

Annual review of

TERRITORIAL GOVERNANCE

IN THE WESTERN BALKANS

JOURNAL OF THE WESTERN BALKANS NETWORK ON TERRITORIAL GOVERNANCE (TG-WeB)

**Governance in
Western Balkans**

**Municipal Finances in
the Context of COVID-19**

**The effects of COVID-19 on
Governance and Development**

**Water and Energy
for Resilience**

**Tourism in the Age
of Uncertainty**

**Learning from the
CENTROPE Initiative**

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ON TERRITORIAL GOVERNANCE

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EDITORIAL

Adaptive Territorial Governance in the Face of COVID-19

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Introduction

During the last few decades, extreme weather events and global and regional economic crises have been forcing us to rethink the way that governments approach territorial development. The inherent links between social, economic, and ecological systems are proving to be increasingly significant, and exist only in a complex whole characterised by multiple feedbacks (Berkes et al. 2002). In this light, managing the relationship between the social, economic, and ecological aspects of development is of paramount importance for those interested in establishing sustainable development trajectories in the long-run. This is particularly true since the COVID-19 pandemic has added further entropy to the picture of socio-ecological interactions. During the early stages of the pandemic, decision making, regulations, and communication had converged at the national level. However, throughout the course of the pandemic, there has been growing room for improvement in policy-making. As such, there is a need to rethink development objectives and their governance according to a new long-term perspective – one that takes better account of different issues and needs. Key concepts such as multi-level governance, place-based development, circular economy, and the localisation of the Sustainable Development Goals can all help Western Balkan countries to achieve a better quality of life while preserving productivity, social inclusion, and the environment (Cotella and Vitale Brovarone, 2020).

However, to develop territorial governance systems to support secure, long-term societal development is particularly challenging (Lambin, 2005), and requires the introduction of forms of territorial governance that explicitly take into account the possibility for immediate and long-term change (Dietz et al., 2003; Folke et al., 2005). 'Adaptive' governance models and mechanisms are those that are able to address uncertainty through continuous learning and feature the involvement of multiple actors and levels in decision and policy making processes. Continuous knowledge sharing and learning is indeed a critical component when facing complex dynamics and uncertainty. It can be stimulated by networks that enable interaction between individuals and institutions at multiple levels and use those interactions to draw upon various knowledge systems and develop better policies (Adger, 2001; Olsson et al., 2006). In this light, adaptive territorial governance models rely on polycentric institutional arrangements that operate at multiple scales (McGinnis, 1999), balancing between centralised

and decentralised control (Imperial, 1999). At the same time, these models should be flexible enough to re-organise and re-form through institutional arrangements that encourage reflection and innovative responses (Brunner et al., 2005; Folke et al., 2005).

Since the first appearance of the concept in the early 2000s, (Dietz et al., 2003), the boundaries of adaptive governance have evolved significantly, particularly in relation to the governance of territorial development. However, an explicit research agenda on the matter has yet to coalesce. A synthesis of the literature concerning adaptive governance may contribute to the quest for new models of territorial governance that address the dynamic, large-scale nature of the most pressing crises, such as the 2008 global financial crisis that still projects its shadow over our economies and, more urgently, the uncertainty surrounding the COVID-19 pandemic and its aftermath. Serving as an introduction to the 2020 Annual Review of Territorial Governance in the Western Balkans, this editorial focuses on the concept of adaptive territorial governance in the face of COVID-19, with particular reference to the Western Balkan Region. After this brief introduction, the concept of adaptive governance is detailed in relation to its evolving boundaries. The challenges that may undermine the implementation of adaptive governance in practice are then reflected upon before a number of tentative research avenues in relation to the Western Balkans are brought forward. Finally, the various contributions that compose this volume and the way that each contributes to the debate are introduced to the reader.

Adaptive Territorial Governance: Conceptual Boundaries

The concept of adaptive governance first emerged in relation to the management of institutional interactions in complex systems (Dietz et al., 2003; Walker et al., 2004; Folke et al., 2005), particularly as a consequence of the multiple uncertainties associated with global environmental change. According to these pioneering contributions, top-down territorial governance systems are unable to match the relevant scale of socio-economic and ecological complexity, especially in the face of rapid change (Cumming et al., 2006). Similarly, hierarchical governance often fails to provide effective solutions for highly contextualized situations, falling short in coordinating governance across multiple jurisdictional boundaries (Lemos and Agrawal, 2006). In response, a growing number of bottom-up approaches have emerged through local social networks, often under the collaborative initiative of community leaders sensing the need for alternatives to top-down government and new approaches to decision making (Weber, 2003). However, these local governance initiatives often suffer from coordination problems across complex geographies due to the lack of overarching arrangements able to approach 'soft spaces' with 'fuzzy boundaries' in a flexible way (Haughton et al., 2009; Faludi, 2018). Additionally, they often defect in terms of legitimacy, accountability, and inclusiveness, ignoring the voices of those stakeholders who are marginalized by dominant power relations (Swyngedow, 2005).

Acknowledging these challenges, adaptive governance emerged as a possible solution to the quest for new approaches to territorial governance capable of tackling large-scale problems in a way that is flexible and responsive enough to adjust to complex, unpredictable feedbacks between social, economic, and ecological components. The first contribution introducing the concept dates back to 2003, when Dietz et al. articulated the need for a more 'adaptive' governance of socioeconomic and environmental systems. This called for continuous shifts in the scale and in the actor constellation to be involved in the governance process. The authors suggested that effective governance conditions would ideally manifest within systems in which (Dietz et al., p.1908): (i) resources and their use can be monitored, verified, and understood through a relatively low effort; (ii) dynamics of change are slow or moderate; (iii) networks of

actors are dense and consolidated; (iv) outsiders can be excluded at a relatively low cost and (v) users are engaged in effective monitoring and enforcement. At the same time, however, they recognise that these conditions rarely exist in coordination with one another or at once, with most territorial governance scenarios having to deal with incomplete information and conflicting and ever-evolving values and preferences (Ostrom, 2005). As a consequence, governance models should be flexible enough to accommodate the feedbacks originating both in the territorial and actor spheres. This can be achieved through an iterative and inclusive dialogue between actors and within a complex, multi-layered system of institutions that facilitate experimentation, learning, and change.

Since this seminal contribution from Dietz et al., the literature on adaptive governance has begun to approach territorial systems in terms of 'resilience', i.e. their capacity to absorb natural and human impacts while still maintaining their structure and function (Holling, 2001; Folke, 2007). Resilience scholars call for adaptive governance models to deal with uncertainty in the face of unexpected disturbance or sudden change by either increasing the resilience of existing systems or facilitating their transformation (Walker et al., 2004; Folke et al., 2005). Using the terms 'adaptability' and 'transformability' to define properties of a territorial system and its associated governance institutions, Walker et al. (2004) situate adaptive governance in the context of scholarship on resilience, arguing that governing a territorial system from a resilience perspective shifts the role of governance institutions from limiting change to managing and shaping the ability of a system to cope with, adapt to, and allow for further change. Many of the early empirical and theoretical contributions to adaptive governance are framed in terms of adaptive co-management, often used synonymously (e.g. in Olsson et al., 2007; Huitema et al., 2009). According to Plummer et al. (2013), adaptive governance builds on foundational sources from the adaptive co-management literature and may be considered as the organizational context necessary to actively manage resilience in territorial systems (Folke et al., 2005).

Importantly, the first comprehensive set of criteria necessary for a successful transition towards adaptive governance are detailed by Folke et al. (2005). In their work, they highlight that most criteria are a function of social capital and include knowledge generation and learning, organizational learning, collaboration, devolution of management rights or power sharing, participation, organizational flexibility, trust, leadership, social memory, and the formation of actor groups or teams. At the same time, they also argue that adaptive territorial governance should be characterized by scaled approaches to resource management provided for and coordinated within an adaptive and collaborative learning environment fostered by adaptive governance. In order to create such an environment, adaptive governance requires functioning social networks that connect individuals and organizations across multiple levels and scales and that strengthen the capacity for taking advantage of windows of opportunity for transitions toward more flexible and adaptive models and mechanisms.

While adaptive governance was developing within resilience scholarship, authors in other fields started to adopt the term to explain governance changes with relation to the emergence of community-based natural resource management. In the volume *Adaptive Governance: Integrating Science, Policy, and Decision Making*, Brunner et al. use the concept as a framework for adapting "policy decisions to real people [...] on the ground" (Brunner et al., 2005, p.19). They suggest that adaptive governance cannot be reduced to a list of specific prescriptions but is context-dependent, and thus should be analysed through an exploration of the 'pattern of practices' to be read in the particular contextual conditions within which they developed. Altogether, the cases collected in the book highlight the importance of local initiatives for resolving small-scale contestations over resource use, often involving livelihoods that are

seemingly incompatible with larger-scale policy directions (Chaffin et al., 2014). Although adaptive governance initiatives seem to have the potential to infuse larger-scale policy-making with local knowledge and capacity, community-based initiatives often suffer from a lack of governing authority, legitimacy, funding, and sustained leadership. Furthermore, they function at a scale that is smaller than most of the territorial systems they rely on, leaving them vulnerable to changes outside of their sphere of influence (Brunner et al., 2005). Taking this into account, adaptive governance should bridge locally-oriented practices with wider-scale interests and initiatives to develop improved policy frameworks that guarantee their coordination and organisation.

Main Challenges to Adaptive Territorial Governance

Whereas adaptive governance models and mechanisms certainly present multiple advantages, empirical studies on the matter have shed light on the existence of a range of impediments to their introduction. Whereas decision and policy makers may be willing to embrace new governance mechanisms and practices, they are often constrained by traditional arrangements, limited institutional capacity, as well as concerns regarding the potential risks that come with the new configurations (Berisha et al., 2020). Drawing on insights gained from a critical literature review on the matter, Rijke et al. (2012) argue that constraints to the uptake of adaptive governance relate, to a large extent, to the inability of practitioners and policy makers to cope with complexity and uncertainty, in particular:

- (i) the ambiguous purposes and objectives of what should be achieved;
- (ii) the unclear contextual conditions in which governance takes place; and
- (iii) the uncertainty around the effectiveness of different governance strategies.

Building on the traditional literature depicting the shift from government to governance, they argue that the process that should lead to the identification of the purpose of governance is often not straightforward, due to the different priorities of the various stakeholders involved. Such diversity of values often leads to a 'paralysis' in which the actors involved in the process confront each other with different understandings of the problem and proposed paths of action. Furthermore, the ambiguity of the actual governance purpose may raise questions in relation to who is legitimated to take decisions, as well as to what dimensions and aspects of sustainability should be prioritised (Smith and Stirling, 2010). Hence, ambiguous governance purposes resulting from a differential range of values creates a significant challenge for applying adaptive governance.

The unclear, ever-changing contextual conditions within which governance takes place also constitute a challenge for implementation. Territorial systems are complex systems that evolve through continuous interactions between territorial characteristics, the governance system, and civil society. Hence, changing conditions in the social and physical context of territorial systems influence the effectiveness of governance to serve a specific purpose. Adaptive governance, in particular, should rely on networks that connect actors (individuals, organisations, and institutions) at multiple organisational levels (Folke et al., 2005). Its effectiveness to solve complex problems depends on the combination of network structure and context (Turrini et al., 2010). As such, any framework conceptualisation merely identifies the elements and general relationships that need to be considered for institutional analysis, without providing policy makers with the specific methods through which to develop effective governance strategies (Ostrom, 2011).

Finally, as governance relies on networks that connect actors at multiple organisational levels, analysing relations between actors helps to understand how social structures may enhance or hinder effective governance. Although the effectiveness of networks to solve complex problems depends on a combination of network structure and context, decision and policy makers have a tendency to develop holistic, blueprint solutions that fail to take uncertainty and the complex dynamics of governance systems into account. Prediction and control approaches are derived from mechanistic thinking in which system behaviours and responses can be predicted; optimal control strategies can be designed within regulatory frameworks that are shaped by technical norms and legal prescriptions (Pahl-Wostl, 2007). However, policy makers and practitioners continue to struggle with setting learning goals and expectations, defining adequate learning mechanisms, and identifying who should be involved in learning processes (Armitage et al., 2008). In turn, this hampers their ability to develop adaptive governance strategies that rely on continuous learning.

Adaptive Territorial Governance in the Western Balkans. Towards a Research Agenda

The above review has introduced a number of issues that are relevant for the territorial development and governance context at the core of this Annual Review. It is nonetheless worth reflecting on a number of possible research paths in order to explore the potential for introducing and consolidating adaptive governance models and mechanisms within the institutional framework of the Western Balkan Region. Today, the Western Balkans are a heterogeneous macro-region, featuring numerous challenges to territorial development: institutional corruption, informal economic and land development, weak and often ineffective participation in public processes, and a low awareness of environmental issues (TG-WeB, 2018). At the same time, all countries in the region are progressively integrating into the European Union (EU), a process that is introducing additional governance levels and the devolving central powers to subnational levels as well as to functional regions that transcend administrative boundaries. More adaptive governance approaches could help to deal with these challenging trends, fostering the mutual cooperation of different countries and supporting the creation of networks on common issues, problems, and actions, both in a top-down and bottom-up fashion. Networking and cooperation among actors from various Balkan countries is a very challenging task, as networks are expected to not only understand and fulfil the requirements of a highly globalised territorial development, but also to intrinsically understand the endogenous needs of local societies. To this end, more adaptive governance models and mechanisms could constitute an added value.

The review presented here has suggested that adaptive territorial governance is essential for dealing with the complexity and uncertainty associated with rapid global changes. This will be of utmost importance in the aftermath of the COVID-19 pandemic. However, adaptive governance cannot be created by a unilateral action of government, as it is highly context-dependent, rather fuzzy, and often organised symbiotically with the territorial system within which it develops. As a consequence, a transition towards more adaptive governance cannot be imposed, but can be encouraged through interventions aimed at raising institutional and adaptive capacity. The latter may emerge when actors, networks, and organizations initiate a transformation in search of a new, more desirable state of environmental governance or when they reorganize in response to perturbations such as policy windows, funding opportunities, and/or particular shocks to the system.

Adaptive governance represents a link between the social, economic, and environmental dimensions of sustainable development and takes into account the dynamic evolution of

these dimensions and the complex, mutual interrelations that links them and their inherent uncertainty. Born from the social will to manage territorial development reflexively and holistically, adaptive governance cannot be realized without functioning social networks. Such networks create cross-level and cross-scale linkages that allow for broad participation and experimentation, harmonization at a system-wide scale, and the establishment of a culture of learning that increases knowledge generation and sharing across a multilevel governance structure. Adaptive governance theoretically culminates in coordination at a macro-regional scale – a scale at which the governance structure best fits the function of coordinating and harmonising territorial development patterns and trajectories. The Western Balkan Region constitutes an interesting test-bed due to the rather fluid structure of governance and the institutions that characterise the various countries.

To this end, further research is required to explore a number of avenues and, in turn, provide meaningful and timely guidance to actors at the various levels in the process. Firstly, it would be relevant to explore the relationship between the conceptual boundaries between the principle of adaptive governance and those that fall under the heading of ‘good’ territorial governance (ESPON, 2014; Nadin et al., 2018). Whereas these areas of inquiry may be understood as separate (one focused on the governance of ecological systems and one focused on purely societal issues of legitimacy, equity, and justice) it may be worth combining them based on the assumption that the resilience and desirability of the social system is equally important to that of the ecological system. Another promising field of inquiry concerns the necessary preparations to take advantage of windows of opportunity in order to increase the likelihood of successful transformations towards more adaptive models of governance. Since such windows will certainly open up within the framework of the EU integration process, actors should be ready to seize various opportunities and come forward with coordinated actions and arrangements that concern the whole region to acquire a critical mass in their interactions with the EU. Finally, the many barriers to implementing adaptive governance that still exist within the institutional and organization frameworks of the Western Balkan countries deserve further attention. Interventions to support the emergence of adaptive governance when a window of opportunity opens should be prioritised, together with specific changes in the law that are necessary to open up policy space and allow further flexibility.

Each of these research avenues calls for the development of an empirical record and an increased effort to explore case studies of both successful and unsuccessful transformations toward adaptive governance in the region. With particular reference to unsuccessful transitions, researchers should pay attention to the politics of adaptive governance to define the roles of power, equity, and justice in fostering or inhibiting transformations. To address these questions, the Western Balkan Network on Territorial Governance (<http://tg-web.eu/>) constitutes an important platform of interaction and knowledge transfer. Its activities form an ideal framework within which to open up a discussion about the results that the transition towards more adaptive governance models and mechanisms produces in practice. This volume and the contributions it includes are a direct product of these activities.

A Roadmap for the Reader

This issue of the Annual Review of Territorial Governance in the Western Balkans positions itself within the aforementioned debate on adaptive territorial governance with particular attention to the consequences of and the reaction to the COVID-19 pandemic, as well as to the medium and long-term policies that may be adopted to face its aftermath and future uncertainties. It assembles a number of contributions focusing on a rather heterogeneous set of issues,

providing insights on the region and its governance from both a conceptual and a practical perspective. Together, the various articles seek to provide the reader with different entry points into the state of art of territorial governance in the Western Balkans, offering food for thoughts on how to make the latter more adaptive.

In the first contribution, Andreas Faludi frames the issue of government and governance in the Western Balkan region in the light of the contents of his most recent editorial effort (Faludi, 2018). The author reflects on the need for a common perspective on territorial governance in a context in which the powers and resources of governments still vary and are dependent on the acquiescence and active support of other actors. While reflecting on the ongoing EU enlargement process, the contribution argues that this could occur through the formation of tailor-made communities following functional or cultural lines, resulting in multiple, overlapping spaces that deal with issues in areas fit-for-purpose. However fuzzy, the resulting pattern could be characterised by the capacity to adapt to situations on the ground that are not easily managed within traditional administrative arrangements.

After this inspiring framework, the following two contributions focus on how the field of tourism could constitute an interesting field to study 'softer' territorial governance processes. Enrico Porfido reflects upon the need and potentials for a joint tourism development policy for the Western Balkan region through a comparison of the strategies undertaken. In his contribution, countries are grouped by policy characteristics and analysed in relation to the magnitude of investments as well as the policies' evaluation and implementation. The study highlights a number of common elements across the various policies, resulting in a competition among countries for the same tourism market portion. The paper suggests that a common tourism policy could connect the efforts of the involved actors, enhancing the competitiveness of the region at a global scale.

Whereas the potentials for development linked to tourism are undoubtable, this sector has been severely challenged by the COVID-19 emergency. Peter Nientied and Dritan Shutina shed light on this matter in their contribution, making the case for a transition to a post-COVID-19 tourism model as opposed to a return to the status quo. The authors discuss the current uncertainties of the tourism economy in the region in light of a number of international policy frameworks such as Next-Generation Europe and the European Green Deal. Ultimately, the suggested transition should entail the development of a more adaptive and resilient tourism sector through policies and practices that picture the regions as an integrated destination.

The reaction to the COVID-19 pandemic is also the central focus of the contribution authored by Ledio Allkja and Esmerina Hidri, which reflects upon the role, challenges, and opportunities for universities and socio-cultural institutions. The authors argue that the pandemic has hit socio-cultural services hard; they were quickly shut down and transferred to virtual platforms. Despite this generating factor, the ongoing transition offers interesting prospects for future policies in terms of increasing the resilience of services as well as institutionalizing new ways, norms, and practices of doing things.

The fifth article included in this volume reflects upon the impact of the pandemic on municipal finances. Here Merita Toska, Marjan Nikolov, and Vesna Garvanlieva Andonova analyse how the outbreak of COVID-19 positioned municipalities at the forefront of the emergency, challenging them with the increased need to protect their communities and ensure the continuity of their activities despite financial constraints. Their work provides a picture of the impact of the pandemic on municipal finances, particularly in relation to the Albanian and North

Macedonia governments' interventions. Overall, the authors argue that in view of the expected lower revenues, and added pressures for expenditures and unbalanced cash-flows, it will be imperative for local authorities to regain financial control in order to avoid liquidity shortages and equip themselves with adequate finances.

A further exploration of the socioeconomic impact of the pandemic is proposed by Hristo Dokov, Kalina Milkova, and Ivaylo Stamenkov, who present a spatial analysis in the Bulgarian context to provide a wide picture on the occurring changes. Through their analysis, the authors reflect on the key factors that drive the processes and determine the intensity, scale, and persistence of the immediate multidimensional impacts of the outbreak and their territorial implications. Through a mix of quantitative and qualitative approaches, they show that the COVID-19 crisis has severely impacted the country, although differentially across territories, generating significant entropy and uncertainty.

The governance of transboundary water basins lies at the focus of the contribution from Francesca Vanelli, Besmira Dyca, and Paul Rabé. The authors discuss how water basins experience significant pressure from urban growth, tourism, energy, and food demands, exacerbated by the pressing challenges of climate change. In light of these challenges, they explore the potentials for a transboundary water management policy with respect to the Drin River basin. In doing so, the contribution assesses water governance's effectiveness and efficiency, applying a land-water nexus framework to evaluate the extent to which relevant land-based activities are included and effectively monitored. Building on the analysis of various aspects (existing transboundary and national legal frameworks, institutional and financial capacities for data collection, and the presence and enforcement of a land-water nexus vision) the authors point towards the need to understand policy gaps between riparian countries and the need to develop an integrated cross-sectoral framework for resource management as the basis for a better land-water nexus and more sustainable and resilient development.

The contribution from Vesna Garvanlieva Andonova and Marjan Nikolov also focuses on the management of resources, in particular the economic viability of alternatives for lignite-free electricity production in North Macedonia. The authors explain that the usage of coal to produce electricity has become less and less attractive as a consequence of the environmental protocols attached to the EU integration process. On this basis, they argue that this situation will have severe impacts on those regions that host thermal power-plant, that either directly or indirectly employ a high number of people, and that focus on coal to contribute to the regional economic value added.

Finally, in the final contribution of the volume, Maroš Finka, Milan Husár, and Matej Jaško present a number of inspirational lessons from the CENTROPE Initiative, which could stimulate the introduction of more adaptive governance models and mechanisms in the Western Balkan region. CENTROPE is presented as one of the most visible projects that characterised the integration of central and eastern European countries into the EU throughout the second half of the 1990s and the 2000s. CENTROPE sought to develop a governance framework for effective and efficient cooperation in a large transnational area. The contribution explains that, similar to the Western Balkans, the economic and social development of CENTROPE was and still remains uneven, as the initiative did not manage to promote polycentric governance arrangements that could have enabled the effective management of spatial activities in the region.

Through various angles, all the contributions included in this volume touch upon the challenges and pitfalls that characterise the present configuration of territorial governance in the Western

Balkan region and how the region is coping with economic uncertainties and the COVID-19 pandemic. The authors propose a number of ways forward to inspire the introduction of more flexible models and mechanisms that, in turn, could contribute to making the governance of the region more adaptive.

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POLICY DEBATE

Government and Governance on the Western Balkans

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With no direct exposure to 'The Western Balkans Network on Territorial Governance,' I take it to be a joint effort concerning a loosely-defined region for which there is no unitary government, nor will there be one. Hence, we are talking about 'governance' rather than 'government,' the former referring to anything that goes beyond or comes in lieu of exercising formal competences, and/or spending the treasures of a government body. To invoke the concept of governance recognizes that the powers and/or resources of government are insufficient, so much so that the latter becomes dependent on the acquiescence of and/or active support from other actors able to fill the gap. Where, as in the Western Balkans, there is not one, but rather a multitude of governmental bodies, collaborative governance is the only option.

But why bother with government and governance in the Western Balkans in the first place? The answer is that the Western Balkans form a gaping hole in the body of the European Union (henceforth EU), which turns the region into an object of its concern and vice versa: the concerned countries see advantages in joining the EU. In other words, a process called enlargement (integrating the states concerned through their becoming members) is an issue both for the EU as well as for those would-be Western Balkans members. To complicate matters, each country in the Western Balkans has a different agenda and the prospects of each for a speedy resolution of the issues involved in starting, yet alone completing the process vary.

Once completed, the whole area would of course no longer be the gaping hole in the body of the EU which it is now. If such a thing existed, the Western Balkans could become the object of EU spatial planning. Such planning could play a role in sorting out the many issues involved in coordinating investments and harmonising regulations amongst new member states and between them and the existing members, issues of which, of course, there would be many. To be more precise, if such planning were amongst the so-called competences of the EU, the new member states concerned could participate in whatever went on under this label. In general, such a shared competence gives the European Commission the right of initiative, empowering it to put before the Council of Ministers proposals for relevant regulations and/or directives. Subject to the approval of the Council, and also the European Parliament under co-decision making, member states would be required to tackle specific issues as stipulated by those regulations and/or directives (which of course has happened in countless other areas). However, there is no such competence for spatial planning, so why give the matter attention?

