



# Balkan and Eastern European Comparisons

Building a New Momentum for the European integration  
of the Balkan and Eastern European associated states

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with

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## Glossary

*'Balkan states', 'Western Balkans', or 'SAA states'*: those that have Stabilisation and Association Agreements (SAAs) with the EU (Albania, Bosnia and Herzegovina ('Bosnia'), Kosovo, Montenegro, North Macedonia, and Serbia)

*'AA states'*: those that have Association Agreements (AAs) including Deep and Comprehensive Free Trade Areas (DCFTAs) with the EU (Georgia, Moldova, and Ukraine)

*'EaP states'*: Eastern Partnership states are the three AA states (Georgia, Moldova, and Ukraine), and the other 3 EaP states (Armenia, Azerbaijan and Belarus).

*'3 most recently acceding EU member states'*: the member states of the EU in South-East Europe (Bulgaria, Croatia and Romania).

*'Handbooks'*: *'Deepening EU-Georgian/ Moldovan/ Ukrainian Relations'*, of which 2<sup>nd</sup> editions were published in 2018, with 3<sup>rd</sup> editions forthcoming in 2021 (see Bibliography)

## Preface

*CEPS first published in 2018 a comparison of how the Balkan and Eastern European associated states fared in their progressive alignment on EU laws and norms.<sup>1</sup> This attracted considerable attention, notably because the detailed research showed that the two groups of states were becoming increasingly comparable in their alignment on the EU acquis.*

*A more recent suggestion that this work should be updated and deepened for its policy implications has led to this study. Andrius Kubilius MEP, former Prime Minister of Lithuania, in particular encouraged CEPS to do this, and the authors thank him for his stimulus and support.*

*Thanks are due to Margarita Minkova and Deborah Mulhearn for their editorial assistance.*

*Brussels, 25 February 2021*

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<sup>1</sup> Emerson, M. and G. Noutcheva, *Political and Economic Governance in the Balkans and Eastern Europe Compared*, CEPS Working Document, No. 2018/06, July 2018.

## Foreword

The EU created the Eastern Partnership (EaP) over a decade ago, opening up new possibilities for growth and investment for the six partner countries: Georgia, Moldova, Ukraine, Belarus, Armenia and Azerbaijan. In 2014, Georgia, Moldova and Ukraine, known as the EU-associated Trio, signed association agreements (AAs), which since then have helped them to advance further with governance reforms.

The AAs have provided for an ambitious and wide-ranging policy dialogue and cooperation with the EU, including deep and comprehensive free trade agreements that are the most advanced integration instruments of the EU to date. This courageous step by the EU has opened a new chapter in the relationship with our eastern neighbours, helping them to commit to comprehensive governance reforms as well as policy dialogue.

The EU East Neighbourhood region has seen more than a decade of conflict – Russia at war with Georgia, then with Ukraine, its eastern territories occupied, and Crimea annexed. The EU and the wider global community responded by developing a comprehensive strategy to assist reforms in Ukraine but fell short of wider-reaching policy proposals for deeper integration with the EU. Nonetheless, the most advanced countries of the EaP have embarked on a path of difficult and painful policy reforms in such sensitive sectors as justice, budgets, land, pensions, state-owned enterprises, education and social policy.

Despite both hidden and open wars with Russia and the continuous negative hybrid influences, illicit financial flows and corrupt practices inherited from Soviet times and coming from Putin's regime, the EU-associated Trio has achieved a lot. The exemplary progress of these countries has brought more stability and prosperity to the region. Moreover, in the first five years of association, the Trio has been able to catch up with the countries of the Western Balkans, which already had an EU membership perspective as a result of the resolute EU policy launched in the region nearly ten years ago.

Now, the EaP region is approaching a new wave of changes. Constant geopolitical shifts have culminated in the democratic changes we are observing in the eastern neighbourhood today. It is today that the EU must take the next brave geopolitical step. It is today, when the people in the EU's eastern neighbourhood – in the middle of the European continent – are demanding change, democracy and respect for human rights, starting with events in Belarus and Russia. It is today that our policy has to grow in ambition if the EU wants to remain geopolitical for the next decade.

This study, prepared by CEPS, brings us a comparative picture of progress among the Western Balkan and EaP EU associated countries. It reveals solid and converging similarities of development and achievements in the EU south-eastern and eastern neighbourhood region.

It raises new questions about EU policy convergence in the region. Are we ready to deploy EU Western Balkan integration instruments to the EaP countries that are ready to accept them? Will the EU be ready to respond in like manner and with the same policy instruments to the

two very similar converging groups of countries aspiring to the same strategic goal of EU membership? Now is the time to answer these questions.

This study reveals the essential similarities between these groups of countries and offers bold new ideas for how the EU can incentivise Trio countries further with EU instruments. Incentives, or benefits, are suggested that can work not only for the Western Balkan region, but also for the Trio of EU-associated countries. A range of models for building a New Momentum for closer association and integration with the EU or, as I call them, the EU antechamber membership models, is discussed, along with related conditions and policy benefits. The EU has a historic and geopolitical obligation to assist our partners on their path towards full membership of the EU.

The findings and recommendations in this study provide an opportunity for the EU, its institutions and technocrats working in Brussels, to remain geopolitical. A comprehensive long-term strategy for the Trio of EU-associated countries, compatible with the EU policy objectives applied to the Western Balkan countries, is strongly recommended.

I am grateful to CEPS and the authors of this study for their significant input into the strategic debate, not only on the future of the EaP, but also on the future of Europe. The study backs up its findings with comprehensive data and arguments; it brings back geopolitics and enriches discussion on the future of the EU eastern neighbourhood. It gives new perspective to a debate that for years has been too long, too technical and without vision.

The findings and recommendations return us to a central question of today's politics: will the EU have the courage to stay geopolitical and take the necessary next steps to support the emerging democracies in the eastern neighbourhood?

Let me assure you, we in the European Parliament are ready to play our part.

Andrius Kubilius, MEP  
Chair of the European Parliament Euronest PA Delegation  
European Parliament's Standing Rapporteur on Russia  
25 February 2021

## Summary and conclusions

**Why compare the Balkans and Eastern Europe?** There is both political and academic interest in comparing the development of the six states of the Western Balkans (the 'Balkan states' of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) with the three Eastern European states (Georgia, Moldova and Ukraine) that have Association Agreements (AAs) and Deep and Comprehensive Free Trade Areas (DCFTAs) with the EU.

- All have made 'European choices' strategically, even if the EU reciprocates with formal recognition of 'membership perspectives' only for the Balkans.
- There are important similarities in structure and content between on the one hand the Stabilisation and Association Agreements (SAAs) of the Balkan states when coupled with the 'chapters' of the pre-accession process, and on the other hand the AAs and DCFTAs with the three Eastern European states.
- There is further interest in bringing into the comparison the three newest EU member states of south-eastern Europe (Bulgaria Croatia, Romania), and as far as possible the three other states of the Eastern Partnership (EaP) (Armenia, Azerbaijan and Belarus).

**Methodology of comparisons.** The European Commission provides a comprehensive starting point with their annual reports on the enlargement process, where all 'chapters' (whether opened or not) are assessed and rated for all six Balkan states, with simpler implementation reports prepared for the AA states. Alongside this CEPS is responsible for a project that produces 'Handbooks' on the three EaP countries with AAs. These Handbooks follow the AAs' structure of chapters, and therefore also provide a basis for comparative ratings. In addition there are important sources of international ratings from the World Bank, EBRD, Energy Community, Council of Europe and various non-governmental organisations (NGOs) that help check and fill in gaps in the ratings of the Commission and CEPS sources.

**Results.** Whether or not they have been offered EU membership perspectives, the average ratings of the Balkan and AA states are now roughly at the same level in relation to the sum of political and economic criteria.

For political and legal criteria the Balkans are on average somewhat ahead of the AAs. However, over the past two decades the Balkans have mostly witnessed gradual declines in the quality of their democracies, while the AA states have been proceeding with ups and downs.

On the three sets of economic criteria taken together, the AA states are on average slightly ahead of the Balkans. This, however, combines superior levels of macroeconomic performance by the Balkans alongside significantly better economic policy scores by the AA states. This would seem to be because the DCFTAs and related economic policies have given a boost to the relative performance of the AA states, whereas the SAAs for the Balkans have been much thinner and less binding in content, and the more ambitious process of opening and closing the 35 chapters has been moving very slowly.



Since these averages conceal divergences within the two groups, it is also pertinent to take a closer look at individual country results aside from the group averages.

In the Balkans, Montenegro, North Macedonia and Serbia are performing best, followed by Albania, and then by a larger margin Bosnia and Kosovo. Among the AA states, Georgia scores most strongly due to its economic policy performance, despite poor ratings currently for its political institutions. The other two AA states, Ukraine and Moldova, score in-between the two Balkan groups, but are overall closer to the best-performing Balkan states rather than to the laggards, especially on the economic criteria.

As regards the other three EaP states, while Armenia has made notable democratic progress in recent years, Azerbaijan and Belarus remain outright authoritarian regimes (albeit challenged now in Belarus). Comparisons of relevant economic policies are limited by the absence of free trade or cooperation agreements with the EU, or even WTO membership in the case of Azerbaijan and Belarus.

Comparisons are also made with the three most recently acceding EU member states - Croatia, Bulgaria and Romania. In most respects they score more highly than the best performing of the Balkan or AA states. But this is not always the case. On curbing corruption, Georgia achieves a high standard comparable to the average of EU member states (well above the three most recently acceding member states), and on gender equality and educational attainment there are no overall differences between the three groups of the Balkans, the AA states and the three EU member states.

**Commonalities in EU policies and instruments.** There is an increasing tendency for the EU to apply the same policy instruments towards both the Balkan and AA states, going beyond the content of their respective AAs. This brings the advantages of enhancing inter-regional integration processes, encouraging the AA states, and making for greater policy transparency and economies of scale in administrative costs on the EU side. However, this has been a somewhat ad hoc process so far, and could be systematised into a common strategy.

**Myths and realities.** The substantial comparability of current policy realities between the Balkans and the AA states leads into policy issues of systemic significance, given that the status quo regimes are hardly considered satisfactory by the partner states. EU policy doctrines are no longer well adapted to realities. Ideas may be discussed for giving a New Momentum to the European integration of both the Balkan and the AA states, with partial and progressive institutional integration that would be conditionally open to all neighbouring states aiming for full integration with the EU. This is a suitable matter for the forthcoming Conference on the Future of Europe to address.

## 1. Why compare the Balkans and Eastern Europe?

The first and foremost reason is that the six Balkan states and the three AA states have all made the same strategic choice to integrate fully with the EU, and both groups are involved in processes that involve comprehensive adoption or approximation of EU laws and adherence to European values. This is why CEPS already undertook, three years ago, a first comparative study of the performance of the two regions.<sup>2</sup> The present study builds on this.

In addition, the wider Balkan or south-east European area includes the three most recently acceding member states of the EU (Croatia, Bulgaria and Romania) and these countries provide references that are also relevant in assessing the comparative performances.

The formal stance of the EU is that the two groups differ in that the Balkan states have been granted ‘membership perspectives’ and are engaged in various stages of the pre-accession process, whereas the EaP states, including the AA states, do not. However, this distinction is looking somewhat theoretical, since none of the Balkan states is realistically in sight of accession. Apart from the limited preparedness of these states for accession, the unpreparedness of the EU itself for further enlargement is manifest. While some member states, maybe many of them, sincerely want the enlargement process to advance, it is clear that there are major political obstacles in the views of others – in a process that requires unanimity. For example, several member states are committed or likely to subject the ratification of accession to approval by popular referenda, which today would seem unlikely to pass in France<sup>3</sup> or the Netherlands.<sup>4</sup> However, the de facto processes of gradual integration of the Balkan and AA states with the EU move on increasingly convergent lines. This is for both technical and political reasons. The subject matter is so extensive and complex that for the EU institutions the political and administrative processes need to be consistent and avoid unnecessary complications that could become sources of costly inefficiency and lack of clarity. The political factor is that the EU aims to extend its normative framework and mechanisms of economic integration to all the states of its neighbourly Eastern and south-eastern European regions that want this. This is to bolster the political stability of the partner states along the lines of European values.

While the comparisons between the Balkan and AA states are of course the most relevant, the other three EaP states (Armenia, Azerbaijan and Belarus) should not be neglected. This is because the EU wishes to sustain the principles of both ‘inclusiveness’ and ‘differentiation’ in its relations with the six EaP states. To include these states in comparative exercises can help clarify the extent of and limits to these two principles.

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<sup>2</sup> Emerson, M. and G. Noutcheva, op. cit.

<sup>3</sup> French law can also allow ratification by the parliament if both the upper and lower assemblies pass the same motion by 60% majorities.

<sup>4</sup> The Dutch ratification of just the Ukraine AA proved most problematic. It was ratified by the Senate in 2016, but only after an ‘advisory’ referendum had voted against, which the government judged, however, to be politically binding. Assurances through an ‘explanatory memorandum’ eventually allowed ratification to be completed.

## 2. The SAA and AA processes and chapters compared

At a first level for comparison stand the two sets of agreements between the EU and the two regions: the SAAs with the Balkans, and the AAs (including the DCFTAs) with three of the EaP states. Comparisons may be made between these two sets of Treaty texts, whose structures are very similar.

However, in the case of some of the SAA states the story is being overlaid by the ‘opening’ through to ‘closing’ of the 35 chapters of the pre-accession process, namely for the states that have been granted ‘candidate’ status adding to their membership perspectives. Only Montenegro and Serbia have so far advanced at all along these lines, although North Macedonia and Albania were granted candidate status in 2020 and should now advance with the opening of chapters under a procedure that has also recently been revised (see further below).

The AAs have no such opening and closing procedures, nor do the Commission’s annual implementation reports<sup>5</sup> contain formal rating assessments as they do for the Balkans (see next section). In practice, however, the AAs are much more comprehensive, detailed and legally precise than the SAAs. As a result, the signing of the AAs may be viewed in substance (if not in formal diplomatic terms) as comparable to a simultaneous opening of all the chapters under the pre-accession process, but without formal procedures for their closing.

