

Speech by RCC Secretary General Majlinda Bregu at the REGIONAL LEADERS' SUMMIT

on 16 May 2024 in Kotor, Montenegro

Your Excellencies, Esteemed Colleagues,

Today's Growth Plan Leaders Meeting, which takes place after the recent adoption of the Reform and Growth Facility, is an important milestone for our regional economic integration, *bumpy and frustrating at times, yet potent and still underutilised growth journey*.

The results of the implementation of the current CRM AP are telling for 3 reasons:

First: *evidencing the real tangible socio-economic transformative impacts* of numerous regional policy agendas, such as the intra-regional trade boost, facilitated freedom of movement, attained recognition of academic and professional qualifications, slashed communication costs, enhanced private sector joint collaborations, and many others.

Second - *pointing to the yet untapped economic integration potentials* that can still be unleashed so that 10% growth can be added to our economies. Given the various convergence scenarios that put our region on *24 to 72 years of convergence approximation journeys – not even a single growth % prospect must be wasted* as we seek to shorten the convergence gaps and climb fast the ladder at which *our region's GDP per capita still sits at only 38% of EU's average!* Unfortunately, only 12% of the citizens report that economic and trade links in WB are strong.

And third - we cannot establish a Common Market in WB **if the human capital is left aside**. The current impediments to business development, particularly the escalating labour costs reported by 77% of businesses, necessitate a concerted focus on workforce enhancement. Furthermore, fostering labour mobility within our region could potentially add a significant 1.3% to GDP by 2025 and generate 80,000 new jobs.

This is what the work on the next CRM phase is built around! CRM - *as an “access gateway” for progressive integration* into the EU single market and socio-economic convergence with the EU since *the road towards enhanced economic consolidation with the Union’s market leads via a “barrier-free” Common Regional Market.*

Your administrations now have a list of main building blocks, and key policy areas that will be improved/changed in years from now. Excelling yourself is the biggest challenge, thus this exercise has not been that easy for us, CEFTA, TCT and CIF. We have worked on two streams: on one hand, we have provided the list of priorities that will enhance intra-regional cooperation, while in parallel we will capacitate and facilitate your journey/preparedness to access to EU Single Market.

What are some of the region’s potentials that “scream” for more regional cooperation and integration that the new CRM seeks to address? Free movement of goods, free movement of services, digitalisation and paperless trade, human capital development, business enabling environment and competitiveness, and digital transformation. Let me touch upon a couple of them:

1. Enhancing *human capital and skills development*: The measures speak to *businesses voices*, which for instance increasingly accentuate the labour force challenges (70% calling for government policies to retain labour force), as one fourth of businesses are seeking to hire workforce from other economy from WB, whereas we see same % of the citizens from WB willing to work in any other economy of the region; or digital skills shortage and limited support mechanisms for the workforce. Our region ranks low on the **skills performance**, with most indicators not exceeding half of EU and OECD averages. 80% of citizens consider crucial improving digital skilling to reflect workforce needs. CRM’s new human-capital focus also *speaks directly to our youth voices* – who in a massive 71% are ready to leave the region, and grow and thrive in other geographies.

As a cornerstone of the Human Capital Development the new CRM brings **free movement of workers in the WB in line with EU legislation and practices, as well as intra-WB social portability.**

Moreover, it positions the WB as an attractive hub capable of nurturing talent, preparing the workforce for the challenges of the modern economy and contributing to sustainable development. Compared to the current CRM, this new iteration places heavier emphasis on skills development, aiming to encourage skilling and upskilling in emerging green and digital industries; **unification of educational and programmes for VET in the region**, thereby easing weak spots in the region’s businesses. Another notable feature is the liberalisation of licensing processes for

professions in high demand across priority sectors such as tourism, manufacturing, service industry, etc.

When it comes to measures that enable WB access to EU Single Market, we are proposing **Access to Higher Education and Admission to Study** for WB students in EU under similar terms as those provided to EU students; bringing the **education quality assurance** in WB similar to that of EU, recognition of academic qualifications and professions.

2. **Digitalisation and transformation**: While commendable progress has been made, particularly evidenced by the EU-WB roaming agreement, a concerted effort is required to bridge the digital divide further. Embracing digitalisation is essential for our region's economic advancement. Initiatives such as the development of a regional Digital Identity Wallet and fostering cooperation in AI development will drive innovation and enhance interoperability. Furthermore, efforts to facilitate the recognition of e-signatures between the EU and WB will streamline the free movement of services and ensure inclusivity in the digital sphere. The principal objective to this digital journey is the principle of inclusivity - a commitment to ensure that no one is left behind.
3. **Business enabling environment and competitiveness** – **this is another building block where we see great potential for the region to establish a robust and competitive economic landscape aligned with EU standards, fostering sustainable, digital, and consumer finance, promoting investments for sustainable development, and facilitating green industrial and SME growth.** A favourable and competitive environment can increase annual growth by 2%, attract up to 6.5% more investment, and boost the job growth rate by up to 1% per year, while increasing SME productivity by 5% to 10%.
The financial measures under this pillar will ease and diversify financing for initiatives that are environmentally and socially beneficial, while also enabling faster and more cost-effective transactions for consumers and SMEs within the Western Balkans and with the EU. Moreover we have tabled **measures for industry, SME development, and tourism to help these sectors align with the green transition**, supporting women entrepreneurs.

In the *next intense period*, along with all key authorities and partners, we will work towards *substantiating the future AP with actionable measures, expected results and implementation timeline* – to be *ready for endorsement at the upcoming Berlin Process Summit*.

We *call upon all* to contribute diligently so as *to chart the best future-proof regional economic integration masterplan* that will see us *leapfrogging from the pessimistic convergence scenario to a more optimistic one!* *All pulling in the same integration direction – economically fully in the single market, and politically and value-based in the Union!*