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Abstract[1]

The paper aims to assess the economic implications of the Western Balkans' (WBs) accession to the European Union in terms of economic growth and 'convergence'. It does so by comparing the accession process of Central Eastern Europe and the Baltics (CEEBs) with that of the Western Balkan countries. Recent studies reveal that the convergence process of the latter has been much slower than for the CEEB. The central question addressed is whether the key factor in promoting economic growth and convergence in the two regions has been the amount of financial resources that each country has received through external sources (transfers from the EU budget, bilateral assistance of EU member states, Foreign Direct Investments, workers' remittances).

Once the distinction between pre- and post-EU accession funding is introduced, the analysis reveals that both areas have received substantial financial resources during the pre-accession period. However, the situation is fundamentally different after EU accession, when the new member states have received much larger amounts of external capital inflows. These findings explain why, among other reasons, economic and social transition in the WBs has been much slower than in the CEEBs. The paper argues in favour of a revised and more comprehensive EU strategy for the WB region. For the WBs it advocates improved economic and policy governance and a more genuine commitment to EU membership.

Keyword

EU enlargement, EU policies towards the Western Balkans, EU financial assistance, Central Eastern Europe and the Baltics

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1. Introduction

The dissolution of the Socialist Federal Republic (SFR) of Yugoslavia in mid-1991 brought wars, physical destruction, loss of many human lives, massive displacements of the population, economic crises and delayed transition to a market economy. Many have argued, including the authors of this paper, that the best way out of such hardships could be a fast integration of this region with the European Union (EU) (Uvalić ed. 2023). After all, geographical proximity, history and many other factors militate in favour of this solution. The dominant narrative for a long time has been that the Western Balkan (WB) countries—Albania, Bosnia Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia[1] —would roughly follow the path of the Central East European and Baltic (CEEB)[2] countries by accelerating economic and institutional reforms, receiving multilateral and bilateral donors' financial assistance, attracting foreign direct investments (FDI) and intensifying political and economic relations with the EU. The relatively successful economic transition and EU integration of the CEEB countries was expected to be replicated in the WBs. However, such expectations have far from materialised: even excluding the negative impact of war and political turmoil on the economic performance of the WBs in the 1990s, their economic development has been highly disappointing.

There seems to be rising awareness today that the 'transition blueprint' portrayed by the main international financial institutions for the WB countries has not led to the desired growth dynamics. Recent studies reveal that their convergence with the EU has been much slower than for the CEEBs. This problem has been explicitly addressed not only by academics, but by the main international organisations and by the European Commission, which in its recent Growth Plan for the Western Balkans (EC, 2023a) explicitly refers to the problem of limited convergence of the WBs with the EU.

Our paper aims to analyse one of the possible causes of such poor growth outcomes, namely the role of external finance in determining the slower convergence of the WBs with the EU vis-à-vis the CEEB countries. For our analysis, external finance will include not only transfers from the EU budget, but also bilateral financial assistance from EU member states, Foreign Direct Investment (FDI) and personal remittances. The rationale behind our comparisons is that if the key factor in promoting economic growth and convergence of CEEB countries with the EU has been the amount of externally provided finance, this would be a strong argument in favour of increasing financial assistance to the WB region. These issues are highly relevant for the current debate on EU enlargement that has vigorously returned to the agenda as a top geostrategic priority due to the ongoing war in Ukraine. The paper focuses only on the six WB countries, despite Ukraine and Moldova being now part of the same process. Extending the analysis to the new EU candidates would add a layer of complexity which goes beyond the aims of our paper.

In what follows, we will recall the principal features of the transition to democracy and market economy and EU policies towards the CEEB and WB countries (section 2). The concept of convergence is defined and the main findings of recent studies on convergence of the CEEB and WB countries are briefly reported (section 3). An empirical analysis is then undertaken based on a detailed analysis of inflows of financial resources to the CEEB and WB countries during the past decades, from the EU budget (section 4) and from other sources: bilateral assistance of EU member states, FDI and migrants' remittances (section 5). The consistency of EU policies is also questioned by recalling the various instruments used to financially support EU candidates (section 6). Based on our analysis, we draw some conclusions that could be useful for the ongoing policy debate regarding future EU enlargement to the WBs (section 7).

1 Although part of the WB region, Croatia will be included among the EU countries.

2 The CEEB area includes eleven countries that joined the EU at different times: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia (in 2004), Bulgaria and Romania (in 2007) and Croatia (in 2013).

2. Diverging paths of transition and integration: CEEB Vs. Western Balkans

The fall of the Berlin Wall on 9 November 1989 officially marked the beginning of the transition to multiparty democracy and market economy in Eastern Europe. Thereafter, the transition took somewhat different paths in different East European countries. In countries closest to the core of Western Europe – Czechoslovakia, Hungary and Poland – the fall of the Wall clearly represented the ‘return to Europe’, bringing enthusiasm and high expectations that the revolutionary changes would bring freedom, a fast increase in living standards and quick membership in the EU. After the dissolution of the Soviet Union in 1991, in the three Baltic states – Estonia, Latvia and Lithuania – the transition created even greater hopes for a brighter future. One of the main motivations behind these revolutionary changes was the desire to ‘flee’ the Soviet orbit, where Western Europe was obviously a powerful pole of attraction (Daviddi, 1992).

In SFR Yugoslavia, the situation in 1989 was somewhat different because of the country’s specific international relations,[3] a less rigid form of communism and a more reformed economic system. Nevertheless, revolutionary changes arrived in SFR Yugoslavia as well. A bold programme of transition-related economic reforms was adopted by the Yugoslav government in December 1989, while the first multiparty elections took place in all the six Yugoslav republics from April to December 1990. The fact that SFR Yugoslavia was not behind the Iron Curtain explains to a large extent why the enthusiasm for radical systemic changes was less present and why the role of the EU as a pole of attraction was less important than in other post-socialist countries (Uvalić, 2023).

The different transition paths of the Yugoslav successor states were crucially determined by the events that preceded the country’s break-up, including the political and economic crises of the 1980s, the re-emergence of historically rooted nationalisms, the unsuccessful debate about reforming the Yugoslav federation (Uvalić, 2010). Yugoslavia’s disintegration in June 1991 led to the creation of five independent states: Bosnia and Herzegovina, Croatia, Macedonia,[4] Federal Republic (FR) of Yugoslavia (Serbia with its two autonomous regions, Vojvodina and Kosovo, and Montenegro), and Slovenia. Extreme political instability prevailed in the region for a whole decade due to military conflicts, in Slovenia (1991), Croatia (1991-95), Bosnia and Herzegovina (1992-95), FR Yugoslavia (1998-99) and Macedonia (2001). UN and EU sanctions were imposed on FR Yugoslavia due to its involvement in the wars in the early 1990s (1992-96) and again during the Kosovo crisis (1997-98), followed by NATO bombing in 1999. These dramatic events strongly influenced the economic performance of these countries, delaying many market-oriented reforms, democratization and integration with the EU.