The SAAs were signed in stages between 2001 and 2015, while all three AAs were signed in 2014 (see Table A).

The relative simplicity and lack of legally binding content of the SAAs, compared with the AAs, may be illustrated by the following example. In the Serbian SAA the technical barriers to trade (TBTs) are covered by the wording that Serbia “shall seek to promote the use of Community standards”, whereas the Moldovan AA has for the same heading an annex of 11 pages listing over 100 EU legal acts to be approximated within given time delays. This same picture is seen in many other chapters of the Serbian agreement, as also in the most recent SAA for Bosnia signed in 2015 (thus later than the three AAs), which uses much the same language.

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<sup>5</sup> See Bibliography.

Table A. Signature of SAAs and AAs

## Signature of SAAs and AAs



The AAs are therefore much more advanced and demanding than the SAAs. The conditions for the closing chapters in the pre-accession process come much closer to the AAs in that specific legal acts of the EU are laid down for compliance, thus defining closing benchmarks. However, this process of opening and closing chapters has been very slow and limited so far. Only Serbia and Montenegro have opened any chapters (30 for Montenegro and 18 for Serbia), and very few chapters have been provisionally closed (3 for Montenegro and 2 for Serbia). The closed chapters were for science and education in both cases, with external relations also for Montenegro, all of which are very light in legal commitments.

The EU decided in March 2020 to open negotiations for Albania and North Macedonia over enlargement, allowing the chapter-opening process to begin.

For Bosnia and Herzegovina the EU has laid down a long list of preconditions for the opening of negotiations.

For Kosovo the question of candidate status is not even mentioned in the latest Annual Report of October 2020.

Montenegro has conducted a detailed comparative survey of the stages of opening and closing chapters in the experience of Montenegro and Serbia, compared with Croatia before them.<sup>6</sup> Overall around 13 out of the 35 chapters see defined opening benchmarks in the cases of Montenegro and Serbia, most of which consist of presentation of strategy and action plan documents, and the remaining chapters having no opening benchmarks. The closing benchmarks are mainly about achieving compliance with EU law and the capacity to implement them. Some chapters, however, use language implying less than 100% compliance, such as achieving an 'advanced' or 'substantial' degree of compliance.

<sup>6</sup> 'EU Accession Negotiations: Analysis of benchmarks for Montenegro through comparison with Croatia and Serbia', Ministry of Economic Affairs, Podgorica, 2018.

The EU has recently adopted a new procedure for the sequencing of chapters, in response to concerns over the state of the pre-accession processes,<sup>7</sup> putting the 35 chapters into five ‘clusters’, as in Table B. The main ideas are that the cluster on ‘Fundamentals’ should be both opened first and closed last, and the several other clusters would group chapters into more structured sets and open them as whole clusters rather than as individual chapters. The stated intention of this innovation is to render the process more rigorous, prioritised and structured in its conditionalities. It is also intended to be more dynamic. However, it seems to beg the question whether the revised cluster approach might actually slow down the process by establishing more stringent conditions for proceeding from cluster to cluster, thereby lessening the pressure for action on chapters that appear in the later clusters.

*Table B. Clusters of negotiating chapters in the Enlargement negotiation process*

1. Fundamentals	23 - Judiciary and fundamental rights, 24 - Justice, Freedom and Security, Economic criteria, Functioning of democratic institutions Public administration reform, 5 - Public procurement, 18 - Statistics, 32 - Financial control
2. Internal Market	1 - Free movement of goods, 2 - Freedom of movement for workers, 3 - Right of establishment and freedom to provide services, 4 - Free movement of capital, 6 - Company law, 7 - Intellectual property law, 8 - Competition policy, 9 - Financial services, 28 - Consumer and health protection
3. Competitiveness and inclusive growth	10 - Information society and media, 16 - Taxation, 17 - Economic and monetary policy, 19 - Social policy and employment, 20 - Enterprise and industrial policy, 25 - Science and research, 26 - Education and culture, 29 - Customs union
4. Green agenda and sustainable connectivity	14 - Transport policy, 15 - Energy, 21 - Trans-European networks, 27 - Environment and climate change
5. Resources, agriculture and cohesion	11 - Agriculture and rural development, 12 - Food safety, veterinary and phytosanitary policy, 13 - Fisheries, 22 - Regional policy & coordination of structural instruments, 33 - Financial & budgetary provisions
6. External relations	30 - External relations, 31 - Foreign, security & defence policy

*Source: European Commission, '2020 Communication on EU enlargement policy', 6.10.2020, COM(2020) 660 final.*

Chapters 23 (Judiciary and Human rights) and 24 (Justice, Freedom and Security) are subject to special treatment, to be opened first and closed last, and subject to as many as 40 to 50 interim benchmarks for Montenegro and Serbia, and safeguard clauses. The details for these two chapters go beyond the commitments made in the AAs, although the broad objectives of the AAs for these chapters are comparable.

Comparing the opening and closing of chapters for the Balkan states with the AA process, in summary the picture is as follows.

- The AA states have gone faster and further than the Balkan states. The AA states in effect opened all chapters in one go in 2014, and with commitments going beyond the opening benchmarks for the pre-accession process. In the Balkans the process of opening chapters has so far begun only for Montenegro and Serbia and is an ongoing and extraordinarily laborious process of getting unanimous agreement in the EU Council even for the opening of various chapters.
- Compared to the closing benchmarks in the pre-accession process, the fulfilment of the approximation commitments in the AAs, mostly with implementation delays of between three and five years, would seem to be equivalent. It is notable that not all the closing benchmarks in the pre-accession process require 100% *acquis* compliance (contrasting with the European Economic Area where 100% is the standard) but allow for some qualitatively looser compliance ('substantial', etc). The closing of chapters also requires unanimity on the EU side.

### 3. Methodology of comparisons

There are two categories of sources for comparing the ratings and rankings of the states in question.

**International sources.** There are a considerable number of existing published international sources on different aspects of the political and economic performance of states. Many of these are well known and are based on worldwide surveys (such as Freedom House, Bertelsmann, World Bank, EBRD, and the World Justice Project, as detailed below). However, while often relevant for the present purposes, they generally do not aim for the specific comparisons of EU norms and laws that this study focuses on, and therefore can only serve as partial indicators.

**EU-based sources.** To get closer to the concerns addressed in this study, the first basic sources to look at are the annual reports of the European Commission on the progress of the pre-accession process of the six Balkan states.<sup>8</sup> As explained in more detail below, these reports are for most chapters making coded assessments of degrees of preparedness for membership, with summary language such as 'early', 'some', 'moderate' or 'good' preparedness in relation to the conditions for accession. For the purpose of comparisons this permits for this study translation of the summary wording into numerical ratings as follows:

0 = no preparation

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<sup>8</sup> 'Enlargement Package', European Commission, '2020 Communication on EU enlargement policy', 6.10.2020, COM(2020) 660 final.

- 0.5 = 'early' preparation
- 1 = 'some' preparation
- 2 = 'moderate' preparation
- 3 = 'good' preparation

For the AA states the Commission makes only simpler annual assessments in 'Association Implementation Reports'<sup>9</sup>, and these do not contain qualitative ratings as in the annual reports on the Balkans. However, in the work of a CEPS-led project on the three AAs it has been possible to make comparable assessments. Two successive editions of three Handbooks on the AAs of Georgia, Moldova and Ukraine were published in 2016 and 2018, with a third edition forthcoming in 2021.<sup>10</sup> The work already done for this third edition is used in the assessment set out later in this study.

In practice, the two categories of sources can be combined to some degree with the international sources, serving in various cases to supplement or check the EU-based sources. The international sources are most useful for the political chapters, for which neither the AAs nor the SAAs and enlargement process provide legally precise bases for approximation. For the chapters where the AAs stipulate in annexes the precise EU laws to be approximated, the Commission and Handbook sources are the most useful.

Care and caution are needed in interpreting apparent differences in assessments between the sources. Methodologies and definitions are diverse and are often not strictly comparable. Most sources are using the judgements of experts or opinion surveys to reduce complex matters to the brutal simplicity of qualitative or numerical ratings and rankings. One could debate endlessly and have reasonable subjective disagreements over many lines of assessment, and over the weightings used for their aggregation. The big picture may nonetheless become plausible through the structured assembly of the mass of information from the many sources, even if individual items may be debatable.

While the EU member states are on the whole setting a high standard for comparison it should not be forgotten that compliance within the EU is often far from perfect. The European Commission reports each year on the extent of infringements of EU law by individual member states, publishing extremely detailed information.<sup>11</sup> Infringement cases arising in 2019 for all member states numbered 797, and the outstanding stock of unresolved cases at the end of 2019 numbered 1,564. Of these, the newest member states recorded the following numbers of infringements in 2019: Bulgaria 74, Romania 64, and Croatia 28. The best-performing member state was Lithuania with 27 infringements, and the worst was Spain with 85. Some examples are given below in sectoral paragraphs.

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<sup>9</sup> See Bibliography, European Commission, Association Implementation Reports on Georgia, Moldova and Ukraine.

<sup>10</sup> *'Deepening EU-Georgian/Moldovan/Ukrainian Relations'* – see Bibliography.

<sup>11</sup> Commission Staff Working Document, Part II: Policy Areas, accompanying the 'Report from the Commission 2019 - Annual Report on Monitoring the Application of EU Law'.

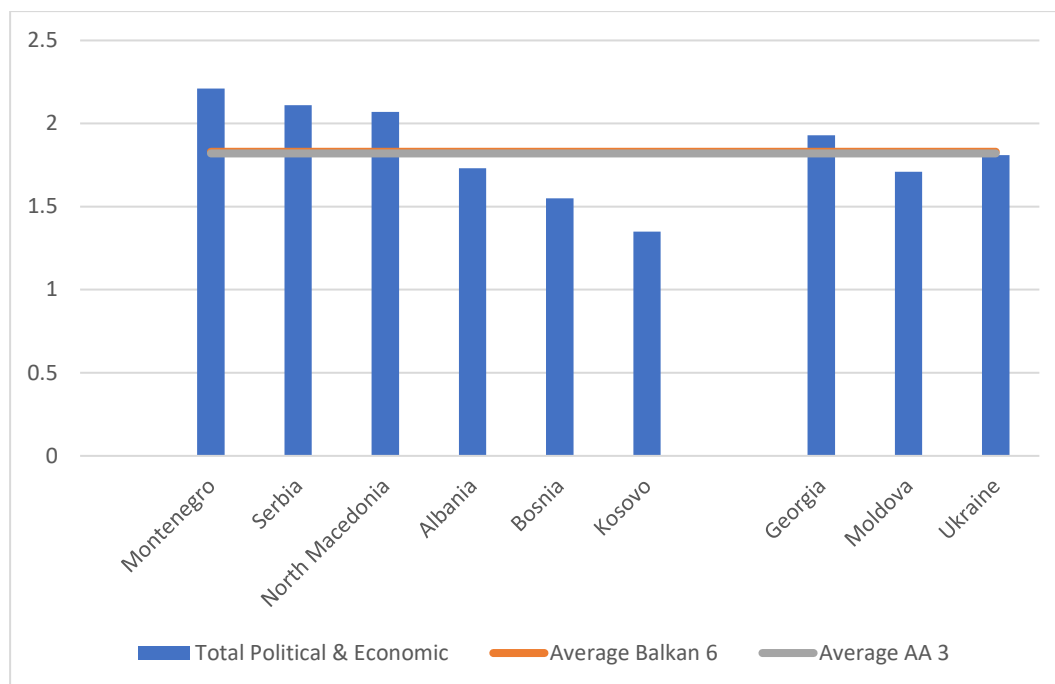
## 4. Review of major sources and their findings

### 4.1 Aggregate findings

The sources and findings are arranged here with three headings that follow roughly the structure of the SAA and AA texts, for political topics, trade policies issues, and other economic cooperation issues. To this is added the major criterion of macroeconomic performance (GDP per capita). The overall results are summarised in Figure 1 and Table C, with the detail in Table 17. As explained above, the diverse rating and ranking systems of the different sources are translated into single scales of 0 to 3 marks.

Despite the formal difference between the two groups in EU policy, notably because of the membership perspectives extended to the Balkans but not to the AA states, the average scores of the two groups are now roughly the same when political and economic criteria are aggregated. As detailed further below, the Balkans score a little better than the AAs on political criteria, while the AAs do better on economic criteria.

Figure 1. Total political and economic criteria



These averages of course conceal divergences within the two groups, especially for the Balkans, which see a rather big divide between three best-performing states (Montenegro, North Macedonia and Serbia), followed by Albania, and by a wider margin, Bosnia and Kosovo). Recent dynamics see Serbia and Montenegro doing less well, while North Macedonia and Albania have been improving, which is reflected in the EU's decision to grant the latter two candidate status.



The average score for the Balkans is notably depressed by the poor performances of Bosnia and Kosovo.

The AA states are closer together, with Georgia leading Ukraine and Moldova due to its better showing on economic policy criteria (recent adverse political developments in Georgia are reported later below).

These group averages may have limited significance, but should not be neglected, since at policy level the EU treats the two groups as regional entities, with distinct policy sets for each.

There is a significant difference in the relative ratings of the two groups within the three sub-categories of economic criteria. On basic macroeconomic performance (GDP per capita) the Balkans are on average significantly ahead of the AA states. However, for the two policy sets, for trade policies and other economic cooperation chapters, the reverse is evident, with the AAs/DCFTAs appearing to have brought more policy momentum to these chapters, compared with the SAAs and enlargement processes in the Balkans. For the Balkans their (mostly) longer-standing SAAs are much thinner and less binding in content than the AAs/DCFTAs, and the more ambitious process of opening and closing the 35 chapters has been moving very slowly, even in the most advanced cases of Serbia and Montenegro, and have not yet advanced at all in the other four.

At a more detailed sectoral level (as in Table 17) there are several sectors where one or more of the AA states score better than any of the Balkans, for example on corruption (Georgia), public procurement and services (Ukraine and Georgia), and civil society (all three).