There have been intensive, but inconclusive efforts in the past to investigate the matter, for instance during the preparation of the 'European Spatial Development Perspective,' also known as the ESDP (CEC 1999; see Faludi and Waterhout 2002). Prepared as an 'intergovernmental'

document, but with support from the European Commission, the story of the ESDP shows that much can be done, even without a formal competence. This situation continues today with the 'European Spatial Planning Observatory Network,' commonly known as ESPON¹, and with the successive versions of the 'Territorial Agenda.' These initiatives demonstrate two things. Firstly, even without a formal competence, forms of territorial governance exist. Secondly, sometimes non-members of the EU participate, including in cross-border and transnational cooperation. In Faludi (forthcoming) I revisit my work above and what I have done since concerning European territorial governance. Which has made me quite critical, not so much of the valiant efforts of planners of various denominations, but of European integration generally being framed by what I call 'territorialism.' Giving pride of place to state territories, it stands for member states, each defending its sovereignty and reluctant to cross borders in a literal as well as metaphorical sense to play a dominant role in the EU. Whoever has followed the spectacle of the European Council debating the Multi-Annual Financial Framework 2021-2027 and the Recovery Fund will understand what I mean: There, the same insistence on defending one's own has dominated the proceedings.

These comments are very much written with my claims concerning 'The Poverty of Territorialism' (Faludi 2020[2018]) in mind. Below I return to discussing, albeit briefly, the subtitle of that same book: 'A Neo-Medieval View of Europe and European Planning.' Since publishing that book, I have discovered even more sources on the territorial nation-state, a privileged building block of the EU though it is, being (in some respects) unfit for dealing with present and future challenges. In my forthcoming chapter mentioned earlier, I show myself particularly impressed by David J. Elkins (1995) from Canada.

Elkins is important because of his reference to the French-Canadian province with separatist inclinations, Québec, as well as to the existence throughout Canada of 'First Nations' with constitutional rights but without a territorial base. He covers not only these specifics of Canada but also offers interesting insights on more macro-trends, starting with the bold statement that I have chosen as the epitaph of my forthcoming paper. There he says: We have not yet witnessed "...the transition away from the assumptions that a nation-state must have territory and that the territory should be contiguous, continuous, and exclusive" (Elkins 1995, pp. 22-23). Not concerned specifically with the EU, this author concludes from this that "...if the process of globalization were to encompass a world government and worldwide free trade, it would be a less radical change ... than what I have suggested is under way – the demise of territory as the sole basis of political units and the consequent decline of all-purpose political units, especially nations" (Elkins 1995, p. 28).

The importance of this lies in what it implies for European integration, including enlargement encompassing the whole of the Western Balkans. For better or for worse, integrating states, each with their territories, in so doing creating a larger territorial entity and endowing that entity (in this case the EU) with at least some governmental functions, may be a vain effort to sustain territorialism. Elkins diagnoses that the "...**demise of territory as the sole basis of political units...**" will hit us in the face.

Indeed, in our very first account of the making of the ESDP, we concluded that seeing European planning (and European matters generally) through the lens of the nation-state was unhelpful. Our still timid reaction then was to exult the role of networking and mutual learning through the formation of cross-national working groups and other ad-hoc arrangements working as a 'learning machine' (Faludi 2008). My idle hope was that learning might change attitudes towards integration: that the 'Europeanisation' of planning through learning would lead to a qualitative

jump towards a **European policy-making state** – to borrow the term from Richardson (2012). The end-game, I thought (2014), might just might be the ‘EUropeanisation’ proper of planning. This was the last of my expressions of pious hope for some form of **EU-level planning**.

As already indicated, and as its sub-title specifies, what has dawned on me since is that even if its members were to allow the EU to work as intended – which they do not – the best we could hope for is an EU as the kind of territorial polity, which Elkins has allocated to the dustbin of history.

This was the message of ‘The Poverty of Territorialism,’ written before I had read Elkins. I could have arrived at similar conclusions from reading Keating (2012). His theme is regional autonomy, which he relates in novel ways to sovereignty, more specifically to nationality claims made by regions (he lives and works in Scotland). Dividing territories into separate states is now widely discredited, he says. The reason is a radically different meaning attached to statehood. Like Elkins writing about ‘non-territorial provinces’ as options for the French language community or ‘First Nations’ in Canada, Keating points to the **possibility of non-territorial self-government**. This is why he prefers talking about autonomy as his way of reframing issues in manners that could be of great relevance, and not only to the Western Balkans: **“One is autonomous in relation to some other person or entity”** (Keating 2012, p.17). But, Keating adds, autonomy becomes meaningful only when one has the power to do something.

In this respect, the Ottoman Empire giving autonomy to minorities, as the Austrian part of the Habsburg Empire did, may have done better than their ill-deserved reputations as the ‘prisons of nations’ would suggest. In particular, religious minorities were given the right to administer their own affairs. Since the Western Balkans partake in the heritage and traditions of both these empires, unearthing such historic memories is worth considering for their implications on present issues and their resolution.

Autonomy rather than sovereignty is even more relevant to consider since Keating also points to what I describe as **the production of democratic legitimacy**. Rather than strictly confined to elections being held within and by territorial constituencies, the production of democratic legitimacy also needs to be adapted to the new, fluid situation whereby spaces are only loosely bounded. The answer may not be government as it exists; Nor may it be new, more encompassing, but still bounded spaces, with their establishment absorbing significant vital, and sometimes lethal energy. **The answer may be more networking**.

This leads to territory, and with it to territorial autonomy, acquiring new meaning. Pursuing autonomy is not the same as creating **spatial monopolies of authority, identity, or capacity**. Rather, it requires more complex forms of authority by creating different bundles of competences for different territorial configurations. Such configurations can be unbundled and re-combined more easily than sovereign territories. Even recognising the symbolic importance of particular spaces does not necessitate their becoming subject to sovereign control. So remember, the nation-state provides only one answer to the conundrum of reconciling identities, institutions of government, and systems of representation.

These are vast issues involving the rethinking and possibly the reshaping of our ways of pondering and doing politics with outcomes that are uncertain, which poses a challenge not only for the current issue of enlargement, but for shaping the future of the EU and, in fact, for global governance. Unfortunately, (and here I return to the geopolitical situation in the Western Balkans), none of these considerations resonates well with the present situation. Currently, the only option seems to be the consolidation of the parts of the Western Balkans not yet members

of the EU by state formation based on the model of the existing members as a condition of their accession. This only serves to sustain an EU as a union of member states, each retaining its hard-won sovereignty as much as possible.

The latest (though unlikely to be the last) sign of thinking about the EU in such terms is of course Brexit. From Scotland, Keating (quoted above) has dissected the very issue of sovereignty as applied in the referendum leading to Brexit. He suggests that the slogan 'take back control' to restore British sovereignty shifted the locus of sovereignty from the Parliament in Westminster to the British people. He also points out the effects this has had on other nations within the United Kingdom beyond the English; in particular the Scottish and the Northern Irish. He thus shows that the UK is an *ad-hoc* construct with "... no defined constitutional status, no unitary *demos*, no fixed telos and refusal to address the issue of sovereignty explicitly..." (Keating 2019, p.168). So too with the EU. Europe, he writes, "...provides a discursive space for ideas of shared and divided sovereignty, multiple *demos* and constitutional pluralism...Europe is understood and framed by different actors in different ways, as a free trade area, an intergovernmental body, a federation in the making or a *sui generis* polity. It has economic, social, cultural and political dimensions, stressed at different times by different actors" (Ibid.) This description is a far cry from the bogey man of a would-be federal state with a government in Brussels.

Indeed, reading Keating I feel vindicated in giving my 2018 book as its subtitle: 'A Neo-Medieval View of Europe and European Planning.' It makes my work part of a literature offering what has proven to be unheeded advice about an alternative to 'hard' European integration. Keating and others give rise to my observation that the situation on the ground seems already somewhat like in the Middle Ages, with spheres of authority overlapping and featuring more governance than government.

Elkins raises yet another point to consider when talking about Canada's 'First Nations' and French Canadians forming non-territorial provinces with devolved, non-territorial, sovereign rights. Such forms exist in Belgium featuring three language communities next to and overlapping with the three regions. If we include the federal level, this adds up to seven governments altogether, which would be alright were it not for Flanders vying for outright independence on the model of the nation state.

I only have flimsy evidence as to what is happening on the ground in the Western Balkans, but I think such lines of enquiry are well-worth pursuing, particularly for 'The Western Balkans Network on Territorial Governance.' For instance, something like one third of the population of Montenegro thinks of themselves as Serbs,² which could lend itself to thinking about autonomy in the sense of Keating discussed above: some form of non-territorial governance in matters of culture. By the same token, why not talk of cultural autonomy for Kosovar Serbs, including control of religious shrines, rather than raising the thorny issue of territorial sovereignty? And, while we're at it, rather than dividing Bosnia and Herzegovina into quasi-independent ethnic states, why not allow each ethnic and/or religious group similar forms of autonomy? This could also be a way forward for Albanians in Serbia, Montenegro, North Macedonia, and Greece. There is a cultural issue also between Bulgaria and North Macedonia concerning their common history and whether (and to what extent) their respective languages are similar. Such issues could be addressed through a language union with no implication whatsoever for statehood. In this respect, take a page out of the Dutch Language Union governing matters relating to maintaining and promoting the Dutch language spoken in the Netherlands and Flanders. It leaves the independence of either territory for what it is.

Certainly, if all this and more were done by shaping tailor-made communities on cultural and also functional lines, the result would be a confusing jumble of overlapping spaces. But, did I not say neo-medievalism was arguably the future? So why not start where nation states have not yet fully crystallised, in the Western Balkans? The very term 'territorial governance' points in the direction of issues being resolved in areas fit-for-purpose. Which means that it also implies overlapping spaces. Surely the resulting pattern seems disorderly, but this is the cost of responding flexibly to situations on the ground that do not lend themselves to easily being cast into a mould of neatly formed states with coherent territories and the homes of clearly identifiable nations. The model never really fitted the situation in Europe anyway, leading to much needless (and senseless!) conflict, not only in the Western Balkans, but throughout the continent and beyond.

Notes

1. ESPON stands currently for European Territorial Observatory Network.
2. According to the Census 2011 data in Montenegro, as accessed in https://eacea.ec.europa.eu/national-policies/eurydice/content/population-demographic-situation-languages-and-religions-51_en, on 21 September 2020.

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Tourism Development in the Western Balkans: Towards a Common Policy

Enrico Porfido^a

Summary

Tourism is one of the fastest-growing sectors of the global economy. Most countries are relying on it for their economic growth, including Western Balkan countries, which are investing in tourism and considering it as key-sector for their development. In the last decade, several initiatives have been undertaken by national governments, such as reviews of tourism strategic plans, tourism communication campaigns, and the creation of national tourism brands.

This contribution aims to provide a complete framework of public tourism policies in the region through the comparison of the strategies undertaken by each country. Later, countries will be then grouped by policies' characteristics and analysed according to additional indicators, such as amount of investments, policies' evaluation and implementation, and tourism numbers trends.

Preliminary findings indicate that Western Balkan countries are adopting similar tourism policies in terms of objectives, products, and investments. This fact may lead policymakers to consider the differences and unique features of their respective territories and generate competition among neighbouring countries, which are consequently obliged to contend for the same tourism market. In such a context, the conclusions and recommendations of this work point to the possibility of a common tourism policy in order to join efforts and to jointly address the region's competitiveness on a global scale.

Keywords: Balkans, Regional Policy, Tourism, Tourism Policies

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Introduction: Tourism in the Western Balkans

Over the past decades, tourism has experienced continued growth and deepening diversification to become one of the fastest growing economic sectors in the world (UNWTO, 2019). In the last twenty years, it also grew rapidly in the Balkan region, growing from less than 4 million foreigner visitors in 1999 to more than 27 in 2018 (see Table 2). Due to its position and complex history, the region has been considered “between stagnation and progress, between the past and the future, between preserving the existing state and a revolution for far too long” (Dragicevic-Sesic and Dragojevic, 2004, p. 19). In particular, the climate of insecurity caused by conflicts (most recently resulting from the dissolution of Yugoslavia between 1991 and 2001) delayed the mass tourism boom that other Mediterranean countries have enjoyed since the 1970s.

Due to the region being ‘undiscovered’ and ‘unknown,’ today the entire Balkan region is going through a golden age of tourism growth. The increasing importance of tourism in the economic structure of Balkan countries is undeniable (Cvetkoska and Barišić, 2017). Lonely Planet – the colossus of travel guides – awarded Albania the best destination of 2011. In 2016, the Bay of Kotor in Montenegro was ranked as a must-visit city, while Transylvania in Romania was ranked as the best region in the world to travel to (Butler, 2015). The region of the Julian Alps in Slovenia recently entered its rankings, winning third place in the category, ‘Best Destination of 2018’ (Lonely Planet, 2018).

Göler and Doka (2018) have divided the region into three main typologies of tourism development: (i) the ‘traditional Mediterranean holidays resorts’ of Greece and Turkey; (ii) the ‘restructured post-socialist model of tourism and leisure activities’ in Bulgaria and Romania; and (iii) the ‘well-functioning remainders of the liberal model of a socialist market economy’ in Croatia and Montenegro.

The Balkan peninsula contains countries that are at different stages of tourism development. “Indeed, besides the long-established tourist destinations along the Croatian coast, also other, more remote and rural areas are becoming hotspots for tourism” (Lehmann and Gronau, 2019, p. 46). This difference is mainly caused by their diverse economic, political, and historical backgrounds.

There are several variables along which the Balkan peninsula countries can be grouped and analysed. Already from a geophysical point of view, the region can be defined in three ways according to various natural borders: the Sava-Danube line, the Trieste-Odessa line, and the Carpathian and Balkans line (Hajdù, et al., 2007).

Figure 1. Balkan Peninsula: Geo-physical Vision



Source: Author, based on Hajdù, et al. (2007).

From a political economy point of view, the discussion is even more complex. There are at least four different groups to which Western Balkan countries belong according to organizational reports and other documents mentioned in this study.

For the purpose of this study and the mission of the journal, the analysis has been narrowed to the so-called Western Balkans and Croatia since most of the documents analysed consider it part of WB though it is already a member of the EU. Bulgaria, Greece, Romania, Slovenia, and Turkey are not part of the study¹.

Table 1. Tourism-Economies Groups according to the documents mentioned in this study

Organization	Name	Countries
United Nations World Tourism Organization (UNWTO)	Southern/Mediterranean Europe	Albania, Andorra, Bosnia and Herzegovina, Croatia, Cyprus, Greece, Israel, Italy, Malta, Montenegro, North Macedonia, Portugal, San Marino, Serbia, Slovenia, Spain, Turkey
Organization for Economic Co-operation and Development (OECD)	South-East Europe	Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia
European Union (EU)	Western Balkans (WB)	Albania, Bosnia and Herzegovina, Croatia, ² Kosovo, Montenegro, North Macedonia, Serbia
World Travel and Tourism Council (WTTC) ³	European Union (sub-region)	Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden
	Other Europe (sub-region)	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Iceland, Moldova, Montenegro, North Macedonia, Norway, Russian Federation, Serbia, Switzerland, Turkey, Ukraine

Source: Author, based on EU (2008), (2018) OECD (2018), UNWTO (2019), and WTTC (2019).

Observing the tourism numbers of the Western Balkans countries – Albania, Bosnia and Herzegovina, Croatia, Montenegro, Kosovo, the Republic of North Macedonia, and Serbia – important gaps are already evident. Out of the seven Western Balkans countries, Croatia stands out with 16.649 million tourists in 2018 (UNWTO, 2019), followed by Albania, Montenegro, Serbia, Bosnia and Herzegovina, the Republic of North Macedonia, and Kosovo, for which updated data are not available. This is predictable due to the long and historic tourism tradition of Croatia (Beyer, et al., 2013; Orsini and Ostojić, 2018; Lehmann and Gronau, 2019) and its admission to

EU in 2013, which opened its borders to Schengen countries (OECD, 2016), among others.

In order to compare the WB countries, the table above includes a ‘Tourism Growth Index 2017/2027’ in the last row (Table 2). This index is calculated according to the data included by the World Travel and Tourism Council (WTTC) in its annual Country Reports. The average growth for this time frame is 35%, with Croatia, Montenegro, and Serbia above the average, and Albania slightly under the average, followed by the Republic of North Macedonia and Bosnia and Herzegovina. These tourism growth

Table 2. International Tourist Arrivals (in million per year)⁴

Year	ALB	BIH	HRV	KOS ⁵	MKD	MNE	SRB
1990	0.03	N/A	7.049	N/A	0.562	N/A	N/A
1999	0.039	0.089	3.443	N/A	0.181	N/A	N/A
2010	2.191	0.365	9.111	0.034	0.262	1.088	0.683
2015	3.784	0.678	12.683	0.079	0.486	1.56	1.132
2017	4.261	0.733	14.353	0.086	0.529	1.879	1.272
2018	5.340	1.053	16.649	N/A	0.707	2.007	1.711
2027 ⁶	6.25	1.018	26.033	N/A	0.754	2.978	2.095
Tourism Growth Index 2017-2027⁷	31.84%	28%	44.87%	N/A	29.84%	36.9%	39.28%

Source: Author, based on UNWTO (2000, 2016, 2017, 2019), WTTC (2017) and Kosovo Agency of Statistics (2020).

rates confirm that the entire region has become an important international tourism destination over the last two decades. The

importance of the tourism sector is also confirmed by its contribution to national GDPs (Table 3).

Table 3. Tourism sector contribution to GDP by country in 2019⁸

Country	2019 Contribution to GDP	Growth 2018-2019
Albania	21.2%	+8.5%
Bosnia and Herzegovina	9.8%	+6.9%
Croatia	25%	+4.1%
Kosovo	-	-
Montenegro	32.1%	+6.1%
North Macedonia	6.2%	+3.8%
Serbia	5.9%	+5.0%

Source: Author, based on the WTTC Country Reports: '2020 Annual Research: Key Highlights' [available at <https://wtcc.org/Research/Economic-Impact>].

Tourism assumes an essential role in boosting socio-economic growth, especially in developing countries. This industry in this region is a significant factor in the democratization process, acting as a driver for EU integration of the region (Priniotaki-Ioannis and Kapsis-Stavros, 2008). Indeed, "given the proximity to major European markets and the secular growth of tourism, it is plausible to assume that the tourism sector could be another key sector to drive the Western Balkans' catching-up process" (Benner, 2019, p. 1). Therefore, tourism policies and their implementation are central for WB countries.

Yet, tourism's strict interdependence with other sectors such as the environment, education, health, and transport, makes it even more challenging to reach the goals countries' have for the sector. For example, the tourism sector strongly relies on local human capital, which means that tourism and hospitality employees should be correctly trained for specific jobs (education sector) and that mobility should be facilitated both in terms of infrastructures and public transport (transport sector). Tourism is indeed a largely service-based sector, which ranges from travel, accommodation,

transportation, activity planning, and food services, but also resource protection, conservation, and valorisation.

Tourism is influenced by many other variables, which go far beyond a single national strategy or policy. On the one hand, natural disasters are unexpected triggers, such as the 2004 Indian Ocean tsunami which strongly impacted tourism in Thailand (Birkland, et al., 2006) or the ongoing COVID-19 pandemic, which is affecting tourism at a global scale (Gössling, et al., 2020). On the other hand, international and national economic and political crises can also impact the tourism industry, such as Thomas Cook Airlines' bankruptcy in 2019. The tourism sector is likely to have a considerable influence in the policy arena and to liaise with other policy areas to make necessary changes (Chaperon, 2017). This is why it is so important to develop resilient tourism policies that can stand up to several emergencies and unexpected changes, building a tourism system with a long-term vision and perspective.

Objectives and Methodology

This overall objective of this article is to provide a broad framework for national tourism strategies and policies in the region and to open a debate about future scenarios. The analysis will focus on public tourism policies, which are "a statement of intent" aiming to set out "desired future conditions and presenting the guiding principles for decision-making" (Chaperon, 2017, p. 427).

In the first section, a literature review of WB's national tourism strategies will create a table of the visions and priorities for each country, easing comparison among them.

The central discussion focuses on three main aspects of tourism policies, presented as a comparative analysis: (i) tourism policies' objectives and products promoted in each country; (ii) the amount of investments promoted by each government; and (iii) a contextualized reflection about policies' evaluation and implementation, related to the analysis of tourism trends in each national strategy.

The comparative analysis, supported with data and best practices, results into a concluding paragraph that opens doors for future research. An additional recommendation paragraph is included, which focuses on the possibility of introducing a common policy for the WB region.

The methodology adopted in this study is based on scientific literature and a review of official documents (listed in Table 2). These documents are compared along a number of criteria.

Tourism Policies across the Western Balkans: A Road Trip

Planning for tourism policy, or tourism policy-making, is a lengthy process that is almost always led by the national government and involves public sector agencies that play a tourism-related role and who act as advisors to the government (Chaperon, 2017).

The tourism industry is integrated into WB government structures, falling under the jurisdiction of different ministries (Metodijeski and Temelkov, 2014). Croatia is the only country with a ministry dedicated explicitly to tourism, while the others combine it with other sectors such as the environment, trade, economy, and sustainable development.

All countries have established national tourism agencies or organizations (Tables 4 and 5) except Kosovo (Demokrasi për Zhvillim, 2017). It is worth noting that a tourism agency is a "central administrative body with administrative responsibility for tourism at the highest level" (Jeffries, 2001, p. 10). At the same time, an organization or association is an "autonomous body of public, semi-public or private status, established or recognized by the state as the body with competence at the national level for the promotion – and in some cases, marketing – of inbound international tourism" (Jeffries, 2001, p. 10). Albania and North Macedonia have national agencies, while other countries have established

Table 4. Latest Tourism Policies and Promotion Campaigns by Country

Country	Latest Tourism Strategies and Policies	Latest Tourism Campaign
Albania	Strategy for the Sustainable Development of Tourism 2019-2023 (Ministry of Tourism and Environment, 2019)	Albania – Go your own way
Bosnia and Herzegovina	Strategy for the Development of Tourism in the Federation of Bosnia and Herzegovina for the period 2008 – 2018, and Republika Srpska Tourism Development Strategy 2010-2020 (OECD, 2018)	Bosnia and Herzegovina – The heart-shaped land
Croatia	Tourism Development Strategy of the Republic of Croatia until 2020 (Government of the Republic of Croatia, 2013)	Croatia – Full of life
Kosovo	<i>No national tourism strategy approved or drafted.</i>	Be in Kosovo – the young Europeans (<i>unofficial</i>)
Montenegro	Montenegro Tourism Development Strategy to 2020 (Ministry of Tourism and Environment, 2008)	Montenegro – Wild beauty
North Macedonia	National Strategy on Tourism Development 2016–2021 (Government of the Republic of Macedonia, 2016) – <i>only drafted.</i>	Macedonia Timeless
Serbia	Tourism Development Strategy of the Republic of Serbia 2016-2025 (Government of the Republic of Serbia, 2016)	Serbia - The place to be

Source: Author.

organizations, associations, or boards. The case of Kosovo deserves special attention because several tourism associations exist and operate in the territory but none of them have been established by the government (Ministry of Trade and Industry, 2014). In the following paragraphs, the tourism policies adopted and promoted by each country will be presented individually to be compared and evaluated later.

Albania

In the last few years, Albania, which has a long tradition of tourism though at a smaller scale (Porfido, 2019), has invested significant resources in this sector and represents a “laboratory for tourism development” (Göler and Doka, 2018, p. 89). As Kapllani-

Proda (2017) and Ciro (2019) have noted in their contributions, there have been several official tourism policies and strategies promoted by the governments since the collapse of communism.

Almost all tourism strategies of the Albanian government have been discontinued for different reasons. This happened in 1993, 2002, 2006, and 2007, while the 2014 strategy remained a draft. The “Strategy for the Sustainable Development of Tourism 2019 – 2023 [...] marks the first approved strategy in a series of attempts” (Ciro, 2019, p. 75). The term ‘sustainable development’ was included in the title but was not elaborated on in the body of the text. Other sectorial strategies have developed upon the term however, such as the National

Table 5. Government Bodies Responsible for Tourism Policy Development in Western Balkan Countries

Country	The government body responsible for tourism policy development	National Tourism Organization or Agency / Web page
Albania	Ministry of Tourism and Environment (former Ministry of Tourism, Culture, Youth and Sports)	National Tourism Agency - Kombëtare e Turizmit / akt.gov.al and albania.al
Bosnia and Herzegovina	SFederation of BiH - Ministry of Environment and Tourism / Republika Srpska – Ministry of Trade and Tourism	Tourism Association of Bosnia and Herzegovina - Udruženje za turizam / bhtourism.ba
Croatia	Ministry of Tourism	Croatian National Tourism Board - Hrvatska turistička zajednica / croatia.hr
Kosovo	Ministry of Trade and Industry - Department of Tourism	Kosovo Tourism Association, Kosovo Alternative Tourism Association Tourism, Association of the southern region, Association PRO IN / beinkosovo.com
Montenegro	Ministry of Sustainable Development and Tourism	National Tourism Organization of Montenegro - Nacionalna turistička organizacija Crne Gore / montenegro.travel
North Macedonia	Ministry of Economy - Department of Tourism and Hospitality	Agency for the Promotion and Support of Tourism in the Republic of North Macedonia - Агенијата за промоција и поддршка на туризмот во Република Северна Македонија / tourismmacedonia.gov.mk
Serbia	Ministry of Trade, Tourism and Telecommunications (former Ministry of Finance and Economy, Department of Tourism)	National Tourism Organization of Serbia - Туристичка организација Србије / srbija.travel

Source: Metodijeski and Temelkov (2014, p. 235), adapted and updated by the author.