The European Community reacted quickly to the revolutionary changes in Eastern Europe, although adopting different strategies for various groups of countries. It launched the PHARE programme in early 1990 to assist Poland and Hungary, soon after extended to other countries: Bulgaria, Czechoslovakia, SFR Yugoslavia and Romania (Daviddi 1992). Association Agreements with Czechoslovakia, Hungary and Poland were signed in December 1991. In October 1993 the agreement with Czechoslovakia was replaced by separate agreements with the Czech and Slovak Republics. Associate Agreements were also signed with Romania and Bulgaria (October 1993), the three Baltic States (1995), and Slovenia (1996). These Association Agreements (also known as Europe Agreements) envisaged the creation of a free trade area within ten years in two five-year stages. Trade liberalisation was to be implemented on an asymmetric basis, allowing the Central East European countries more time to reciprocate trade concessions (see Daviddi, 1992; Nuti, 1994).

3 SFR Yugoslavia was not a member of the Council of Mutual Economic Assistance (CMEA) nor of the Warsaw Pact. It was a founding member of the IMF and the World Bank. Yugoslavia was also one of the founders of the Non-alignment Movement, it had observer status in the OECD and participated in the GATT negotiations. It concluded its first free trade agreement with the European Economic Community in 1971 and a wide-ranging Economic Cooperation Agreement in 1980.

4 For many years the country was referred to internationally as the ‘former Yugoslav Republic of Macedonia’ (FYROM). In 2019, an agreement was reached to rename the country into ‘North Macedonia’.

Although initially the EU did not have a clear position about enlargement to Eastern Europe, a consensus was reached in 1993 in Copenhagen, when the European Council confirmed its commitment to membership and formulated the accession conditions for new members, the so-called ‘Copenhagen criteria’ (European Council, 1993). A few years later the European Commission prepared a blueprint for EU enlargement—the ‘Agenda 2000’ (EC, 1997)—which outlined a strategy of EU enlargement, assessing the readiness of the ten CEEB applicant countries and outlining the necessary reforms of key EU policies. ISPA was created to prepare CEEB countries for EU accession, providing support for the environment and transport, while SAPARD was to help the CEEB countries’ agricultural sector and rural development. A political agreement on the ‘Agenda 2000’ legislative package was reached at the Berlin European Council (March 1999).

Initially, the European Economic Community did not develop a specific approach towards SFR Yugoslavia, but after the explosion of the political crisis in 1991 EU measures were directly shaped by the events in the region. EU assistance through the PHARE programme was discontinued, and only Slovenia was able to benefit from the new measures of EU support to the CEEBs. For the other countries of former Yugoslavia the EU developed a long-term strategy (known as the Stabilisation and Association Process – SAP) only in mid-1999, after the end of the Kosovo War. During the 1990s, the Yugoslav successor states (except Slovenia) were only sporadically assisted by the EU, mainly through humanitarian aid, military presence (through NATO) and some trade concessions offered to selected countries (see Uvalić, 2010a). Albania was added to the WB countries in 1997, following the contested parliamentary elections in May 1996 and the deep financial and social crisis in 1997 due to the collapse of pyramid schemes (Bushati, 2023, p. 295).

The initial differentiation of EU policies regarding financial aid, trade preferences, contractual relations and accession prospects in CEEB and WB countries had a direct impact on the dynamics of their economic (and political) integration with the EU. This in turn influenced the WB countries’ pace of economic reforms and economic performance in the 1990s. With the passing of time, there was a net divergence in the economic indicators of the two regions.

The Stabilisation and Association Process for the WBs was based on similar instruments as those for the CEEB countries in the 1990s: specific financial assistance programmes (Community Assistance for Reconstruction, Development and Stabilisation [CARDS], later transformed into the Instrument of Pre-Accession [IPA]), generous trade preferences, technical assistance, the possibility of signing Stabilization and Association Agreements similar to those concluded with the CEEB countries, and for the first time, prospects of EU membership, confirmed at the Thessaloniki EU-WB Summit in 2003. One major difference is the EU’s implementation of a more stringent political conditionality. In addition to the Copenhagen accession conditions, the WBs were requested to comply with two additional criteria – implement projects of regional cooperation with other WB countries and respect all international treaties (e,g, cooperation with the International Criminal Tribunal for the former Yugoslavia [ICTY]) (Uvalić, 2010b). In the meantime, the EU enlargement methodology has been changed several times in an attempt to render EU policies in the WB region more efficient (Bonomi and Uvalić, 2019; European Commission 2020). Twenty years after the 2003 Thessaloniki Summit, however, Croatia is the only country that was able to become an EU member state.

3. The Western Balkans' slow transition and limited convergence with the EU

Many experts have sustained that the unsatisfactory growth performance of the WB countries during most of the last three decades—except during 2001-2008—has dramatically reduced living standards, bringing poverty, scarce national savings and low investment rates, so these countries have become highly dependent on external sources of finance (Kekić, 2001; Uvalić, 2010a; Uvalić, 2012; Bartlett and Uvalić, eds. 2013). Poor growth performance has significantly reduced the capacity of the region to 'catch up', i.e., 'converge' with the other European countries (Svejnar and Uvalić, 2015; Petrović and Gligorić-Matić 2021).

Various convergence indicators have been used in the economics literature. The standard growth literature following the neoclassical model distinguishes between two widely used indicators that measure the narrowing of differences in real GDP per capita (Barro and Sala-i-Martin, 1994). The first is 'beta-convergence' which proposes that poor economies tend to grow faster than rich ones, so a negative relationship is expected between initial income level and the growth rate. The second is 'sigma-convergence' which refers to the reduction in the dispersion of per capita income among different countries.

Empirical analysis attempting to estimate the speed of convergence of different countries has been unable to reach undisputed conclusions. Dobrinsky and Havlik (2014) present an extensive overview of the literature concerning the CEEB countries. They show that some of the inconclusive findings on economic convergence may result not only from different growth theories and underlying assumptions, but from growth measurement problems, varying model specifications, regional/country coverage and different time periods. Vojinović et al. (2010) confirm the existence of both beta and sigma convergence for the 10 new EU member states that joined the EU in 2004, although the speed of the catching-up process was different in the 1990s and the 2000s. Studies prepared by the European Commission have shown that EU accession has significantly contributed to improving living standards in the new member states; income per capita increased from 40 per cent of the old member states' average in 1999 to 52 per cent in 2008 (EC, 2009). The accession process boosted economic growth in the new member states by 1.75 per cent per year over 2000-2008, when growth increased, on average, from 3.5% in 1999-2003 to 5.5 per cent in 2004-2008 (EC, 2009).[5]

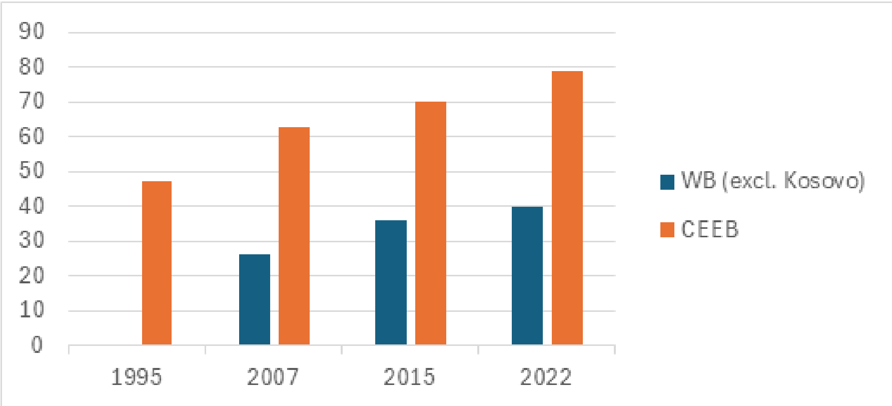
The conclusions are less straightforward regarding the question of whether the CEEB countries have converged towards EU average income simply because of a lower initial GDP per capita (as predicted by the dominant theories), or the process of convergence has been substantially speeded up by the provision of financial resources extended through EU Cohesion policy. Recent empirical evidence on this issue is mixed, since more EU funds have not necessarily meant more growth, among other reasons due to poor absorptive capacities of countries and regions. The European Commission (EC 2009, 2015) has estimated that EU transfers to the new member states have enhanced economic growth in the EU by around 1% of GDP per annum. Becker (2012) offers evidence that transfers aimed at convergence within the EU have on average been effective in bringing about additional growth in recipient countries, although the effects in different regions vary. The literature seems to concur that the key factors that undermine the goal of aid transfers are low levels of education and poorly performing institutions (such as corrupt politicians or bad administrations) (Becker 2012), two elements that seem equally important for the WB countries.