As regards the three other EaP states – Armenia, Azerbaijan and Belarus – some comparisons can be made. Armenia has improved on political criteria over recent years, whereas Azerbaijan and Belarus are ‘off the map’ as outright autocracies, albeit now challenged in the case of Belarus. For Azerbaijan the gains recently made in the war over Nagorno Karabakh seem to reinforce the standing of the president, while Armenia seems headed towards political uncertainty. Economic policy criteria are hardly comparable, especially for Azerbaijan and Belarus, since they have no trade agreements with the EU and are not even WTO members. These limitations mean that these three countries cannot be covered in the complete set of comparisons as in Tables C and 17, but they are covered in as many as possible of the detailed tables in the statistical annex.

While Belarus is still an outright autocracy despite ongoing protests, it is to be noted that the country scores strongly on many of the measures other than the political and trade policy issues. In particular its GDP per capita level is higher than almost all Balkan and AA states, as it also does in the EBRD’s transition indicators, ease of doing business indicators, anti-corruption, and gender ratings. Its level of educational achievement is also higher than any Balkan or AA state.

Table C. Summary of political and economic governance ratings

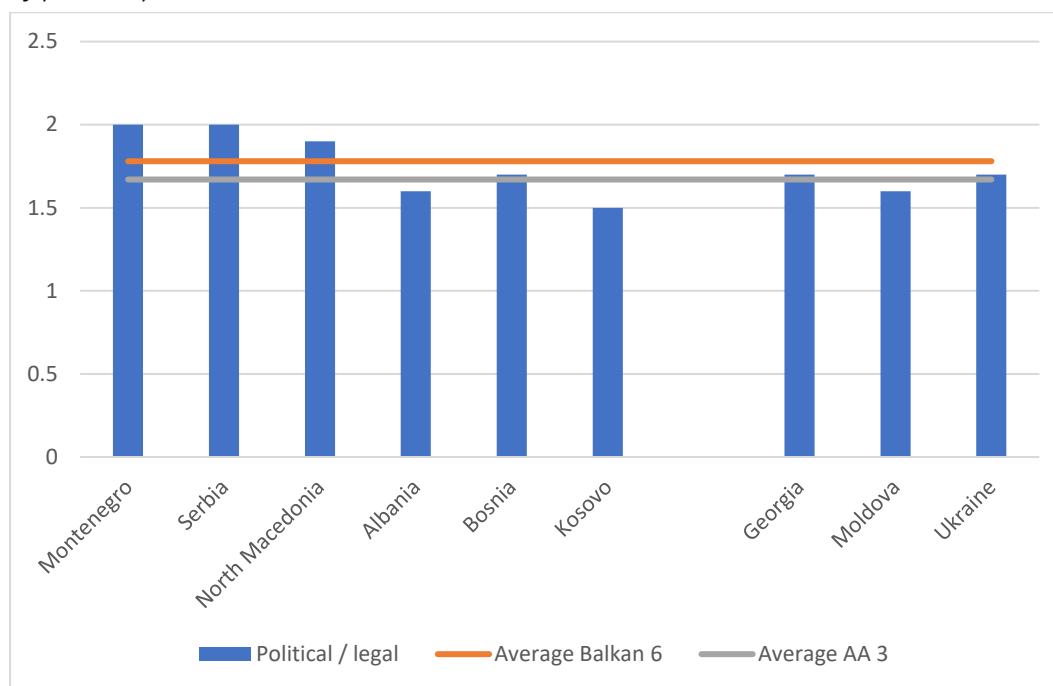
	Political /legal	Macroeconomic performance	Trade policies	Economic cooperation	Total Economic	Total Political & Economic
Montenegro	2.00	3.00	2.17	2.12	2.43	2.21
Serbia	2.00	2.26	2.28	2.13	2.22	2.11
North Macedonia	1.90	2.22	2.33	2.16	2.24	2.07
Albania	1.60	2.04	1.83	1.71	1.86	1.73
Bosnia	1.70	1.96	1.17	1.12	1.41	1.55
Kosovo	1.50	1.47	1.11	1.04	1.20	1.35
<b>Average Balkan 6</b>	<b>1.78</b>	<b>2.15</b>	<b>1.81</b>	<b>1.71</b>	<b>1.89</b>	<b>1.83</b>
Georgia	1.70	1.87	2.50	2.08	2.15	1.93
Moldova	1.60	1.68	1.89	1.88	1.82	1.71
Ukraine	1.70	1.66	2.06	1.80	1.92	1.81
<b>Average AA 3</b>	<b>1.67</b>	<b>1.74</b>	<b>2.15</b>	<b>1.96</b>	<b>1.96</b>	<b>1.82</b>

Note: The political ratings average 5 chapters, the trade policy ratings average 9 chapters, and the economic cooperation ratings average 12 chapters, as listed in Table 17. The macroeconomic performance is based on a single indicator of GDP per capita (ppp). The data are given here in full, with two decimal points, as a matter of transparency and consistency with Table 17, but they should be interpreted as only rough orders of magnitude, with no spurious implication of fine accuracy.

## 4.2 Political and legal issues

Five criteria are taken into account in the overall political and legal assessment, as they are bundled together in the initial parts ('Titles') of the agreements: electoral democracy, human rights, the rule of law, anti-corruption, and matters of visa policy and the movement of persons that are subject to political conditions. Overall for these five headings Montenegro, North Macedonia and Serbia are grouped together with relatively high ratings (Figure 2). This is notwithstanding deteriorating ratings for democracy in Serbia. For the three AA states it is necessary to look more closely at the components of this (as explained further below).

Figure 2. Political and legal (democracy, human rights, rule of law, anti-corruption, movement of persons)



**Democratic procedures and institutions.** Three well-known sources are Freedom House and the Economist Intelligence Unit (Table 1), and Bertelsmann (Table 2). We mainly follow the first two, since their definitions are closer for our purpose in assessing the quality of electoral processes, political pluralism and the functioning of government institutions.<sup>12</sup> However all of these sources are somewhat behind recent developments, and notably the important elections that took place late in 2020 in Georgia, Moldova and Ukraine, which are taken into account in our ratings. The recent local elections in Ukraine were on the whole correctly conducted, as were its major presidential and parliamentary elections in 2019, and as was also the November 2020 presidential election in Moldova. In Georgia, however, the October 2020 parliamentary elections were marked by allegations of serious irregularities, leading to the boycotting of the new parliament by opposition parties, following also the earlier large-scale (vote-buying) irregularities in the 2018 presidential election<sup>13</sup>. At the time of writing there are ongoing public protests over not only the conduct of the 2020 parliamentary elections, but also over the arrest of the opposition leader Nika Melia on 23 February 2021. For these reasons Georgia has now to be rated as a dysfunctional democracy<sup>14</sup>. Opposition parties push for renewed parliamentary elections, which if conducted according to correct standards could rehabilitate the situation.

<sup>12</sup> Freedom House, *Freedom in the World 2020*.

<sup>13</sup> In the case of Georgia,

<sup>14</sup> Note that for the precise criterion of 'electoral democracy', shown in Table 17, Georgia is currently ranked lowest of all Balkan and AA states.

The three newest EU member states (Croatia, Bulgaria and Romania) rank a significant step higher, whereas the authoritarian regimes of Azerbaijan and Belarus are unsurprisingly way down at the bottom.

The Bertelsmann table for democracy includes some elements that are either not relevant for the present purpose<sup>15</sup> or are covered under other separate headings (e.g. rule of law). However, it is valuable in providing a long time series (since 2006 in Table 2), from which it is apparent that the quality of democracy has been declining in the Balkans, but improving – albeit with ups and downs (especially in Georgia) – in the AA states.

**Human rights.** Here the Freedom House source is used (Table 1), and this rates the AA states on average somewhat lower than the Balkan average, but ahead of the weakest Balkan states (Bosnia and Kosovo). Again the three newest EU states are ranked a category higher, with Belarus and Azerbaijan way down at the bottom.

**Rule of law.** The World Justice Project, which is based on two parallel polls – opinion surveys and assessment of legal professions – is used as a first source<sup>16</sup> (Table 3). Here the picture is more differentiated, with Georgia scoring best alongside North Macedonia, with both ranking quite close to the three newest EU member states. Moldova and Ukraine for their part rank close to Serbia and Albania. In addition the Council of Europe collects extremely detailed data for assessing the efficiency and quality of justice in all its member states<sup>17</sup> (Table 4). From this it appears that the AA states perform on most scores better than the Balkans (notably over delays in disposition of cases), and even among the newest EU member states, with Croatia scoring very badly. Croatia has particularly serious problems in the disposition of justice (32% of cases still outstanding after two years). Within the Balkans, Serbia and Bosnia are also scoring very poorly. Georgia's rating has to combine two contradictory aspects, first its high ratings for the efficiency of the ordinary legal system (Council of Europe survey<sup>18</sup>), but second a succession of highly politicised court decisions affecting opposition personalities, among which the new Melia case referred to above is only the most recent of several.

**Anti-corruption.** The Corruption Perception Index of Transparency International is the primary source, which is itself a composite index combining 13 surveys<sup>19</sup> (Table 5). The results are also

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<sup>15</sup> Bertelsmann Stiftung, *'Transformation Index 2020'*. For example, the Bertelsmann Index includes 'stateness', which seems to evaluate the extent to which there are regions not controlled by the government, notably separatist regions in all three AA states. These are important realities, but not relevant for the purpose of present comparisons.

<sup>16</sup> World Justice Project, Rule of law Index 2020.

<sup>17</sup> Council of Europe, *'European Judicial Systems Efficiency and Quality of Justice'*, 2018 (2016 data), CEPEJ Studies No. 26.

<sup>18</sup> A detailed account of the judiciaries in the three AA states is forthcoming in S. Blockmans et al., *'Integrity and Judicial Reform on Trial'*, in M. Emerson et al., *'The Struggle for Good Governance in Eastern Europe'*, CEPS, 2<sup>nd</sup> edition, 2021.

<sup>19</sup> Transparency International, *'Corruption in the World'*.

quite divergent here, with Georgia scoring by far the best of all countries shown, including the three newest EU member states, with Moldova and Ukraine scoring the worst. The Balkans also see one good performer, namely Montenegro (on a similar level with Belarus). The averages of the Balkans and AA states turn out to be the same. The World Bank's Enterprise Survey (Table 6) gives a similar story on corruption ratings for a limited selection of countries, with Georgia confirmed as the top performer, and Albania and Ukraine at the bottom.

**Movement of people and visa liberalisation.** Data from European Commission's annual reports under the Visa Suspension Mechanism are used here<sup>20</sup> (Table 7). All the Balkan states (except Kosovo) and the three AA states have visa-free relations with the EU, subject to important conditions in the judicial and rule of law areas that are reviewed annually under the Visa Suspension Mechanism. The EU takes the precaution of reviewing the numbers of asylum requests (recognised and refused), and the numbers of people ordered to leave because of illegal stays. This is to provide a check against problems such as fake asylum requests, which is indeed a serious problem in the cases of Albania, Moldova and Georgia. Ukraine, however, sees a relatively modest number of asylum requests on a per capita basis, and its rate of compliance with orders to leave the country is high.

### 4.3 Macroeconomic performance

Here there is at first sight a puzzle. The basic measure for comparing macroeconomic performance is GDP per capita on a purchasing power parity (PPP) basis (Table 10). The AA states lies roughly between the best and least performing Balkan states, whereas their policy performance (as detailed in the next sections) seems to be better. For macroeconomic performance Table 8 takes as a norm \$20,000 per capita, which is roughly where Bulgaria stood in 2016 almost a decade after its accession to the EU. Only Montenegro currently surpasses this level, with Serbia and North Macedonia some way below this norm. The AA states are a further down by a significant margin.

There are possible reasons for this divergence between the results on the one hand for current macroeconomic performance, and on the other hand for economic policy performance. The two data sets are of course not comparing like for like. In principle though, better policies should induce better economic outcomes. However, the two may be out of step with each other for several reasons.

First is the question of time lags. The AAs/DCFTAs are quite recent and should not be expected to produce their full results for many more years.

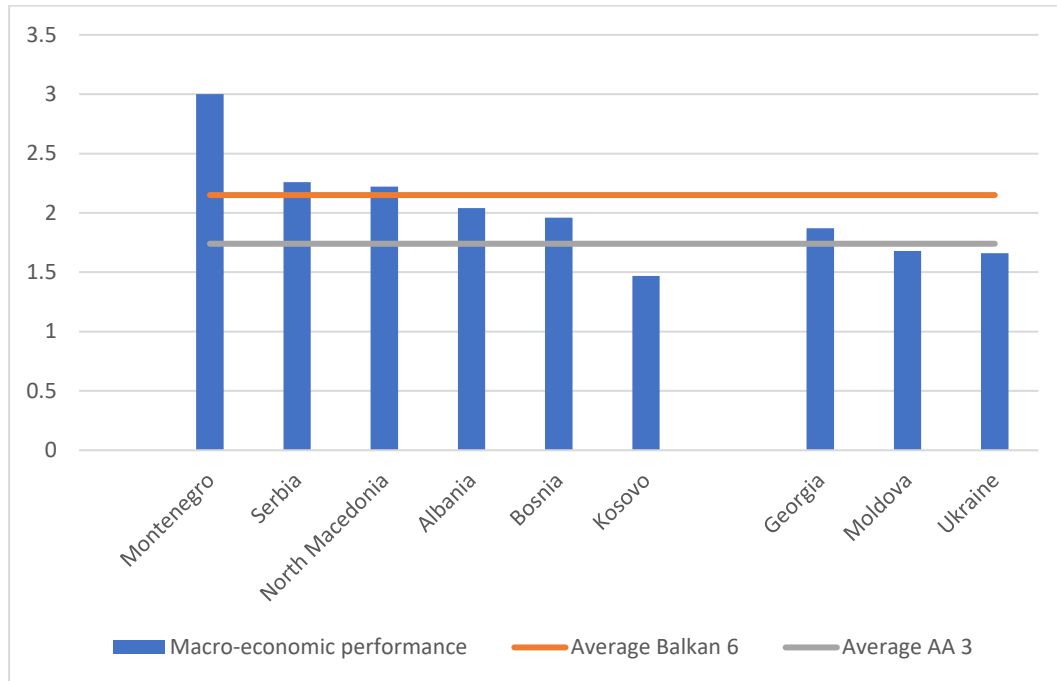
There is also an even longer time perspective, which may be important. The former Yugoslavia made serious moves in the direction of economic reform and liberalisation in the years and indeed decades before the end of the Communist period, whereas the Soviet Union remained unreformed and unreformable right up until its end. This may have left its legacy to this day, as

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<sup>20</sup> European Commission, 'Third Report under the Visa Suspension Mechanism', 10.7.2020 COM(2020) 325 final.

the former Soviet states had to virtually start from scratch, whereas the former Yugoslav states already had more of a market culture and reality.