Strategy for Development and Integration 2015-2020 which “set forth two strategic objectives focusing on sustainable tourism development” (Ciro, 2019, p. 75).

With the exception of this last document, a small number of initiatives have been undertaken to initiate a discussion on sustainable tourism development in Albania. Nonetheless, “current conditions for sustainable tourism in Albania are rather unfavourable” (Nientied, et al., 2018,

p. 84). Therefore, the Strategy 2019-2023 represents the first real tourism policy oriented towards sustainability. It places a fundamental importance on “orienting the development of one of the strategic priority sectors crucial to the economic development of the country” (Ciro, 2019, p. 77).

This policy document is articulated around four strategic goals to achieve through five policies groups: (i) the promotion of public

and private investments; (ii) improvement of tourism services; (iii) consolidation and development of tourism products; (iv) re-orientation of promotion towards tourism potentials; and (v) supporting the management of destinations (Ministry of Tourism and Environment, 2019, pp. 17-20). Each policy counts three sub-specific goals, which describe in more detail the actions to undertake. Besides being vaguely described, the policies span from macro-themes such as basic infrastructure implementation to concrete and specific ones, themes such as an evaluation model to classify accommodation and services.

What emerges from an assessment of these five policies is that the Albanian governments is focusing on three main typologies of tourism – marine, natural, and cultural – in terms of services, products, and promotion (e.g. creation of marine infrastructure to generate future activities). It is also worth noting that attracting strategic, private investors and developing an educational program in tourism are considered two main priorities, while no attention is paid to domestic tourism, which “makes up an important tourism contribution because of its year-round seasonality and continuous demand” (Ciro, 2019, p. 85).

Bosnia and Herzegovina

In the last 20 years, the tourism industry in Bosnia and Herzegovina (BiH) has been affected by exceptional circumstances such as war, aggression, refugees, and transition (Özlen and Poturak, 2013). Despite this, the country is not new to international tourism, starting from the organization of mega-events such as the Winter Olympic Games of Sarajevo in 1984 and maintenance of the world-renowned pilgrimage site of Medjugorje (Osmankovic, 2017).

BiH is organized in two federal entities – the Federation of BiH and the Republika Srpska, which have developed their own tourism strategies – and the Brčko District (a self-governing administrative unit). The Federation of BiH drafted the ‘Strategy for Development of Tourism in the Federation

of Bosnia and Herzegovina for the period 2008 – 2018,’ but it was never adopted. The Republika Srpska approved and adopted the ‘Republika Srpska Tourism Development Strategy 2010-2020’ (OECD, 2018).

Unfortunately, it was not possible to directly access and consult the official draft document of the Federation of BiH’s strategy. Therefore, this study includes only a review of the ‘Republika Srpska Tourism Development Strategy 2010-2020 - Стратегија Развоја Туризма Републике Српске за Период 2010–2020’ (University of Banja Luka, 2009).

This strategy is organized in two parts: the first deals with general tourism development factors, while the second focuses on the vision, strategic goals, and policies adopted. “The purpose of the Republika Srpska tourism policies is to build the competitiveness of its tourism clusters⁹” (University of Banja Luka, 2009, p. 82). The policies embraced stress investments, spatial and urban development, standard quality improvement (in terms of services, accommodation, and statistics system), and the definition of a branding/marketing strategy. Education also appears as a priority.

Unlike other countries, the Republika Srpska government means to create regional touristic clusters and to promote place-based tourism initiatives instead of coordinating at a national level. In this regard, the document states that governments should support the building of clusters and boost their competitiveness through various investments in infrastructure (University of Banja Luka, 2009). Many scholars agree about the impacts on different aspects of tourism development caused by the lack of a coordinated national tourism policy (Radovic, et al., 2013; Berjan, et al., 2014) and urge the inclusion of long-term perspectives in various strategies (Šarenac, et al., 2019).

Croatia

According to the WTTC (2020), the contribution of tourism and travel to the Croatian GDP amounts to about 25%, which

is the highest rate among WB countries studied here. The importance given to the tourism sector by the government is evident, from the extremely organized governmental structure to the detailed strategies and policies.

The Croatian Ministry of Tourism has four directorates working on international cooperation, competitiveness, tourist board systems, and legal affairs. The Croatian National Tourism Board deals with all promotional activities. Also, at the regional level, most county administrative offices have a department responsible for tourism (OECD, 2016).

The 'Tourism Development Strategy of the Republic of Croatia until 2020' reflects this accuracy in its contents, setting clear and reachable goals, efficient strategies, action plans, and including economic analyses for long-term periods. Besides, this document should "ensure Croatia's integration into a consolidated tourism policy of the European Union" (The Government of the Republic of Croatia, 2013, p. 3).

"The main aim [of the strategy] is to increase the attractiveness and competitiveness of tourism by 2020" (OECD, 2016, p. 326) through the fulfilment of set priorities: improvement of accommodation quality, development of new attractions, food offer branding, creation of a modern visitors centre, and the establishment culturally-themed routes. The ministry supports the development of tourism infrastructure with thematic grants allocated to both public and private institutions.

The strategy includes detailed descriptions of the 26 tourism policy measures, which measures progress towards the following topics: diversification and quality improvement of the tourism offer including new products such as nautical, health, cycling, adventure and sport, and cultural and business tourism; promotion of ICT initiatives from Wi-Fi access in tourism destinations to information accessibility improvement; facing seasonality through pilot projects aimed at attracting visitors all

year long; education and skills in tourism; and destination management, among others.

Croatian tourism policies are, without a doubt, the most thorough among the cases included in this review. Even though the document seems accurate, in the last couple of years some representatives of the private tourism sector have blamed the ministry for producing inefficient tourism policies. A shortage of skilled labour, inadequate tax policy, and the necessity of legal changes for work in the tourism sector are among the main issues (Kolar, 2019). Another hot topic is the government's focus on the 'sun and sea' tourism model, which has led to high seasonality with a significant impact on various infrastructures (Orsini and Ostojić, 2018).

This last point inevitably forces a reflection on the importance of monitoring policy results to guarantee their effectiveness.

Kosovo

Currently, "Kosovo does not have a comprehensive strategy on tourism, and the current law on tourism is not fully implemented" (Demokraci për Zhvillim, 2017, p. 7). Therefore, it is not possible to include it in this study.

Despite this, it is worth mentioning that Kosovo's government is working on a Tourism Strategy as part of a broader Private Sector Development Strategy. The strategy will include a series of policies aimed at boosting the hospitality sector and improving the quality of accommodation. Also, when dealing with promotion, Kosovo already "engages in a range of promotional activities, including participation in international events and fairs" (OECD, 2018, p. 614).

Montenegro

Montenegro is going through the negotiation process for EU membership. Aligning their economies and policies to EU standards represents a significant challenge

(European Commission, 2018). In this framework, tourism is a critical sector for achieving membership.

The 'Montenegro Tourism Development Strategy to 2020' (Ministry of Tourism and Environment, 2008) is the latest strategy of the national government related to tourism, which was preceded by a 'Masterplan for Tourism in 2001' and an action plan in 2008 (OECD, 2018). The latest strategy aims at positioning Montenegro as a "high-quality destination and defines goals such as upgrading accommodation infrastructure, raising service quality, diversifying the offer [...] and linking tourism with other industries" (Benner, 2019, p. 2).

The document is organized in three main sections: an analysis of the present situation, the strategic orientation for Montenegrin tourism development (including vision, objectives, and policies), and the expected outcomes.

The strategy counts five objectives with 20 detailed policies to achieve them: (i) 'quality instead of quantity' improvement of touristic infrastructures; (ii) the creation of a unique, integral tourism destination; (iii) diversification of the tourism offer to face seasonality; (iv) strengthening the institutional and legal framework; and (v) local communities' involvement in tourism activities.

Among all detailed policies, two are worth mentioning because of their novelty: the establishment of a "clean image of Montenegro" (1.7); and all policies under the fifth objective of involving local communities (Ministry of Tourism and Environment, 2019, p. 43). The first links the touristic image of the country to the critical waste management situation, aimed at its improvement through an awareness campaign and the creation of new infrastructures. The second aims to encourage entrepreneurship in domestic tourism, raising awareness about the tourism sector's importance for the country.

As in the case of BiH and Albania, the national government sustains the establishment

of six touristic clusters, whose "scenic and cultural traits differ from each other" (Ministry of Tourism and Environment, 2008, p. 66). These clusters are connected through tourism corridors in order to create a unique experience, ranging from the coastal areas to the hinterland.

North Macedonia

The North Macedonian government drafted the 'National Strategy on Tourism Development 2016–2021' in 2016 (Government of the Republic of Macedonia, 2016), but it was never officially adopted. Therefore, the "country has no valid long-term strategy for tourism development" (UNECE, 2019, p. 21).

Previously the Former Yugoslav Republic of Macedonia implemented a tourism strategy for the period 2009–2013, but there is no evidence of its evaluation, or whether any relevant insights from that strategy informed the current one (OECD, 2018). The 2009–2013 strategy envisioned that Macedonia would become a "famous travel and tourism destination in Europe based on cultural and natural heritage" (Petrevska, 2012, p. 118).

Although it remains a draft, the latest strategy (2016–2021) forecasts significant improvement, with a focus on urban, cultural, and lake tourism (Petrevska and Collins-Kreiner, 2019). It also envisages investments in 'special tourist development zones' (UNECE, 2019). The document drafted by Kohl and Partner consulting company counts eight key objectives, focused mainly on improving the awareness and attractiveness of Macedonia as an international tourism destination (Kohl and Partner, 2016).

In the meanwhile, the government is financing programs for tourism development managed by the Ministry of Economy and the National Agency for the Promotion and Support of Tourism (UNECE, 2019).

Serbia

The Republic of Serbia is also going through the negotiation process for EU membership. Like Montenegro, tourism represents a priority sector for the national government within the integration process. Despite its importance, tourism growth was been slightly under the regional average until 2017 (Gajić and Vujko, 2017); new data offer more promising figures (see Table 2).

Since the first strategic document related to tourism – the ‘Tourism Strategy of 2006’, the Serbian government has adopted a cross-sectorial approach, integrating tourism with other sectors such as the environment. Natural resources and protected areas are considered fundamental for tourism as well as rural development. Indeed, the 2006 tourism strategy addresses “social issues in rural Serbia such as unemployment, depopulation and the disempowerment of women and the youth” (Orlović-Lovren, et al., 2013, p. 50).

This first document set the basis for the following strategy, ‘The Serbian Tourism Strategy 2016-25’, adopted in November 2016 (Government of the Republic of Serbia, 2016). This strategy is an excellent example of collaborative preparation, with inputs from tourism experts, relevant associations and organizations, local authorities, individuals from academia, and business and NGO representatives (OECD, 2018).

The strategic document 2016-2025 opens with a thorough review of the current situation, including a comparison with tourism-competitive countries. It then defines the vision and sets objectives for 2025, which include the sustainable development of tourism, strengthening the sector’s competitiveness, increasing the sector’s employment trends and GDP contribution, and the improvement of Serbia’s overall image in the region, Europe, and globally (Government of the Republic of Serbia, 2016). It is worth mentioning the use of the term of ‘grey economy’¹⁰ in the objectives (which the strategy aims to reduce), as it is considered one of the main

obstacles for economic development in the Western Balkans (Krešić, et al., 2017).

Finally, an action plan outlines priority measures aligned with the strategy’s objectives (OECD, 2018). The 21 measures proposed are grouped into six typologies: (i) the coordination of tourism activities among actors; (ii) improvement of the statistical monitoring system; (iii) improvement of tourism infrastructure; (iv) introduction of new ICT technology; (v) support activities dedicated to local stakeholders for funding applications; and (vi) improvement of destination management. As in Montenegro, the local communities’ involvement is relevant for the government, as it can provide support for funding applications.

In the final section, the strategy focuses on the importance of indirect and direct measures for supporting tourism development. The indirect measures include lowering the VAT rate for tourism businesses and promoting incentive programs for local agencies and tour operators, among others. Direct financial instruments include grants, loans, venture capital funds, and public-private partnership projects applied directly or through financial intermediaries.

Discussion: A Comparative Analysis of Tourism Policies

Based on the review of each country’s strategy, it is evident that WB national governments and policymakers have certainly recognized the importance of the tourism sector. Five out of seven countries have structured tourism strategies, some of which also include long-term perspectives and detailed policies. North Macedonia’s Ministry of Economy is currently “updating the draft for another round of consultations with other ministries” (UNECE, 2019, p. 22), while Kosovo is working on the first draft of a tourism strategy (OECD, 2018).

In the following paragraphs, national policies are compared in order to have a clearer picture of the region’s policies, objectives, and products (4.1), investments and funds (4.2), and evaluation and

implementation programmes, as well as their impact (4.3).

Tourism Policies' Objectives and Product

Table 6 summarizes the tourism policy objectives and the tourism products

described in each country's tourism strategies. Investment attraction, promotion, quality standards improvement, and destination management represent the lowest common denominators of all strategies.

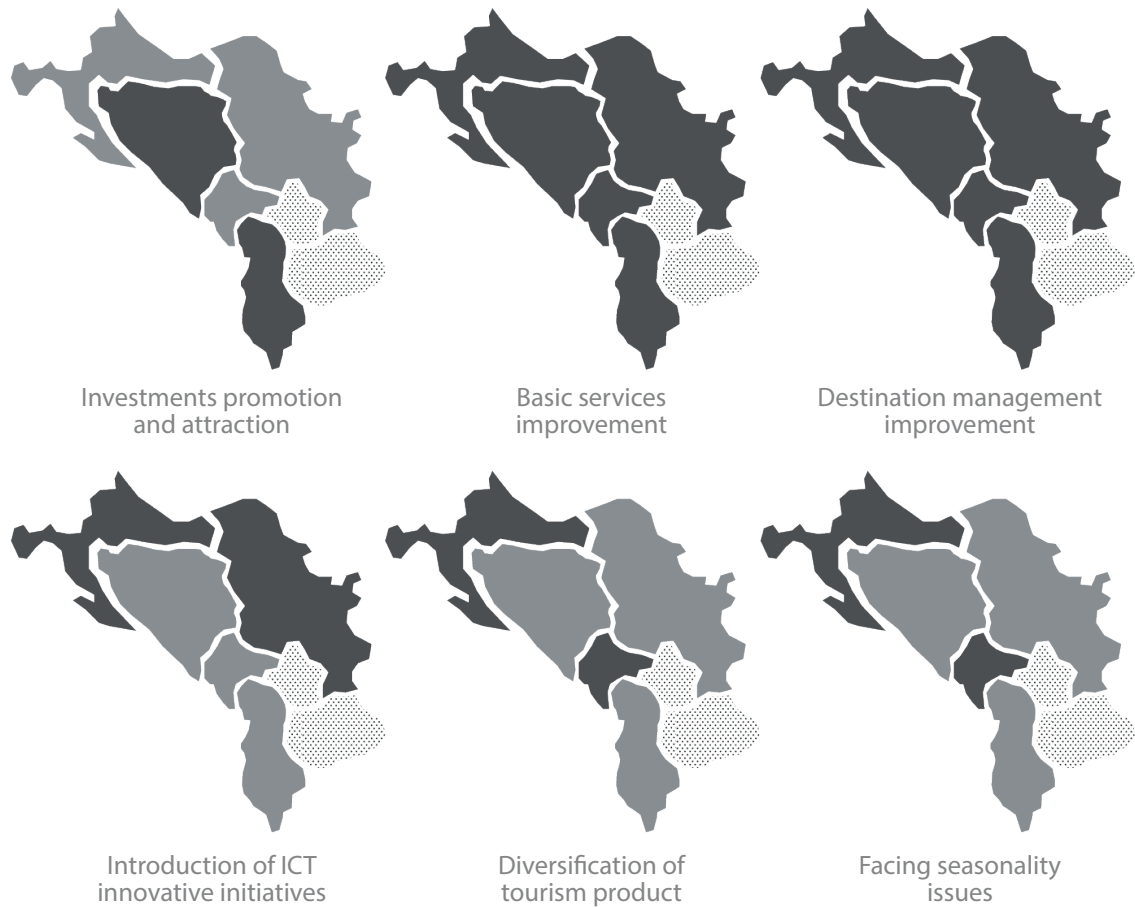
Table 6. Policies highlights and tourism products by country

Country	Tourism Policies – Objectives' Highlights	Marine, natural, and cultural tourism.
Albania	Investment promotion, tourism services improvement, consolidation and development of tourism products, promotion, and destination management support.	National Tourism Agency - Kombëtare e Turizmit / akt. gov.al and albania.al
Bosnia and Herzegovina	Investment attraction, spatial and urban development, standard quality improvement, and branding/marketing strategy definition.	Rural, mountain, transit, religious, health, and urban tourism.
Croatia	Diversification of tourism products, ICT initiatives promotion, seasonality, education and skills in tourism improvement, and destination management.	Sun and sand, nautical, health, cycling, adventure and sport, cultural and business tourism.
Kosovo	-	-
Montenegro	Touristic infrastructure improvement, creation of a unique tourism destination, diversification of tourism offers, seasonality, institutional and legal framework strengthening, and local community involvement.	Nautical, mountain, golf, congress and other events, wellness, camping, cultural, natural parks and UNESCO sites, and agritourism.
North Macedonia	-	-
Serbia	Ministry of Trade, Tourism and Telecommunications (former Ministry of Finance and Economy, Department of Tourism)	Business events, mountain and lakes, urban, health, nautical, touring, and rural and transit tourism.

Source: Author.

Croatian, Montenegrin, and Serbian strategies stand out for their completeness, which is also reflected in the types of objectives set. The introduction of innovative ICT initiatives, diversification of tourism products, and the topic of seasonality represents an essential element for evaluation. While all countries are facing obstacles such as tourism infrastructure

improvement, weak legal and legislative frameworks, and non-existent monitoring activities, Croatia, Montenegro, and Serbia introduced themes that represent challenges for the most developed tourism destinations worldwide.

Figure 2. Countries grouped by Typologies of Tourism Policies

Source: Author, based on Table 6.

Tourism products, nature, and cultural heritage represent the leading resources for the Western Balkans. Albania and Croatia bet on a more general natural and cultural tourism, while Montenegro has decided to target specific groups by focussing on nautical, golf, congress, and wellness tourism. Bosnia and Herzegovina and Serbia invest more in rural, mountain, and lake tourism. Nevertheless, considering the common starting points in terms of natural and cultural heritage, the risk of competing around the same tourism products is high. Coordination is needed to avoid this from happening and to improve the states' cooperation.

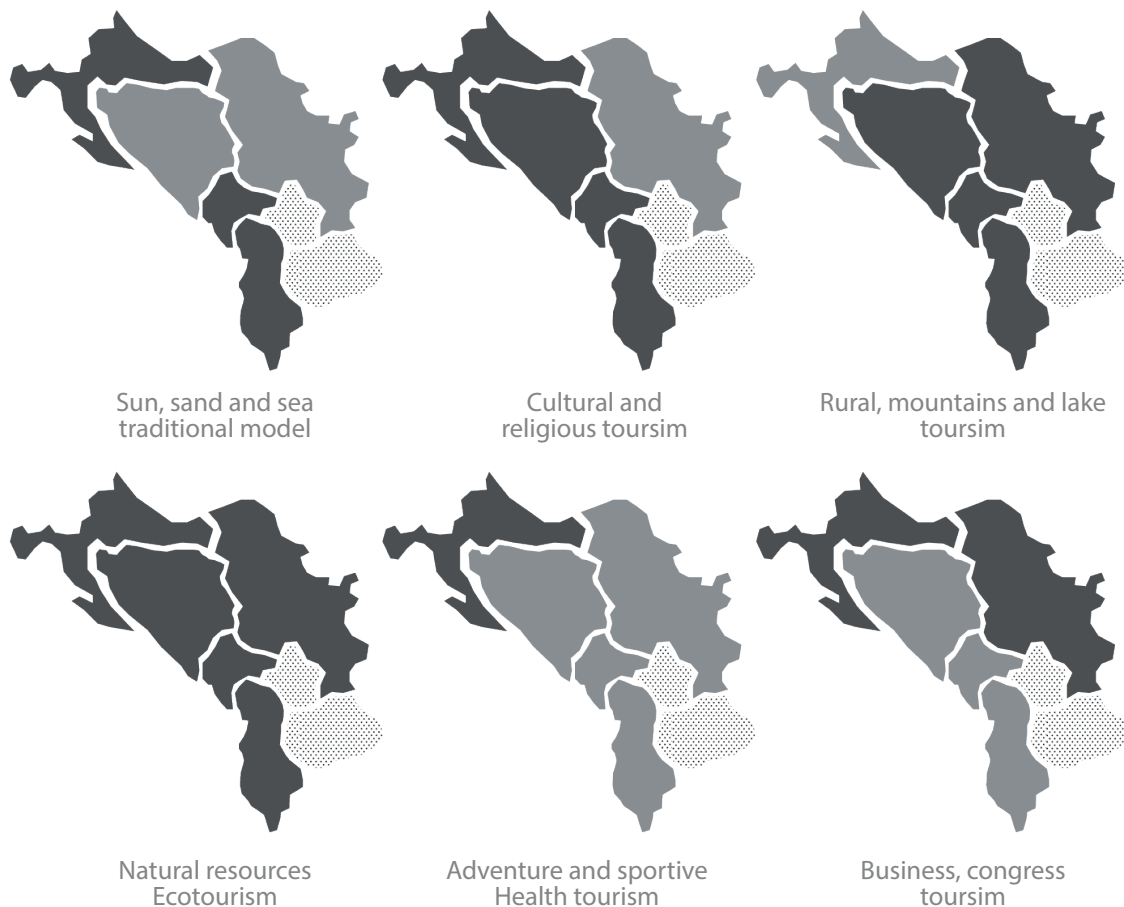
Investments and Funds

Besides the typology of tourism policies and products included in each strategy, it is also important to reflect on their concrete

impact on national economies in terms of investments promoted and funds allocated, policy evaluation and implementation, and the possible impact on tourism numbers.

The amount of funds allocated to tourism investments in each country is a determining factor in the future development of tourism industry. Albania has included a specific "Tourism Development Program" in the National Strategy (Ministry of Tourism and Environment, 2019, p. 22), which directly allocates almost 1.5 billion EUR of public funds over four years to tourism development initiatives. Attracting private investments is mentioned as Policy Goal 1 and Economic Output 3, for a total of around 2.5 billion EUR. The average investment per year is circa 1 billion EUR.

Croatia's tourism vision allocates 7 billion EUR in investments during the period 2013-

Figure 3. Countries grouped by Tourism Products

Source: Author.

2020, which means an average investment of 1 billion per year (Government of the Republic of Croatia, 2013, p. 31). The document has detailed the typologies of investments, but it does not explicitly refer to the origin of the funds, or mention if they are to come from public or private sources. The national government has also developed a national catalogue of investment projects, which identifies and presents public projects for which the Republic of Croatia seeks investors (e.g. construction of new hotels and resorts; investing in newly realized tourist attractions such as golf clubs, conference centres, etc.; and investing in other tourist infrastructure).

In the case of Montenegro's strategy, there is no direct reference to the total investments planned, public nor private. However, Section 3.6 – "Expanding bedding capabilities" – includes a detailed table of

greenfield investments to be started in 2008 and finished in 2020 (12 years), for a total sum of 10.5 billion EUR (Ministry of Tourism and Environment, 2008, p. 87). This means an average private investment of 0.9 billion/year.

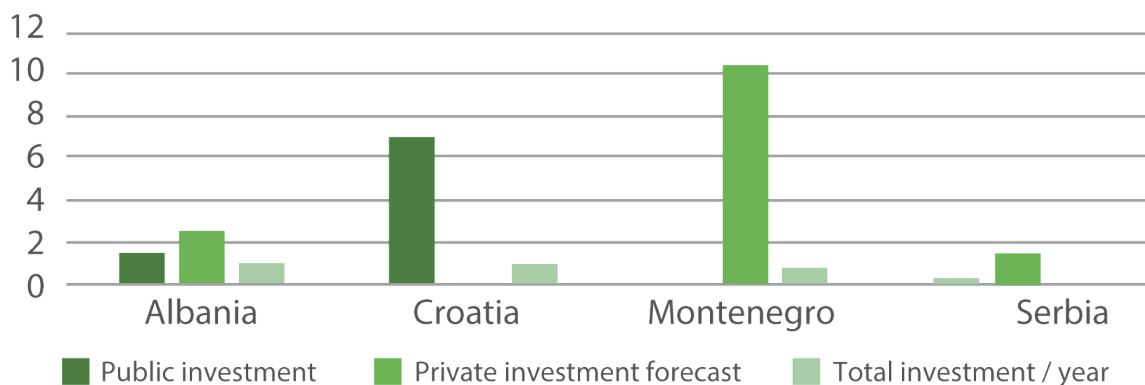
Serbia's tourism strategy 2016-2025 allocates a total of around 2 billion USD (in euros 1.85), 20% of which are invested by the public sector. This amount has been estimated by the use of the Growth Model, which means that the economic effects of tourism (or whatever other activity) are based on the country's economic growth projections. In the case of Serbia, the tourism numbers used as a reference are those published by the WTTC. The investment per year amounts to 0.2 billion USD (for a ten-year strategy).