5 GDP growth in the old member states also benefited from EU enlargement to Eastern Europe in the tenure of 0.5 per cent over the same period.

In this paper, we adopt a simple definition of convergence based on the comparison of the GDP per capita (in terms of Purchasing Power Standards (PPS) used by Eurostat) of a country with that of the EU average. Medium and long-term trends of GDP per capita (at PPS) have usually been used for evaluating a country's economic convergence also in the recent literature on the WBs. We take for granted the slower economic convergence to the EU average of the WBs vis-à-vis the CEEBs, since this is well documented in several studies and corroborated by statistical evidence. During the past two and a half decades, GDP per capita in the CEEB countries has indeed converged towards the EU average faster than in the WB countries (see Figure 1 and 2). The WB countries remain at a level of economic development well below the EU, in 2022 ranging from 34 (Albania) to 50 per cent (Montenegro) of the EU27 average GDP per capita.[6]

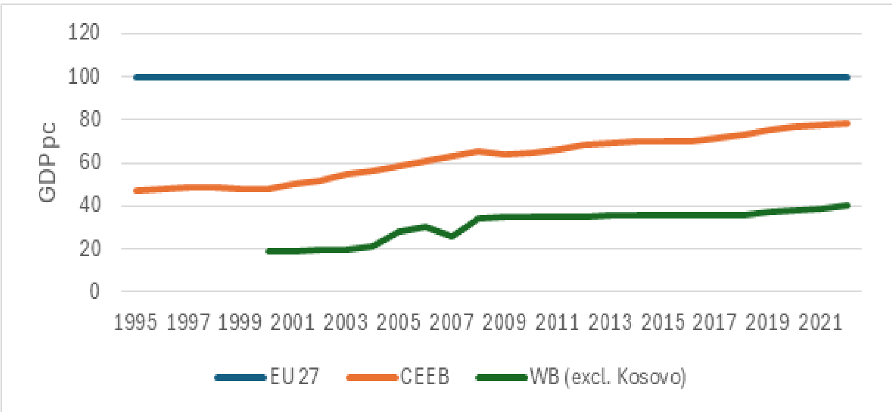
Figure 1. GDP per capita convergence of the WBs and CEEB countries with EU

(EU=100)



Source: Authors' elaboration based on Eurostat data (see Table 1, Appendix).

Figure 2. Average GDP per capita in the WBs and CEEBs relative to EU average



Source: Authors' elaboration based on Eurostat data (see Table 1, Appendix).

6 This excludes Kosovo for which data is not available in the Eurostat database. World Bank data indicate that Kosovo in 2022 was at 27.3 per cent of the EU average GDP per capita (World Bank, 2023, pp- 8-9).

Our paper tries to contribute to the current convergence debate on the WBs through the collection and analysis of additional, more complete, statistical data, that cover financial flows to the WBs and the CEEB countries from different forms of external sources (not only financial transfers from the EU budget) and considers whenever possible the whole period from the early 1990s onwards. There are two main motivations for such an exercise.

The first is that the *problem of slow convergence of the WBs* has emerged as a key issue in the policy debate in recent years. Several studies by prestigious institutions—by Bertelsmann Foundation and WIIW (2022), EBRD (2024), OECD (2023), and World Bank (2023)—present a detailed analysis of economic development of the WB countries, illustrating their slow convergence to EU levels of income, especially when compared with the CEEB countries. These studies use various approaches and methodologies, but they all reach very similar conclusions: (1) the process of convergence of the WB countries towards EU average income is slow, and at the current pace it will take several decades before significant catching-up takes place; and (2) the process has been slower in the WB countries than in the CEEB countries. The European Commission has also stressed the importance of economic convergence for the WBs as 'the heart of EU membership benefits' (EC, 2023).

The second motivation of our analysis is to test one of the common views in the literature for explaining the 'slow growth syndrome' of the WB countries, namely that *available financial resources* have been insufficient to ensure faster economic development. The fact that the WBs do not have access to structural funds provided through EU Cohesion policy and have been receiving relatively limited financial assistance from the EU in comparison to the present EU member states is often considered the main reason why the catching up of the WBs has been so slow. Several authors (e.g., Sanfey and Milatović, 2018; Uvalić, 2020; Reljić, 2021; Tilev, 2021) remark that the funds that the EU has extended to support the accession process of the new member states from Eastern Europe are by far larger than those transferred to the six WB countries. The current EU financial package, although bigger than the previous, is considered insufficient to achieve the ultimate objective of accelerating the region's convergence towards the EU (Bartlett, Bonomi, Uvalić, 2022). There seems to be a consensus that under the present circumstances, instead of convergence, there is a risk of further divergence in the levels of economic development between the WB countries and (old and new) EU member states.

The Bertelsmann Foundation and the Vienna-based WIIW have undertaken a comprehensive study based on a comparison between the CEEB and WB countries (Bertelsmann and WIIW, 2022). Based on econometric analysis, the study calculates that doubling the annual transfers in the percentage of GDP from 1 per cent to 2 per cent leads to an overall GDP increase of 14 per cent. The study maintains that the strong income growth in the CEEB countries after EU accession is due to primarily strong EU budgetary transfers and concludes that the best way to foster regional economic integration and development in the WBs would be by substantially increasing EU transfers.

4. Stylised facts: some surprising results regarding EU financial assistance?

While reviewing the existing literature we have come to the conclusion that although the slow process of catching up of the WBs is universally acknowledged, the accurate magnitude of external financial assistance is not properly analysed. In what follows, we present our estimates of EU financial assistance as well as of other forms of financial resources that the WB and CEEB countries have received since the beginning of the 1990s. We restrict the analysis to the pre-2021 period given that the implementation of EU financial commitments for the 2021-2027 period is still ongoing.

We will start with a detailed analysis of EU financial assistance to the WBs and CEEBs, introducing a distinction between pre- and post-EU accession. We consider that the distinction between funds received by the CEEBs *before* and *after* acceding to the EU is highly relevant for the ongoing discussion.

4.1. Pre-accession transfers from the EU budget

The six WB countries received more than €20 billion between 1991 and 2020 (see Table 2).[7] The allocations during the various programming periods reflect political developments in the region and geopolitical considerations. At the beginning of the 1990s, EU funds covered mostly humanitarian assistance (ECHO) and subsequently post-war reconstruction (OBNOVA programme), with Bosnia and Herzegovina, Albania and Kosovo as the main beneficiaries. With the establishment of the Stabilisation and Association Process in the early 2000s, the funds (CARDS and later IPA) allocated per country follow a more regular pattern.