Figure 3. Macroeconomic performance (GDP per capita, ppp, 2019)



There are also significant gaps between the post-Communist regimes beginning to seriously reform and reshape their economies. Georgia did not really begin until the Rose Revolution of 2003, and Ukraine still later, after the Euromaidan of 2014, since the Orange Revolution of 2004 hardly produced economic reform. The Ukraine–Poland comparison is especially striking. At the end of the Communist period Ukraine’s GDP per capita exceeded even that of Poland. But while Poland made rapid strides in economic reform and thence macroeconomic performance, Ukraine suffered huge transition losses and long delays in beginning economic reform. However, the early favourable comparison of Ukraine and Poland, around 1990 at the end of the Communist period, would seem to point to Ukraine’s potential for catching up.

Georgia and Ukraine have also suffered heavy war damages, in 2008 and from 2014 to the present respectively, although the Balkan states also suffered severe damage from their post-Yugoslav conflicts and disorders.

A further reason is that the EU policy set, which brings in a large range of economic policy instruments, is nonetheless only reflecting the EU’s limited economic competences. These are concentrated in the trade and market-related fields, and largely exclude other major blocks of policy, notably for taxation, public services and social security systems. The rationale of the EU-based policy set for present purposes is clear enough, since both the Balkans and AA states are pursuing the EU’s agenda. But this remains a reason for possible divergence between the results for the policy sets and the macroeconomic outcomes.

There are some checks that can be made with the aid of other surveys, notably those made by the World Bank and EBRD, which combine policy ratings with elements of economic performance. The World Bank's 'Ease of Doing Business' rankings<sup>21</sup> (Table 10) provides a perspective that reflects a broad range of policies, although these cannot be matched at all exactly with the policy lines assessed. Here Georgia and North Macedonia score outstandingly well, way ahead of all others, including even the three newest EU member states. This reflects the radical policies of regulatory reform and simplification in Georgia and North Macedonia from years ago. There is a middle performing group of countries that includes several Balkan states, Moldova and Ukraine, the three 'other' EaP states and the three newest EU member states. On average, according to this source, the AA states perform better than the Balkans.

The EBRD's transition indicators (Table 12) in principle show how far the policy set has moved towards advanced modern standards, although again it is not possible to match like for like exactly. The average assessments of the six main components of the EBRD index show the AA states to be performing on average a little less well than the Balkan average, although Georgia is up alongside the best of the Balkans, whereas Moldova and Ukraine are ahead of the least performing of the Balkans. Armenia is among the highest scoring states of all of the Balkans and Eastern Europe, followed by Belarus, whereas Azerbaijan scores poorly (alongside Kosovo). The three newest EU member states are significantly ahead of all the others. Georgia is ranked outstanding for 'good governance' by the EBRD.

#### 4.4 Trade policies

This covers primary trade policy measures such as tariffs and quantitative restrictions, the major non-tariff barriers, and other strongly trade-related chapters (Table 17). Here Georgia outranks the best of the Balkans owing to its extremely open trade policies for goods and services, and the efficient and de-corrupted policies described below. Moldova and Ukraine rank closely below the best performing Balkan states, but Bosnia and Kosovo are way behind (Figure 4).

**Trade liberalisation.** For the Balkans the SAAs provide for free trade, with elimination of almost all tariffs and quantitative restrictions after transitional periods that have ended for all except Kosovo (2026). The AAs, with their DCFTA component, similarly assure free trade. For Georgia there was no transition period. For Moldova and Ukraine transition periods for elimination of their tariffs have mostly ended, but Moldova retains tariff quotas on agri-food products, as does the EU with all three AA states). Ukraine retains longer-term protection for its automotive sector, and there are reciprocal anti-dumping duties and a trade dispute over a log export ban.

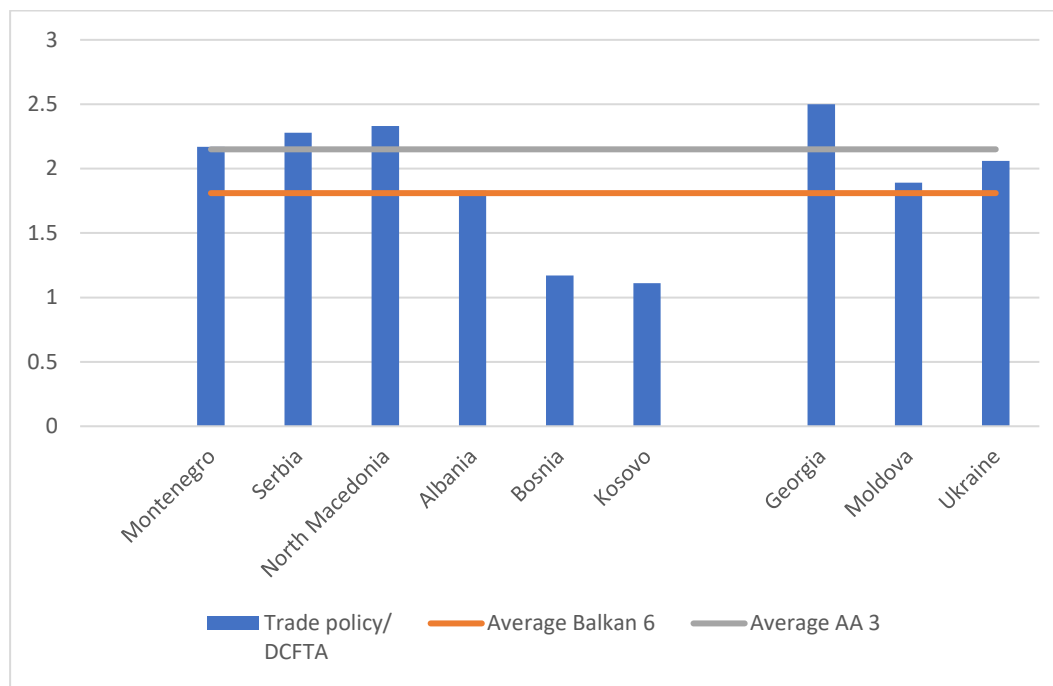
**Customs.** Most of the Balkan states are rated with moderate or good preparedness, but Bosnia is far behind. All three AA states are adopting the EU customs code, and Ukraine has made important customs reforms in the past year. However, border congestion and corruption are

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<sup>21</sup> World Bank, 'Doing Business 2020'.

still problems in both Moldova and Ukraine. Georgia has achieved high standards of efficiency and de-corruption in its customs services.

Figure 4. Trade policies



**Technical Barriers to Trade (TBT).** The Balkan states are moderately prepared in the cases of Montenegro, North Macedonia and Serbia, but with performance trailing in Albania, Bosnia and Kosovo. The three AAs have fully developed chapters for adopting the complex of EU legislation on technical product regulations and related standards adopted by the European standards organisations. Ukraine and Moldova are implementing comprehensive commitments, with Georgia taking a more cautious ‘gradual and best endeavours’ approach.

**Sanitary and phytosanitary regulations (SPS).** All three AA states have adopted SPS strategies and are in the course of implementing very large numbers of legal acts over a medium-term period. Georgia is roughly halfway into this, while Ukraine has made the most progress, notably for animal-based products, and both have made improvements in institutional arrangements for assuring their implementation. Moldova suffers more delays in both respects. The Commission’s assessments of the Balkan states range from good preparedness in North Macedonia to much less so in Bosnia.

**Services.** This paragraph essentially concerns the rights to establishment and cross-border supply of services, since the big regulated service sectors (financial, telecommunications, transport, etc.) are dealt with separately below. For the AAs the provisions are asymmetric in all three cases, in that while the EU retains around 200 reservations for specific branches or professions, Georgia, Moldova and Ukraine retain few, and in many branches none at all. In the



Balkans the frontrunners are assessed by the Commission to be moderately prepared, while Bosnia and Kosovo lag way behind.

**Public procurement.** Of the Balkans the best performing states are described by the Commission as being ‘broadly in line’ with EU law, whereas Bosnia is only ‘partly in line’. Of the AA states Georgia has been aligning its legislation on the EU *acquis* and its overall procurement system has been given top rankings in UN and EBRD comparisons. The EBRD has granted Ukraine’s online procurement system showcase status as an exceptional example of public e-procurement.<sup>22</sup> Moldova’s system advances, but with deficiencies yet.

**Intellectual property rights (IPR).** The best-performing Balkan states, Serbia and Montenegro, are assessed by the Commission as having reached a good level of preparation, although their legislation has some way to go for full harmonisation with the EU. For both Moldova and Ukraine, while their legislative frameworks have advanced, serious enforcement problems remain. In Georgia both legislation and enforcement has reached a considerably better level.

**Competition policy.** In the Balkans, Serbia for example has its legislative and institutional framework broadly in line with the EU, but enforcement capacity lags behind. Similarly Ukraine has largely aligned its legislation on the EU’s practice, but the enforcement capacity of the government agencies remains a challenge. In Moldova competition policy is improving in the legislative framework and enforcement, but only at a slow and uneven pace. Georgia has recently amended its legislation to get closer to EU norms, although it took far fewer commitments to approximate EU policies in its AA.

**Statistics.** The Balkans and the AAs make comparable commitments to adopt EU statistical methodology as defined in Eurostat’s ‘Statistical Requirements Compendium’. Four of the Balkans are assessed as reaching ‘moderate’ standard, with Bosnia and Kosovo lagging behind. Eurostat makes periodic ‘global assessments’ of the AA states’ statistical systems, and reported in 2019 that Moldova and Georgia comply with international and European standards to a significant extent, with an earlier report on Ukraine reporting good progress in aligning statistical output with Eurostat practice. The three AA states may therefore be ranked with the leading four Balkans.

## 4.5 Other economic cooperation issues

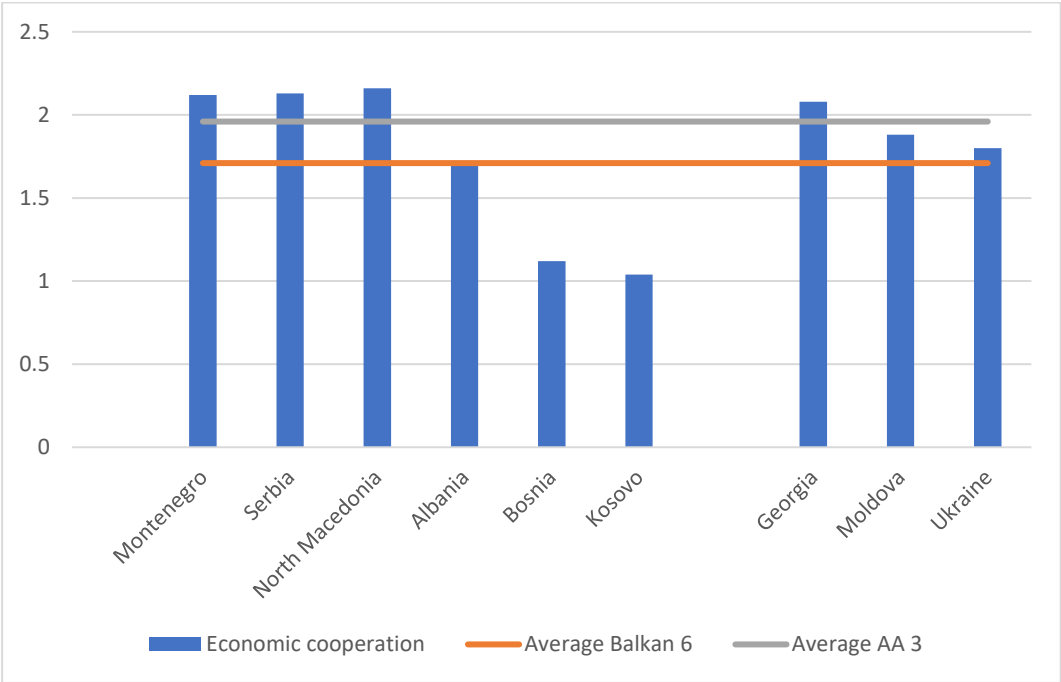
This covers a major part of the agreements with a large number of chapters, some of which are trade related (especially services), but other much less so. Our coverage here looks at 12 chapters, or a selection of the most important without being exhaustive. Here the AAs are rated on average ahead of the Balkans, whose score is depressed by the poor showing of Bosnia and Kosovo (Figure 5).

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<sup>22</sup> See <https://prozorro.gov.ua/en/about/achievements>

**Macroeconomic policies.** The EU has established several basic quantitative norms for budgetary and monetary policy. For budgets the deficit should not exceed 3% of GDP, and public debt should not exceed 60% of GDP, while there are also more complex refinements to these norms. For monetary policy the European Central Bank targets inflation to be around 2%. These norms are on the whole well respected by the Balkans and the three newest EU states (Table 9). However, the qualitative assessments of the Commission are that the policy systems in Bosnia and Kosovo are seriously deficient. The current budget deficits and public debt levels of the AA states are within the norms, but inflation rates are a little higher. All three AA states have high levels of external debt, and Ukraine and to lesser extent Moldova have had continuous difficulty in meeting IMF/EU loan conditions. The above data relate mostly to 2019, and while the impact of Covid-19 on budget deficits is now enormous, this may be disregarded for the purpose of this study, the EU having now temporarily suspended the budget norms. As already noted above, the ratings here are about policy settings, not about macroeconomic performance such as GDP per capita.