Data for Bosnia and Herzegovina, Kosovo, and North Macedonia are not available. As

shown in Figure 4, no great differences exist among the other Western Balkan countries. Although resource origins might be split differently between private and public funds, Albania, Croatia, and Montenegro allocated an average of 1 billion EUR/year to their respective tourism industries.

The investments of Serbia, however, are considerably under average (estimated around 0.2 billion USD/year). This last figure seems contradictory to the number of policies promoted and the solid structure of the Serbian strategic plan itself and may need to be updated in light of new numbers.

Figure 4. National Governments' Investment Plans in the Tourism Sector, (in billions EUR)



Source: Author, based on Ministry of Tourism and Environment – Republic of Albania (2019), Government of the Republic of Croatia (2013), Ministry of Tourism and Environment – Republic of Montenegro (2008), and Government of the Republic of Serbia (2016).

Evaluation, Implementation and Impact of Policies

Policy evaluation and implementation represents a sore point for all WB tourism strategies. This reflection already emerges from several evaluation reports and articles (OECD, 2018; UNECE, 2019; Kolar, 2019; Ciro, 2019), which stress the need for monitoring and implementation activities. If not adequately evaluated during and after their action periods, tourism policies and strategies are almost useless.

BiH, Croatia, and Montenegro's strategies end this year (2020) and none have been implemented or evaluated to date. The Croatian strategy included a detailed calendar of implementation by year, but no evaluation reports have been issued to confirm its accomplishment. Montenegro only mentioned monitoring as a priority of the strategic objective concerning the creation of an appropriate institutional and legislative framework.

Albania and Serbia's strategies, which end in 2023 and 2025 respectively, seem to

represent an important change of direction in the evaluation and implementation of tourism policies.

The Albanian government set a range of indicators for each specific goal. The "Performance Evaluation Matrix" provides precise figures on a yearly base, categorized as general economic outputs and policies objectives (Ministry of Tourism and Environment, 2019, pp. 26-28). The evaluation is entrusted to a focus group on Tourism and Culture Development, led by the Deputy Minister and including the regions' responsible prefectures and a number of observer members belonging to local, national, and international authorities, universities, and civil society associations. Its recent approval in 2019 makes it impossible to discuss its evaluation further, since no evaluations have been done of previous strategic documents.

Serbia represents a best practice in the region in terms of evaluation and implementation. The strategy 2016-2025 includes a section dedicated to the evaluation and implementation of the

previous strategy (2006-2015), providing a detailed description of the results accomplished, although they represent “only a part of the expected” ones (Government of the Republic of Croatia, 2013, p. 52). Among the ‘unaccomplished’ issues, the implementation of international quality standards, the share of the grey economy, and monitoring of tourism sector performance are mentioned. According to the new strategy, the Tourism Ministry is responsible for the evaluation and implementation of tourism policies, while has assigned to the NTOS – National

Tourism Organization of Serbia the task of implementing annual plans concerning promotional activities.

Finally, measuring the impact of tourism policies on tourist numbers is difficult, especially since the time periods of each country policy are out of sync. Table 5 represents an attempt to relate policy effectiveness through a comparison of tourist numbers by year and forecasts included in the strategies, when mentioned. The table includes only the countries whose strategies provided specific forecasts.

Table 7. Comparison between Real Tourist Numbers and Forecasts (R= real arrivals number; F = forecasted arrivals)

Country	2018 R	2019 F	2019 R	2020 F
Albania		6,401,160 international arrivals	6,406,038 international arrivals	
Croatia	106 million overnight stays			86 million overnight stays
Serbia			3,689,983 international arrivals	3,689,000 international arrivals

Source: Albania (Ministry of Tourism and Environment, 2019, p. 28; INSTAT Albania, 2020), Croatia (Government of the Republic of Croatia, 2013, p. 62; Ministry of Tourism Republic of Croatia, 2019), Serbia (Government of the Republic of Serbia, 2016, p. 49; Републички завод за статистику, 2020).

Albania accomplished its 2019 objectives, although it is risky to attribute this to the promotion of its tourism policies since they were approved in the same year. (The effectiveness of policies can only be evaluated after a certain amount of time has passed since their approval (Dutch Ministry of Foreign Affairs, 2009)). Croatia has forecasted 86 million overnights stays for 2020, though it already exceeded one hundred million stays in 2018. Indeed, this fact results from the great tourism promotion campaign that the Croatian governments started after the official entrance in the EU area, the arrival of low cost airlines such as Ryanair, Vueling and EasyJet that connected the country to the main European capitals, and the indirect promotion related to events such, for example, the famous TV series

‘Game of Thrones’ shooting that generated a strong and solid niche of tourism (Tkalec, et al., 2017). In the case of Serbia, the 2020 target of 3.69 million arrivals was reached in 2019.

If one judges a policy’s effectiveness based on the accomplishment of targets set by a policy itself, it is possible to say Albania, Croatia, and Serbia met their objectives and that the policies promoted paid off. But this final reflection also emphasizes the difficulties in analysing the effectiveness of tourism policies, especially in the short-term. The tourism industry is affected by many variables that go far beyond each country borders, such as global market trends, international tourism companies’ investment strategies, and unpredictable

natural disasters or economic crisis (such as the ongoing COVID-19 pandemic).

Conclusions: Prioritizing the Tourism Sector in WB countries: Challenges and Opportunities

In conclusion, it is clear that all WB countries are prioritizing tourism in their political and economic agendas. The comparison of the tourism policies promoted, the tourism products identified, the amount of investments in the sector, and the policy results illustrates that the region is going in the same direction, both in positive and negative ways.

Indeed, what emerges from the discussion section is that, although WB countries are not synchronized in the tourism destination development phase, the objectives, challenges, and opportunities of the sector are similar for each of them. In addition, the strong and weak aspects of national tourism policies are common to all WB countries.

When dealing with policy objectives, WB countries can be grouped into two main categories: those creating basic services for tourism (Albania, BiH, North Macedonia, and Serbia), and those addressing issues of more advanced tourism destinations (Croatia and Montenegro). This difference is not reflected however in the typology of tourism products promoted. Indeed, there is a first obvious distinction between the countries facing the sea and promoting the *sun, sea and sand model*, and the ones inland that are focusing on mountain and adventure tourism. But there are also other categories of tourism products that can impact these assets, such as business event tourism (a common target of Croatia, Montenegro, and Serbia) and religious tourism (promoted in the coastal countries). Finally, it is clear that the promotion of natural resources represents a priority for all WB countries.

The diversity of the tourism products promoted by each country and the similarities in their objectives represent the strongest aspects of WB tourism policies. Indeed, the diversity of tourism products highlights the

great attention paid to the valorisation of each country's specific resources, and the similar objectives stress the fact that the starting points and opportunities are the same for all WB countries. Indeed, sharing common objectives and being aware of their territorial specificity means that the sector can be more efficient, gaps at national level can be overcome, and countries can learn from each other's experiences.

Yet, the comparative analysis reveals that the amount of tourism investment across WB countries is small, averaging 1 billion EUR a year (in Albania, Croatia, Montenegro and Serbia). Another weakness is the poor attention dedicated to tourism policies' evaluation and implementation. In most cases, the evaluation is not even mentioned among the activities of the strategies (BiH, North Macedonia) or it is cited but not implemented (Croatia and Montenegro). The great attention paid to this theme in the most recent strategies incite hope, such as the case of the Albanian and Serbian strategies, which include detailed policy evaluation systems.

These two last elements are definitely the weakest of the entire comparative analysis and represent the most important challenges to deal with moving forward. To prioritize tourism as an economic sector and to develop a consistent and sustainable model of development, all countries need make an effort to increase investments and constantly monitor their effect.

In addition, many fundamental aspects of tourism go unaddressed in the strategies analysed. One is the huge importance given to international tourism to the detriment of the domestic. Indeed, "the Balkan countries exchange among themselves significant tourist flows which support the development of the tourism industries mainly in the neighbouring countries" (Vasileva and Preslavsky, 2017, p. 43), but domestic tourism is not treated in any national strategy, with the exception of Montenegro, which sets a specific objective dedicated to its promotion.

The second aspect is a critical and more general reflection. In the current historical period characterized by the COVID-19 pandemic, which has imposed strong limitations on travelling, the global tourism industry has proven not to be ready to face such challenges. Few countries were prepared for such dramatic events, including the WB. Indeed, none of the documents presented in this study consider the effects of natural disasters or economic crises. In addition, climate change, resilience, health issues, and political crises are completely ignored. Vulnerability and uncertainty are common risk factor of tourism worldwide. Considering them in national policies can be a good starting point to design and develop a more solid and sustainable tourism model.

Recommendations: Towards a Common Tourism Policy for the Western Balkans in times of Global Crisis

The recent events related to the COVID-19 pandemic show that the measures adopted until now by most countries worldwide are not versatile nor flexible. The tourism industry is completely blocked as a consequence of the global lockdown (Gössling, et al., 2020). This will have enormous consequences on future tourism development, in both short and long term¹¹.

Western Balkan countries, whose tourism almost fully relies on international fluxes, have been strongly affected by such an event. Six months after the beginning of the worldwide lockdown¹² and the slow lifting of restrictions, many WB countries are still on the 'black-list' for tourism, in the sense of both entering and leaving. Croatia is the only exception and opened its borders to all tourists in the beginning of July.

This reflection emphasizes the urgency of designing resilient tourism policies, which can deal with several unexpected events related to many fields including: the economy (e.g. crisis); the environment (e.g. climate change and its effect on consolidated tourism destinations); health (e.g. the above mentioned COVID-19 pandemic);

and politics (e.g. changes in political assets among countries), among others. Indeed, none of the strategies included in this study refer to any of these topics.

Therefore, each government should adopt local and national tourism policies that can respond to local, regional, and global phenomena, including natural catastrophes. The adaptability and resilience of the tourism sector can be achieved through strengthening local policies and institutions, and by building strategies and initiatives that make use of place specificities and diversity, while being complementary. This emphasises the idea of a regional policy, which does not override national efforts and initiatives, but enhances their impact and efficiency.

Consequently, a possible solution is the establishment of common tourism policies among neighbouring countries. "Common tourism strategies and actions could support the momentum for regional cooperation emerging from recent initiatives" (OECD, 2018, p. 619). Several scholars and institutions have agreed that the creation of common regional initiatives is of crucial importance (Hammer and Siegrist, 2008; Denga, et al., 2019).

Following the findings of this study, similarities among Western Balkan tourism policies are evident. The establishment of the macro-regional strategy EUSAIR – the 'EU Strategy for the Adriatic and Ionian Region' – and the Transnational Cooperation Programme 'Interreg ADRION (Adriatic Ionian)', which enhance and promote sustainable tourism initiatives in this specific regional framework, represent a first step towards the development of common goals. Indeed, the EUSAIR strategy included 'Sustainable Tourism' as its fourth pillar (and involve Albania and Croatia).

To conclude, Metodijeski and Temelkov (2014) make a step forward stating that the "next step [for WB countries] should be a joint presence on the international tourism market as well as mutual promotion" (Metodijeski and Temelkov, 2014, p. 239).

Considering the significant similarities among opportunities and challenges for tourism sector development in each WB country, the creation of a commonly functional set of tourism policies and strategic alliances may represent an opportunity for the entire region. Such initiatives will not substitute local or regional authorities, whose importance is evident, but rather integrate them within a multi-level governance structure.

Notes

1. Throughout the text, the WB countries are always mentioned in alphabetical order.
2. EU official documents have generally adopted the term 'Western Balkans' for the countries that are currently not members but are either candidates or in negotiation process to join. This means that Croatia was considered in this group until 2013, when it officially became a member.
3. Kosovo is not included in the WTTC reports, neither in the sub-region 'European Union' nor the 'Other Europe.'
4. Tourism data collection and elaboration methodologies are different for each WB country, especially concerning the definition of international tourist and visitor. Therefore, all official data should be considered with caution.
5. Data concerning Kosovo are not available in the UNWTO because it is not part of the United Nations system. Data used in this study belong to the Kosovo Agency of Statistics [available at <https://ask.rks-gov.net/en/kosovo-agency-of-statistics>] and is only available from the independence declaration of 2008 until 2017.
6. Until 2017, the WTTC Country Reports included the forecast of international visitors for each country for up to ten years. Indeed, this data has been used in this study to calculate the Tourism Growth Index from 2017 to 2027.
7. The 'Tourism Growth Index 2017/2027' is calculated on the percentage ratio between the international arrivals registered in 2017 and the 2027 forecasted by WTTC (2017), for each country.
8. Once again, for guaranteeing the same data collection and elaboration methodology, the data included in this study refers to the WTTC Country Reports. Also, in this case, data should be considered with caution. The Albanian case is illustrative. The national INSTAT office registered a percentage tourism contribution to GDP of 2.5% in 2017 and 2.8% in 2018, while the WTTC already estimated a contribution of 21.2% in 2019.
9. Translated by the author from Serbian: "Политике у туризму Смисао туристичке политике Републике Српске своди се на изградњу конкурентности њених туристичких кластера" (University of Banja Luka, 2009, p. 82).
10. For 'grey economy', the author intends that economy sector which escapes taxes payment – committing tax evasion and/or fraud - and which is difficultly monitorable by local and national governments. It is often referred as informal sector, shadow economy, underground economy, among others.
11. For more on COVID-19's implications on tourism in the Western Balkans see the article of Nientied and Shutina in this issue.
12. The 9th March 2020 is assumed as the start of the lockdown, when the Italian Government announced the beginning of restrictions in its national territory, which was followed by many other governments in the following days.

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Tourism in Transition, the Post COVID-19 Aftermath in the Western Balkans

Peter Nientied^a, Dritan Shutina^b

Summary

The purpose of this article is to make a case for a transition in post-COVID-19 Western Balkan (WB) tourism away from 'back to tourism business as it was' recovery thinking. The COVID-19 crisis is unique; unlike other disasters it is global and not local or regional, and it is leading to a global economic recession and increased social inequalities. WB tourism is severely hit by the COVID-19 crisis and the pace of tourism recovery is a question mark. Current uncertainties for WB tourism are discussed, amongst others future tourism behaviour. In view of international developments like the EU economic recovery strategy based on the Green Deal, it is suggested that the present COVID-19 crisis must be used for a transition in tourism, if WB tourism wants to remain relevant for EU tourists in the future. A transition entails building up tourism resilience, which is an obvious reaction, developing policies and practices for sustainable tourism, and building up WB as an integrated destination.

Keywords: Tourism, Western Balkans, COVID-19, Uncertainty

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Introduction

The WTTC (2017) concluded that the global picture of Travel and Tourism's growth forecast of 4% per year for each of the next ten years (on average) masks the fact that the sector faces ever-increasing and unpredictable shocks, from terrorist attacks and political instability, to health pandemics and natural disasters. Each year, new challenges arise to test the resilience of the sector at more local levels. Looking back, this conclusion of WTTC was largely correct. One point however was wrong, namely the use of the phrase 'at local levels.' In their deliberations about critical issues for the future of travel and tourism, WTTC, like the rest of the tourism sector and in fact almost the whole world, could not imagine a global health pandemic with far-reaching consequences. COVID-19 has had and continues to have major impacts on all economic sectors, and perhaps most acutely on tourism, hospitality, leisure, and the arts.

Travel restrictions came into force in 2020. All kinds of social, cultural, and business events were cancelled, tourist attractions, hotels, and restaurants discontinued their services and even national borders in Europe were closed for 'non-essential visits' to neighbouring countries. Governments in Europe enforced lockdown policies in various manners and heralded that people 'stay at home.' An unprecedented tourism situation emerged: from a forecasted good 2020 season, to an almost lost season and rather bleak prospects for the years thereafter (Gössling et al., 2020).

This paper examines the question of post-COVID-19 tourism in the Western Balkan (WB) region. Tourism is one of the sectors severely hit by the pandemic (OECD, 2020) in the WB. It is an important economic sector in WB, as Table 1 shows. The figures of three major neighbouring tourism destinations are presented as well below.

Table 1. Tourism figures (overnight stay)

Countries	No. inbound (million)	Ratio Inbound / population	% GDP tourism	% arrivals by land of total arrivals
Albania	5.84	1.86	15.5	82
Bosnia and Herzegovina	1.14	0.10	2.4	64
Montenegro	2.08	3.33	22.2	n.a.
North Macedonia	0.78	0.34	3.1	n.a.
Serbia	1.71	0.24	3.8	n.a.
Croatia	16.64	4.84	19.9	89
Greece	30.12	3.34*	9.9	29
Turkey	45.76	1.52	4.8	21

Note: UNWTO (2020a), checked with WTTC (2020). Due to various statistical issues, the numbers are merely indicative. Data on Kosovo are not available.

**including domestic tourism*

WB tourism has grown far above average European levels during the last decade (OECD, 2018). For Albania and Montenegro tourism is particularly important. Bosnia and Herzegovina, North Macedonia, and Serbia have developed tourism growth strategies. OECD (2018) assessed WB tourism and observed that tourism has been growing rapidly, that WB countries have

drafted tourism strategies, have improved destination and product development and have taken steps to attract more international visitors through branding and the liberalisation of visa arrangements. According to OECD (2018), challenges for the tourism sector include tourism governance, product development, tourism education, the quality of accommodation,

congress and spa facilities, the high seasonality, various 'institutional constraints,' and good destination governance. OECD warns that the cost-based attractiveness of the WB countries as destinations will be hard to sustain. Lehmann and Gronau (2019) examined why tourism in the WB has grown rapidly, despite the imperfections of its tourism products. Their conclusion is that the tourism standards against which practices are measured are getting outdated and that authenticity is apparently more important than formal quality standards. For Albania, Göler (2018) mentions the country as new destination ('Discover AL') as a main opportunity for further growth and concludes that the 'gold rush mentality' hindering sustainability is a main threat. In other WB countries, a comparable 'gold rush' mentality can be observed, with limited respect for their natural and social environments. One of the results is that UNESCO warned cities that they would be put on the list of endangered sites (Balkan Insight, 2017; 2019).

The COVID-19 pandemic appeared in Europe in early 2020. The pandemic is a potential game changer in tourism and travel (cf. Hall et al, 2020; Gössling et al., 2020). EU governments, airlines, consultants, and researchers all expect that the travel and tourism sector is entering a new era – but nobody knows exactly what kind of era that will be. WB governments and tourism businesses may prefer to believe that tourism will go back to normal, as it was, and it is understandable that they would be highly active in trying to recuperate tourism as soon as travel conditions allow. But thinking that 'things will be the same again' appears odd; COVID-19 led to a deep crisis and leaves marks on all facets of the society and economy.

The purpose of this contribution is to discuss the COVID-19 aftermath and to substantiate our claim that a transition for Western Balkan tourism post-COVID-19 is required, in contrast to 'back to tourism business as it was' thinking. This article will briefly discuss the WB tourism situation and its current uncertainties. It is argued that the COVID-19

experience should not be forgotten when the pandemic is more or less under control and that the tourism sector should use the experience of the COVID-19 crisis for preparing a more sustainable, alternative, tourism sector for several reasons. The first reason is to build up tourism resilience, which is obviously required. The second has to do with international policies; the EU decided that the Green Deal will be the instrument for economic recovery and the WB is also part of this policy development (as the recent EU-Western Balkans Zagreb Summit showed)¹. Researchers have already defined sustainability issues as a threat to WB tourism (Göler, 2018; Nientied and Shutina, 2018; Bučar, 2017, Alkier et al, 2015). Thirdly, we must heed the saying: 'never waste a good crisis.'² "The COVID-19 pandemic should lead to a critical reconsideration of the global volume growth model for tourism, for interrelated reasons of risks incurred in global travel as well as the sector's contribution to climate change" (Gössling et al., 2020, p.13). Indeed, the COVID-19 crisis compels us to rethink the future of tourism. In several European destinations rethinking tourism futures has already started. For example, the city of Berlin uses the current situation to redevelop the city centre towards a more walkable and bikeable area (Corona bike lanes, as they are called in Berlin) to reduce crowded public transport and pollution in the city.³ After experiencing an empty city, cities like Barcelona, Prague, and Amsterdam are currently discussing a 'reset' of their tourism.⁴

Before discussing resilience and a possible transition of WB tourism, the specific character of the COVID-19 impact and the current uncertain situation needs to be depicted.

The COVID-19 Situation

Unlike the 2003 SARS outbreak, the ebola crisis, various natural disasters (Filomena and De Coteau, 2020; Del Valle, 2020; WTTTC, 2019; Hall et al., 2020; Gössling et al., 2020), or the Arab Spring (Morakabati, 2019), COVID-19 is a global manifestation, not a national or regional one. Even if they could

freely travel, tourists cannot avoid affected regions and go elsewhere like before, since the whole of Europe and the rest of the world has been affected. Furthermore, travel has become more difficult as 96% of all countries have adopted travel bans (UNWTO, 2020b). Because of this global reach, COVID-19 is distinct from any other major occurrence for the tourism sector. After the first COVID-19 wave, many countries eased their travel restrictions, but already in early summer, some restrictions were reintroduced, limiting travel and making travel to holiday destinations uncertain with regards to, for example, an obligatory quarantine. Inbound tourism decreased quite dramatically in WB countries during the spring and summer of 2020. Tourism statistics indicate that the decrease in the number of international tourists during spring 2020 ranged from 80% to over 90%, and during the summer (July) - 40% to 60%. WB citizens also found it difficult to travel abroad because many EU countries imposed restrictive conditions like obligatory quarantine on travellers from WB countries.

COVID-19 is a health catastrophe in all its human suffering both inside and outside of hospitals and it has led to a global economic crisis and social crisis with increasing inequalities. Countries with large tourism sectors in the WB are seriously affected, but countries with smaller tourism sectors will also be affected by the economic recession following the pandemic (OECD, 2020). The World Bank (2020) suggests that growth in the Western Balkans could plummet by about 5.7 percent in 2020, causing a more severe recession than the global financial crisis. It also suggests that in 2021 the economy will bounce back and show a high rate of growth.⁵ A particularly severe recession will affect Montenegro, Albania, and Kosovo. However, World Bank's estimates are based on UNWTO estimates of 30% fewer international tourist arrivals, and this is just a guesstimate. It appeared during the summer that this figure was much higher. Balkan Insight's (2020) report on tourism in Mostar and Medjugorje (Bosnia and Herzegovina) shows empty hotels and streets in the tourism centres, and companies

struggling for survival. It is unavoidable that many tourism entrepreneurs (big and small) lose their business income and many workers in the sector lose their jobs. Wren-Lewis (2020, p.111), who has studied the economic impacts of pandemics, warns that people (tourists) reduce their "social consumption in an effort not to get the disease." Social consumption means that people spend money on doing things that bring people into contact with other people - things like going to the pub, to football matches, or traveling. This implies that the risk of getting COVID-19 is not a matter of one tourism season. As long as there is no effective vaccine health risks will continue, and people may choose to stay at home or select a destination following health and safety protocols closer to home that they can reach by car. This pattern has been witnessed all over Europe.

The impact of COVID-19 on tourism goes beyond health risk considerations and a lost 2020 tourism season; the economic recession will have an impact too. When incomes decrease, spending on holidays and leisure will also decrease. All over Europe, the economic recession that commenced in 2020 has led to higher unemployment and income losses, which will in turn negatively affect international tourism. The difficulty is that tourism is among the first sectors to be hit by the COVID-19 pandemic and probably the last that will fully recover because travel and leisure will be overtaken by the population's need for food, education, and security in a time of economic and social crisis.

The tourism year 2020 is generally considered as a loss, although countries that had modest COVID-19 cases tried hard to attract tourists. Uncertainties for this and coming years are high, depending on the duration of the pandemic. Predictions on impacts of the health and economic crisis vary and, as agencies like the European Central Bank (ECB) stress, reliable forecasts cannot be given.⁶ The impact of COVID-19 and its aftermath on WB tourism will depend on a series of factors, marked by uncertainties that can be grouped into three categories:

1) the duration of the crisis (pandemic control, travel restrictions, reactivation of transportation, the nature of the second COVID-19 wave, etc.); 2) which government support policies are implemented (in WB and outside WB), who will be beneficiaries, how effective these policies will be, and; 3) unknown tourist behaviour in the near future, depending on considerations such as: consumers losing or strengthening their appetite for travel, and the role trust will play among aspiring tourists in nations or regions that are tourism destinations. These three categories of external factors are complemented by situational factors of destinations, such as the dependency on tourism, adequate destination governance at various levels, and readiness to adapt to emerging tourism behaviour. Some comments on the three categories follow.