Using comparable sources (various EU official reports) and the same methodology, we have estimated that a total of €36 billion has been transferred to the ten CEEBs (excluding Croatia) from the EU budget during 1990-2007 (see Table 3), i.e., during their pre-accession process. The transfers to the CEEBs during the 'pre-accession period' were on average 57 per cent higher than those to the six WB countries. The difference is significant, also considering the time dimension: in half the time—over 17 years—the CEEBs received substantially more than the WBs in almost 30 years. The grant component of EU financial assistance during the considered period amounted to slightly over 1 per cent of the annual WB countries' GDP. For the CEEBs, pre-accession EU transfers per capita can be estimated at about 2 per cent of each country's annual GDP, with Hungary and Bulgaria receiving more, about 3 per cent of their respective GDP.

However, a comparison of EU assistance in *per capita terms* points to a different conclusion, given the substantial differences in the populations of the respective regions.[8] The WB countries received almost three times more, €1100 per capita, than the CEEBs, €350 per capita.[9] Even excluding EU transfers to the WBs in the 1990s (mostly humanitarian assistance),[10] thus considering only the 2000s, the WB countries still got EU financial assistance of €870 per capita on average, with Kosovo and Montenegro receiving substantially more than the other countries.

7 The data in all tables are authors' calculations based on various sources, as reported in the methodological note in the Appendix.

8 The CEEB countries represent an area of over 100 million inhabitants, while the WBs slightly over 18 million.

9 Even considering that these estimates are based on current prices, the differences remain substantial.

10 In the case of Albania, Bosnia and Herzegovina, North Macedonia and Kosovo humanitarian aid delivered by ECHO represented about half of the total.

Regarding the instruments used to deliver assistance to the CEEB countries, about half (€19 bn)—i.e., an amount comparable to the grant assistance directly provided to the WBs—was delivered through PHARE, with Poland, Romania and to a lesser extent Bulgaria as the main beneficiaries. In addition, the CEEB countries were granted funding under ISPA in the order of €14 bn and SAPARD of about €3 bn. Although budgetary processes, allocations and implementing modalities of these two programmes remained largely like those of PHARE,[11] these programmes had the merit of mimicking some of the Structural and Cohesion funds procedures, facilitating the subsequent management of these policies by the new member states once they entered the EU.

4.2 The game changer: EU post-accession funding

EU Cohesion policy has devoted an increasing proportion of the EU budget to reducing the disparities among countries and regions. Although the rules of governance and allocation differed in the various periods, the main criterion for accessing funds is a low GDP per capita (at the country or regional level). At the time of accession, the GDP per capita of the CEEBs (including Croatia) was significantly lower than the EU average, making them eligible for support under the EU Cohesion policy.[12] The amount of EU structural and cohesion funds for the CEEB countries after their accession to the EU shows that during 2007-2020 they had at their disposal a total of €426.4 billion from the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF) (see Table 4).[13] About a third of this amount (€160 billion) was allocated to Poland as the most populous country, followed by Czech Republic (€57 bn), Hungary (€56 bn) and Romania (€51 bn). The amount allocated to these four countries represented over three-fourths of the total. However, in per capita terms, the main beneficiaries were the Baltic states and Slovakia. In addition, during 2007-2021, the CEEB countries received about €180 billion in payments pertaining to the Common Agricultural Policy (CAP) (see Table 5). CAP expenditure by country shows that Poland and to a lesser extent Romania and Hungary were the main beneficiaries. CAP payments on average amounted to 1.5 per cent of the annual GDP of the CEEB countries, or over 15.5 per cent of GDP for the entire period.

Based on the reported data, it is impossible to deny that EU membership pays off. In this respect, a credible perspective for EU membership should be a very strong incentive for ongoing reforms and an acceleration of the accession process in the WB countries.

5. Other sources of external finance in the WBs and CEEBs

Other sources of external finance that the WB and CEEB countries received during the past decades have also been an important supplement to domestic savings. We will discuss three main sources: bilateral financial assistance by the EU member states, Foreign Direct Investment (FDI) and migrant remittances.

5.1 EU bilateral financial assistance

In addition to significant transfers from the EU budget, the CEEB and WB countries were also supported by EU member states through bilateral financial assistance. Using OECD data on Official Development Assistance (ODA), total bilateral assistance by EU member states (including the UK) to the WBs can be estimated at €18 bn for the 1990-2020 period, which is therefore very close to the amount that the WBs received from the EU budget.[14]

11 ISPA was ‘transformed’ into the regional development component of the Instrument for Pre-accession Assistance (IPA) in 2007, when SAPARD was replaced by an IPA rural development component.

12 Still today the CEEB countries are the main beneficiaries of the Cohesion Fund. Only four non-CEEB countries (Greece, Malta, Portugal and Cyprus) are included among the recipients of the Cohesion Fund.

13 The funds reported in the table refer to the amounts contracted by each member state during the period.

14 Authors calculations based on data available in the OECD database QWIDS.

Unfortunately, data that would allow a coherent comparison between the two regions are not available for the CEEBs.[15]

5.2 Foreign Direct Investment

FDI has been an important supplement to domestic savings throughout Eastern Europe during the past decades, greatly contributing to financial accumulation, investment and growth. Also in the WBs, FDI has been a major supplement to domestic savings and investment, sustaining economic recovery after 2001 and helping finance their external imbalances, current account deficits and foreign debt.

There are no perfect indicators of FDI, so it is sensible to consider a variety of indicators jointly. We will compare four main indicators on FDI in the WB and the CEEB countries during the 1990-2022 period: (1) inward FDI stock (in € billion); (2) average inward FDI stock per capita; (3) average inward FDI stock in percentage of GDP; and (4) inward FDI stock as a percentage of Gross Fixed Capital Formation. All these indicators, presented in Table 6, seem to be important for understanding the magnitude and effects of FDI on WB and CEEB economies.

(1) During the entire period (1990-2022), *total inward FDI stock* in the six WB countries was €37.5 billion. Serbia as the largest economy received more than half of total FDI inflows to the six WB countries - almost €20 bn. This compares rather poorly with the same indicator for the CEEBs which during the same period received about €355 billion, i.e., almost *ten times* more. Poland, the Czech Republic and Hungary were the main beneficiaries receiving 60 per cent of the total.

(2) Another indicator is *FDI inward stock per capita*. Although this indicator may be misleading because larger countries (in terms of GDP, territory, and population) generally tend to attract more FDI, it tells us the most about the impact of FDI on the standard of living of the average citizen. Data on inward FDI stock per capita show that on average, WB countries have received €11,124 FDI per capita, *four times less* than the CEEBs during the same period (see Table 6). Montenegro as the least populous country received almost €5,000, while Bosnia and Herzegovina only € 1,247 of FDI per capita; Serbia is somewhere in between with € 2,847 FDI per capita during the 1990-2022 period.

