

Executive summary

Three strategic priorities to create new opportunities and improve the quality of life in the Western Balkans

The Western Balkan economies – Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia – are at important crossroads on their development pathways. After significant achievements during their socio-economic transitions of the last decades, pressing challenges still remain. Faltering growth has stressed the urgency of finding new sources of productivity growth and new engines for economic and structural transformation. Underperforming labour markets leave many without attractive opportunities, pushing them to migrate outward. Inequalities and large pockets of poverty persist. High levels of air pollution, on the back of unsustainable energy mixes, degrade the quality of life. In order to make the region an attractive place to live, work and invest in, this report focuses on three strategic priorities.

Boosting education and competencies

Better education and more competencies are prerequisites to raising productivity, creating jobs, encouraging civic participation and making the region an attractive destination. This requires strong and modern education systems at all levels, and strategies for competencies beyond formal education. Pedagogical and curriculum reforms must focus on labour market competencies, while putting a premium on equity and performance, without jeopardising quality. Education should be combined with practical training; investment in new competencies; active creation of partnerships between firms, academia and other stakeholders; and the building of digital skills among students and adults. The diaspora should also be invited to support the transfer of skills. The report puts forward eleven policy recommendations:

- Invest in the quality of teaching to improve education outcomes.
- Unleash the potential of vocational education and training (VET) by increasing investment in infrastructure and technology, and linking the education track integrally with the private sector.
- Embrace digital technologies early, starting with schools, both by increasing access to digital technologies and equipping teachers with the necessary digital skills.
- Reinforce teaching skills and associate learning standards with clear outcomes, to make the most of competency-based curricula recently adopted across the region.
- Close the differences between advantaged and disadvantaged students.
- Increase the financing for education and improve the effectiveness of education spending.
- Strengthen the governance of education to improve the implementation and evaluation of education policies and build new partnerships, especially with the private sector.
- Increase access to and the quality of early childhood education and care (ECEC).
- Put a high premium on adult learning – both for upskilling and reskilling.

- Create linkages with foreign investors and attract strategic investment to maximise the spillovers of competencies and knowledge for local people and enterprises.
- Tap the capital but also the knowledge of large and well-educated diaspora.

Fostering social cohesion

Social cohesion is the bedrock of resilient societies. A socially cohesive society fosters the ability and willingness of its members to undertake collective action, and improve the societal well-being of all. This requires giving them the opportunity to participate; creating a sense of belonging and promoting trust among people; and fighting against exclusion and marginalisation. In societies with low social cohesion, disenfranchisement hinders collective action and the sharing of the benefits of progress. Many in the region do not find opportunities in the formal labour market, especially the long-term unemployed, women and citizens from disadvantaged groups; this poses a significant challenge to building cohesive societies. Labour market policies and social protection are two complementary, mutually reinforcing ways of fostering social cohesion. If they are adequately co-ordinated and resourced, they can offer support to those facing hardship and fulfil essential needs while also presenting pathways for socio-economic integration. The report puts forward six policy recommendations:

- Strengthen the coverage and effectiveness of active labour market programmes, with a focus on the long-term unemployed and youth with limited work experience.
- Provide more opportunities for people from vulnerable groups to participate in the labour market, including Roma and people with disabilities, in order to improve social mobility.
- Support women’s integration into the labour market to fully leverage on their human capital and encourage entrepreneurship.
- Encourage people to participate in formal employment, reduce high social security contributions, especially for low wage earners, address the adequacy of benefits, and improve the effectiveness and attractiveness of social security systems.
- Increase the coverage and adequacy of social assistance.
- Improve the co-ordination and effectiveness of social services, such as elderly care, health care, education and others, for better user outcomes.

Ensuring a green recovery and energy transition

Cleaner air and more sustainable energy are also indispensable for making the region a more attractive place to live in, return to, and invest in. Global environmental emergencies such as climate change and biodiversity loss could cause social and economic damages far larger than those caused by COVID-19. To avoid this, Western Balkans governments should design economic recovery packages that support “building back better”. This means triggering investments and societal changes that will both reduce the likelihood of future shocks and improve the resilience to those shocks when they do occur. The report puts forward four policy recommendations:

- Create a credible vision and lay the institutional foundation for the transition towards low-carbon energy.
- Boost renewables, integrate regional electricity markets and improve energy efficiency.
- Get prices right through socially responsible carbon pricing and the removal of subsidies.
- Mobilise financial resources for a green recovery.



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