Ad. 1) Duration of the Crisis

In the WB, tourism providers and governments are urged, as soon as travel conditions permit, to restart tourism as the losses for national economic development, employment and businesses are severe. Whether and how fast inbound tourism can be re-established, remains to be seen. At a global level tourism has not been very vulnerable to shocks (Aramberri et al., 2017; Brouder, 2020) and tourism has grown during the last decades, except for the 2008/2009 period of the financial crisis. The COVID-19 pandemic is the first global disaster tourism was heavily exposed to, and it is unknown how the tourism sector will develop after the shock and during the subsequent economic and social stress. Hall et al. (2020) constructed an overview with scenarios of tourism recovery with numerous factors playing a role. Their estimate (p.12) is that

“There will be an uneven recovery as some markets will be aligned with early phases of restarting tourism. An emphasis on saving local restaurants, VFR tourism to reconnect with loved ones, essential business travel, and parks and nature tourism where physical distancing can be accomplished, will be the focus of initial tourism revival.”

This may be correct when looking at Asia, but a critical factor in the European situation is that restarting tourism depends on government permissions reducing travel restrictions. Moreover, WB tourism has a strong focus on sun-sea-sand mass-tourism, and a quick orientation towards nature tourism is not likely. International travel has become more uncertain and more complicated. The experience of summer 2020 has shown that a rapid tourism recovery will be unlikely. The world looks towards a vaccine as a solution, and this remains an uncertainty.

Ad. 2) Government Interventions – ‘Stay Home’

Restarting tourism depends on governmental decisions in various countries. Reopening actions were and will be gradual (EC, 2020c) and permission to organize mass-events like festivals will take time. In EU countries, national governments discourage international travel (EC, 2020c) and prime ministers suggest that their citizens stay close to home. Already in early April 2020, the Spanish government reportedly prepared a plan for a ‘summer without foreign tourism’ (ABC España, 2020) and encouraged Spanish people to enjoy holidays in their own country. Austria, Germany, and the Netherlands followed a similar approach. Croatia, Greece, and Turkey, among others, however, were keen to receive international tourists (Volkskrant, 2020, Guardian, 2020) but also felt forced to pose new restrictions on inbound tourism when COVID-19 numbers increased again during the summer. Government policies to support tourism in the WB are modest, simply because countries lack the means to give financial assistance to the numerous small- and medium-sized tourism firms (OECD, 2020).

Ad.3) The Uncertainty of Tourism Behaviour

After travel restrictions are removed and airlines and tourism providers re-activate their services, the question of tourism behaviour comes into the light. It is tricky to sensibly forecast what tourists will opt for. During the summer of 2020, the ‘staycation’

(holidays in one's own city, country, or neighbouring country) was popular, but tourist preferences for the coming years are more difficult to predict. Tourism behaviour is still not well understood in the tourism and academic sectors (Cohen et al., 2014). “.. classic models of consumer behaviour and traditional marketing frameworks tend to view consumers as rational decision makers. Emergent thinking views the consumer as being more multifaceted – part rational, part emotional” (Ballentyne et al., 2018, p.85). Bigné and Decrop (2019, p.132) describe postmodern tourists thus: “far from taking ‘rational’ decisions and behaving predictably, these consumers stray further and further from traditional models and segmentation frameworks. The past 20 years have seen the arrival of a chameleon tourist who is omnivorous and insatiable.” Tourism behaviour can be considered as a key uncertainty in the COVID-19 aftermath; indeed it is a question of whether and what kind of travel will be a priority after being locked at home or pursuing a staycation, and whether travellers can afford holidays (and if so, whether they will opt for staying in their own country or continent, or make longer trips). Tourists’ decision making is an outcome of many (uncertain) factors, such as: feelings of psychological safety and security; the role of age and family situations in decision making; experiences with COVID-19 in both countries of origin and destination; and how social distancing as an element of ‘the new normal’ is experienced; among other considerations.

Spatially speaking, COVID-19 impacts on tourism may range from changing travel patterns at both a global scale and through micro scale practices. At the global scale is the issue of intercontinental tourism, such as Asian visitors to the WB. Regionally what is at stake is whether the WB will attract European tourists who hesitate to go to destinations in Spain and Italy. At smaller scales, the question arises about whether tourist behaviour can continue in the same manner as before the crisis. Answers to some questions cannot be given as yet: will tourists look for (crowded) beaches or prefer to go to quieter areas? Will popular cities

with high tourist densities, like in Kotor’s old centre in Montenegro (if cruise tourism starts up again (Cheer, 2020)) or around Mostar’s famous bridge in Bosnia and Herzegovina (if packed Italian buses return) still attract many tourists? Or, will visitors search for places with more opportunities for social distancing? UNESCO-heritage sites, museums, churches, castles etc. are spatially fixed and easier to manage for tourism providers than open access attractions like old city centres, monuments, beaches, public squares, and so on. In conclusion, given all the uncertainties, it is extremely difficult to make sensible predictions about post COVID-19 tourist behaviour.

Tourism Resilience and Current Risks in the WB

Pleas for enhancing tourism resilience should be expected. Resilience is about dealing with change and, in the field of tourism, is linked to ecosystems and sustainability. It often refers to how specific models of social-ecological systems respond to disturbances (Lew, et al., 2017; Butler, 2018), or how tourism can adapt to social, political, and economic change (Cheer and Lew, 2018). The Rockefeller Foundation (2020) defines urban resilience as “The capacity of individuals, communities, institutions, businesses and systems within a city to survive, adapt and thrive no matter what kinds of chronic stresses or acute shocks they encounter.” This broad description can easily be adapted to tourism destinations. Resilience is important but needs a careful contextualization and issues like power relations among actors need to be taken into account (Butler, 2018, Berbés-Blázquez and Scott, 2018). Aramberri et al. (2017, p.147) discuss the research literature on tourism vulnerability and conclude that the ‘true’ vulnerability lies at the level of the destination, and that “a destination that is more vulnerable is, in fact, one that is less resilient to transformations/declines in its tourism sector.”

With regards to resilience, the WTTC (2019) issued a white paper on crisis readiness, responses to diseases, natural

disasters, political turmoil, and terrorism and security-related events. It discusses preparedness to mitigate the impact of crises, effective management to address the crisis, and responsiveness to ensure a speedy recovery. WTTC's final point is to 'rebuild stronger and better' as the crisis may provide an opportunity to rebuild more robust, sustainable, and efficient (social and physical) infrastructure, and enable a destination to rethink its product offering and its target audience. "In effect, disasters may disrupt previous political and financial roadblocks, ultimately becoming a catalyst to change the tourism product, benefiting both citizens as well as tourists. Ultimately, the goal for destinations should be to bounce ahead post-crisis by designing and building a more resilient system" (pp.21-22). Whether destinations can develop adequate resilience and crisis readiness to withstand the shocks of an occurrence like COVID-19 is to be doubted, as it is a global phenomenon affecting all destinations. Yet, destinations with lower tourism dependency, well-functioning governance systems that can handle bad times, and a tourism disaster management system that can anticipate on expected shocks will recover and renew sooner.

The main risks for crises and severe stressors can be summarized as follows (cf. WTTC, 2017; WTTC, 2019; Filimonau and De Coteau, 2020) as they connect to WB tourism.

- *Health and safety*, like a protracted COVID-19 period, or a new virus, or a wave of immigrants from the Middle East attempting to travel to EU.
- *International economy*: tourism destinations that depend on tourism are obviously more vulnerable. Next to dependency, the seasonality of tourism and narrow focus in Albania and Montenegro on not less sustainable sun-sea-sand tourism play a role. The economic recession could become a stressor for WB tourism.
- *Ecology*: climate change and environmental disasters are gradual, longer-

term developments though impacts can be acute. Extreme weather conditions can cause floods or forest fires and affect tourism (Filimonau and De Coteau, 2020). For the Regional Cooperation Council (RCC), Vuković and Vujadinović Mandić (2018) prepared a study with an important analysis of regional high-risk changes, where potential natural disasters constitute a major contributor.

- *Internal risks and regional issues in WB* are often overlooked. "Political uncertainty, credit conditions, and macroeconomic stability are other key domestic risk concerns, as well as weather shocks, which affect both agriculture and energy production, both of which are vital to the economies of the region" writes the World Bank (2019, p.30) about the WB. The World Bank (ibid.) stressed (before COVID-19) that slower global economic development in the Europe and Central Asia region are risks for the WB economies. But economic realities have changed very rapidly. At the WB level, unresolved conflicts might be exacerbated by the present crisis (looking for an 'enemy' outside to detract attention from national problems is a worldwide political practice) and may impact the willingness of WB governments to collaborate on tourism. Political uncertainties and leadership issues might trigger new regional tensions. During the last decade, politicians in the WB have shown that regional collaboration at the level of the six WB countries⁷ is arduous, hampering the positioning of the WB as an attractive tourist destination.

WB Tourism Transformation

As discussed, the near future of tourism is uncertain. Tourism behaviour is certainly influenced by the risks mentioned above, but many more factors play a role in tourist decision making. During the summer of 2020, Kosovo's citizens continued going to the Albanian coast and Serbian citizens

to the Montenegrin coast – since they could travel by car over a short distance. In addition, we can expect the diaspora to keep coming back to their homeland for family visits and personal business. They may, however, come less frequently, depending on the economic recession. Tourism growth is unlikely for the coming years as inbound tourism from the EU and, to a lesser extent, from the Far East and the Middle East regions is a question mark. If the WB region will ‘keep on doing what it did, it will get what it got,’ but will ‘get less of it’ for some time to come.

Tourism researchers Hall et al. (2020), Gössling et al. (2020, p.15), Jones and Comfort (2020), Ioannides and Gyimóthy (2020) and Brouder (2020), among others, highlight the transformative possibilities of the COVID-19 pandemic for tourism and its sustainability, and stress that with the magnitude of the COVID-19 pandemic, there is an urgent need not to return to business-as-usual when the crisis is over. COVID-19 can be seen as opportunity to consider a transformation of the global tourism system that is more aligned with the SDGs (Sustainable Development Goals). Hall et al. (2020, p.8; see also Brouder, 2020) also warn: “COVID-19 may provide an impetus for individuals to transform their travel behaviours, however the transformation of the tourism system is extremely difficult.” Politicians and businesses will insist that the tourism sector should be opened up as soon as possible to facilitate returning to ‘normal.’ Indeed, sustainable tourism has been advocated for in the past, but did not result in major changes globally speaking (McCool et al., 2015). WB tourism has grown despite the imperfections of its tourism products (Lehmann and Gronau, 2019) and the threats on sustainability (Göler; 2018; Balkania / Balkan Forum, 2017; Ciro, 2019; Nientied et al., 2017; Nientied and Shutina, 2018). But 2020 witnessed a crisis that changes mindsets. The WB should change its tourism sector if tourism wants to grow after the recovery. A ‘back to business as it was’ mentality will lead to a loss of tourism in the long run because it is not 1) green, 2) WB-wide, and 3) resilient.

Green. Many international institutions opt for sustainability, SDGs, greening the economy, etc., as a strategy for economic recovery; for ‘getting out of this COVID-19 crisis better.’ Business leaders, the banking sector (Hepburn et al., 2020; Allen et al., 2020) and academia share this mindset. The EU President has stressed the role of the European Green Deal in the economic recovery⁸ and the EC (2020a) communication ‘Tourism and transport in 2020 and beyond’ states that beyond the immediate steps to bring relief, the “shared ambition should be to maintain Europe as the world’s leading tourist destination in terms of value, quality, sustainability and innovation,” and that “At the core of this new ambition is sustainability, contributing to both the European Green Deal and strong communities” (p.14). The UNWTO (Pololikashvili, 2020, p.17) mentioned as early as April 2020 that “Sustainability is at the heart of our plan for tourism’s post-COVID-19 recovery” and “Now is not the time for ‘business as usual.’ Rather, this is tourism’s time to realize its potential as a major driver of fair, equal and sustainable economic development, and both businesses and governments – as well as individual tourists – have a role to play in delivering this, leaving no one behind.” In its subsequent report (UNWTO, 2020c), it advises reorienting the tourism value chain towards sustainability. The EU uses COVID-19 to implement its agenda for a more ‘green/sustainable’ society, that should be the ‘new normal’ in the EU. The EU-WB summit’s Zagreb Declaration of May 6, 2020⁹ includes the point,

“In this endeavour, a prominent role should be given to the association of the region to the EU’s climate-related ambitions, in line with the Paris Agreement, to promoting the Green Agenda for the Western Balkans, as well as to furthering the digital economy and, strengthening connectivity in all its dimensions: transport, energy, digital and people-to-people, including tourism and culture,”

in line with the EC’s support to the Western Balkans tackling of COVID-19 and the post-pandemic recovery communication earlier (EC, 2020b).

If WB tourism wants to retain its EU-inbound tourism and thinks that tourism growth should primarily come from EU countries, following the EU's green approach would be a wise strategy. The EU's green approach will influence tourism preferences and may well reduce demand for holidays in destinations with old-fashioned 'grey' tourism practices that are not safe and do not respect the environment and community. The WB should also have much more concern for climate change issues as they are increasingly becoming a stress factor for WB tourism and, as indicated, entail serious risks that can occur any time.

WB-wide. A second pillar for a tourism transition can be that WB countries develop a joint WB tourism approach that remains diverse and complementary across countries. WB tourism is fragmented; six small countries are in *competition* rather than in *co-opetition*. Collaboration between tourism sectors in the WB countries is currently limited; ministers express constructive thoughts about tourism collaboration, some tour operators organize bus package tours for tourists and agencies implement small externally funded projects. The Regional Cooperation Council (RCC) implements a €5 million, EU-funded project to support a tourism development and promotion project that creates joint and internationally competitive cultural and adventure tourism offers in the six Western Balkan countries. However, a number of very small grants over a three-year period is insufficient. Projects like the successful trail 'Peaks of the Balkans'¹⁰ do not garner much follow-up by other international projects if no donor funding is available. A joint tourism strategy and a joint WB tourism website will be required. Experience has shown that WB leaders find it difficult to collaborate. The present COVID-19 situation puts greater pressure on WB countries, making it time to explore the benefits of better collaboration in the field of tourism.

Resilient. The core issue in tourism resilience is building systems that can handle shocks and stressors and regain balance (Calgaro et al., 2014). The WTTC (2019) has developed a

report with guidelines for 'disaster readiness,' with useful management information. Resilience is about systems that aim at less disaster management. The WTO's (2020c) approach is broader and refers to the SDGs, mentioning the goal of institutional strengthening and building resilience "To build capacities of decision makers, tourism stakeholders and the local community with a view to adapting to the post COVID-19 reality and to strengthen institutions and multi-stakeholder collaboration mechanisms in the sector for the purpose of mitigating the impact of the crisis and accelerating recovery" (p.20). The following resilience principles are based on the synthesis works of Biggs et al. (2015) and are intended to offer guidance for building resilience in socio-ecological systems. Berbés-Blázquez and Scott (2018) have applied them to general tourism context and below they are refined to the WB context.

a) *Diversity and redundancy.* Diversity in types of attractions, different target groups, etc. is thought to increase the resilience of a socio-economic system. This also holds for WB tourism. For example, the small city of Mostar (Bosnia and Herzegovina) is very dependent on one single attraction, its famous bridge. It has become a mono-functional tourism situation, leading to high vulnerability, crowding, and a short tourism season. Many bus tours (many from Italy) pay a hop-off hop-on visit to Mostar. Tourists visit the bridge and the market with cheap souvenirs, drink a coffee or refreshment and move on. Mostar also sees a lot of day-tourism from Sarajevo, that is used as a base camp by tourists. The level of organization of Mostar's tourism providers is low. There is no easy way out of such monoculture. Economic diversification (or a greater diversity of tourist attractions), extending the tourism season, and keeping tourists for overnight stay looks like an obvious recipe to move forward. However, the city and country do not have the resources and have sought to benefit from tourists without investing in the future of tourism. One step in this direction is to search for

- more diversity in target groups, in the organisation of events, etc. *Redundancy* means that components in a system have overlapping functions and that the system will continue to thrive even if one part of it is negatively impacted by a sudden change. This is easier in cities, where tourism is just one of many functions. In the coastal city of Durrës (Albania), beach tourism is popular, but tourists can also go to the city centre and visit the boulevard and cultural attractions.
- b) *Connectivity* refers to the links between elements of a tourism system. "The very nature of tourism means that it requires networks at a variety of levels, from aviation that facilitates international tourism to local ground transport that allows economic benefits of tourism spending to disburse throughout a destination" (Berbés-Blázquez and Scott, 2018, p.17). Moreover, connectivity also applies to IT, whether connections are smooth, safe, and stable. Road connectivity between the six WB countries is slowed down by border customs, and discussions about easing travel across their territories have not yet led to many results.
- c) *Managing slow variables and feedbacks*. Slow variables give insight into the dynamics of a system. A fast variable for tourism is the ongoing tourism numbers; for example, it is easy to monitor tourism arrivals on a monthly or annual basis and make projections about future growth. Slow variables in a tourism system include the diverse and evolving preferences of tourists, for instance. They are harder to gauge but ultimately shape the number of arrivals over time. Management of slow variables is near absent in WB tourism, as the tourism approach has been based on tourism business development in known segments (beach, cultural assets) and some tourism service development (such as activities in mountain areas, guided tours). The understanding of the many niche markets is quite limited. Managing social media by tourism providers is not much more than plain marketing. There is hardly any tourism intelligence and there is an inadequate understanding of new trends in tourism behaviour. Responses in the WB to trends like sustainable and experience tourism are limited.
- d) *Experimentation and learning*. In line with managing slow variables and feedbacks, experimentation and learning are also quite limited in WB tourism. Tourism providers, sometimes in collaboration with others, do engage in incremental innovation and experimentation. However, at the level of tourism systems, these mechanisms are weak. Tourism industry associations are representing industry interests rather than developing new forms of tourism and innovative offerings. Linkages between the tourist industry and higher education are also weak and tourism destination management teams that could foster learning are absent or limited to marketing and information activities. Research on and learning from EU tourism patterns is limited to the copying of success formulas (especially when investments are small).
- f) *Participation and polycentric governance*. In resilience thinking, the process of bringing together diverse stakeholders - including citizens and experts - leads to overall better decision making. Governance assumes that units act with a certain degree of independence from one another while maintaining linkages both horizontally (e.g. between units working at the municipal level) and vertically (e.g. between units working at municipal, regional, and national levels). Both participation and governance are weakly developed in the WB in general, and in WB tourism in particular. Nientied and Shutina (2018) have discussed the case of Albania, for instance. In Albania, destination management organizations are not functioning well,¹¹ resulting in serious challenges related to a total lack or poor cooperation between various stakeholders. This impedes them from tackling important issues such as:

seasonality and limited development of off-season tourism products; weak tourism infrastructure; inadequate maintenance of facilities; missing databases on local and regional tourism; weak local and regional branding and marketing; and environmental issues that are rarely considered in tourism investment decisions (cf. Risi, 2017). In other WB countries, the situation is comparable.

Improving tourism resilience along the lines of these system components is challenging. Political and power issues play an important role. The WTTC (2019) stresses that destination governance built on trust-based coalitions is a requirement for resilience. Such coalitions are needed for crisis preparedness. In the WB however, citizens as stakeholders are left out of decision making, with rare exceptions (Ciro et al., 2019).

Final remarks

Del Valle (2020) anticipates that the COVID-19 aftermath will enhance the appearance of new tourism consumption habits. He stresses the issue of increased environmental and social awareness, where consumers' concern for sustainability and social issues will continue, reinforcing the importance of environmental and social governance. Del Valle (ibid.) also states that ethics will be as important as aesthetics (beauty of destinations), as consumers will give priority to destinations that respect the environment, low-pollution transport, etc. Del Valle's is one of many informed opinions and, like any prediction, it is difficult to assess whether he will be right. Romagosa (2020, p.693) remarks "In brief, all stakeholders, including us as researchers, have a task of great responsibility: to help redirect tourism - from the point of view of both supply and demand - towards a truly sustainable and resilient profile that is fit for a future that is constantly changing and full of new challenges." Indeed, the point at stake is not being right as an observer or researcher, but also having the role of a practitioner, who pushes future tourism

development in a better direction compared to the 'gold rush' tourism witnessed during the last decade in the WB. Vargas-Sánchez and Moutinho (2018) add to Del Valle's assessment by discussing strategic developments in tourism. They conclude (p.332) that "... the market share approach is dead, and it has been replaced by a different one based on value share," and (p.333) "The key for marketers in tourism firms is to stop talking about themselves and their products, and to start listening to what people are talking about and are passionate about, and sharing and facilitating those passions." Many others advocate for changes in tourism systems and solutions have been formulated (e.g. Woods, 2017), but such developments are slow and depend on tourist preferences (McCool et al., 2015). Sigala (2020) has listed many paradoxes in post COVID-19 tourism and made detailed suggestions for a new tourism research agenda (cf. Zenker and Kock, 2020).

Forward thinking in terms of a tourism transition is not likely to be a top priority for most important stakeholders in WB tourism when managing COVID-19's immediate impacts requires all their attention. Thinking about lessons to be learned from the COVID-19 crisis and reflecting on and preparing for new shocks demands a longer-term perspective and a helicopter view. Current attempts to revive tourism require a shorter-term perspective and action-orientation. In such situations, longer term plans do not align with this perceived urgency. Yet, few people believe that the matter is only recapturing the 2019 number of tourists, especially when the COVID-19 pandemic continues to play an important role and wleads us closer to a 'new normal.' The issue is whether a destination takes into account the fact that tourism demands after a crisis may change along with what a destination can and wants to offer. One task for academics and consultants is to discuss with governments and stakeholders in the tourism sector to further elaborate transition plans with scenario's incorporating sustainability, resilience, and internationalisation.

Notes

1. <https://www.consilium.europa.eu/en/press/press-releases/2020/05/06/zagreb-declaration-6-may-2020/>
2. By Winston Churchill. Rahm Emanuel, senior advisor of former president Obama, shared "You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think you could not do before." Emanuel is often quoted these days by various commentators who see Covid-19 as grounds for stressing that societies should change in a – what is now believed to be – deglobalizing world.
3. See <https://www.theguardian.com/environment/2020/may/07/world-cannot-return-to-business-as-usual-after-covid-19-say-mayors> for more examples and background.
4. <https://www.washingtonpost.com/travel/2020/05/06/city-is-ours-again-how-pandemic-relieved-amsterdam-overtourism/> and <https://www.politica.lavanguardia.com//20200511/481102356191/diputacion-y-ayuntamiento-impulsan-santa-susanna-como-destino-sostenible.html>
5. Such predictions are hard to make. C. Lagarde mentioned during the ECB Governing Council press conference of April 30, 2020, that the economy of the EU zone would probably shrink by 5% to 12%. Such a margin looks like a better indication of the impact of the economic recession.
6. See https://www.ecb.europa.eu/pub/economic-bulletin/focus/2020/html/ecb.ebbox202003_01~767f86ae95.en.html
7. The non-member states: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.
8. See <https://www.youtube.com/watch?v=IR7VJrFb754> for a discussion.
9. <https://www.consilium.europa.eu/en/press/press-releases/2020/05/06/zagreb-declaration-6-may-2020/>
10. <https://akzente.giz.de/de/artikel/neue-zeitrechnung>
11. This is the subject of a Polis University / Co-PLAN tourism study on tourism destination governance (Nientied and Ciro, 2019)

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Universities and Socio-cultural Institutions in Highly Uncertain Contexts: Challenges and Opportunities during COVID-19 in three Western Balkan Countries

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Summary

The spread of the COVID-19 pandemic has posed serious challenges to the territorial governance of social services across the globe, as well as in the Western Balkans (WB). SARS-CoV-2, being a virus that primarily attacks the respiratory system and spreads through breathing or close contact has required governments to apply strong policies of physical distancing. Schools, libraries, museums, and other socio-cultural services closed and are now gradually re-opening. Because of the distancing policies, several initiatives were taken to quickly shift these services online. These initiatives, though temporary as a result of the crisis, may pose interesting prospects for future policies in terms of increasing the resilience of these services as well as institutionalizing new ways, norms, and practices of doing things.

This paper investigates the different policies and practices that were applied in WB countries in the university and cultural sector through a desk study. The cases presented are based on official documents, websites, and social media profiles of the representative institutions in Albania, Kosovo, and North Macedonia.

Keywords: COVID-19, Uncertainty, Universities, Cultural Sector, Western Balkans

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Introduction

What started as a novel coronavirus (SARS-CoV-2) outbreak in Wuhan, China has now developed into a global pandemic, dubbed COVID-19. The virus has spread to 217 countries and territories worldwide, infecting over 54,000,000 and has cost the lives of more than 1,300,000 people (WHO, 2020)¹. This is primarily a respiratory infection transferred via droplets and able to survive on multiple surfaces for several days.

The widespread effects of the pandemic prompted many countries to develop new rules and restrictions to maintain social distancing, such as pausing mass gathering activities, as well as closing schools, museums, libraries, and several other (indoor) facilities. The COVID-19 outbreak has also affected Western Balkan countries, based on World Health Organization (WHO) data. All countries have placed similar restrictions on activities with the aim of increasing social distancing. This has also been conditioned by the challenges that the low development of the health sector faces in the WB (Matković, 2017). Hence, tertiary education institutions, museums, and libraries all closed for at least two months beginning in March 2020. Most of these services had to adapt to the new circumstances and transfer some of their activities online, while others tried to further support existing online services. Following a two-month period, between March-May, the activities started to slowly re-open in all countries of the Western Balkan.