(3) *Inward FDI stock as a percentage of GDP* is an indicator considered to signal foreign capital penetration into an economy. This indicator is on average higher in the WBs than the CEEBs. FDI stock represented 48 per cent of WB countries' GDP during 1990 – 2022, ranging from 31 per cent in Bosnia and Herzegovina, 52 per cent in Kosovo and as much as 79 per cent in Montenegro. The average contribution of FDI to GDP for the CEEBs during the same period was 38 per cent, although we should take into account the much larger size of most CEEB economies when interpreting this indicator.

(4) The last indicator is the *ratio of FDI to gross fixed capital formation* that in the whole transition region has been higher than the world average and has increased over time (Estrin and Uvalić 2014). During the whole period, the ratio of FDI to gross fixed capital formation has been, on average, 23.6 per cent for the six WB countries, particularly high in Montenegro (57,6 per cent). FDI has played a much more important role in the WB region than in the CEEBs, where annual FDI inflows over the same period represented on average only 14 per cent of gross fixed capital formation (only in Bulgaria has the average ratio been over 27 per cent) (see Table 6).

15 The OECD Stat database contained an aggregate 'CEEB' which is no longer available after these countries joined the EU; see the methodological note in the Appendix.

Therefore, FDI stock in absolute amounts, as well as FDI stock per capita, have on average been *substantially lower* in the WBs than in the CEEB countries. However, FDI as a percentage of GDP and FDI as a percentage of gross fixed capital formation have been *much higher* in the WB than in the CEEB countries. FDI has fundamentally contributed to raising the investment rates and to increasing the GDP of the WB economies.

Apart from these differences in quantitative indicators, FDI has played a less positive role in the WBs than in the CEEBs. In the CEEBs, the strong inflows of FDI already in the second half of the 1990s facilitated the transfer of know-how and modern technologies, contributing to the deep restructuring of key sectors (e.g. automotive and chemical industry), technological upgrading, increasing productivity and improved export performance. Important shifts took place in the composition of CEEBs' manufacturing exports towards more skill-intensive and high-technology content, facilitating positive changes in their specialization patterns (Damiani and Uvalić, 2018). In the WBs, more significant FDI arrived only after 2001. By then, many industries had been devastated by physical destruction, lack of new investments and restructuring or delayed privatisations, so most WB countries went through a strong process of deindustrialisation. Foreign investors have not ensured modernization and technological upgrading of key industries, despite the new wave of privatisations after 2001. A large share of FDI has gone into the services sectors - retail and wholesale trade, banking, telecommunications, real estate (Estrin and Uvalić, 2016) and the sectoral structure of FDI has been similar during the past decade. The limited share of FDI invested into manufacturing explains why FDI has contributed only marginally to the strengthening of the WBs' export capacity; their export of goods and services/GDP ratios remain fairly low in comparison with those of most CEEBs. Within the manufacturing sector, foreign investors have often invested in low and medium-low-technology industries as well as labour-intensive sectors (Atanasijević et al, 2021).

Therefore it is not surprising that FDI in the WBs does not seem to have had wider spillover effects. A study evaluating the effects of FDI in the manufacturing sector of five WB countries has shown no evidence of positive spillover effects on any of the main performance indicators (value added, exports, employment); on the contrary, negative effects were observed in some sectors, such as textiles (Estrin and Uvalić, 2016). Foreign firms often rely primarily on their home countries' suppliers for various inputs, suggesting limited links between foreign and domestic firms (Bartlett, Krasniqi, and Ahmetbasić 2019). While CEEB countries have for over 20 years benefitted from being an integral part of the EU economy, the WB countries are still relatively isolated. The small size of WB economies, the scarcely integrated regional market, poor transport and energy infrastructure and lack of economies of scale (Estrin and Uvalic, 2016) remain important obstacles to more FDI.

5.3 Migrants' remittances

The World Bank database reports four indicators on the inflow of migrants' remittances in the six WB and the 11 CEEBs between 1999 and 2022.[16] Table 7 shows that the magnitude of these transfers has been very high for both regions. During the whole period, the WB countries received a *cumulative total of remittances* of $180.6 billion, or an *annual average inflow* of $7.5 billion, in comparison to the CEEBs that received almost three times more (almost $543 billion) and three times as much average annual inflows ($ 22.6 billion). However, if we consider *annual remittances per capita* in the two groups of countries, the WBs received substantially more ($405,000) than the CEEB countries ($222,000) on average annually. Regarding *remittances as a percentage of GDP*, migrants' income has contributed substantially more in the WB countries (an annual average of almost 11 per cent of their GDP) than in the CEEB countries (2.2 per cent of their GDP). Remittances represented a very high percentage of average annual GDP especially in Kosovo (17 per cent), Bosnia and Herzegovina (almost 16 per cent) and Albania (almost 13 per cent) and somewhat less in the other countries (9.5 per cent in Montenegro, 7.4 per cent in Serbia and 3.4 per cent in North Macedonia).

16 Data for the WBs are available only from 1999 onwards.

The reported data on personal remittances ought to be interpreted cautiously, not only because they do not cover the 1990s. There are various problems with statistics on remittances that derive from the complexity of measuring migration flows (Arandarenko, 2022). Countries use different concepts, definitions and data collection methodologies to compile statistics on migration as well as different criteria to identify international migrants. These country-specific differences hinder full international comparability of data on migration and consequently also on remittances. Additional complications in the measurement of migration, especially changes in emigrant stock over time, are related to the changing status of countries (e.g. Serbia underwent four statehood changes between 1991 and 2006), as well as from policies on dual citizenship that are frequent in the WB region. Moreover, remittances are complex phenomena, often difficult to demarcate from other sources of private income and they are defined differently in various international statistics.[17] In any case, remittances have been an important and stable source of additional income in all the WB countries.

6. A critical point: too many instruments of EU pre-accession support for the WBs?

We have seen that the EU has helped acceding countries in both the CEEBs and WBs through different programmes which have continuously evolved over time. However, EU financial support to the WBs has been delivered through by far more instruments and programmes than to the CEEB countries, along with changing programming and implementation modalities, revealing the longer time span covered but arguably also the more erratic EU strategic vision of this region.

The main EU instrument in CEEB in the 1990s was the PHARE programme, later supplemented with ISPA and SAPARD. Acceding countries from CEEB also received an immediate post-accession Transition Facility, i.e. the ten countries that joined the EU in 2004 during 2004-2006, Bulgaria and Romania during 2007-2010, and Croatia during 2013-2014.

In the WBs, humanitarian assistance was provided during the military conflicts of the 1990s through ECHO and partly OBNOVA. Until 2000, some countries—Albania, North Macedonia, Bosnia and Herzegovina and occasionally also Croatia—were also beneficiaries of PHARE. The CARDS programme[18] established in 2000 was the major programme of financial assistance in the first half of the 2000s. In 2007, the former pre-accession assistance instruments were replaced by a single instrument, the Instrument for Pre-Accession Assistance (IPA). IPA went through different programming phases: IPA I for the period 2007-2013, IPA II for the period 2014-2020 and IPA III for the period 2021-2027. IPA programming and implementation evolved continuously over time.