Figure 5. Economic cooperation sectors



**Financial markets.** With the exception of Kosovo, the Commission assesses the Balkan states to be moderately prepared. For example Serbia is in the course of adopting or preparing to adopt EU legislation on banking, insurance and securities markets, while the planning for the adoption of MIFID II rules is postponed until 2021. On the latter point it may be noted that as many as 11 EU member states are behind in their obligations to proceed with the MiFID II law on

securities markets.<sup>23</sup> Ukraine has an ambitious and comprehensive programme for financial sector modernisation anchored on EU legislation. Both Moldova and Ukraine have had to recover in recent years from major bank frauds of systemic importance, with nationalisation of failing banks, but without recovering the defrauded funds. The time horizons for full approximation of EU legislation stretches ahead for several years. Georgia has avoided major bank crises and approximates EU law gradually. Moody's credit ratings (Table 11) ranks Serbia as the best of the Balkan states alongside Georgia, Azerbaijan and Croatia, all in the category of 'speculative' credit risks. The rest of the Balkans and Eastern European states are all in the next lower category of 'highly speculative' credit risks.

**Transport.** In the Balkans Serbia is the most advanced with good preparedness reported, followed by Montenegro and North Macedonia with much work progressing. Albania, Bosnia and Kosovo lag behind. Georgia has the strategic objective of becoming a regional transport hub. It has a functioning air transport agreement with the EU and is in the course of approximating EU legislation in the fields of road freight, railways and international maritime transport, and with international road transport rules well advanced. Ukraine lags behind in its approximation commitments, and in Moldova there have been governance problems in the civil aviation, maritime and railway sectors.

**Energy.** The Energy Charter secretariat's latest annual report for 2020 provides detailed comparative data for both the Balkan and AA states for all sectors – electricity, gas, oil, renewables and energy efficiency.<sup>24</sup> This rates Montenegro, North Macedonia and Serbia as moderately prepared, as also Ukraine, which has adopted several key energy directives. Moldova makes progress in regulatory approximation, but is still far from full compliance, as also is Georgia. Full compliance in the energy sector is demanding, and even among EU member states the Commission reports non-compliance, especially by Croatia and Romania.<sup>25</sup>

**Environment.** The assessments of the Energy Community secretariat for the Balkans are more favourable than those of the Commission's annual reports. However, the former source provides strict comparability with the AA states, and for this reason its ratings, taking the average of 'environment' and 'climate', are followed here. Serbia, Montenegro, Albania and Ukraine are rated as moderately prepared, with Georgia and Moldova rated somewhat lower, facing as they do serious challenges with regard to air quality (Georgia) or waste management and drinkable water supply (Moldova). The Commission report states that Bulgaria, Croatia and 15 other member states are incorrectly transposing the revised Environmental Impact Assessment Directive.<sup>26</sup>

**Digital/cyber.** Most of the Balkan and AA states make moderate progress in this fast-changing and now hugely important sector covering telecommunications, data protection and IT

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<sup>23</sup> Commission Staff Working Document, Part II: Policy Areas, accompanying 'Report from the Commission 2019 - Annual Report on Monitoring the Application of EU Law'.

<sup>24</sup> Energy Community secretariat, 'Annual Implementation Report', 1 November 2019.

<sup>25</sup> European Commission Staff Working Document, Part II: Policy Areas, accompanying the 'Report from the Commission 2019 - Annual Report on Monitoring the Application of EU Law'.

<sup>26</sup> European Commission, op. cit.

services. In the Balkans Bosnia and Kosovo are, however, laggards. Georgia went beyond its commitment in its AA by approximating parts of EU laws on e-commerce, digital signatures (eIDAS) and data privacy (based on the new GDPR). Ukraine adopted the main law on electronic communications in December 2020 and has ambitious plans for online e-government by 2024. Moldova struggles with digitalising public services and e-governance at the regional level, which Georgia has done well. Georgia also scores an exceptionally high ranking on the Global Cybersecurity Index (GCI) of the International Telecommunications Union, at 18th place of 175 countries (see Table 15).

**Consumer protection.** Of the Balkans, the Commission assesses North Macedonia, Montenegro and Serbia to be moderately prepared, whereas Albania, Bosnia and Kosovo lag way behind. The AA states show an intermediate level of performance, with institutional and enforcement weaknesses in Moldova, and stalled progress in Ukraine.

**Company law.** The Commission assesses Montenegro, North Macedonia and Serbia to have reached a good state of preparedness in the area of company law and corporate accounting rules, although yet without complete adoption of the EU *acquis*. Of the AA states, while Ukraine has moved quite quickly in legislative approximation, Moldova has been falling behind schedule. Georgia has prepared a completely new company law, for adoption by the parliament by early 2021.

**Employment.** The Balkans presents a wide range of performance. In Serbia, for example, where labour law is only partly aligned on the EU *acquis*, preparedness is moderate, whereas Albania has a poorer rating according to the Commission, which cites poor social dialogue and implementation of safety regulations. In Ukraine there have been protracted delays over reforming the labour code. In Moldova most approximation commitments have been undertaken on time, except for work safety provisions. Georgia has been making many legislative advances, but safety provisions at work, especially in the mining sector, remain a weak point.

**Education.** The EU *acquis* in this field is very limited, with mainly broad references to the Bologna Process defining norms for educational systems. The Balkan and Eastern European states participate in certain EU programmes, including Erasmus, but only on a small scale. There are, however, international sources of data on comparative schooling standards, notably the OECD's 'PISA'<sup>27</sup> system, through which samples of 15 year-old students take standard examinations in reading, maths and science. This is done in countries willing to examine around 42 students from each of 150 schools (Table 15). The Commission's rating of the Balkan states is in line with the PISA findings. Of the countries here compared the highest grades go to Belarus, Croatia and Ukraine, followed by Montenegro and Moldova. The average of the AA states exceeds that of the Balkans, but with Georgia and Kosovo showing as weak performers in the respective groups.

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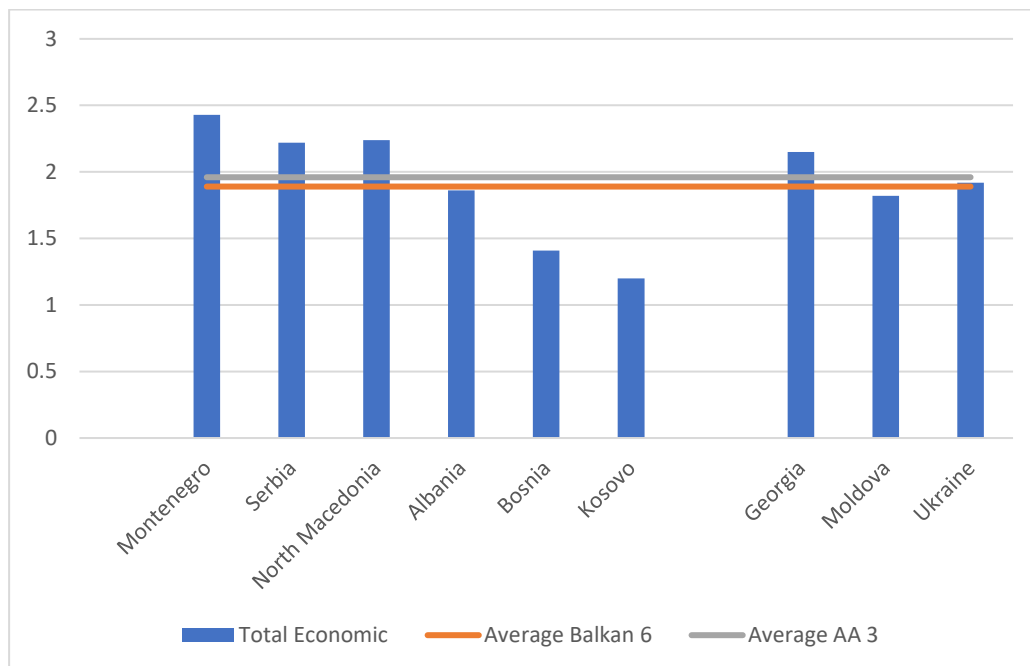
<sup>27</sup> OECD, 'Programme for International Student Assessment, PISA 2018'.

**Gender.** The EU sets high objectives for gender equality, on which the World Economic Forum produces thorough data<sup>28</sup> (Table 14). From this the AA states average essentially the same score as the Balkans, on a par also with the three newest EU states. Belarus ranks among the highest-scoring states alongside Albania, North Macedonia and Moldova, while Armenia and Azerbaijan are the weakest performers. Among the components of these aggregate scores, there is virtually complete gender equality in educational attainment (the overall quality of which is reported above) and public health. Differences emerge for economic participation, where the AA states perform significantly better than the Balkans, and on a par with the three newest EU states. All countries perform least well in terms of political participation, but the Balkans here do best, including in comparison with the three newest EU states.

**Civil society.** In all three AA states independent civil society and think tank organisations concerned with European issues are well developed professionally and able to perform significantly to the processes of policy analysis and advocacy, with Ukrainian civil society a particularly effective check and influence on government, as also in Moldova. In the Balkans there are more often limitations, including in Serbia where critical assessments of government policy are hazardous, and Montenegro, where their role is quite limited.

**Aggregating the economic criteria.** Finally the three economic sub-chapters can be aggregated, taking the averages of macroeconomic performance, trade policies and sectoral economic cooperation (Figure 6). Here the average of the AA states is a little higher than that of the Balkans. The three AA states are here relatively closely bunched together, whereas in the Balkans, Bosnia and Kosovo lag considerably behind.

Figure 6. Total economic criteria (macroeconomic performance, trade policies, and economic cooperation sectors)



<sup>28</sup> World Economic Forum, 'Global Gender Gap Report 2020'.

## 5. Commonalities of EU policies and instruments

The common structure and content of the chapters of the pre-accession process and of the AAs is the primary basis for comparability between the Balkan and AA groups. However, in addition there is a growing list of policy initiatives where the EU is bringing the two groups closer together, in some cases identically so.

A major example has been the enlargement of the Energy Community to the three AA states. The founding treaty was originally signed in 2005 for the Balkans, with a permanent secretariat established in Vienna. Subsequently the AA states acceded, Moldova and Ukraine in 2010, and Georgia in 2017. The Balkan and AA states share the same legal obligations and status in relation to common institutions (Council of ministers, and secretariat) and working procedures. The secretariat reports each year in detail on progress in compliance with the EU energy *acquis* (as used in the energy section above).<sup>29</sup>

The Central and South Eastern Europe Energy Connectivity (CESEC) initiative works to accelerate the integration of central, eastern and south-eastern European gas and electricity cross-border networks and markets.<sup>30</sup> This was initiated in 2015 by nine EU member states of these regions but was extended in 2017 to bring in all Energy Community states, thus including both the Balkans and the AA states.

A new initiative jointly led by the World Bank and the Commission is concerned with the conversion of ‘coal regions’ of central and south-eastern Europe and Ukraine. The project falls within the framework of a platform initiative for ‘Coal Regions in the Western Balkans and Ukraine,’ created in September 2019.<sup>31</sup> The platform builds on the experience of the European Commission’s initiative for ‘Coal Regions in Transition’.<sup>32</sup>

A Transport Community was established by the EU with the six Balkan states in 2017, covering road, rail, inland waterway and maritime transport modes as well as the development of transport networks.<sup>33</sup> It is limited to the Balkans but could follow the Energy Community model with a subsequent opening up to the AA states as well. The Transport Community treaty sets out lists of EU transport laws in annexes that are largely the same as the annexes of the AAs. Protocols define the content of first and second transitional periods for each Balkan state (without apparently specifying timeframes). In this respect the Transport Community actually seems to lag behind the AAs, which do specify the time delays for the implementation of each

<sup>29</sup> Energy Community secretariat, op. cit.

<sup>30</sup> See [https://ec.europa.eu/energy/topics/infrastructure/high-level-groups/central-and-south-eastern-europe-energy-connectivity\\_en](https://ec.europa.eu/energy/topics/infrastructure/high-level-groups/central-and-south-eastern-europe-energy-connectivity_en)

<sup>31</sup> See <https://www.worldbank.org/en/topic/extractiveindustries/brief/platform-in-support-of-coal-regions-in-transition-western-balkans-and-ukraine>

<sup>32</sup> See [https://ec.europa.eu/energy/topics/oil-gas-and-coal/eu-coal-regions\\_en?redir=1](https://ec.europa.eu/energy/topics/oil-gas-and-coal/eu-coal-regions_en?redir=1)

<sup>33</sup> See <https://www.transport-community.org>

act. The Transport Community is concerned with generating synergies between the transport policy *acquis* and the Trans-European Transport (TEN-T) infrastructure networks, in which the AA states also participate. The Common European Aviation Area and Single European Sky/Eurocontrol are apart from the Transport Community and open to both Balkan and AA states.

The EU adopts similar rules for the Balkans and the AA states for becoming full or associate participants in numerous EU agencies and programmes. For example, in the case of the Creative Europe programme the six Balkan states participate ‘fully’, whereas the AA states participate ‘partially’. The EU’s ‘Europe for Citizens Programme 2014-2020’ has been open to the Balkans, but not so far to the AAs.

The general rule is that full participation is conditional on compliance with the EU regulatory *acquis* where relevant. In some instances membership rules do not seem to be up to date with AA realities. Examples are seen in the European Committee for Standardisation (CEN) and European Committee for Electrotechnical Standardisation (CENELEC) standards organisations, of which North Macedonia and Serbia are full members, while Albania, Bosnia and Montenegro are affiliates and the AA states merely ‘companions’.<sup>34</sup>

The most recent initiative bringing together the Balkans and Eastern European partners is a package of measures to respond to the Covid-19 pandemic. This consists of grants to supply direct medical assistance and macroeconomic loans to help overcome economic damages. The grants go to all Balkan and EaP states, and the macroeconomic loans only to the AA states. A next stage in this process concerns the sharing of vaccines by the EU with its close neighbours, as already decided in principle for the Balkans. On 6 January 2021 sixteen EU foreign ministers<sup>35</sup> wrote to the EU institutions advocating that EaP states should also be included in such assistance (no decision by the EU is known at the time of writing).