The pandemic's situation remains uncertain and so do the directives on education and cultural activities. The changes in the performance of the system (and the backtracking) reflect the immense pressure from the continuously growing numbers of COVID-19 cases. Both the university and cultural sectors in the three countries were shut down in the initial phase of the pandemic and are now faced with the challenges of reopening their activities. While all three countries tried to loosen measures during the summer months, with

the winter months looming closer there is still great uncertainty regarding the conduct of these sectors in the near future.

The COVID-19 pandemic has increased the importance of adaptive planning and resilience in territorial governance discourse. The unknowns and uncertainties associated with the evolution of the pandemic are high and no clear answer can be given regarding its duration, the time it will take to develop a vaccine, and its success. This is testing governance capacities at all levels in attempts to adapt to the situation. On the one hand, debates regarding the health sector and the economic recovery after the pandemic are highly elaborated in the media. On the other hand, the socio-cultural and education sectors often get less attention, even though these two sectors are related to development. The OECD (2020) highlights the impacts that the COVID-19 crisis poses on WB countries not only in terms of the economy, but throughout all sectors including education, tourism, healthcare, digitalisation, and employment. The pandemic is expected to pose serious challenges considering the level of development and the adaptive capacity of these sectors in the WB region.

With the removal of restrictive measures in WB countries, the number of people affected by COVID-19 has drastically increased. Currently, there are general guidelines and protocols (MASR and ASCAP, 2020) for the (partial) reopening of the education sector in general and for universities specifically. With regards to universities, the ministry is providing recommendations to continue with online teaching but allowing universities to issue their own guidelines. Concerns remain high regarding health and safety in the auditoriums and the quality of service. The same concerns relate to the socio-cultural sectors. The spread of COVID-19 has placed several pressures on the above-mentioned sectors. At the same time, these pressures can be considered as an opportunity to improve services.

This paper analyses the responses to the pandemic for the tertiary education sector

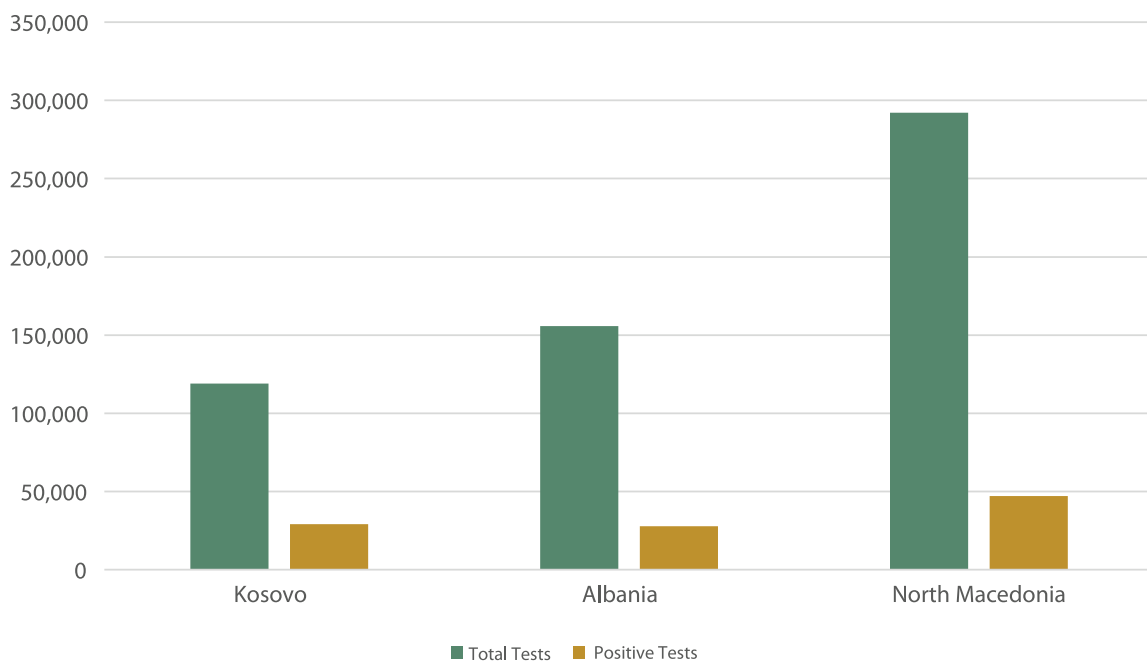
and the socio-cultural sector through a comparison of selected cases from Albania, Kosovo, and North Macedonia. For each country, the analysis has focused on two universities, the national museums, national art galleries, and national libraries in order for the comparison to be coherent. This is a rather limited sample aimed at developing an understanding of trends and practices. Furthermore, online, semi-structured interviews ensured limited feedback, therefore most of the analysis is based on a review of activities published on the official websites of the institutions and their main channels of communication in social media. This is a preliminary attempt to understand some of the practices implemented during and soon after the pandemic's restriction, and the possibility for these activities to be extended into the future. It is important to highlight that the COVID-19 situation is still evolving, with high levels of uncertainty regarding its spread. Hence, this paper

captures a moment in time, i.e. the timeframe between March and November 2020. Additionally, the considerations in this paper are important in light of the prospect of COVID-19 continuing into the autumn and winter of 2020-2021.

COVID-19 Situation in the Western Balkans

In Albania, North Macedonia, and Kosovo, the trend of the virus' spread has deteriorated between June and November 2020 compared to the period between March and May 2020, mainly due to reopening activities. These trends can also be seen in the ratio of infected cases against the numbers of tests conducted where, in Kosovo, around 24,44% tests returned positive; in Albania, around 17,88 %; and in North Macedonia, around 16,10%.

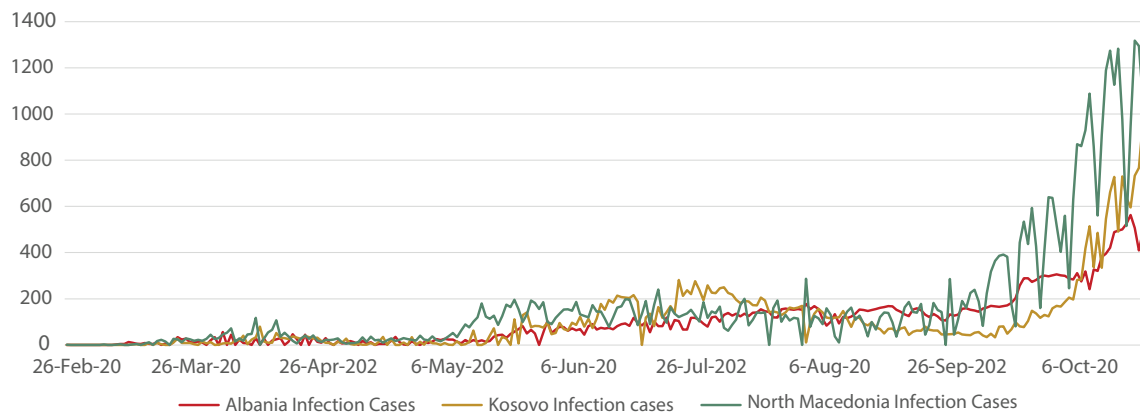
Figure 1. Trend of infections against number of tests in three countries



Source: Authors, based on WHO data.

In all three countries, the number of infections has doubled and the number of fatalities is also considerably higher when comparing the February-to-May figures to the ones from June-to-November.

Figure 2 provides an overview of daily infections between March and November 2020 based on the data referred to WHO, followed by short country descriptions.

Figure 2. COVID-19 daily cases in three countries

Source: Authors, based on WHO 2020 data.²

Albania

The first COVID-19 case in Albania was registered on March 9, 2020. Since then, the government of Albania has developed a series of legal acts³ by declaring the state of natural disaster for one month over the whole territory and then extending it for two more months, which restricted all activities until May 18, 2020. From March 9, 2020 until November 15, 2020, Albania recorded 27,830 cases and 623 deaths (World Health Organization (WHO), 2020). Most cases have been registered in Tirana and the main cities such as Durrës, Fier, Shkodër, Lezhë, Korçë, and Vlorë, while in other parts of the country there have been fewer cases (Ministry of Health and Social Protection of Albania, 2020). The first measures implemented immediately after the confirmation of the first cases included the suspension of travel to and from northern Italy. Then, with a special decree⁴, the government ordered for the closure of all educational institutions (public and private) for two weeks. All sporting, cultural events, and other large public gatherings were cancelled for a period of three weeks. As the number of confirmed cases increased, the government decided to implement almost complete curfew hours for the entire country, giving health authorities a chance to better monitor the suspected cases. However, since most of the restrictions have been lifted again, COVID-19 cases have quickly spiked with a daily mean rate of 597 new recorded

cases, based on reports from the Ministry of Health and Social Protection. Between June 12 and November 15, 2020, numbers have almost tripled, with over 27,000 recorded cases and over 600 casualties (World Health Organization (WHO), 2020). Compared to the initial stage, when the pandemic spread mostly in high-density urban areas, there is now an evident increase in smaller cities and rural areas (Ministry of Health and Social Protection of Albania, 2020b).

North Macedonia

North Macedonia confirmed its first case on February 26, 2020. 47,050 cases and 1305 deaths were recorded between March 9, 2020 and November 15, 2020 in North Macedonia (World Health Organization (WHO), 2020b). At the beginning of the outbreak, the government closed all schools, educational institutions, cultural premises, restaurants, and non-essential stores. Only food stores, pharmacies, and stores allowing sufficient physical distancing remained open. Starting on May 8, 2020, some shops were authorized to open, provided they had the infrastructure to maintain sufficient physical distance between customers. On May 13, 2020, the government decided to allow shopping malls to open under strict sanitary conditions. By decision of the government, shops are mandated to maintain strict sanitary rules, such as distancing, use of hydroalcoholic gel dispensers, and masks

for employees for at least 200 days following the end of the state of emergency. The state of emergency was declared, on May 13, 2020, with a government decree to impose it. Similarly, to Albania after the re-opening of activities, North Macedonia has shown a drastic increase in new recorded cases and casualties. From June to November 2020, the number of recorded cases has increased to 47,050 with 1305 casualties (World Health Organization (WHO), 2020b). This abrupt increase in numbers has obliged the government to go back to more restrictive measures.

Kosovo

In Kosovo, the first confirmed case of COVID-19 was registered on the March 13, 2020. From March 13 to November 15, 2020 Kosovo has recorded 29,805 cases and 883 deaths (World Health Organization (WHO), 2020c). On March 12, 2020, the government created the Special Commission for the Prevention of Infection from COVID-19 on behalf of the Government of the Republic of Kosovo⁵. Initial measures included milder restrictions for public activities, public gatherings, and businesses, though refrained from shutting them down completely. The only suspended categories were schools⁶ and public events (instructed to be held without public audiences). Measures progressively became stricter until the beginning of June. In the period between June 2020 and August 2020, with the reopening of activities and the border, Kosovo registered an increase in rates of infections and casualties. Especially in late July, the average number of new daily cases recorded was 282, followed by an enormous increase of infections on late October (418 new daily cases) and November 15, 2020 with 501 new daily cases (World Health Organization (WHO), 2020c). Casualties from COVID-19 have escalated as well, reaching 833. These increases are putting significant pressure on the health sector while the government contemplates the implementation of new restrictive measures.

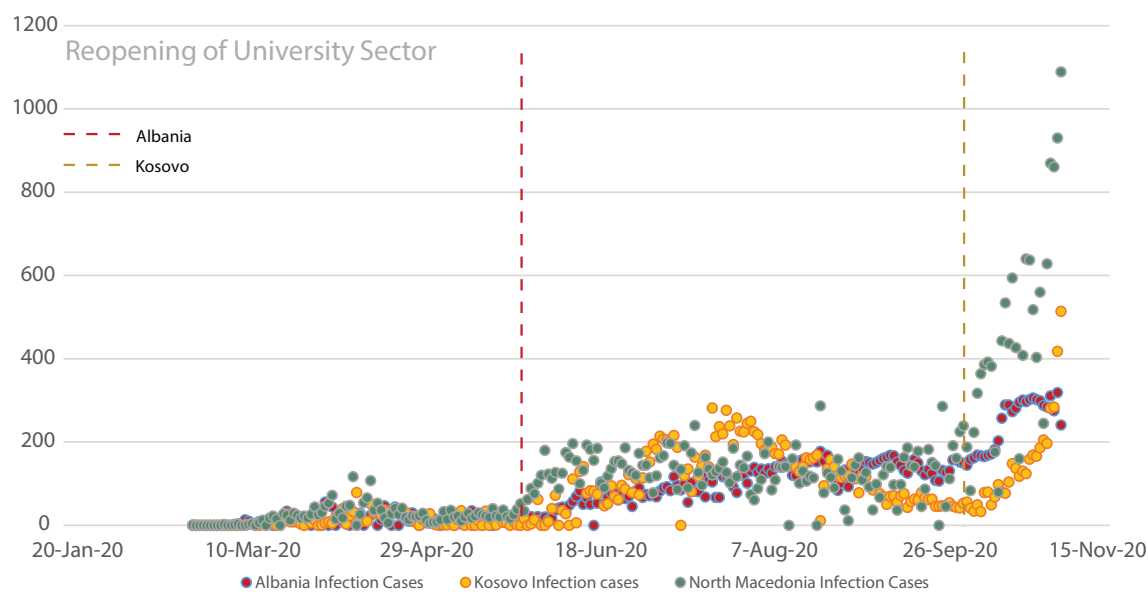
COVID-19 and Universities⁷

In all three countries, as soon as the first official case of infection was declared, higher education activities in auditoriums were suspended, as per government orders.^{3&6} The quick and abrupt halt, combined with the uncertainty of the length of the lockdown (Figure 3), posed a serious challenge to universities in terms of finishing the academic year and offering their services to students. In Albania, compared to Kosovo and North Macedonia, the challenge was even greater as the academic year had already been disrupted for a month in the main universities, due to the November 26, 2019 earthquake hitting the Tirana-Durrës region. In addition to classrooms and other facilities, student dormitories were not accessible across the three countries.

Nevertheless, and amid the uncertainties of the time, universities demonstrated a quick response to the situation. In the six universities under study, all classroom activities were shifted online. None of these universities offered any online classes prior to COVID-19, and hence the change was sudden and quickly became a new norm. All universities, initially, used free platforms for their online classes such as *Skype*, *ZOOM*, *Webex*, *Gotomeeting*, and *Google Classroom*, among others. These platforms also quickly evolved to improve their services and offer more user-friendly interfaces and security features suitable to online teaching.

Online lectures initially seemed like a temporary solution to the situation. However, with the evolution of the pandemic and prolongation of quarantine, it became clear that online teaching would last longer than initially planned. Thus, universities also had to adapt for the examination period and offer other services online. In terms of exams, there was a general attempt to change curricula, where possible, in order to avoid in-person exams while fulfilling module requirements through project-based course works and essays. Meanwhile, for modules that could not be assessed through coursework, exams were held.

Figure 3. Reopening phases for Universities in Albania, Kosovo, and North Macedonia vis-à-vis number of daily infection.



Source: Authors, based on WHO data

In Tirana, a mixed approach was applied and some universities postponed exams. In September, a third semester was added by some universities as an additional opportunity for students to hold more consultations with their professors. Meanwhile, exams were conducted in a hybrid fashion, combining in-person exams with online ones depending on class size, facilities to conduct exams, and the typology of the subject. For in-class exams, universities applied a partial re-opening under strict rules of distancing. In Pristina, exams were conducted in person. Students were required to wear facemasks and gloves throughout the entire exam period. Additionally, students were checked at the entrance for fever and asked whether they had any COVID-19 symptoms. Meanwhile, in Northern Macedonia, although there was a general attempt to open the sector and conduct in-person exams, the increase in the number of registered COVID-19 patients in June obliged universities to rethink their position and shift all exams online.

It is important to highlight that prior to the COVID-19 pandemic none of the universities had established procedures for online submissions or examination. This fact helps explain their quick response in

the current situation. All of the universities have online systems where students can view their timetable, grades, and conduct other administrative functions. However, this situation has created the pre-conditions for universities to quickly grow their online services.

Universities in all three countries have extended their online presence and activities. There is a general tendency for online webinars, talks, and digital conferences during this period. Additionally, there are some efforts to establish online help-lines in order to support students with queries. At the same time, however, these efforts have yet to fully address issues such as inclusivity and equity due to the scarcity of resources, geographical location, limited infrastructure, and inadequate availability of online learning content.

In Albania, the new academic year was expected to begin on November 2, 2020, for public universities, while other private universities had begun the academic year earlier. The universities were expected to start their academic year in hybrid mode. It was left to the discretion of academic institutions to decide on the combination of in-class and online activities. However,

Figure 4. University activities during COVID-19

Country	Online Classes	Online Exams	Online PhD	Exams with Strict Procedures	Online Library
Albania	✓	✓	✓	✓	✗
Kosovo	✓	✓	✓	✓	✗
North Macedonia	✓	✓	✓	✗	✗

Source: Authors, based on data from university websites.

on October 29, 2020, with the number of infections increasing, the Ministry of Health and Social Affairs announced that universities would conduct all of their activities online for a period of one month to evaluate the evolution of the situation.

In Kosovo, the rectors of seven public universities decided that the new academic year 2020/2021 would begin in October. In Kosovo, universities are operating in a hybrid mode. Classes have been moved online, while laboratory-based activities are being conducted in-person, with restricted numbers and in smaller groups. Meanwhile, in North Macedonia, the new academic year 2020/2021 will start with online lessons and no in-class activities.

Switching to online education brought along some challenges, such as: quality assurance of lecturing and exams; limited number and access to free online libraries; the absence of practical and lab work; the impossibility to fulfil tasks that require field work; proactive engagement of students in self-taught learning processes, which require strong free will and responsible behaviour; and effective online classroom management. These challenges could not be fully addressed in the short-term and require innovative thinking towards new ways and methods of teaching and learning. However, innovation takes time and systemic challenges such as a procedural or methodological obstacles, infrastructural aspects, inclusive access, and staff capacity will continue to affect any long-term strategy.

COVID-19 and Socio-cultural Services

Along with universities, social and cultural services such as museums, art galleries, and libraries are among the most affected by this crisis. The sudden closure and lack of online access caused an absence of services for citizens and a loss of revenues for institutions.

Libraries are an essential institution for students and the general public. In all three countries, all national libraries were closed and remain closed so far in-venue use due to the increased number of COVID-19 cases. In Kosovo, the National Library switched its services for the application for ISSN/ISBN online⁸. These services were conducted through email communication. Meanwhile, the library offers a number of online resources, primarily through links to other institutions such as the OECD library, IMF, Albano-logic Portal, as well as resources from Edward and Elgar Publishing (National Kosovo Library, 2020). The Albano-logic Portal is offered in collaboration with the Albanian National Library in Tirana. Similarly to the Kosovo National Library, the Albanian National Library offers a limited number of services online, namely an online cataloguing service for finding books or other publications. Nevertheless, the number of online, accessible publications is very limited. Another service that has shifted online is the handling of requests for registering in the national library system.⁹ The St. Kliment Ohridski National and University Library in North Macedonia was also closed during the COVID-19 period. However, it is difficult to assess the operation

of the library during the pandemic as there is no official (functional) website. Hence, in the absence of a working website and content on its social media page, it can be assumed that the services offered by the national library were limited. In all three countries, the COVID-19 pandemic found these key national institutions unprepared and facing remarkable challenges to shift their services online. After the isolation period, in all three countries, the national libraries reinitiated the lending of books without allowing the use of their facilities.

National museums and national art galleries also experience the COVID-19 crisis as a risk to their sustainability. In Albania, the National Historic Museum and the National Art Gallery were closed with the outbreak of the pandemic in the country. Both institutions are public and are usually funded from the government budget and through entrance fees. The National Historic Museum and the National Art Gallery had an online 3-D tour service prior to the pandemic, which was developed through a European Project (Ministry of Culture of Albania, 2020a; 2020b). Hence, during the pandemic, this service was promoted further. Additionally, the National Historic Museum launched a series of online campaigns between March and April 2020, i.e. short informative tours of the museum focused on different themes and children's activities such as "build your own mosaic," as well as some online webinars (National Historic Museum of Albania, 2020). Similarly, the National Art Gallery promoted the existing, online 3-D tour service¹⁰ through social media (mainly Facebook). However, unlike the National Historic Museum (which attempted to develop some dedicated campaigns during COVID-19), the National Art Gallery did not develop any. The gallery did increase its presence on social media, though most of the posts were YouTube videos developed by other artists. Thus, it contributed to sharing certain debates or discussions in the art sector, not tailored to the context. After the spring isolation period, the national Gallery reopened under strict rules and protocols and allowing only a limited number of visitors at a time.

Nevertheless, the closure of the museum, as well as the low number of foreign tourists in Albania, may pose a challenge in terms of the institution's finances.

The National Museum of Kosovo was closed during the pandemic between March and June 2020. The museum does not have an official (functional) webpage. This makes it difficult to assess the online services that were offered to the general public. The only online channel of communication with the public during the pandemic was the official social media page (National Museum of Kosovo, 2020). Compared to the National Museum of Albania, the museum in Kosovo did not offer any virtual, 3-D tour platforms. Nevertheless, the museum offered a series of videos regarding different exhibitions in the museum on its Facebook page during the pandemic. A similar approach was also taken by the National Art Gallery in Kosovo. The Facebook page was its main communication channel with the general public during the COVID-19 lockdown (National Art Gallery of Kosova, 2020). A series of virtual, 3-D tours were organized on specific exhibitions such as "Onufri Remade" and "Home+" by Muslim Mulliqi. Both of these exhibitions were developed last year, in 2019, and afterwards were published as 3-D tours during the pandemic lockdown. Additionally, the National Art Gallery posted different paintings on its Facebook page to promote the work of different artists. Although the official website of the gallery was functional, no services were offered online through this medium.

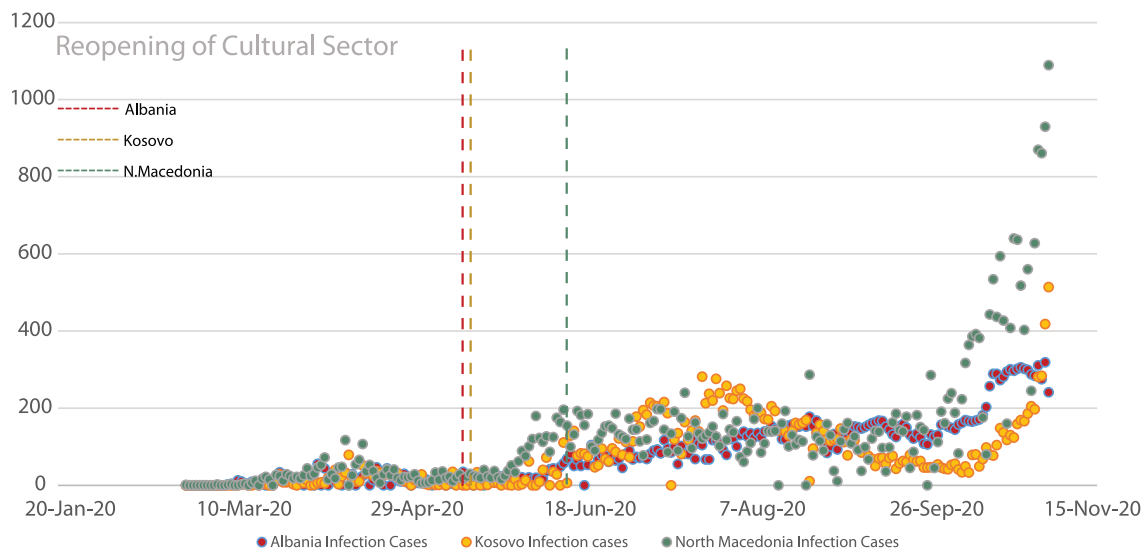
The National Museum of North Macedonia was also closed amid the pandemic. Looking at the official website, no online services were provided between March and May 2020 (National Museum of the Republic of North Macedonia, 2020; National Museum of the Republic of North Macedonia, 2020b). Its official social media channels were not updated and were not utilized from February onward. Like the National Museum, the National Art Gallery did not offer any online services through its website or social media accounts (National Art Gallery of the Republic of North Macedonia,

2020; National Art Gallery of the Republic of North Macedonia, 2020b).

The above situation is characterised by the challenges of weak or absent online systems, a lack of other alternatives to providing services, and inadequate infrastructures to do so. As art galleries and libraries are usually enjoyed and used through physical presence, the transition (or the absence

in some cases) of these services to online modes requires different alternatives to access art and culture. In all three countries, the reopening phase for the cultural sector took place between May and June 2020 with restrictive measures to respect social distancing. This sector is facing a “new normal” without a proper plan if another lock-down occurs.

Figure 5. Reopening phases in Albania, Kosovo, and North Macedonia vis-à-vis number of daily infections



Source: Authors, based on WHO data

Currently, all cultural activities are being reopened under strict rules. There are a limited number of people who can take part in these activities and a limited number of visitors that can enter the institutions at once.