IPA I provided financial assistance through five channels: transition assistance and institution building, cross-border cooperation, regional development, human resource development and rural development. IPA II aimed at being more strategically focused. Indicative Strategy Papers were introduced as the specific strategic planning documents made for each beneficiary for a seven-year period, while a Multi-Country Strategy Paper addressed priorities for regional cooperation or territorial cooperation. IPA II targeted reforms within the framework of pre-defined sectors, such as democracy and governance, the rule of law, and growth and competitiveness. IPA II also allowed for a more systematic use of sectoral budget support and gave more weight to performance measurement, through indicators agreed with the beneficiaries. Finally, IPA III (after 2021) introduced a substantial change: programming of EU assistance started to be based on EU thematic priorities rather than pre-defined country envelopes. It focuses on the priorities of the enlargement process according to five thematic windows, which mirror the clusters of negotiating chapters in line with the revised enlargement methodology. IPA III also allows performance rewards, i.e. a financial incentive in case of progress towards meeting the membership criteria and/or efficient implementation of pre-

17 We are grateful to Mihail Arandarenko for providing us with useful insights on these issues.

18 CARDS covered five countries: Albania, Bosnia and Herzegovina, Croatia, FR Yugoslavia (Serbia, Montenegro) and North Macedonia.

accession assistance.

The EU has conceived other ‘instruments’ in support of the pre-accession process in the WBs. The Western Balkan Investment Framework (WBIF), established in 2009 brings together the European Commission, six international financial institutions[19] and 20 bilateral donors. The WBIF’s main purpose is to deliver finance and technical assistance for strategic investments, blending grants, loans, and beneficiaries’ contributions for infrastructure investments in the energy, environment, social, transport and digital sectors, as well as for private sector development. The EU and other donors’ grants are ‘blended’ with loans (often at concessional terms) from the participating institutions, which should allow the financing of much larger projects than those financed solely through IPA grants.

IPA III is currently partly used to finance another recent EU instrument, the Economic and Investment Plan for the Western Balkans adopted in October 2020, that ought to ensure €9 billion in grants and aims to attract another €20 billion in public and private investments (2021-27) through the WBIF, by offering guarantees to reduce risk for investors through a Western Balkans Guarantee Facility. With its ten groups of Flagship projects in six thematic areas, the Plan has been presented as a ‘new growth strategy’ for the WBs, with the aim to ensure faster economic recovery and convergence with the EU.

The European Commission has proposed yet another initiative in November 2023, the new Growth Plan for the Western Balkans, which is based on four pillars: (i) enhancing economic integration, (ii) boosting economic integration within the Western Balkans through the Common Regional Market, (iii) accelerating fundamental reforms and (iv) increasing financial assistance to support reforms through a Reform and Growth Facility for the Western Balkans (approved in February 2024), consisting of a new financial instrument worth €6 billion which combines grants (€ 2 billion) and concessional loans (€4 billion).

These EU instruments have undoubtedly had an important impact on the overall financial assistance provided to the WBs, inter alia by introducing some coordination in the interventions of international institutions, multilateral and bilateral donors. However, these instruments have also remarkably similar, arguably overlapping, objectives: they all include the blending of grants and loans and aim at fostering public and private sector investments. Experience has shown that in many instances beneficiaries are unable to make full use of the provided financial resources for various reasons, including the lack of knowledge and expertise regarding the design, programming and implementation of instruments within their public administrations. The process has been made even more complex by the fact that implementation rules change according to which an international actor is in the lead of a particular project, the most well-known example being rules on public procurement.

With the passing of time and the increase in the number of EU instruments, the process of design, delivery and implementation of EU financial assistance in the WBs has become increasingly complicated, containing overlapping objectives and lacking a clear pattern of sequencing of priorities. The numerous EU initiatives have all had the objective of raising the efficiency of financial assistance to the WB countries. However, judging from the limited impact they have had on economic growth and convergence of the WBs with the EU, the overall results have been rather delusive.

19 The European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Council of Europe Bank (CEB), Agence Française de Développement (AFD), the World Bank Group and the German development bank KfW.

7. Concluding remarks

Based on the empirical evidence presented in this paper, it is difficult to argue that the main cause for the 'slow growth syndrome' in the WB countries and their limited capacity to converge towards EU average income has been the scarce amount of financial resources they have received during the past three decades. The WB countries have benefitted from rather substantial inflows of funds transferred directly from the EU budget, bilaterally from its member states, through FDI and workers' remittances.

However, it is important to distinguish between pre-EU accession and post-accession funds extended to the WBs and the CEEB countries. The diverging performance of the two areas, in terms of economic growth and convergence with the EU, cannot be imputed to the difference in the amount of resources they have received during the pre-accession phase. After entering the EU, the CEEBs have seen a very sharp increase in EU financial support, which in turn has had a positive impact on their post-accession performance and convergence with the EU. EU assistance has contributed to both supply and demand from the CEEB region, stimulating trade, attracting FDI and ultimately generating economic growth faster than the EU average, which has enhanced real and nominal convergence (see Forgó and Jevčák 2015). However, it is somewhat simplistic to assume that just granting additional resources to acceding WB countries can generate the positive spillover effects observed for the CEEB countries. The main issue of limited convergence of the WBs is not necessarily insufficient financial resources, since other factors are clearly at play.

First, the issue of *governance*. The process of accession to the EU requires the implementation of significant reforms and adaptation to the institutional, normative and policy framework of the EU, which inevitably depends on the work and efficiency of local institutions. In the WBs, the institutions very often do not function in a satisfactory manner (see Daviddi, 2023, Uvalić, 2012, 2023). WB countries present characteristics that have compounded the complexity of the EU accession blueprint: state capture, corruption, organised crime, lack of leadership and vision of policymakers and civil society alike. Several studies point also to the low productivity of the WB countries, a result of many years of under-investment, unfavourable demographics and a complex business environment, but most of all inadequate governance and weak institutions.

Second, the WB countries have a *'credibility' problem*. Commitment to EU membership has recently been increasingly perceived as mostly rhetoric among the policymakers, but more and more also among ordinary citizens (Uvalić, ed. 2023). Policymakers have been rather reluctant to do what the EU institutions have asked them to do in the context of their EU accession process. This is a very significant difference with respect to the CEE and even more the Baltic states, which instead were ready and able to implement in a relatively short period of time large portions of the *acquis*.

Third, *EU policies* vis-à-vis the WBs have also suffered from serious shortcomings. In the context of the CEEB enlargement, the 'Agenda 2000' constituted a unique reference framework and a coherent blueprint for the EU accession of the new candidates from Eastern Europe, flanked by a set of streamlined assistance programmes designed to mimic the programming and implementation rules of the EU cohesion policy programmes. The EU approach towards the WBs has been far less clear and less articulated, while the policies have not been well sequenced. The strategy has not been consistent, but rather erratic, with ad hoc adjustments influenced by geopolitical developments and poorly communicated to the public both in the WBs and in the EU member states.

Fourth, *EU financial assistance* to the WBs has been scattered around many instruments, with overlapping areas of intervention and several institutions involved. It imposes a massive burden for the preparation and implementation of these programmes on the public administration of the WB beneficiaries who are often confronted with conflicting requirements and different criteria. The WBs countries are currently expected to implement numerous measures in parallel: the new Growth Plan and the envisaged country Agendas, the ten groups of flagship projects announced in the Economic and Investment Plan, the individual country's Economic Reform Programmes, the specific country objectives of the IPA III 7-year packages, the Green Agenda, the Digital Agenda, the Innovation Agenda, the Smart Specialisation Strategies. There is no indication of how all these initiatives are coordinated and prioritised. The required objectives, actions and measures are numerous, while the emphasis placed on each of them in the various EU documents is very different and do not offer a consistent and fully integrated approach for enhancing the growth potential of the WB economies (Uvalić, 2024).