In October 2020 the Commission published ‘*An Economic and Investment Plan for the Western Balkans*’,<sup>36</sup> which relies on the same instruments of policy and funding (including the EIB and EBRD) as are employed in the AA states. An accompanying paper is a Commission staff working paper on ‘*Guidelines for the Implementation of the Green Agenda for the Western Balkans*’. A supporting mechanism is the *Western Balkans Investment Framework (WBIF)*,<sup>37</sup> which coordinates funding and technical assistance from the EU, EIB, EBRD and 20 national bilateral

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<sup>34</sup> The internal rules of CEN and CENELEC say that a candidate for membership should be from a state that has at least a target date for accession to the EU or EFTA, which is not the case for Serbia or North Macedonia, whereas Moldova and Ukraine seem to be at least as advanced if not ahead in adopting European legislation and standards. The AA states have only ‘companion’ status, which is a weak form of association shared by various non-European countries.

<sup>35</sup> Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Sweden.

<sup>36</sup> European Commission, ‘*An Economic and Investment Plan for the Western Balkans*’.

<sup>37</sup> See <https://wbif.eu>

donors (mainly EU member states, but also Norway and Canada). The Western Balkans plus Turkey also share with the Commission an *Annual Economic Policy Dialogue*,<sup>38</sup> with the participation of EU member states, the European Commission, and the European Central Bank. These initiatives could either be opened to include the AA states or replicated with them. The Commission should, as with the Balkans, offer help in supervising the implementation of large infrastructure projects in cooperation with the EIB and EBRD.

The Commission's Support Group for Ukraine (SGUA) proves to be a valuable initiative for driving forward the reform processes and could be extended to other states in either the SAA or AA regions.

For example Ukraine has expressed keen interest in joining the Green Deal and the Digital Single Market. Georgia and Moldova seem to be heading in the same direction. In both cases there is a strong case for developing coherence in the policy models aimed at the Balkans and AA states.

The development of these various initiatives seems to have been a somewhat ad hoc process, but it could now be systematised. A simple administrative step would be for the Commission to adopt the same methodology more precisely in its regular annual progress reports of SAA and AA states. More substantially the ad hoc commonalities in deployment of policy instruments could be upgraded into a common strategy of the European integration of both regions.

The general rationale for building further on these developments as a matter of deliberate policy orientation would be:

- promoting inter-regional integration between eastern and south-eastern Europe, as well for each region with the EU,
- achieving for the EU institutions economies of scale in administrative burdens and enhancing simplicity and transparency in complex policy matters,
- politically serving as encouragement for the AA states, and for the EU as a means to consolidate and strengthen the outreach of its policies and values in both eastern and south-eastern Europe.

The successive development of the Energy and Transport Communities is reminiscent in some respects of the early days of European integration, when the European Coal and Steel Community (ECSC), Euratom and the European Economic Community (EEC) started out separately but were merged in 1967 into the 'European Communities' (EC). This prompts a longer-term question as to whether this could lead to a more deliberate institutionalisation of the multiple common activities of Balkan and AA groups. The point is that systemic initiatives

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<sup>38</sup> See <https://www.consilium.europa.eu/en/press/press-releases/2020/05/19/western-balkans-and-turkey-joint-conclusions-of-the-economic-and-financial-dialogue-of-19-may-2020/#>



may often be feasible politically sector by sector, and step by step, with synergies from their integration to be harvested later.

## 6. Myths and realities

### 6.1 The unsatisfactory status quo

The EU has invested heavily in the two separate processes of enlargement and neighbourhood policy. Official texts and diplomatic discourse are locked into both. Yet concrete realities are so far removed from doctrines that the latter are becoming somewhat mythological.

The enlargement process has continued to run along the lines of formal procedures for the recognition of membership perspectives as a first step, and so on to candidate status and the opening and closing of chapters. However, as pointed out above, the process of opening and closing of chapters has become painfully dysfunctional, as illustrated by the Kafkaesque requirement for both the opening and closing of each of the 35 chapters to be subject to the unanimity of the 27 member states.<sup>39</sup> Realistic prospects of enlargement remain very remote, for reasons that only partly reflect the incomplete political and economic preparedness of the applicants. There are also several reasons internal to the EU and the perceptions of member states.

One is the concern that there could be further big surges of immigration, bearing in mind that the 2004 enlargement led to much greater than expected immigration, especially from the Baltic states and Poland, in the first years after accession, although this later stabilised. This concern has so far only been met with fixed numbers of years of transitional delay. An alternative method could be to set a threshold minimum level of salaries before completely free movement of labour is granted.

Another concern is the potential budgetary burden of bringing in many relatively low-income countries. While the six Balkan states plus Georgia and Moldova add up to little more than Romania in population size and therefore implicit budgetary cost, Ukraine alone is double that. As a rough guide to budgetary implications of hypothetical further enlargements, taking Romanian and Bulgarian budgetary receipts under the 2021-27 Multiannual Financial Framework (MFF) as a benchmark of 100, the Balkan states under the same MFF are due to receive 30% on a per capita basis through their pre-accession funding, and the AA states 8% through the Neighbourhood, Development and International Cooperation Instrument.<sup>40</sup> However, these figures may give an exaggerated impression of the cost of admitting low-income states, since the new MFF already sets a ceiling of 2.85% of Gross National Income for

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<sup>39</sup> The opening of a chapter for North Macedonia is currently blocked by Bulgaria for reasons unconnected with the enlargement process.

<sup>40</sup> MFF commitments for Romania are €26.8 billion, for Bulgaria €8.9 billion, for the Balkans €7.3 billion, and for the AA states €5.7 billion (i.e. one third of €17.2 billion for both east and south neighbourhoods together), [https://ec.europa.eu/commission/future-europe/eu-budget-future\\_en](https://ec.europa.eu/commission/future-europe/eu-budget-future_en).

receipts from the structural funds, and there could be a system of ceilings that would be lifted progressively in stages.<sup>41</sup>

Some member states are also sensitive to the argument that enlargement into Eastern Europe would further aggravate relations with Russia, although this is far from a consensus view.

The biggest concern would seem to be for the future functionality of the EU's legal and political order with the hypothetical extension of membership to many more small and fragile states. The number of voices around the Council's table is one aspect. Even if qualified majority voting is applied for much EU legislation,<sup>42</sup> in practice the Council still largely operates on a consensus basis, and in addition foreign policy decisions formally require unanimity.

Especially serious has been the experience of the enlargements of the 2000s into central and south-eastern Europe, which has shown that accession did not lock all the acceding states fully irreversibly into the 'Europeanisation' model. This has been seen in the serious tensions between the EU and two of its member states (Hungary and Poland) over the rule of law and independence of the judiciary. Less dramatically, Bulgaria's political system also continues to function in ways that if correctly forecast would have disqualified its accession.

If these serious problems have arisen with acceding states of central and south-eastern Europe, what prudent expectations should be held with regard to Balkan states that have even more fragile democracies? Ways have been found within the EU to accommodate different degrees of compliance with EU norms, including the gradual and conditional access for member states to the eurozone and Schengen system, the emerging defence arrangements (PESCO),<sup>43</sup> and possible use of the Enhanced Cooperation provisions under Article 20 of the Lisbon Treaty. But these provisions do not detract from the fact that membership entails full rights and obligations in relation to the EU's core legal and decision-making order.

For these and other reasons it is likely that in the hypothesis of new acts of accession being presented for ratification, this would in current conditions fail in a number of countries. The position of France is most explicit in the statements of President Macron, who says that further enlargement would be unacceptable without prior systemic development of the EU.

The neighbourhood policy, and notably its EaP, also has aspects that move into the mythological category, with its current doctrine stressing the need to define at its next

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<sup>41</sup> See point 47 of the Council Conclusions at <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>.

<sup>42</sup> Article 16.4 of the Treaty on European Union reads: "... a qualified majority shall be defined as at least 55% of the members of the Council, comprising at least fifteen of them and representing Member States comprising at least 65% of the population of the Union."

<sup>43</sup> Blockmans S. and D.M Crosson, '*Differentiated integration within PESCO - clusters and convergence in EU defence*', CEPS Research Report No. 2019/04, December 2019.

summit<sup>44</sup> an updated set of ‘deliverables’ presented ambiguously as if for all six partner states. There is in practice the important differentiation between the three AA states, which lead to integration with EU policies as far-reaching as for the Balkans. However, proposals by the three AA states for enhancing the status of their relations with the EU, taking into account their European aspirations, were mostly ignored, and limited in practice to annual DCFTA ministerials on matters of trade policy. The latest position of the three associated states is to propose: *“Expanding the agenda of dialogue between the European Commission and the three Associated Partners to new thematic areas for an enhanced cooperation, such as transport, energy, digital transformation, green economy, justice and home affairs, strategic communications, healthcare.”*<sup>45</sup>

The EU’s refusal so far to further develop the EU+3 method seems to be counterproductive, being clearly discouraging for the AA states, without visibly motivating the other three EaP states. On the contrary, clearer progress in the relationship with the three associated states would show to the other three what they miss. At present Belarus and Azerbaijan are outright authoritarian regimes with no interest in European integration. Although the current uprising in Belarus aims for democratic freedoms, there is no pro-European content to this movement, and no wish to be anti-Russian, or to quit the Eurasian Economic Union. Only Armenia is a borderline case, which, having negotiated an AA with the EU, was pressured by the Kremlin to renege on this, surely with the aid of security provisions. This, however, failed to avert the recent war and territorial reconquest by Azerbaijan. If Armenia, now more isolated than ever, wished to move closer to an AA relationship with the EU in the future, this could be welcomed.

## 6.2 Ideas for a New Momentum

If both Balkan and AA regimes are now locked into unsatisfactory conditions, what options can be imagined as a better way ahead? In principle the EU could innovate in its institutional system for both Balkan and AA states in the direction of a better constructed multi-tier EU, or to adopt a more neutral term, an EU of ‘differentiated integration’ (i.e. a Union that can accommodate member states with different extents of participation in various policies and institutional arrangements, or different speeds of accession to them). This broad topic has been on the agenda for many years, most explicitly since the Schaeuble-Lamers document of 1994,<sup>46</sup> with an up-to-date academic synthesis by Schimmelfennig in 2019.<sup>47</sup> However, the debate has so far mainly addressed the case of differentiation among existing EU member states. This was understandable for the situation in which the progressive enlargement of the EU was supposed

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<sup>44</sup> Scheduled for March 2021 but postponed until conditions are met for a ‘physical’ rather than virtual meeting.

<sup>45</sup> *‘Joint letter’* to the EU institutions and Member States by the ministers for foreign affairs of Georgia, Moldova and Ukraine, 1 February 2021.

<sup>46</sup> Schaeuble W. and K. Lamers, *‘Reflections on European Policy’*, CDU/CSU Group at the Bundestag, 1994.

<sup>47</sup> Schimmelfennig F., *‘Is differentiation the future of European integration?’*, in Bjorn Fagesten & Goran von Sydlow, eds., *‘Perspectives on the Future of the EU’*, SIEPS, April 2019.

to be proceeding adequately along the lines of its established track, and before new aspirations for EU membership emerged in Eastern Europe.

The question now is whether the idea of ‘differentiated integration’ might be adapted to embrace those states wishing to integrate into the EU and willing to adopt or approximate much EU law – while today their prospects of full accession remain far in the future. All the states that express European choices and aspirations deserve an encouraging and politically sustainable response, which is also in the EU’s own strategic interests for regions where Russia, China and Turkey are all ready to insert themselves more substantially at the expense of the EU.

The EU of differentiated integration would be based on the idea of a dynamic integration prospect, ranging from a rather ‘soft’ form of membership with limited or partial institutional participation through to ultimately full membership.<sup>48</sup>

How to do this is a proper task for the imminent Conference on the Future of Europe. While it is beyond the scope of the present study to make a full proposal, a few ideas can be advanced to at least open up the debate. Two decades ago, when the idea of a neighbourhood policy began to take shape, Romano Prodi, President of the European Commission (1999-2004), advocated a system of inclusion in ‘everything but the institutions’. Here the idea would be to aim for full functional integration together with a progressive integration into the institutions.

The ideas that follow are consistent with the *Joint letter* of Georgia, Moldova and Ukraine to the EU and its member states on how to advance, which concluded with an appeal for a “*new, strategic, long-term vision*” for their European integration.<sup>49</sup>

There could be a restructuring of enlargement and neighbourhood policies along the following lines, open to all European states that confirm their European choice and membership aspirations and are already willing to adopt or approximate EU law.

***Policy and programmatic content.*** More precise provisions would include the following:

- full access to the internal market on condition of implementing the EU *acquis*, subject only to exceptions agreed to be justified by circumstances,<sup>50</sup>

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<sup>48</sup> Similar ideas have been sketched by Barbara Lippert in “*The EU after Brexit: Renewed Debate about Enlargement and Deepening*”, SWP Comment, No. 12, February 2021.

<sup>49</sup> *Joint letter*, op.cit.

<sup>50</sup> Freedom of movement of labour could be limited to when GDP per capita reached a certain threshold level, so as to avoid depopulation and excessive brain drain. Another example is the highly complex MiFID II financial regulation, which is designed for advanced financial markets in derivative products.

- accession to the EU's several sectoral de facto 'unions', of which the Customs Union, Energy Union, Banking Union, and the Digital (Single Market) Union are examples that involve all member states,
- participation in EU policies that have more limited membership on satisfaction of relevant conditions, on a non-voting basis and that could concern the euro,<sup>51</sup> Schengen, and PESCO defence arrangements,
- application of structural funds, subject to caps in % shares of GDP, with a build-up towards full allocation dependent on conditions.

*Partial and progressive participation in the EU institutions.* All the EU institutions would be open to participation, but some on a progressive basis, subject to specific arrangements and conditions, namely:

- non-voting status in the EU Council, with enhanced procedures for dialogue over proposed legislation until full membership is achieved, building initially on the proposals for sectoral policy dialogues of the *Joint letter*, and dialogue arrangements over the agenda of European Council meetings,
- elected MEPs, initially without a vote, but given that the Parliament functions entirely on the basis of simple majority voting, there could be full voting members earlier than in the Council,
- representation at the level of Members of the Commission would not be appropriate pending the long ongoing debate about reducing their number, unless for example agreement were reached for Commissioners to represent constituencies of member states,<sup>52</sup>
- eligibility for staff employment in the EU institutions,
- full participation in the Economic and Social Committee, and Committee of the Regions
- participation in EU agencies and programmes would be conditional on compliance with the relevant EU *acquis*, extending current practice,
- access to the EU's diplomatic network, including its Delegations in third countries.
- while a full introduction of these initiatives would require on the EU side changes to the Lisbon Treaty, maybe following the Conference referred to above, there could be earlier

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<sup>51</sup> Note that the euro is de facto currency for Montenegro and Kosovo, without, however, institutional presence at the European Central Bank or access to its intervention policies. Norway, Switzerland and Iceland are part of the Schengen area.