Discussion and Conclusions

This paper has offered a preliminary overview of the current situation in three WB countries – Albania, Kosovo, and North Macedonia – in terms of the pandemic’s effects on key socio-cultural and academic institutions. The investigation was based primarily on official documents, websites, and the social media profiles of the respective institutions in each country. The current COVID-19 figures in Albania, Kosovo, and North Macedonia show upward trends, putting the health sector to test and raising

several uncertainties regarding the future. Education and socio-cultural institutions are also significantly impacted by the pandemic and will continue to be impacted depending on how the situation evolves.

With the new academic year commencing in November 2020, the approaches across the three countries vary from hybrid learning in Kosovo, to full online learning in North Macedonia, and a mixture of hybrid and fully online learning in Albania (depending on the institution). So far, general rules and protocols have been prepared by the respective ministries in each country. Nevertheless, the code of conduct is at the discretion of each university. Compared to socio-cultural sector activities, the academic sector was quick to shift its teaching activities online. Although this is not the best option for academic subjects that are

lab-based, several subject areas have been transferred online. There are no current, structured studies to assess the successes and acceptance of online teaching and learning from staff and students. Universities have adopted mixed approaches to conduct examinations. In some cases, there have been in-person exams while in others, exams have been conducted online. These new exam procedures have affected end of year exams for bachelor and master students, as well as PhD defences. One of the main pitfalls of the university sector in all three countries, however, is the low level of electronic library resources offered. This is a hindrance for research and compromises access to high quality, reliable, and trustworthy resources for students.

This lack of electronic university resources is exacerbated by the lack of services offered by the national libraries of each country. The information on their respective websites was quite limited, while the number of electronic volumes available is very low. As a result, students and citizens who wish to access books, archives, or other types of publications cannot do so unless the institutions housing them are open.

The national galleries and museums have been slow to react to the COVID-19 pandemic. Only in the case of Albania, due to a prior project, were virtual, 3-D tours offered for the national museum and the national art gallery. Meanwhile in Kosovo, only two exhibitions from last year were offered through a virtual, 3-D tour service. In North Macedonia, no services were offered online.

This demonstrates that the sector was highly unprepared to respond to a pandemic and their services will continue to be under pressure in case of a future lockdown. The current conditions are a challenge not only in terms of the services these type of institution offer but also regarding their income. National museums and art galleries are dependent on entrance fees for part of their income; hence we can expect their budgets to be severely lower in the near future.

Based on these preliminary findings, a series of recommendations can be put forward:

- It is important to conduct a thorough and complete analysis on the impact of the pandemic in the higher education sector. Such an analysis could be survey-based and focus on the academic and research process, and on students and staff adaptation. This is extremely important in order to understand current dynamics as well as offer adequate policy options considering the uncertainties of the future
- Universities need to work towards digitalizing their libraries and offering tailored access solutions to their students. This is not a short-term consideration but rather a detailed program of digitalization and access to online resources should be developed. The extent of digitalization and online services should be carefully assessed regarding long-term implications, and should not be seen as a substitute for the current, traditional, or conventional practices but as complementary. Hence, the question in this case should not be how to switch to online services, but rather how online services can add value to existing practices.
- Universities have a great opportunity with the upcoming ERASMUS +, Horizon Europe, and other funding schemes to make great leaps forward with regard to technology and online resources. This poses a particularly great opportunity following the new EU Green Deal, where economic recovery from COVID-19 is envisaged to be coupled with actions on climate change and the environment.
- National Libraries, need to upgrade their services. This is evident in all three countries. They need to develop a digitalization plan or programme. Libraries too can be an active part of EU funding schemes or other donor programs.

- National Museums, especially in North Macedonia and Kosovo, need to invest more in terms of online, 3-D tours. Such tours are a great service for reaching younger generations as well as promoting their respective countries to foreigners. The digitalization agenda should also take in consideration services that can be offered through payment.
- In the long-term, the education and socio-cultural sectors should increase their attention towards Disaster Risk Reduction (DRR). These policies need to be mainstreamed in these sectors, especially when considering that the future challenges in terms of climate change will require further adaptation.

These are only a few short-term recommendations that come as a result of this preliminary study. From a research perspective, it is important to assess the impact of the pandemic in both sectors addressed in this paper. An important aspect for all institutions is the mainstreaming of DRR policies in their activities. These practices are limited in the WB context, as most institutions only focus on a response in the case of an emergency. Usually, these practices focus on evacuation protocols, but are not expanded to contingency planning in cases of lockdowns. None of the institutions discussed here had a disaster risk reduction plan – only emergency plans related to evacuations. Hence, disaster risk reduction plans need to be streamlined in all sectors, including education and the socio-cultural. This pandemic offers an opportunity for WB countries to start acting with smart and resilient measures and enhance the above-mentioned sectors from a technological point of view. Lastly, it is important to shift the attention of political discourses towards these sectors, especially at the national level. The current pandemic and health crises will soon be followed by economic and social crises. The education and socio-cultural sectors will need to rethink their roles and approaches in overcoming these challenges in order to prepare future and resilient societies. To conclude, the sustainability of

systems requires an integrated approach where social aspects, which also include education and cultural formation, constitute a factor of utmost importance.

Notes

1. Figures are based on World Health Organization data retrieved on November 15, 2020.
2. <https://covid19.who.int/region/euro/country/al>; <https://covid19.who.int/region/euro/country/xk>; <https://covid19.who.int/region/euro/country/mk>.
3. Decree, No. 243, dated 24.3.2020.
4. Decree, No. 91, dated 9.3.2020
5. Decree no. 01/08, dated 12.3.2020.
6. Decree no. 01/07, dated 11.3.2020.
7. Universities taken into consideration were: Polis University and Polytechnic University in Albania; the American University of Kosovo and University of Prishtina in Kosovo; and “Mother Teresa” University and Ss. Cyril and Methodius University in North Macedonia.
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Municipal Finances in the COVID-19 Context: The Case of Gazi Baba and Shkodër Municipalities

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Summary

The COVID-19 pandemic challenged governments of all levels, all around the world, requiring an immediate response. The Governments of Albania and North Macedonia, intervened with support packages aimed at mitigating the negative effects of the health emergency, which soon transformed into a socio-economic crisis. In both neighbouring countries, the outbreak of COVID-19 found municipalities on the front lines of response, protecting their communities and ensuring the continuity of their activities, while facing financial constraints. Lockdown measures, freezing of economic activities, and eased local fiscal policies reduced the inflow of municipal revenues, while municipalities faced a growing expenditure to alleviate the negative impact on the most vulnerable people, and to adapt to remote working while ensuring the provision of essential public services. Findings from Toto, et al. (2020) and Prorok et al. (2020) suggest that the inadequacy of financial resources has been assessed as the main challenge that municipalities face amidst the COVID-19 crisis.

The purpose of this policy document is to better understand the potential impact of COVID-19 on municipal finances and present an overview of the Albanian and North Macedonia governments' interventions in response to the crisis. Such an assessment builds on the Municipal Finances Self-Assessment (MFSA) methodology and specifically the General Accounting Framework (GAF) as described in Farvacque-Vitkovic and Kopanyi (2019) and applied in Trajkov and Nikolov (2020)¹ and Toska and Shutina (2020)².

Municipal finances in Albania and North Macedonia are expected to be adversely affected by the COVID-19 crisis in 2020 and in 2021, based on the scenario results presented in Trajkov and Nikolov (2020) and Toska and Shutina (2020). In light of the expected lower revenues (especially from own sources), added pressures for expenditures, and unbalanced cash-flows, it becomes imperative for municipalities to re-establish financial control, avoid liquidity shortages, and be equipped with adequate finances.

Keywords: Municipal Finances, Revenues, Expenditures, COVID-19, Albania, North Macedonia

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Introduction

The COVID-19 pandemic has brought about a new reality, and the functioning of local governments are no exception. Being on the front line of COVID-19 crisis response, municipalities witnessed financial difficulties (among others) while trying to respond to the immediate needs of citizens and simultaneously ensuring the continuity of their activities. As stated by the United Nations (2020: p.24) the pandemic has “reminded policymakers that the local government level is the closest to citizens and thus the best positioned to respond to their specific challenges.” Other authors also highlight the critical role of subnational governments in an immediate response to the crisis as well as in the recovery phase (Allain-Dupre et al., 2020; UN, 2020; Toto et al., 2020).

Municipal response, recovery, and resilience require financial resources, which are limited and expected to be adversely affected by COVID-19 both in the short and midterm (Allain-Dupre *et al.*, 2020; Pozhidaev and Jackson, 2020). Quantifying the impact and understanding COVID-19 repercussions on municipal budgets are preconditions for informed and effective decision making at the subnational level.

The aim of this paper is to contribute to the assessment of the potential impact of COVID-19 on municipal finances and to summarize the measures undertaken in the response phase to the crisis in Albania and North Macedonia. The municipalities of Shkodër in Albania and Gazi Baba in North Macedonia are taken as case studies for this assessment. Impacts are explored through the Municipal Finances Self-Assessment (MFSA) tool and especially the General Accounting Framework (GAF) as described in Farvacque-Vitkovic and Kopanyi (2019) and applied in Nikolov and Trajkov (2020) and Toska and Shutina (2020).

For both municipalities, a scenario-based approach will be used, building on a set of assumptions about revenue streams and expenditures for the years 2020 and 2021.

In setting up these scenarios, assumptions on the effect of local factors (specific to each municipality) and macro factors (economic growth rate, business climate, expectations on future health developments, consumer behaviour, etc.) are used. The summary of the support measures undertaken by the Government of Albania (GoA) and the Government of North Macedonia (GoNM) will be presented to complete the picture, paying particular attention to the state budget revisions due to the COVID-19 outbreak. However, these are only early assessments of the potential impact of COVID-19 at a municipal level; the larger picture is frequently changing.

Public finances under COVID-19

The COVID-19 pandemic poses unprecedented challenges and uncertainties at all levels of governments around the world (Prorok et al., 2020; UN, 2020; EBRD, 2020; Damian and Nikolov, 2020). The response to this health emergency has required governments at all levels to intervene by introducing sets of measures aimed at mitigating the negative impact of the COVID-19 crisis. This has included severe lockdown measures to flatten the infections curve and support packages, both for individuals and for the businesses, to at least partially absorb some of the negative effects. The response to the emergency through these measures and packages has required revisions in the enacted state budgets with implications for municipal budgets as well.

GoA and GoNM Response to the COVID-19 Crisis

The two neighbouring countries, Albania and North Macedonia, were affected by the pandemic around the same time. The first positive case in the Republic of North Macedonia (RNM) was registered on February 26, 2020 and in Albania a few days later on March 9. Since then, the number of infected people has spiked with an upward trend registering a total of 13,927³ cases in the RNM and a total of 9,513⁴ in Albania as of

August 31, 2020. By March 18, the President of the RNM declared the first round of a state of emergency caused by COVID-19, which was extended until June 22, 2020. At the beginning of the state of emergency a complete lockdown with curfew hours was imposed. Almost at the same time, by March 23, the GoA declared a national state of natural disaster due to COVID-19. A strict lockdown was implemented including the cancellation of all cultural, sporting, and other events; as well as the closure of bars, restaurants, fitness centres, recreation areas, and land borders, among other sites. As a result of the imposed measures, the socio-economic activity in both countries froze. A large number of enterprises were forced to close and those that continued to operate did so with reduced capacities. A gradual easing of these measures was implemented in Albania starting on April 27 and in the RNM starting May 8, 2020.⁵

Alongside the immediate health crisis in both countries, the socio-economic effects of the COVID-19 pandemic are becoming increasingly more tangible, forcing both economies to slow down sharply (World Bank, 2020).⁶ Furthermore, the pandemic of COVID-19 in Albania overlaps with a very fragile economic situation following the devastating earthquakes of September 21, 2019 and November 26, 2019 (of 5.8 and 6.4 magnitude, respectively). International and national institutions assessed that Albania's and the RNM's real GDP would drop substantially during 2020 (as summarized in Annex 1 and Annex 2) and that unemployment would rise over the same year (OECD, 2020; IMF, 2020; World Bank 2020).

In the case of Albania, the real GDP growth rate is expected to drop to -4.3% from an initially projected level of 4.1%^{7,8} (Ministry of Finances and Economy, 2020) due to the stagnation of tourism and trade activities and the spill over effects from the EU economies with which Albania has close ties (and which have been severely affected by the pandemic, especially EU countries like Italy). Similarly, a disruption in the income levels of households and

businesses, decreased tourist numbers, and disrupted value chains (being highly dependent on imports) are assessed as factors contributing to the projected real GDP plunge in the RNM to -3.4% for 2020. Alongside the real GDP contraction in both countries, other macroeconomic indicators have been revised downwards (a summary is provided in Annex 1 and Annex 2).

The mitigation of negative impacts of the COVID-19 crisis in these economies has required interventions on behalf of the GoA and GoNM through specific support packages. The GoNM introduced three sets of economic measures. These three sets of measures targeted primarily vulnerable groups and a different array of businesses and citizens, with an estimated relative value of 5% of the GDP or 550 mil EUR (see Annex 3 for details). In Albania, fiscal and monetary policies were used simultaneously in order to match the costs from the private sector to the public sector. The Bank of Albania eased its monetary policy⁹ and set up a repo line to provide euro liquidity in the presence of added market pressures due to the COVID-19 shock (see Annex 4).¹⁰ The GoA adopted two packages aimed at supporting businesses and individuals affected by the pandemic at a total of about ALL 45 billion (or about 2.8% of nominal GDP) as detailed in Annex 4.¹¹

Budget Revisions and Implications for Municipalities

Amidst the COVID-19 pandemic and the stimulus packages introduced, the GoA and GoNM revised enacted budgets for year 2020¹² with altered macroeconomic assumptions and projections on both the revenues and expenditures sides. In Albania, the revised budget envisioned a contraction of revenues of about 3% and an increase in expenditures of about 17.8% for 2020 as compared to realized values in 2019. In the presence of lower projected revenues and higher expenditures, the budget deficit is expected to widen greatly from the initially projected level of about 2.2% to about 8.4% of nominal GDP (see Annex 5).¹³ The same patterns appear in the

RNM's fiscal indicators, where the revised budget envisioned a decrease in expected revenues by about 11.5% compared to the originally enacted budget, an increase in projected expenditures by 1.4%, and a higher expected budget deficit of about 6.8% of GDP.

Regardless of the fiscal decentralization models, changes in state budgets have implications for municipal budgets through two main channels: (i) intergovernmental transfers unconditional (general or specific), and (ii) shared taxes between the central and local government. The third source of revenues for municipalities is represented by own source revenues or those generated from local taxes, fees and charges, and asset management activities, among other sources, which feed into the consolidated national budget.

In the case of Albania, budget revisions introduced by the GoA left the level of unconditional (general and specific) transfers unchanged in 2020. The current legislative framework in force provides for the stabilization of the size of unconditional transfers: they should be at least 1% of nominal GDP and not lower than the level of the same transfer for the previous year. Conditional intergovernmental transfers for delegated functions and investments also are not expected to change in 2020. Due to the sluggish economic developments in internal and external markets, revenues generated from shared taxes¹⁴ are expected to drop 10.4% lower than the initial projections for year 2020. Such a drop is not expected to severely affect municipal finances, since shared revenues account for a marginal share in the total local governments' revenues. (In 2019, shared taxes represented about 2.1% of the total revenues of municipalities).¹⁵

Revenues from municipal own sources are expected to make a smaller contribution to the consolidated national budget. In the initial budget for 2020, revenues from local governments were projected at about ALL 26.9 billion (about 1.5% of GDP) or about 16.6% higher than revenues collected during

2019. This is based on projections for higher revenues from: building tax (ALL 5.3 billion, +2.8% compared to 2019); simplified small business profit tax (+3.8% higher compared to 2019); and revenues from other local sources (other taxes, asset management, local fees, etc.), which were projected to contribute about ALL 21.2 billion, 21% more than the level collected in 2019. In the revised budget, planned revenues from the local government were reduced by about 14.5% compared to the initial projections; the property tax revenue was projected to be about 20.5% lower; other revenues from local government were revised by -13.2 %; and no changes were applied for revenues from the simplified small business profit tax. Local government expenditures, initially planned at ALL 57.6 billion (2.4% higher than 2019), were reduced by about 7.1% as compared to the initially planned figure for 2020.

Data on fiscal indicators for the first half of 2020 are in line with the expectations of MoFE envisaged in the revised budget document for 2020. Total revenues from local government in the first six months of 2020 marked a sharp decline of about 23.9%, while tax revenues and property dropped by about 28%, and revenues from other local sources by about 23.7% compared to the same period the previous year. On the contrary, a positive development is registered in the tax on the profit of small businesses, where revenues marked an increase of about 10% in annual terms (it had a marginal weight in total revenues of about 0.1% during 2019).

In the case of North Macedonia, budget revisions introduced by the GoNM will undoubtedly have an impact on transfers from the central to the local government. The effects of the revenue collection declined compared to last year, which can be seen primarily through the revenue decrease in tax collection in the first four months of 2020. Instead of the initially planned increase of the annual budget revenues by 9%, the month-to-month (mtm) total revenues during March and April dropped by 5% and 20% (respectively) and the total

tax revenue collection dropped by 11% and 31% (respectively). Personal income tax collection in April compared to the same month last year dropped by 12% while VAT tax revenues dropped by 17% in March and 43% in April compared to the same months in 2019.

The PIT is a centrally administered tax that is shared with local governments in North Macedonia (3% of the centrally collected PIT taxes), acting as an important source of revenue for local governments. April 2020 employment forecasting projected that 28,000 employees would be sent into technical unemployment and that their contracts would end (around 7% of total contracts), which is expected to drastically impact the stream of total PIT revenues and, in turn, the portion that goes to local governments in RNM.

The VAT is shared unconditionally with local governments (4.5% of the VAT collected centrally, distributed by criteria¹⁶) and thus, it is another important source of revenue for local governments. Yet, private consumption is forecasted to shrink in 2020 by 4.3% and imports by 15.4%,¹⁷ thus also having an impact on the intergovernmental VAT transfers for local governments (see Annex 6).

Considering the past data on the budget, revenue from tax collection is relatively balanced.¹⁸ Variations can be observed with regards to the PIT in the months of January and December, which is usually around 6% and 13% of the annual tax collected (respectively). The VAT collection is more balanced throughout the year with differences of around +1pp to +2pp in the months after the ending of the quarters (4th, 7th, 10th and 12th month).

Assuming the projections of the revised 2020 budget, the expected PIT revenues will be 8% lower than originally planned (down by EUR 26 million), and VAT will be 14% lower (down by EUR 126 million). The overall budget revenue will drop by 11% (down by EUR 415 million). Thus, it is expected that the transfers from the central government

to the local government units (LGUs) will be reduced as well.

The 2020 enacted budget (prior to the COVID-19 pandemic) envisaged a larger relative increase in the planning of transfers to LGUs compared to figures from the previous year. Transfers to local governments for 2020 were planned to be about 12% higher compared to the previous year, unlike the average annual increase of 4% (ranging from between 2% to 8% over the last decade). Considering the almost full (99.6%) execution of current transfers historically, it is likely that the execution for 2020 will reflect the same situation. However, it can be noticed that although overall tax revenue is expected to drop by 16% with the supplementary 2020 budget, current transfer levels to the LGUs have not been downsized. The supplementary 2020 budget provides for only a 0.2% reduction of the current transfers (from MKD 21,375 million to MKD 21,330 million, almost exclusively within the block transfers account).¹⁹ However, given the percentage change in the overall tax revenue collection, transfers from shared taxes (including VAT and PIT) can be expected to drop by around 16%.

A 16% drop in the current transfers (unlike the revised 2020 budget projections) compared to the originally planned budget will mean a decrease of about EUR 57 million (from MKD 21.38 billion to MKD 17.85 billion, a difference of MKD 3.5 billion) for LGUs. If we consider only a drop in the VAT (note that the transfers should be 4.5% of the VAT and 3% of the PIT collected) would result in an overall reduction of funds for the transfers of about MKD 396 million or EUR 6.4 million.

In summary, economic growth rates in both countries have been revised downward, with real GDP growth rates projected to be negative. The containment measures introduced by the GoA and GoNM in response to the health crisis has led to a deep socio-economic crisis. In order to alleviate the negative impact of COVID-19 crisis, both countries introduced specific support packages which included measures

Table 1. Current Budget Transfers to LGUs (MKD million)

	Budgeted	Execution	VAT transfers	Earmarked transfers	Block transfers	PIT revenues for LGUs
2010	13,317	13,309	1,196	451	11,662	259
2011	14,414	14,074	1,164	397	12,513	216
2012	15,355	15,345	1,340	283	13,722	216
2013	15,646	15,631	1,540	279	13,812	228
2014	16,004	15,987	1,733	279	13,975	250
2015	16,343	16,322	1,733	288	14,301	279
2016	16,663	16,647	1,876	293	14,478	293
2017	17,049	17,014	2,067	289	14,658	314
2018	18,097	18,057	2,154	291	15,613	341
2019	19,124	n.a	2,216*	335*	16,573*	n.a
2020	21,375**	21,330**	2,343	403	18,564	n.a

Note: *2019 Budget data, ** 2020 Budget and Revised (supplementary) Budget 2020

targeting both households and businesses and revised their enacted budgets for year 2020. A scissor effect is foreseen in the public finances of both countries at the national and sub-national level, as well as a shortfall in revenues and higher expenditures.

Municipal finances in Shkodër (Albania) and Gazi Baba (North Macedonia)

Subnational governments in Albania and North Macedonia are reporting a significant loss of revenues based on data from the first half of 2020. The response to COVID-19 has required the use of financial resources to support communities, creating additional difficulties for municipalities. Moving to the next phase of recovery, municipalities need to quantify and assess what might be the impact of COVID-19 on their municipal finances, both on the revenues and expenditures sides. The potential impact of COVID-19 on municipal finances will be explored using two case studies, namely the municipalities of Shkodër (Albania) and Gazi Baba (North Macedonia).²⁰ Such an assessment builds on the Municipal Finances Self-Assessment methodology and specifically the General Accounting Framework (GAF)²¹ as described in Farvacque-Vitkovic and Kopanyi (2019) and applied in Trajkov and Nikolov (2020) and Toska and Shutina (2020). For both

municipalities, Trajkov and Nikolov (2020) and Toska and Shutina (2020) proposed three scenarios based on a set of assumptions about revenue streams and expenditures (which build on historical trends, average growth rates, updated information from the municipalities involved, and expert judgments) for the years 2020 and 2021. These include a:

- Baseline scenario which builds broadly on projections prior COVID-19;
- Optimistic scenario, which assumes a moderate impact of COVID-19; and a
- Pessimistic scenario, which assumes a significant impact of COVID-19.

Using alternative scenarios through a set of assumptions based on revenue streams and expenditures enables a better understanding of the impact of COVID-19 on municipal finances, which constitutes a precondition to set up recovery plans over the short- to mid-term. For a better understanding of the impact of COVID-19 on municipal finances, it is important to understand the structure of municipal budgets, both in the Municipality of Shkodër (MSH) and the Municipality of Gazi Baba (MGB).

Structure of the Municipality of Shkodër's Local Finances and Potential Impact of COVID-19²²

The Municipality of Shkodër is the fourth largest municipality in Albania by population (according to Census 2011 data) and the sixth largest by area under administration.²³ About 4.5% of all active enterprises in the country exercise their activity within the territory under MSH's administration (2018 data).²⁴ Business activity is mainly focused on the provision of services (trade, accommodation, and food services, among others); the agricultural sector; and the manufacturing industry. Small and medium sized enterprises represent about 73.5% of all businesses and are assessed to be the catalysts of local development, both for growth and employment. Large enterprises account for about 25.6% of total businesses (Municipality of Shkodër, 2020, p.8).²⁵ While the data are very dynamic, the trends so far (based on official figures) show that the Municipality of Shkodër and the

Qark of Shkodër remain among the most affected LGUs in terms of total infections and infections per 100,000 inhabitants. As a result, finances are expected to be significantly affected in the short and midterm.

Municipalities in Albania have three major sources of revenues: (i) own source revenues, including revenues from local taxes, fees and charges, asset management, and others; (ii) intergovernmental transfers, including unconditional and conditional transfers, and shared taxes; and (iii) borrowing. Table 6 summarizes information on the revenue structure in MSH.