Fifth, the fact that the *external environment* has fundamentally changed in these past twenty years also explains some of the differences between the convergence of the CEEB and the WB countries. The process of 'transition', from application to EU membership, lasted between eight and ten years for most CEEB countries, except for Bulgaria (11 years) and Romania (11,5 years). Croatia also managed to complete its 'transition' in a decade (2003–2013). By contrast, most WB countries applied for EU membership 15 years ago (North Macedonia even 20), and there is still no feasible date for the conclusion of their 'transition process'. In the meantime, the world economy has suffered massive exogenous shocks (the financial and economic crises, COVID19, the war in Ukraine, just to mention the most relevant) which have strongly impacted the economic performance of the six WB economies. Yet, ceteris paribus, the same shocks also hit the old and new EU member states, but some of them have shown far more resilience than the WB countries.

A major conclusion of this paper is that non-conditional access of the WBs to additional EU resources is not a cure for weak and captured institutions, inefficient governance and inadequate economic and social policies. At the same time, major changes are needed in the general framework of EU enlargement policy as well. A staged accession to the EU for the WBs, in which benefits are accrued at every stage of the process, both in the form of substantial financial support and gradual involvement in EU decision-making would be a wise option (Daviddi, 2023). Such an approach would be more encompassing and dynamic than very long, time-consuming, and somewhat abstract negotiations whose benefits are supposed to accrue all at once at the time of accession in a distant future.[20]

In conclusion, the EU should now focus on transforming the process of EU membership into a concrete possibility for candidate countries to join the Union in a foreseeable future. This entails addressing convincingly the challenges for the acceding countries we have briefly discussed. It also requires that the EU addresses the problems that may hinder its functioning in an enlarged Union. The immediate problems range from revising policies with significant budgetary implications, to the need to reform the existing decision-making mechanisms (i.e., redefine the domain of applicability of Qualified Majority Voting and unanimity) and the reform of representation (revision of the number of Commissioners and of European Parliament seats).[21] If this is not urgently addressed, EU enlargement, which for many years has been considered the most successful foreign policy tool of the Union, can well become the main cause of its implosion.

20 The proposal to better define conditionality, to specify more precisely timing and sequencing of measures and refine monitoring indicators was advanced by one of the authors already in 2005; see Daviddi (2005).

21 There are huge budgetary consequences from accession of many new member states, in particular of Ukraine, which would be one of the largest and by far the poorest EU member state. Additional resources for the enlarged Union must be found in a context in which more resources have already been committed to new policies (e.g., for repayment of the debt for Next Generation EU, for migration, for the Ukraine Facility, etc.). It is difficult to see how the circle can be squared without providing additional resources to the EU budget.

Appendix: A short methodological note on the data used in the paper

The paper has required a very comprehensive, meticulous and time-consuming effort of data collection and analysis.

Eurostat databases are far from complete regarding statistics on the Western Balkans. In addition, data referring to the 1990s have been archived, so retrieving them required individual requests. Some statistics on EU assistance can be found on the DGNEAR webpage, but some of the data are more suitable for communication purposes than for statistical research. Even in this case, data for the 1990s are either missing or of very poor quality. Data for the CEEBs have proved equally difficult to gather and reconcile. Several documents and Reports dating back to the 1980s and 1990s had to be accessed from archival sources and often reconstructed via tedious individual data input. The data we report in all tables are in almost all cases authors' calculations based on European Commission Annual Reports, EU Multi-Annual programming documents and ex-post evaluations carried out by the EC and the European Court of Auditors.

As to development assistance, most studies use the OECD data on financial aid (Official Development Assistance – ODA) contained in the OECD QWIDS database. We have decided to make limited use of it, only when dealing with total bilateral assistance by EU member states to the WBs. We maintain that several aggregates are not clearly defined, e.g., EU institutions or the distinction between grants and loans. The OECD Stat database (a precursor of the QWIDS which was to be switched off at the end of May 2024) contained an aggregate 'CEEC' which is no longer available after these countries joined the EU. In addition, the WB countries as upper middle-income countries are all eligible to be recipients of ODA, but among the new EU member states from Eastern Europe, eight countries are today members of the OECD and thus have become donors (rather than recipients) of ODA, which renders comparisons between the two groups of countries difficult.

The analysis of FDI has relied on data provided by the Vienna-based WIIW comprehensive FDI Database.

Data on personal remittances are World Bank statistics contained in the World Development Indicators database.

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APPENDIX – TABLES

Table 1. GDP per capita in Purchasing Power Standards (PPS), 1995-2022

Volume indices of real expenditure per capita (in PPS, EU27 2020=100)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
European Union - 27 countries	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Bulgaria	44	37	30	31	28	29	30	32	34	35	38	39	41	43	44	45	46	47	46	47	48	49	50	51	53	55	57	62
Czech Republic	78	80	78	75	74	73	76	75	79	81	82	82	84	86	87	84	84	84	86	88	89	89	91	92	93	93	92	90
Estonia	36	37	42	42	41	42	44	48	53	56	62	66	71	70	64	66	71	74	76	78	76	77	79	82	83	85	86	85
Croatia	45	48	50	49	48	48	50	53	55	57	57	60	63	65	64	61	61	62	62	60	61	62	64	65	67	65	70	73
Latvia	31	32	34	35	36	36	39	42	45	47	52	54	59	60	53	54	56	61	63	64	65	66	67	69	69	72	71	73
Lithuania	33	35	37	39	38	38	41	43	49	50	54	56	61	64	57	61	66	71	74	76	75	76	79	81	84	88	89	89
Hungary	52	51	51	52	52	54	57	60	62	63	64	63	61	64	65	66	67	67	68	69	70	69	69	71	73	74	75	76
Poland	44	45	47	48	49	48	48	49	50	51	52	52	54	56	60	63	65	67	67	67	69	69	69	71	73	76	77	79
Romania	31	31	29	28	27	26	28	30	31	35	36	40	44	52	52	53	55	57	55	56	57	59	63	66	70	73	73	76
Slovenia	77	78	80	80	82	81	82	83	85	88	89	88	89	91	86	85	84	83	83	83	83	84	86	87	89	89	90	90
Slovakia	49	51	53	53	51	51	53	55	57	59	62	65	68	72	72	77	76	77	78	78	79	73	71	70	71	74	73	71
Candidates & potential candidates *	n.a.	n.a.	n.a.	n.a.	n.a.	19	19	20	20	21	28	30	26	34	35	35	35	35	36	36	36	36	36	36	37	38	39	40
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26	27	28	29	30	30	30	30	31	30	31	31	31	32	33	33	34	35
Montenegro	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36	40	42	41	41	42	40	41	41	43	45	46	48	50	45	47	50
North Macedonia	n.a.	n.a.	n.a.	n.a.	n.a.	28	26	26	27	28	29	30	30	32	35	35	34	34	35	36	36	37	37	38	38	38	41	42
Albania	n.a.	n.a.	14	15	17	18	19	19	20	21	22	22	23	25	28	29	30	30	29	30	30	30	30	30	30	31	31	34
Serbia	n.a.	n.a.	n.a.	n.a.	n.a.	27	28	30	31	33	34	35	36	39	39	39	40	40	41	40	39	39	39	40	41	43	44	44