<sup>52</sup> Such as the practice at the governing bodies of the IMF and World Bank.

informal arrangements, as illustrated by the proposal in the *Joint Letter* for sectoral policy dialogues with the Council, with variations possible for other institutions.

**Conditionality.** For implementation of the above proposals, there would be a transparent system of conditionality. To make this conventional idea more operational and credible, there could be a more formal use of the rating system already being used by the Commission in its annual reports on the Balkan states, and as adapted in the present study. For example:

- for full access to the internal market, to sectoral ‘unions’, or specific policies (e.g. Schengen) the conditions would be compliance with the given sector’s *acquis*, and this could develop in an evolutionary manner on the basis of current tendencies and ideas,
- for entering into a system of graduated access to the institutions, there could be benchmark average rating to be achieved for the political, legal and economic policy chapters, with none to fall below a minimum rating,<sup>53</sup>
- election of MEPs and granting of voting rights would be conditional on notably high ratings for political and rule of law criteria,
- for a final advance in institutional membership, with the granting of voting rights at the Council, the EU itself would have had to move to a more advanced political order, including a more complete application of the qualified majority voting rule.<sup>54</sup>

A key quality of this system would be to better order the incentive structure for the acceding states. The conditionality system would also be reversible. For example, if the political conditions for participating in the European Parliament ceased to be met, the voting rights of MEPs could be withdrawn.

These provisions would avoid the serious defect in the present enlargement process, where the opening and closing of chapters has become subject to non-transparent deliberations, which while in principle depend on the candidate state’s performance, have also appeared to serve as a means for some member states to express their broader political reservations towards the enlargement process.

**Final considerations – a New Momentum for the European integration of aspiring states.** The main idea is to open up debate in the search for a better way ahead for the European integration ambitions of the Balkan and associated Eastern European states. As regards the functional policies of the EU there is already momentum behind their increasing application to

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<sup>53</sup> Using, for example, the methodology developed in this study, based on that applied by the European Commission for the Balkan states.

<sup>54</sup> This would seem to correspond to what President Macron has been outlining.

both groups of states, dependent on compliance with EU laws and norms. This concerns the internal market, several key sectoral policies and ‘unions’, as well as initiatives in the fields of foreign and security policy, and justice and home affairs. In this way the practical advantages of virtually all EU policies can be conditionally extended to these states. What is missing so far are constructive ideas for their progressive participation in the institutions of the EU, graduated realistically according to the difficulties that this may pose.

The review above shows that with goodwill, there could be possibilities that, without harming the functioning of the EU’s decision-making system, would represent a highly welcome political signal to the states in question, helping legitimise politically their compliance with EU legislation. The practical modalities of these ideas should be further elaborated in greater depth, and maybe with a wider range of options, in a separate study. The present study nevertheless shows that the structures of the EU have remarkable potential for their progressive application to countries aspiring to full membership. The road may be a long one for reasons that both the EU itself and the aspiring states would be responsible. However, the elements exist to devise a schema that would offer to the aspiring states the kind of strategic incentives and vision that are presently lacking. Formal proposals should be elaborated (as mentioned above) at the forthcoming Conference on the Future of Europe.

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## Statistical Annex

*Table 1. Democracy indicators of the Freedom House (FH) and the Economist Intelligence Unit (EIU), 2020*

	FH Political rights	FH Civil liberties	EIU
North Macedonia	22	39	5.89
Montenegro	22	40	5.72
Serbia	23	43	6.22
Albania	27	40	6.08
Bosnia	19	34	4.84
Kosovo	25	31	-
<i>Average Balkan 6</i>	<i>23</i>	<i>38</i>	
Georgia	24	37	5.31
Moldova	26	34	5.78
Ukraine	27	35	5.81
<i>Average 3 AAs</i>	<i>26</i>	<i>35</i>	
Armenia	21	32	5.36
Azerbaijan	2	8	2.68
Belarus	5	14	2.59
Croatia	36	49	6.50
Bulgaria	34	46	6.71
Romania	35	48	6.40

Source: Freedom House, 'Freedom in the World, 2020'. EIU, 'Democracy Index, 2020'

Key: for Political rights the range is from 0 to 40, and for Civil liberties from 0 to 60. Political rights cover: 1) Electoral process, 2) Political pluralism and participation, and 3) Functioning of government. Civil liberties cover: 1) Freedom of expression and belief, 2) Associational and organisational rights, and 3) Personal autonomy and individual rights. The assessments are made by a team of 125 analysts and 40 advisers.

Table 2. Bertelsmann Democracy Status, 2006-2020

	2006	2018	2020	2020/2018
North Macedonia	7.5	6.5	7.2	up
Montenegro	7.4	7.6	7.3	down
Serbia	7.4	7.7	6.9	down
Albania	7.2	7.1	7.1	=
Bosnia	6.8	6.1	5.7	down
Kosovo	..	6.5	6.5	=
<i>Average Balkan 6</i>	7.5	7.1	6.8	<i>down</i>
Georgia	6.1	6.8	6.6	down
Moldova	5.4	6.2	5.8	down
Ukraine	7.1	6.9	6.9	=
<i>Average 3 AAs</i>	6.2	6.6	6.4	<i>down</i>
Armenia	5.2	5.1	7.1	up
Azerbaijan	3.8	3.4	3.4	=
Belarus	3.9	4.3	4.4	up
Croatia			8.1	
Bulgaria			7.9	
Romania			7.6	

Source: Bertelsmann Transformation Index, 2020.

Note: the date of these findings in 2020 is presumably for Belarus before the August presidential election.

Table 3. Rule of Law rankings, World Justice Project

	2017-2018	2019-2020	Change (↓↑)
North Macedonia	57	58	↓
Montenegro	-	-	-
Serbia	76	75	↑
Albania	68	78	↓
Bosnia	56	64	↓
Kosovo	-	-	-
Average Balkan 4	64	69	↓
Georgia	38	42	↓
Moldova	78	82	↓
Ukraine	77	72	↑
Average 3 AAs	64	65	↓
Croatia	35	39	↓
Bulgaria	55	54	↑
Romania	29	31	↓

Source: World Justice Project, Rule of Law Index, 2017-2018, 2019-2020.

*Methodology:* the assessments are based on perceptions of 130,000 households and 4,000 legal practitioners in 128 countries. Two surveys were made: a general population poll conducted by polling companies, and a qualified respondents' questionnaire answered by legal professionals on 8 primary factors and 44 sub-factors. The primary factors are constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice. The lower the score, the higher ranking.

Table 4. Council of Europe, Efficiency and Quality of Justice, 2016

	Robberies /100,00	Professional judges /100,000	Civil & commercial cases, days*	Administrative cases, days*	Criminal cases, days*	% Cases pending after 2 years	Insolvency duration, days
North Macedonia	1.3	27	223	370	171	..	..
Montenegro	2.7	51	267	240	145	..	..
Serbia	1.3	38	319	539	274	18.1	922
Albania	..	13	159	115	108	..	..
Bosnia	1.5	29	574	339	301	45.1	461
Georgia	0.7	7	242	101	76	1.9	97
Moldova	1.3	12	140	155	131	7.6	..
Ukraine	..	15	96	138	166	..	..
Armenia	..	8	188	242	195	..	
Azerbaijan	.1	5	26	105	70	1.3	90
Croatia	1.5	43	364	..	165	32.8	192
Bulgaria	2.0	32	..	108		..	..
Romania	..	24	153		111	4.3	550

\*Disposition time for 1st instance courts

Source: Council of Europe, *European Judicial Systems Efficiency and Quality of Justice*, 2018 (2016 data), CEPEJ Studies No 26.

Table 5. Corruption Perceptions Index, 2017-2019

	2017	2019	Change (↓↑)
North Macedonia	107	106	↑
Montenegro	64	66	↓
Serbia	77	91	↓
Albania	91	106	↓
Bosnia	91	101	↓
Kosovo	85	101	↓
<i>Average Balkan 6</i>	<i>86</i>	<i>95</i>	<i>↓</i>
Georgia	46	44	↑
Moldova	122	120	↑
Ukraine	130	126	↑
<i>Average 3 AAs</i>	<i>99</i>	<i>96</i>	<i>↑</i>
Armenia	107	77	↑
Azerbaijan	122	126	↓
Belarus	68	66	↑
Croatia	57	63	↓
Bulgaria	71	74	↓
Romania	59	70	↓

Source: Transparency International. The Corruption Perceptions Index is constructed on the basis of 13 different surveys, either business opinion surveys or performance assessments by groups of analysts.

Table 6. World Bank's Enterprise Survey – corruption ratings, 2019

	Bribery incidents (1)	Bribery depth (2)	Gifts, taxman (3)	Gifts, government contracts (4)	Gifts, construction (5)	Gifts, officials (6)	Corruption constraint (7)
Serbia	7	4	1	3	17	8	15
Albania	36	30	35	15	17	32	43
Georgia	1	1	1	0	1	3	11
Moldova	12	9	10	12	22	13	27
Ukraine	37	34	36	32	56	24	56

(1) Bribery incidence - % of firms experiencing at least one bribe request

(2) Bribery depth - % of public transactions where bribe requested

(3) % of firms expected to give gifts in meetings with tax officials

(4) % of firms expected to give gifts to secure government contracts

(5) % of firms expected to give gifts to get a construction permit

(6) % of firms expected to give gifts to public officials to get things done

(7) % of firms identifying corruption as a major constraint

Source: World Bank Enterprise Surveys,

<https://www.enterprisesurveys.org/en/data/exploreeconomies/2019/albania#corruption>.

Table 7. Visa liberalisation, asylum, and illegal stays

	Population Millions	Asylum applications	2019/2018 Asylum applications	Asylum recognition rate	Ordered to leave	Return rate %	Illegal Stays	2019/2018 Illegal Stays
North Macedonia	2.1	4,035	-16%	1.4%	3,850	78%	7,000	+16%
Montenegro	0.6	410	-36%	4.9%	590	60%	885	+10%
Serbia	7.0	6,075	-5%	4.8%	8,740	60%	13,635	+4%
Albania	2.9	18,555	-5%	5.6%	30,815	50%	34,410	+11%
Bosnia	3.5	1,895	-17%	7.2%	3,730	40%	4,290	+10%
Kosovo	1.9	..	..	..	..	..	..	..
Georgia	3.7	21,520	+9%	4.1%	16,280	52%	11,845	+26%
Moldova	4.4	5,685	+48%	0.8%	7,325	63%	16,540	+47%
Ukraine	42.4	9,505	-5%	10.2%	37,095	73%	41,705	+11%

Source: European Commission Staff Working Document, 'Third Report under the Visa Suspension Mechanism', COM(2020) 325 final, 10.7.2020. Kosovo does not have yet have visa-free.



Table 8. GDP per capita, ppp \$, 2016 and 2019

	2016	2019	Growth 2019/2016	Index* 2019
Albania	12,547	13,601	1,1	2.04
Bosnia	12,990	15,791	1,2	1.96
Kosovo	10,063	11,838	1.2	1.47
North Macedonia	14,983	17,841	1,2	2.22
Montenegro	17,725	22,988	1,3	3.00
Serbia	16,116	18,179	1,3	2.26
Georgia	12,963	15,014	1.2	1.87
Moldova	10,610	13,574	1.3	1.68
Ukraine	11,148	13,341	1.2	1.66
Armenia	11,303	13,653	1.2	1.68
Azerbaijan	14,238	14,402	1.0	2.16
Belarus	17,725	19,947	1,1	2.99
Croatia	24,718	29,973	1.2	
Bulgaria	19,885	24,561	1.2	
Romania	24,165	32,297	1.3	

Source: World Bank, *data.worldbank*.

\*\$20,000 per capita (roughly = Bulgaria in 2016) or more scores 3.0; less than \$20,000 is scaled down.

Table 9. Basic macroeconomic data

Economy	GDP growth %, 2019	Consumer price inflation, 2019	Budget deficit % GDP, 2019	Public debt % GDP Mostly 2017	External debt % GDP 2016 or 2017
North Macedonia	3.6	0.8	-2.6	39	74
Montenegro	3.6	2.8	-3.0	67	60
Serbia	4.2	1.8	-0.0	61	78
Bosnia	2.7	0.6	-1.6	41	31
Albania	2.2	1.4	-1.3	71	73
Kosovo	4.0	1.3	-2.9	21	27
<i>Average Balkan 6</i>	<i>3.4</i>	<i>1.4</i>	<i>-1.9</i>	<i>50</i>	<i>57</i>
Georgia	5.1	4.9	-0.8	45	108
Moldova	3.6	4.8	-1.4	24	98
Ukraine	3.2	7.9	-2.1	76	122
<i>Average 3 AAs</i>	<i>3.9</i>	<i>5.8</i>	<i>-1.4</i>	<i>48</i>	<i>109</i>
Armenia	7.6	1.4	-1.7	53	94
Belarus	1.2	5.6	-1.8	51	83
Azerbaijan	2.3	2.6	-5.5	54	20
Croatia	2.9	0.8	-0.4	78	87
Romania	4.1	3.8	-4.3	37	55
Bulgaria	3.4	3.1	.2.1	23	66

Source: IMF.org, World Bank, data.consilium.europa.eu, countryeconomy.com.

Table 10. Ease of Doing Business Ranking, 2017-2020

	Rank 2017	Rank 2020	Change (↓↑=)
North Macedonia	11	17	↓
Montenegro	42	50	↓
Serbia	43	44	↓
Bosnia and Herzegovina	86	90	↓
Albania	65	82	↓
Kosovo	40	57	↓
Georgia	9	7	↑
Moldova	44	48	↓
Ukraine	76	64	↑
Armenia	47	47	=
Belarus	38	49	↓
Azerbaijan	57	34	↑
Croatia	51	51	=
Romania	45	55	↓
Bulgaria	50	61	↓

Legend: Economies are ranked on their ease of doing business, from 1-190.

