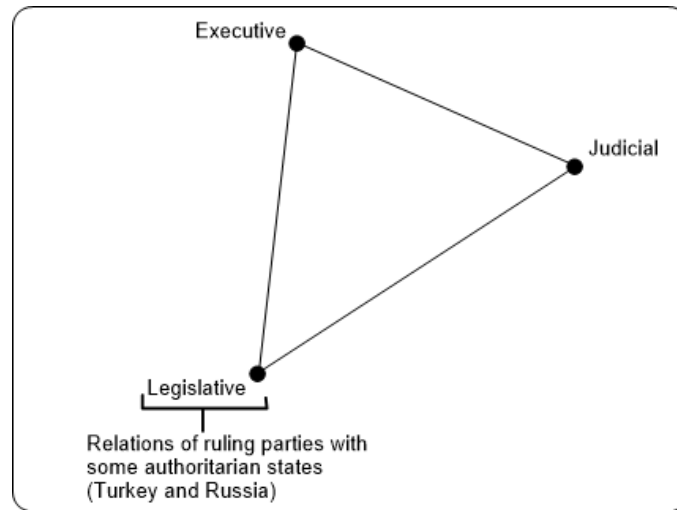


Figure: The effect of other powers on rule of law in Western Balkans
Source: Made by author

In Montenegro, the traditionally strong political ties between the former governing party and Russia's ruling United Russia party cooled down fast with the Montenegrin government's turn to the West, imposing sanctions on Russia in 2014 and receiving the invitation for a full NATO membership. Coup d'état in 2016, in which two Russian intelligence officers were involved, was accompanied by the suspicions and claims of Russian financial support or other involvement with the ultimate intention of preventing Montenegro to join the NATO.

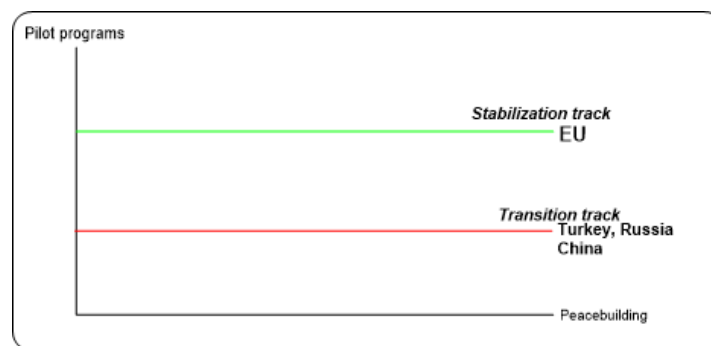
Bosnia and Herzegovina's complicated political and social structures, Turkey and Russia exert influence on specific entities, rather than on the whole country. Russia openly supports the Republic of Srpska and Serb politicians, and the biggest Serb political party's leader Milorad Dodik has frequently visited Vladimir Putin in Moscow and regularly consults with the Russian ambassador. Furthermore, in the Republika Srpska of Bosnia Herzegovina the governance has

²⁶⁷ Kesvelioglu A. *European Union Challenged: Russia and China in the Western Balkans* TRT World Research Center <https://researchcentre.trtworld.com/wp-content/uploads/2020/11/EU-Challenged-Russia-and-China-in-the-Western-Balkans.pdf>

proceeded with secessionist threats and separatist rhetoric, including the adoption of a law rejecting the state-level Constitutional Court's decisions.

Turkey has strong ties with Bosnian politicians. Erdogan openly supports the biggest Bosnian party (SDA) and his party representatives regularly attend SDA's events. China is seen as more neutral and mostly economic player with its influence being on the rise. The Gulf States have certain but not too visible presence.²⁶⁸

Figure: The post-conflict recovery in Western Balkans with implications of external actors



Source: Made by author

According to the scheme, the Western Balkans faces recovery from different perspective. One of the recoveries could be that which could be stabilization and other which could bring the transition. When we talk about transition, we should point out that the transition is more political than economic.

Current economic and social problems pose a serious burden for the future development of the economies of the Western Balkans.

The Western Balkans countries should strive for a more balanced model of development that takes into account social, economic and environmental dimensions.

²⁶⁸ Vichova V., Istrate D., Takacsy D., Pankovski M., Gvozdenovic M., Cutahija H., Sijamija M., Sabanovic A.(2020) *Foreign Authoritarian Influence in the Western Balkans*, Political Capital, Political Research and Consulting Institute https://politicalcapital.hu/pc-admin/source/documents/foreign_authoritarian_influence_in_the_western_balkans_2020_09.pdf

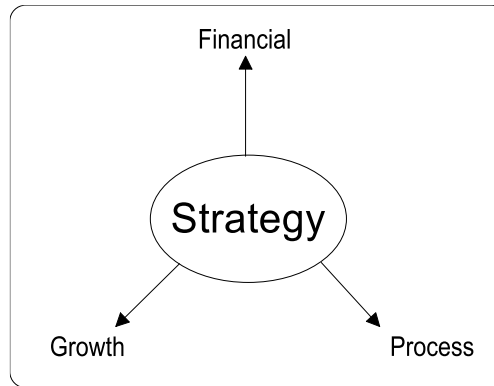


Figure : Proposed strategy for Western Balkans from author's perspective

Source: Made by author

Table: Strategy with pillars based on the figure

<i>Pillars</i>	<i>Strategy</i>		
	Financial	Growth	Process
Environmental	Reduction fuel costs	Sustainable innovation	Separating Waste
			Reduction of CO2
			Reduction of gas consumption
Social	Protection of budget	Abolishment of dysfunctional bureaucracy	Citizen participation in decision making process
	Transparency of budget	Decentralization	Political optimization
Economic	Tax regulation	Support policies for private investment	Sustainable production
			Production optimization

Source: Made by author

The table shows a potential practical solution for Western Balkan countries in implementing a rule of law based on sustainability pillars in order to grow the economy. Therefore, the table is a system in which multiple approaches are combined in the pursuing of strategy towards the rule of law and sustainable development and effects of rule of law on sustainable development.

In conclusion, during the research it was found that the Western Balkan countries should often use sustainability strategies and the rule of law as a shortcut to the EU without being influenced by regional actors from the East.

An important topic for future research will be to evaluate whether the set goals and measured results actually correspond to the desired outcomes. Taking into account this relationship between the rule of law, economic growth and sustainable development will provide a deeper understanding of the effectiveness of the rule of law and methods of measuring the results of implementable sustainability strategies.

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