Notes: Data for Kosovo are not available

* Excluding Turkey and Kosovo

Source: Eurostat

Table 2. EU financial assistance to the WB countries, 1991-2020 (grants, € million)

Country/Year	1991-1994	1995-1999	2000-2006	2007-2013	2014-2020	TOTAL	Avg. p.a.	% of GDP p.a.	Avg. p.c.	Avg. p.c. 2000s
Albania	368	503	310	521	759	2461	82	1.0	863	558
Bosnia Herzegovina	495	1539	467	522	537	3560	119	1.0	1079	462
Kosovo *	0	273	727	679	573	2252	75	1.4	1251	1100
Montenegro *	0	0	127	206	271	604	20	0.6	972	972
North Macedonia	97	267	308	478	633	1783	59	0.8	579	461
Serbia **	171	231	1397	1345	1405	4547	152	0.5	654	597
Total bilateral	1131	2813	3336	3751	4177	15207	507	0.8	818	
Regional programmes	99	102	583	1361	2980	5125	171	0.3	276	265
TOTAL	1229	2914	3920	5112	7157	20332	678	1.1%	1093	870

* Data for 1991-1999 are included into Serbia

** Data for 1991-1999 refer to FRY and include Kosovo and Montenegro

Source: Authors' calculations based on European Commission Annual Reports, EU Multi Annual programming documents and ex-post evaluations carried out by the EC and the European Court of Auditors.

Table 3. EU financial assistance to CEEB countries (excluding Croatia), 1990-2007 (grants, € million)

Country	PHARE	SAPARD	ISPA	TOTAL	Per capita
Bulgaria	2360	327	627	3314	496
Czech Republic	917	122	1098	2137	204
Estonia	347	68	432	847	640
Hungary	1480	213	1483	3176	313
Latvia	424	122	715	1261	689
Lithuania	810	167	826	1803	663
Poland	3996	946	5707	10649	260
Romania	3670	1030	2044	6744	339
Slovakia	718	102	774	1594	275
Slovenia	360	41	260	662	312
Czechoslovakia	230	-	-	230	-
East Germany	34	-	-	34	-
Multi-country programmes	3357	0	0	3357	33
Total	18704	3140	13966	35809	351

Source: Authors' calculations based on European Commission Annual Report, EU Multi-Annual programming documents and ex-post evaluations carried out by the EC and the European Court of Auditors.

Table 4. EU structural and cohesion funds to CEEB countries, including Croatia, 2007-2020 (€ billion)

Country	2007-2013	2014-2020	TOTAL	Per capita €	% of GDP annual	% of GDP total
Bulgaria	7.0	9.1	16.1	2240	2.6	36.5
Croatia	1.5	12.6	14.1	3338	2.3	32.4
Czech R.	27.0	30.0	57.0	5409	2.5	34.4
Estonia	3.4	4.9	8.3	6336	2.9	40.6
Hungary	29.2	26.5	55.7	5649	3.7	51.2
Latvia	4.7	5.4	10.1	5127	3.0	41.4
Lithuania	6.7	8.2	14.9	5106	2.9	40.1
Poland	66.9	92.6	159.5	4195	2.7	37.3
Romania	22.1	28.5	50.6	2545	2.1	28.8
Slovakia	14.2	17.5	31.7	5832	2.9	40.6
Slovenia	4.4	4.1	8.5	4121	1.6	22.0
Total	187.1	239.3	426.4	4124	2.6	36.6

Source: Authors' calculations based on data by European Commission - Directorate-General for Regional and Urban Policy (COHESION OPEN DATA PLATFORM)

Table 5. EU Common Agricultural Policy expenditure by country

(Cumulated amount 2007-2021 in million EUR)

Country	EAGF (2007-14)	EAFRD (2007-2014)	Direct payments	Rural development expenditure	Market measures expenditure	TOTAL
Bulgaria	2562.7	1866.2	5462.8	2098.9	194.3	12184.8
Czech Republic	5127.0	2714.6	5912.5	2339.2	140.7	16234.0
Estonia	562.7	687.6	980.2	729.1	28.6	2988.1
Hungary	7779.7	3285.0	8888.6	3319.5	300.9	23573.7
Latvia	899.1	1001.7	1746.3	1050.3	45.4	4742.7
Lithuania	2182.9	1641.3	3337.5	1473.8	79.1	8714.6
Poland	18463.4	11558.4	23497.0	7754.4	573.0	61846.2
Romania	6078.7	5899.3	12519.0	7966.8	344.1	32807.9
Slovakia	2282.3	1867.1	2987.6	1244.0	778.0	9159.0
Slovenia	854.9	870.2	941.1	766.6	52.5	3485.3
Croatia	96.4	0.0	1927.8	1864.4	78.2	3966.8
Total	46889.7	31391.3	68200.4	30607.0	2614.8	179 703.2

Source: Authors' calculation based on European Agricultural Guarantee Fund (EAGF) and European agricultural fund for rural development (EAFRD) Annual reports and EU Commission Directorate-General for Agriculture and Rural Development

Financing the CAP (europa.eu)

Table 6. FDI in WBs and CEEBs, 1990-2022

	€ million	€ per capita	% of GDP	% of GFCF
Albania	3988	1396	34.6	1.4
Bosnia and Herzegovina	4485	1247	30.9	13.5
Kosovo	3029	1697	52.0	22.2
Montenegro	2951	4758	79.0	57.6
North Macedonia	3133	1551	38.6	16.6
Serbia	19945	2847	50.0	30.5
WB6	37532	11124	47.5	23.6
Bulgaria	21094	2956	48.4	27.4
Croatia	16778	4033	36.4	16.6
Czech Republic	68223	6488	43.5	13.6
Estonia	11114	8330	62.6	24.5
Hungary	49192	4965	50.4	5.6
Latvia	7694	3850	35.5	17.5
Lithuania	9664	3275	28.9	13.4
Poland	96639	2549	25.8	14.3
Romania	38162	1927	26.0	0.2
Slovakia	27987	5166	42.0	12.8
Slovenia	8085	3925	21.9	7.4
CEEB	354632	44776	38.3	13.9

Source: Authors' calculations based on WIIW FDI database

Table 7. Personal remittances in CEEB and WB countries, 1999-2022

	Cumulative total (US$ mn) (1999-2022)	Received (US$ mn) (average per year)	In % of GDP (average per year)	Per capita (US$ thousands) (average per year)
CEEB				
Bulgaria	37870	1578	3.6	236
Croatia	61984	2583	4.8	670
Czechia	48317	2013	1.0	192
Estonia	8532	356	1.5	269
Hungary	56752	2365	1.7	233
Latvia	23324	972	3.5	531
Lithuania	25171	1049	2.5	386
Poland	157240	6552	1.5	160
Romania	77311	3221	1.5	162
Slovenia	9058	377	0.9	178
Slovak Republic	37276	1553	1.7	268
Total CEEB	542836	22618	2.2	222
WBs				
Albania	31218	1301	12.8	456
Bosnia and Herzegovina	48900	2037	15.6	617
Kosovo	20519	855	16.9	475
Montenegro	8189	341	9.5	549
North Macedonia	7463	311	3.4	101
Serbia	64325	2680	7.4	386
Total WB	180614	7526	10.9	405

Source: Authors' calculations based on World Bank World Development Indicators.

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