Source: World Bank.

Table 11. Ratings by the Moody's agency of Balkan and DCFTA states

	2020	
Serbia	Ba3	Speculative
Montenegro	B1	Highly speculative
Albania	B1	Highly speculative
Bosnia	B3	Highly speculative
Georgia	Ba2	Speculative
Moldova	B3	Highly speculative
Ukraine	B3	Highly speculative
Armenia	B1	Highly speculative
Azerbaijan	Ba2	Speculative
Belarus	B3	Highly speculative
Croatia	Ba2	Speculative
Bulgaria	Baa1	Some speculative elements
Romania	Baa3	Some speculative elements

Note: the letters A, B, C are in declining order of quality, as are the numbers 1,2, 3.

Source: Moody's.

Baa1 and Baa2 ratings are judged to have speculative elements and *moderate* credit risk

Ba1, Ba2, and Ba3 ratings are judged as being speculative and a *significant* credit risk

B1, B2, and B3 ratings are judged as being speculative and a *high* credit risk

Ca ratings are judged to be highly speculative and with the likelihood of being near or in default, but with some possibility of recovering principal and interest.

Table 12. EBRD Transition Indicators, 2019

	Competitive	Well-governed	Green	Inclusive	Resilient	Integrated	Total
North Macedonia	6.02	5.57	5.16	5.90	5.93	5.75	5.72
Montenegro	5.44	6.11	5.41	5.98	6.44	6.15	5.92
Serbia	5.36	5.52	5.79	6.16	5.86	5.99	5.78
Albania	5.14	5.11	4.49	5.31	5.22	5.66	5.16
Bosnia and Herzegovina	4.68	4.53	5.20	5.48	5.91	5.08	5.15
Kosovo	4.78	4.56	3.47	5.28	5.18	4.67	4.66
<i>Average Balkan 6</i>							5.39
Georgia	4.98	6.40	5.32	5.14	6.19	6.35	5.73
Moldova	4.36	4.81	4.68	5.58	5.82	4.94	5.03
Ukraine	4.77	4.78	5.87	6.21	5.67	4.75	5.34
<i>Average 3 AAs</i>							5.36
Armenia	4.97	5.78	5.72	5.97	6.40	5.45	5.71
Azerbaijan	4.39	5.79	5.35	4.04	3.97	5.50	4.84
Belarus	5.17	5.15	6.22	6.63	4.16	5.53	5.47
Croatia	5.64	5.97	6.38	6.39	7.47	6.54	6.40
Bulgaria	5.71	5.79	6.04	6.24	6.91	6.85	6.20
Romania	6.01	6.04	6.14	5.74	7.11	6.75	6.30

Note: The six EBRD transition indicators are composed of the following sub-components:

*Competitive*: Market structures for competition and business standards and Capacity to add value and innovate

*Well-governed*: National-level governance and Corporate-level governance

*Green*: Mitigation of climate change, Adaptation to climate change, and Other environmental areas

*Inclusive*: Gender equality, Regional disparities, and Opportunities for young people

*Resilient*: Financial stability, and Resilient energy sector

*Integrated*: Openness to foreign trade, investment and finance, and Domestic and cross-border infrastructure

Source: EBRD Transition Report, 2018-19. Total numbers are our calculation as simple averages of the six components.

Table 13. Energy policy ratings of the Energy Community secretariat

	Electricity	Gas	Oil	Renewables	Energy efficiency	Average energy	Environment	Climate	Average environment
North Macedonia	3	1	2	2.5	2	2	2.5	2	2
Montenegro	3	0	2	2.5	2.5	2	3	2.5	2.5
Serbia	2.5	1	2.5	2	2.5	2	2.5	1	2
Albania	2	2	2	2	2	2	2.5	1	2
Bosnia	2	0	0	2	2	1	2	1	1.5
Kosovo	2	1	1	2	2.5	2	2	1	1.5
Georgia	2	0	0	1	2	1	2	2	2
Moldova	1	1	0	2	2.5	1.5	2.5	2	2
Ukraine	2	3	1	2	2.5	2	2.5	2	2

Source: based on Energy Community secretariat, Annual Implementation Report, 2020.

Table 14. Gender Equality Index

	Gender Gap Index	Economic participation	Education attainment	Health, survival	Political participation
North Macedonia	.77	.74	.99	.96	.37
Montenegro	.71	.61	.97	.98	.29
Serbia	.74	.70	.99	.97	.28
Albania	.79	.74	.99	.96	.37
Bosnia	.71	.61	.97	.98	.29
<i>Average Balkan 5</i>	<i>.73</i>	<i>.68</i>	<i>.98</i>	<i>.97</i>	<i>.32</i>
Georgia	.71	.70	1.0	.98	.15
Moldova	.76	.79	.99	.98	.26
Ukraine	.72	.74	1.0	.98	.17
<i>Average 3 AAs</i>	<i>.73</i>	<i>.74</i>	<i>1.0</i>	<i>.98</i>	<i>.19</i>
Armenia	.68	.67	.99	.95	.12
Azerbaijan	.69	.75	.99	.94	.06
Belarus	.75	.84	.99	.98	.17
<i>Average EaP 3</i>	<i>.71</i>	<i>.75</i>	<i>.99</i>	<i>.96</i>	<i>.12</i>
Croatia	.72	.67	.99	.98	.23
Bulgaria	.73	.72	.99	.98	.22
Romania	.72	.73	.99	.98	.19

Source: World Economic Forum, 'Global Gender Gap Report, 2020', [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf).

The higher the number, the higher the degree of equality.

The calculations are based on data from the ILO, UNESCO, UN, WHO, Inter-Parliamentary Union, and World Economic Forum Executive Opinion Survey.

Table 15. Pisa scores on the quality of secondary school achievements

	Reading	Maths	Science	Average	Ratings
North Macedonia	383	394	413	400	2
Montenegro	421	430	415	422	2.5
Serbia	439	448	440	442	2.5
Albania	405	437	417	419	2.5
Bosnia	403	406	398	402	2
Kosovo	353	366	363	361	1.5
<i>Average Balkan 6</i>				407	2.2
Georgia	380	398	383	387	2
Moldova	424	421	428	424	2.5
Ukraine	466	453	469	462	3
<i>Average 3 AAs</i>				424	2.5
Armenia	..	..	..	..	
Azerbaijan	389	420	389	402	2
Belarus	474	472	471	472	3
Croatia	479	464	472	471	3
Bulgaria	420	436	424	426	2.5
Romania	428	430	426	428	2.5

Source: PISA 2018, Insights and Interpretations, OECD, 2018.

The data are obtained from countries willing to enter at least 150 schools, from which 42 15 year-olds are selected at random for examinations in the three domains (between 4,000 to 8,000 students per country).

Note: 'Ratings' transport the 'Average' marks onto the 0-3 scale.



Table 16. Ratings of the Global Cybersecurity Index, 2018

	Index	Ranking
Serbia	.643	58
Montenegro	.639	61
North Macedonia	.800	34
Albania	.631	61
Bosnia	.204	118
<i>Average Balkan 5</i>	<i>.583</i>	
Georgia	.847	18
Moldova	.662	53
Ukraine	.661	54
<i>Average 3 AAs</i>	<i>.723</i>	
Armenia	.495	79
Azerbaijan	.653	55
Belarus	.578	69
<i>Average 3 EaPs</i>	<i>.575</i>	
Croatia	.840	24
Bulgaria	.721	46
Romania	.568	72

Source: International Telecommunications Union (ITU), Global Cybersecurity Index, 2018, [https://www.itu.int/dms\\_pub/itu-d/opb/str/D-STR-GCI.01-2018-PDF-E.pdf](https://www.itu.int/dms_pub/itu-d/opb/str/D-STR-GCI.01-2018-PDF-E.pdf).

Methodology: the Global Cybersecurity Agenda is based on five pillars:

1. Legal: measures based on the existence of legal institutions and frameworks dealing with cybersecurity and cyber crime.
2. Technical: measures based on the existence of technical institutions and frameworks dealing with cybersecurity.
3. Organisational: measures based on the existence of policy coordination institutions and strategies for cybersecurity development at the national level.
4. Capacity building: measures based on the existence of research and development, education and training programmes, certified professionals and public sector agencies fostering capacity building.
5. Cooperation: measures based on the existence of partnerships, cooperative frameworks and information-sharing networks.

The rankings compare 175 countries worldwide.

Table 17. Comparative ratings of political and economic governance of the Balkans and Eastern European associated states

	Montenegro	Serbia	North Macedonia	Albania	Bosnia	Kosovo	Georgia	Moldova	Ukraine
<b>A. Political principles, Rule of law</b>									
Political, electoral democracy	2	2	2	2	1.5	2	1.0	2	2.5
Human rights	2	2.5	2	2	2	1.5	2	2	2
Rule of law	2	1.5	2	1.5	1.5	2	1.5	1.5	1.5
Anti-corruption	2	2	1.5	1.5	1.5	1.5	2.5	1	1
Visa regime, movement of people	2	2	2	1	2	0.5	1.5	1.5	2.5
<b>Total</b>	<b>10</b>	<b>10</b>	<b>9.5</b>	<b>8</b>	<b>8.5</b>	<b>7.5</b>	<b>8.5</b>	<b>8</b>	<b>8.5</b>
<b>Total/5</b>	<b>2.00</b>	<b>2.00</b>	<b>1.90</b>	<b>1.60</b>	<b>1.70</b>	<b>1.5</b>	<b>1.7</b>	<b>1.60</b>	<b>1.70</b>
<b>B. Macroeconomic performance – GDP per cap. ppp</b>	<b>3.00</b>	<b>2.26</b>	<b>2.22</b>	<b>2.04</b>	<b>1.96</b>	<b>1.47</b>	<b>1.87</b>	<b>1.68</b>	<b>1.66</b>
<b>C. Deep and Comprehensive Free Trade</b>									
Market access	3	3	3	3	3	1	3	2	2
Customs services	2	3	3	2	1	2	3	2	2
Technical standards (TBT)	2	2	2	1.5	0.5	1	2	2.5	2
Food safety (SPS)	2	2	3	1	1	1	2	1.5	2
Services	2	2	2	2	0.5	1	3	2	2.5
Public procurement	2	2	2	2	1	1.5	3	2	2.5
Intellectual property rights (IPR)	2.5	2.5	2	1.5	2	1	2.5	1.5	1.5
Competition policy	2	2	2	1.5	1	0.5	2.0	1.5	2
Statistics	2	2	2	2	0.5	1	2	2	2
<b>Total</b>	<b>19.5</b>	<b>20.5</b>	<b>21</b>	<b>16.5</b>	<b>10.5</b>	<b>10</b>	<b>23.0</b>	<b>17</b>	<b>18.5</b>
<b>Total/9</b>	<b>2.17</b>	<b>2.28</b>	<b>2.33</b>	<b>1.83</b>	<b>1.17</b>	<b>1.11</b>	<b>2.55</b>	<b>1.89</b>	<b>2.06</b>

	Montenegro	Serbia	North Macedonia	Albania	Bosnia	Kosovo	Georgia	Moldova	Ukraine
<b>D. Economic cooperation</b>									
Macroeconomic policy	2	2	3	2	0.5	0.5	2	1.5	1.5
Financial services	2	2	2	2	2	1.5	2.5	2	2
Transport	2	3	2	1	1	1	2.5	1.5	1
Energy	3	2	2	2	0.5	2	1	2	2
Environment	2.5	2	1.2	2	1.5	1.5	2	1.5	2
Digital (ICT), Cyber	2	2	2	2	0.5	1	3	2	2.5
Consumer protection	2	2	1.5	0.5	0.5	0.5	1.5	1	1.5
Company law	3	3	3	2	1	1	2	1.5	2
Employment, social policy	1	2	2	1	1	0.5	2	2	2
Education, culture	2.5	2.5	2	2.5	2	1.5	2	2.5	2.5
Gender equality	2	2	2.5	2.5	2	..	2	2.5	2.5
Civil society	1.5	1	2	1	1	1.5	2.5	2.5	3
<b>Total</b>	<b>25.5</b>	<b>25.5</b>	<b>25.5</b>	<b>20.5</b>	<b>13.5</b>	<b>12.5</b>	<b>25</b>	<b>22.5</b>	<b>24.5</b>
<b>Total/12</b>	<b>2.12</b>	<b>2.13</b>	<b>2.16</b>	<b>1.71</b>	<b>1.12</b>	<b>1.04</b>	<b>2.08</b>	<b>1.88</b>	<b>2.04</b>

Summary	Montenegro	Serbia	North Macedonia	Albania	Bosnia	Kosovo	Georgia	Moldova	Ukraine
A. Total political	2.00	2.00	1.90	1.60	1.70	1.50	1.90	1.60	1.70
B. Macroeconomic performance	3.00	2.26	2.22	2.04	1.96	1.47	1.87	1.68	1.66
C. DCFTA	2.17	2.28	2.33	1.83	1.17	1.11	2.50	1.89	2.06
D. Economic Ccooperation	2.12	2.13	2.16	1.71	1.12	1.04	2.08	1.83	2.04
E. Total economic B+C+D/3	2.43	2.22	2.24	1.86	1.41	1.20	2.15	1.80	1.92
F. Grand total A + E/2	2.21	2.11	2.07	1.73	1.55	1.35	2.04	1.70	1.81

Note: numerical ratings for the Balkans relate to degrees of 'preparation for EU membership' (Commission terminology): 0 = no preparation, 0.5 = early preparation, 1 = some preparation, 2 = moderate preparation, 3 = good preparation. For the DCFTA states the same numerical ratings are used to assess degrees of achievement in terms of meeting the EU *acquis*, norms and standards contained in the Agreements, which are largely the same as in the 'chapters' of EU accession negotiations, referring to the same EU *acquis*.

Sources: for the Balkans, European Commission, *Enlargement Package, 2020*; for the DCFTA states, Georgia, Moldova, and Ukraine handbooks, 3rd editions (forthcoming).