- a. *Own source revenues* accounted for about 22.4% of MSH's total financial resources in 2019, out of which 10.2% stemmed from local taxes (mainly revenues from property taxes and the infrastructure impact tax of new constructions) and about 11.2% from fees and other own sources (mainly the waste management fee). MSH has full discretion over the allocation of these funds. At the same time, this category of

Table 2. MSH Revenues and Expenditure Structure (% vs. total)

	2017	2018	2019
REVENUES			
A. Own source revenues	22.1%	24.8%	22.4%
B. Intergovernmental transfers	77.9%	75.2%	77.6%
<i>Unconditional transfers</i>	33.8%	35.8%	37.6%
<i>Conditional transfers</i>	41.9%	36.3%	36.4%
<i>Shared taxes</i>	2.2%	3.1%	3.6%
Total financial resources	100.00%	100%	100.00%
EXPENDITURES			
A. Current exp.	87.1%	86.6%	78.2%
<i>Personnel</i>	25.9%	23.4%	21.9%
<i>Operating</i>	19.3%	29.0%	22.0%
<i>Subsidies</i>	0.9%	0.0%	0.9%
<i>Transfers</i>	41.0%	41.0%	33.4%
B. Capital exp. .	12.9%	13.4%	21.8%
Total expenditures	100.0%	100.0%	100.0%

Source: <http://www.bashkiashkoder.gov.al/> and authors' calculations.

revenues is highly sensitive to the general economic situation in the municipality through two conduits:

- Deterioration of businesses' financial situation, which hinders their payment capacity. Measures undertaken due to the COVID-19 crisis such as the lockdown, social distancing rules, and working from home caused a significant contraction of activity, especially in sectors like trade, services (tourism), and transport, among others. Lower business activity means lower tax receipts (VAT, profit tax, etc.) and lower paying capacity (local taxes, fees, and charges).
- Deterioration of households' financial situation (being laid off, unemployed,²⁶ or earning lower salaries) weakens their capacity to cope with local fiscal burdens.

For both categories of taxpayers, a deterioration in their financial situation is expected, which in turn would negatively affect their capacity to pay taxes resulting in lower revenues and receipts at the local and national level.

b. *Inter-governmental transfers* represented about 77.6% of MSH's total financial resources at the end of 2019.

- Unconditional transfers (general and specific transfers for the financing of new functions devolved in 2016) accounted for about 37.6% of the municipality's total financial resources in 2019;
- Conditional or earmarked transfers for delegated functions and investments represented about 36.4% of total financial resources in 2019; and
- Shared taxes accounted for about 3.6% of total financial resources in 2019.

With budget revisions applied, there are no foreseeable changes in the unconditional transfers block though minor changes are foreseen for the earmarked transfers

for delegated functions (social assistance layouts and disability payments). Although no detailed information is provided on investments funded by the central government, the intention to keep increasing general public investments is a positive sign for local governments. In contrast, in the revised budget, revenues from shared taxes are expected to be lower compared to those planned in the initial budget, affected by falling prices in international markets and weakening export activity. Nonetheless, changes in this item are not expected to affect MSH's budget heavily, since the contribution of shared taxes to its total financial resources is low.

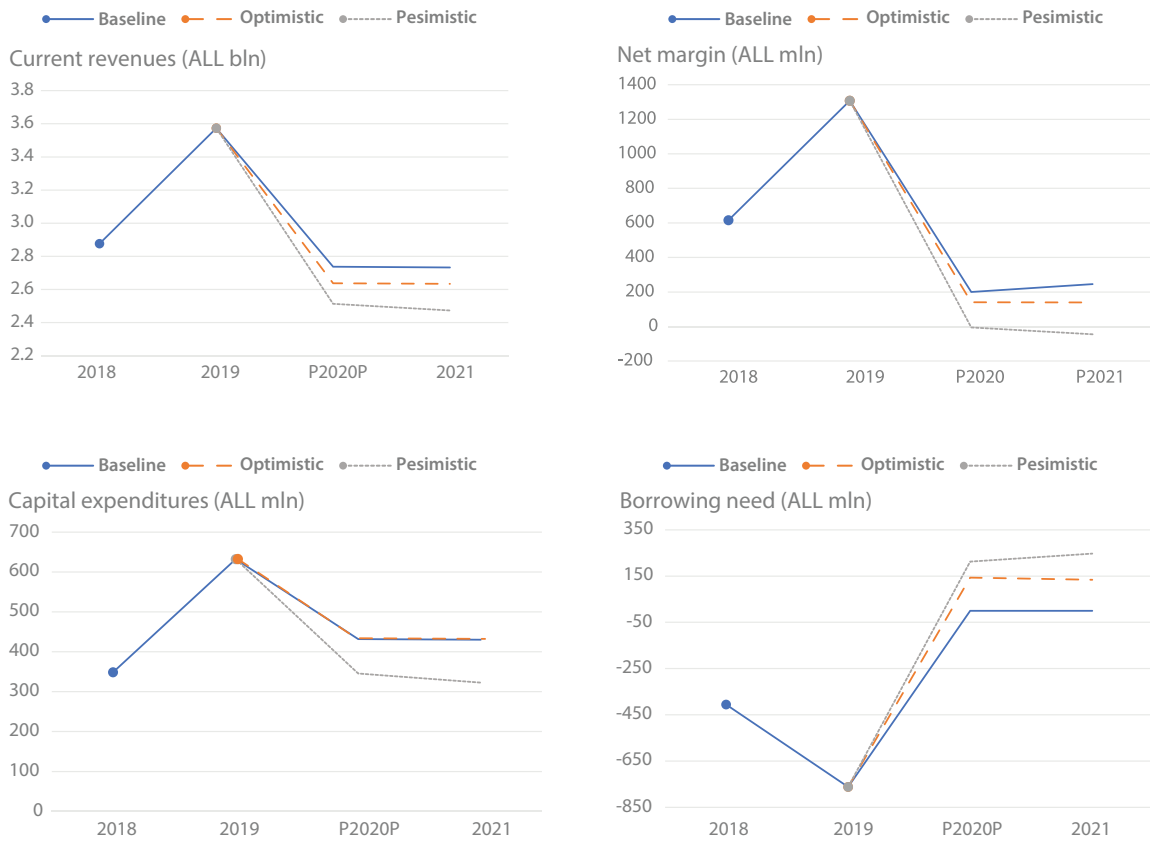
c. *Local borrowing (for investment and/or liquidity)* is an instrument available for local governments²⁷ and was accessed in 2010 (five municipalities) and in 2014 (two municipalities) for investment purposes. To date, local borrowing has not been exercised by any of the 61 municipalities operating in Albania. During the pandemic, the use of such an instrument is considered unfeasible, since Albania's public debt is revised at 85% of the GDP and municipalities have a large stock of arrears (Co-PLAN, 2020).

The largest share of available financial resources, about 78.2% in 2019, is channelled in current expenditures aimed at the coverage of personnel (21.9%), operating costs (22%), and other expenditure items (34.3%). Capital expenditures in 2019 represented about 21.8% of total expenditures. In light of less funding available, MSH is expected to introduce budget revisions including: containment of personnel expenditures in the range of -2% to -3%; a possible increase in operating expenditures from 1% to 4% due to an increased need for supplies and disinfecting of public spaces; no substantial changes to the level of transfers (as defined by the line ministry); a drop in investments between 20% and 25%, since MSH is mostly financed through own source revenues.

MSH's financial management resulted in positive net operating margins over the 2017-2019 period, which accounted for 36.6% of current revenues in 2019. Capital revenues have been volatile and show decreases for the same period, from about ALL 129 million in 2017 to about ALL 62 million in 2019.²⁸ Capital expenditures have increased markedly during 2019 (+81.4% compared to the previous year) and accounted for about 48% of the net margin registered in the same year.

COVID-19 will adversely affect MSH's finances in both the optimistic and pessimistic scenarios as compared to its performance in 2019 and to the baseline scenario. Under the set of assumptions used for constructing the scenarios, MSH's current revenues are expected to contract during 2020 and 2021 by between 4% and 8%; the net margin is expected to narrow significantly ranging from an expected drop of at least 30% to becoming negative in 2020 and 2021; and capital expenditures are set to shrink by about 20%-25% compared to the baseline projections of the MSH.

Figure 1. COVID-19 Impact on MSH Finances



Source: Authors' calculations.

Structure of the Municipality of Gazi Baba's Local Finances and Potential Impact of COVID-19

Gazi Baba is the largest municipality by population in the City of Skopje (according to the 2002 census) and the second largest by area. The municipality is the gateway to the City of Skopje and contains the city's

largest industrial area. Within the MGB are some of the largest companies in the country, although of the approximately 3,000 legal business entities, 61.5% are micro enterprises, 35% are small enterprises, 2% are medium enterprises, and 1.5% are large enterprises dominated by the pharmaceutical industry, metal industry, food industry, and trade and logistics.²⁹

In 2019 the transfers from central government accounted for about 45% of the MGB's total revenues, while own capital revenues accounted for about 30% and own current revenues for about 20%. Shared taxes from VAT represented 3% of total revenues and PIT represented 2%. Own capital revenues are coming primarily from land development fees (26% of the total 2019 revenues). In the structure of own current revenues, property tax accounts for almost 10% and communal fees for urban services for 10.2%.

Considering the structure of the Macedonian economy, the effects of COVID-19 are primarily going to be seen through disrupted income for businesses and households. Certain business sectors will be affected more than others.

The immediate impact of COVID-19 is on income, reflected through lower household and business spending. The impact on the national RNM economy will be felt through the limited ability for households to spend (household expenditure accounts for more than 60% of GDP in RNM) due to COVID-19 restrictions on mobility. The immediate result is that local businesses will receive less income, in turn reducing labour hours and laying off workers where possible. Less income is available to households, repeating the cycle.

The MGB's local economic activities will be affected by COVID-19 mainly in the sectors of logistics, manufacturing, and wholesale and retail trade (less so in tourism). Value chains in MGB are highly dependent on imports, particularly those from the European Union (EU). Keeping in mind that the RNM's economy is connected to the EU economy, COVID-19 has lowered external demand from the EU and will negatively affect the RNM economy and the MGB local economy, especially through exports.

COVID-19 is expected, in relative terms, to have the largest impact on the following revenue budget lines of the MGB, compared to 2019:

- Reduced block transfers of 2%-5%;
- Own source revenues 10%-20% (due to one-time event of 2019 revenues from EAST GATE³⁰ project fees);
- Fees for specific services 10%-20% (revenues as part of City of Skopje, dependent on accommodation and tourism dependent fees);
- Shared PIT and VAT (due to lower consumption, lower employment) 10%-20%.

The expenditure of the MGB is also expected to change in 2020 (compared to 2019) in the following budget lines:

- There are no changes in personnel expenditures;
- Goods and services reduced by 5% (primarily due to the closure of the kindergartens and primary schools reflecting reduced maintenance and hygiene costs);
- Subsidies increased by 5% as planned (primarily for public utility companies' services and subsidies for micro and small enterprises);
- Internal transfers between entities in the local public administration (due to the likely decrease of cultural activities, sports activities, and other planned events); and
- Capital expenditures decreased due to overly optimistic planning.

Under a zero, optimistic, and pessimistic scenario,³¹ the economy and thus the finances of the MGB are inevitably going to change due to the effects of COVID-19. Under certain assumptions for lower or larger changes,³² the effects are expected to be decreases in current revenues by 15%-20% of the pre-Covid-19 plans, a reduced net margin between 112%-118%, reduced capital expenditures of 10%-15%, and a likely need for borrowing that was not planned for in the zero scenario.

Figure 2. Scenario Impact of Covid-19 on Certain Budget Lines of MGB

Source: Authors' calculations.

4. Conclusions and Recommendations

The COVID-19 pandemic has challenged governments at all levels around the world and has required immediate responses, which include countercyclical measures aimed at mitigating its adverse effects. The success rate of these measures has yet to be defined (or researched further) in countries like Albania and North Macedonia in terms of timing adequacy, effectiveness, transparency, and proportionality. Support packages made available in both countries have yet to be evaluated on a performance basis and it remains unclear whether state aid has been efficient and effective in mitigating the negative effects of the COVID-19 crisis. This is especially relevant in the period to come, as it overlaps with the pre-election period and election processes. Perceptions in both countries are that measures introduced were not adequately targeted, and that there has been a lack of transparency and clarity in the selection

and approval criteria. Furthermore, whether the principles of state aid control have been enacted is yet to be evaluated, due to the non-functional parliaments throughout the crisis in both countries because of the emergency measures.

COVID-19 is currently affecting and will negatively affect subnational finances in both Albania and Macedonia. Data for the first half of 2020 show that a negative impact is materializing and that the financial plans of municipalities in North Macedonia and Albania are showing signs of financial distress. In light of expected lower revenues (especially from own sources), added pressures for expenditures, and disbalanced cash-flows, it becomes imperative for municipalities to re-establish financial control and avoid liquidity shortages. In the case of the MGB, COVID-19's negative effects are likely to be dampened due to the already planned capital projects and the revenues expected to be generated from

them. For instance, the specific investment project EAST GATE will likely absorb some of the negative impacts on revenues due to planned land development and other fees. In the case of the MSH, little space for manoeuvre can be identified; revenues from own sources are expected to drop and expenditures can hardly be decreased in the short run.

The effects on municipal finances are going to be felt for a longer period of time and are expected to be especially severe during 2021. The COVID-19 pandemic has posed serious challenges for municipalities in light of amplified needs for expenditures and limited space to increase revenues. Municipalities in both countries are broadly dependent on intergovernmental transfers, which can be interpreted in two ways. First, such a dependency ensures for a continued inflow of financial resources that, if regulated in the legislative framework, will not change (ex. unconditional transfer size definition in Albania has two specifications: they should amount to 1% of nominal GDP and it cannot be lower than the previous year; in RNM block grants size is defined). For the other items like conditional grants for delegated functions and investments, central government decision-making about transfer size can change at any time. It is highly probable that shared taxes such as the PIT and VAT will drop, especially during 2021. In the case of Albania, there is no clear indication about whether PIT will be distributed, despite being in force since January 2018. Secondly, it is highly probable that economic activity during 2020 will end in negative, meaning that businesses and individuals' financial situations will worsen. In this case, there will be less money in the state budget for 2020 and 2021, which in turn means that less money will be available for municipalities in both countries.

Post-crisis recovery at a municipal level requires optimization in the use of resources (and if possible, mobilization of new ones) to ensure the provision of essential services and, at the same time, stimulate the local economy and enhance resilience. Naturally, a question arises: where

would new financial resources come from? The answer might be from internal sources through saving and improved collection rates, and/or from external sources such as grants, donations, and borrowing (when possible). As of the first half of 2020, data on executed budgets show that municipal finances will suffer as a result of COVID-19. Hence, in order to establish financial control and stay on track for the rest of 2020 and for 2021, **the municipalities of Gazi Baba and Shkodër are recommended to:**

- **Review and define what constitutes essential and non-essential services to citizens.**³³ For both of these categories, it would be useful to determine reasonable levels of services to be delivered to citizens. This approach could allow municipalities to control for costs and ensure the continuation of local public services delivery in their constituencies. In addition, workforce 'savings' can be deployed and assigned to other tasks (like in essential services), to avoid contracting external parties for these services and having to lay-off labourers.
- **Prepare and review an inventory of the most essential public procurements and implement** those procurement procedures. Limiting what is assessed as non-essential procurements (at least for one year) could create space for diverting resources towards what is considered essential.
- **Monitor liquidity needs and consider the possibility to defer or relax payment of certain taxes and local fees,** such as postponing payment for categories particularly affected by the crisis (ex. tourism and trade sectors, households facing financial distress) and offering the option to pay in instalments.
- **Revise and prioritize investment projects:** keep pace with ongoing investments that create jobs and contribute to economic recovery.

- **Mobilize financial resources from external sources:** donor communities are active in both countries and municipalities are encouraged to put more effort on increasing their absorption capacities, especially for EU funds (improved planning and project preparation). In the case of the MGB, it should make full use of the World Bank MSIP 2 loans, grants, and investment grants from GoNM that support local capital investments.
- **Better budget planning and close monitoring of risks** from the COVID-19 crisis. In this context, it is important not to shirk responsibility and postpone payments to the next year, which could result in an increased stock of arrears.

As the government has provided support packages for individuals and businesses in Albania, the same would be useful for municipalities. A support package could be designed for municipalities in order to partially absorb encountered losses and ensure the continuity of (essential) local public services. Such a package could

include measures and/or combinations of measures like: (i) a commitment on intergovernmental transfer levels as planned in the MTPB programs for 2020-2022; (ii) a support grant to compensate municipalities for the net loss in revenues as a result of the COVID-19 pandemic; (iii) short term credit lines to cover liquidity needs guaranteed by GoA; and (iv) a cost recovery grant to compensate municipalities for extra expenditures encountered and directly related to COVID-19.

Finally, for both countries, intergovernmental communication, coordination, and willingness are key to recovery and resilience. Governments at all levels should work in coordination to face the health crisis successfully and enable recovery. The decentralization and local finance models in Albania and North Macedonia differ and thus the measures or policies recommended should take into consideration the specificities of each country. Yet, undoubtedly, intergovernmental communication and coordination is necessary to soften the pandemic's effects on local finances.

Annexes

Annex 1. Albania: Main Macroeconomic Indicators

	2017	2018	2019	2020*	2021*	2022*	2023*
Real GDP growth rate (in %)							
Initial projections	3.8	4.1	2.7	4.1	4.0	4.0	4.0
Revised projections	3.8	4.1	2.2	-4.3	5.9	3.8	3.9
Inflation rate (in %)							
Initial projections	2.0	2.0	1.4	2.1	2.4	2.8	3.0
Revised projections	2.0	2.0	1.4	2.1	2.4	2.8	3.0
Budget revenues (% of GDP)							
Initial projections	27.7	27.6	27.4	28.7	27.7	27.6	27.6
Revised projections	27.8	27.5	27.4	28.2	29.3	29.1	29.0
Budget expenditures (% of GDP)							
Initial projections	29.7	29.2	29.3	30.9	29.6	29.3	29.0
Revised projections	29.8	29.1	29.3	36.7	33.5	30.8	30.3
Budget deficit (% of GDP)							
Initial projections	-2.0	-1.6	-1.9	-2.2	-2.0	-1.7	-1.3
Revised projections	-2.0	-1.6	-1.9	-8.4	-4.2	-1.7	-1.3
Gross public debt (% of GDP)							
Initial projections	70.1	67.9	66.2	65.4	62.3	62.0	58.8
Revised projections	70.2	67.7	66.3	80.5	76.5	73.2	70.9
Current account balance (% of GDP)							
Initial projections	-7.5	-6.8	-8.0	-7.2	-6.7	-6.3	-6.0
Revised projections	-7.5	-6.8	-7.6	-8.9	-7.5	-7.5	-7.4

Source: Ministry of Finance and Economy, Albania

Annex 2. North Macedonia: Main Macroeconomic Indicators

	Revised budget 2020 MoF, May 2020 projections ³⁴	International Monetary Fund April 2020 projections ³⁵	National Bank of RNM May 2020 projections ³⁶	European Commission May 2020 projections ³⁷
Real GDP growth (revised annual growth projections)	-3.4%	-4%	-3.5%	-3.9%
Inflation rate (revised annual projections)	-0.2%		~0%	0.1%
Budget revenues (change, original to revised budget)	-11.5%	-14.7%		-25%
Budget expenditures (change, original to revised budget)	+1.4%	-2.3%		
Budget deficit (revised budget)	-6.8%	-6.5%		-6.8%

Source: Ministry of Finance, North Macedonia, National Bank of North Macedonia, European Commission, International Monetary Fund

Annex 3. RNM Government Response Measures to COVID-19

First Set (March 18, 2020)	Second Set (March 31, 2020)	Third Set (May 15, 2020)
<p>Goal: Liquidity protection, job retention, and support for vulnerable categories of citizens. (Estimated value of €355 million out of which, for loans: 4.7 mil EUR Covid-1 line; 8 mil EUR Covid-2 line)</p>		<p>Goal: Restoring the domestic economy through domestic demand and consumption stimulus. (Liquidity of the private sector and job retention, support for citizens in order to stimulate domestic consumption, competitiveness of the agricultural sector and farmer (estimated value €355 million).</p>
<ul style="list-style-type: none"> - Tax breaks for profit tax and personal income tax; - 50% subsidies for the social benefits of employment contracts for 'the most' affected sectors; - Direct support to the private sector for employment contract salaries up to 14.500 MKD; - Direct support for the most vulnerable; - Liquidity support through no-interest loans, low interest rate loans, postponing of loans payments for citizens, and reprogramming of loans for the business sector; - Reduced/halved penalty for late payments, and late payment interest; - Freeze on food prices. 		<ul style="list-style-type: none"> - Payment voucher card for most vulnerable households for Macedonian products; - Payment cards with a value of 6,000 MKD for citizens for domestic tourism services; - Support of youth and students for financing ICT skills development; - Financial reward for medical personnel; - Support for those that have lost employment; - No-VAT weekend for certain sectors' products; - No interest loans with 30% grant component for micro and small enterprises; - State guarantee scheme for commercial loans; - Platform for alternative sales; - Support for innovation and start up; - Matching funds for event organizing; - Credit lines for the agriculture and agribusiness MSM enterprise. - Payment cards for gas for mechanization.

Source: Government of North Macedonia

Annex 4. Measures of BoA and GoA in light of the COVID-19 Crisis

Bank of Albania		
Measures introduced:		
<ul style="list-style-type: none"> - Reduction of policy rate from 1% to 0.5% (Decision of Supervisory Council March 25th, 2020); - Decrease in the interest rate for the overnight lending facility from 1.9% to 0.9% (Decision of Supervisory Council March 25th, 2020); - Close monitoring of ER fluctuations (Decision of Supervisory Council March 25th, 2020); - Regulatory changes (Decision of the Supervisory Council of the BoA, March 12, 2020);³⁸ - Guidelines to banks for higher transparency, postponement of credit payments etc.;³⁹ - Suspension of the allocation of profit from banks up to the end of June 2020 (Decisions by the Supervisory Council, April 8th, 2020);⁴⁰ - Eased treatment of banks' exposure to Albanian government debt securities in foreign currency (for those to be issued during 2020); - Rescheduling of loan instalments (up to three months); - Temporary removal of commissions applied by banks on the non-paper-based credit transfers in ALL, starting from April 10, 2020; - Ensuring Euro liquidity by setting up a EUR 400 million repo line with ECB, in place until June 2021; - Cash supply and processing; - Intensive communication; 		
Government of Albania		
Support Package 1	Measures introduced⁴¹:	Implementation of the measures (as of June 22nd 2020):
<p>Aimed at the alleviation of financial losses of those affected by the COVID-19 crisis and alleviating the position of vulnerable categories.</p>	<ul style="list-style-type: none"> - Additional financing for health sector by about ALL 2.5 billion; - Support for small businesses forced to close during the pandemic of about ALL 6.5 billion (this measure included monthly payment of ALL 26,000 for the months of April, May, and June 2020); - Reallocation of funds for poverty alleviation for the categories in need of about ALL 2 billion (doubling of unemployment benefits and social assistance layouts); - Sovereign guaranteed fund for companies accessing overdrafts in the banking systems for salary payments of about ALL 11 billion (0.6% of nominal GDP) (interest rates and cost fully covered by the government and no collateral requirements). 	<ul style="list-style-type: none"> - Allocation of about ALL 5.04 billion for the three months payments to beneficiaries (about 65,115 persons). - Subscribed by 12 banks; Total amount requested about ALL 8.07 billion / 751 companies; - Total amount approved about ALL 6.32 billion / 521 companies;

<p>Support Package 1</p> <p>Extended the support to all employees of the entities directly affected from the closure of businesses; those who lost their jobs, employees in tourism sectors, and all employees in businesses with an annual turnover of less than ALL 14 million who faced limited economic activity as a consequence of the COVID – 19 crises.</p>	<p>Measures introduced⁴²:</p> <ul style="list-style-type: none"> - Single lump sum payment for employees in small businesses affected by the crisis of about ALL 7 billion (0.4% of nominal GDP); - Sovereign guaranteed fund for all companies accessing loans for liquidity and capital expenditure financing of about ALL 15 billion (0.9% of nominal GDP). The GoA guarantees 60% of the principal and the maximum loan amount per company cannot exceed ALL 300 million (grace period of six months and five years maturity). 	<p>Implementation of the measures (as of June 22nd 2020):</p> <ul style="list-style-type: none"> - Allocation of about ALL 373 million (about 9,333 beneficiaries) for those employed in businesses with turnover higher than ALL 14 million and closed due to GoA decision; - Allocation of about ALL 2.54 billion (about 63,405 beneficiaries) for those losing their jobs up to April 10, 2020; - Allocation of about ALL 2.66 billion (about 66,566 beneficiaries) for those employees in businesses with a turnover up to ALL 14 million, who experienced a contraction of their economic activities; - Allocation of about ALL 164 million (about 4,838 beneficiaries) for those employees in active accommodation structures since the beginning of the emergency; - Allocation of about ALL 29 million (about 720 beneficiaries) for employees in the Ballsh Refinery. - Subscribed by 9 banks; - Total amount requested about ALL 4.04 billion / 89 companies; - Total amount approved about ALL 0.84 billion / 40 companies;
<p>Simplified tax on the profit of small businesses</p>	<p>Exemption for those businesses with an annual turnover of ALL 0-14 million for FY2020; postponement for a) tourism, textile, and footwear until January 1, 2021; and b) all other sectors (excluding banks, pharmaceutical companies, retail of food supplies and telecommunication until October 1, 2020).</p>	

Source: Ministry of Finance and Economy, Albania

Annex 5. Budget Revision and 1st half of 2020 Performance in Selected Items (in ALL million)

	Year 2019				2020				2019H1	2020H1	2020H1 /2019H1 % annual change		
	Plan	Executed	Executed/ Planned	Initial budget	% change to executed 2019 budget	1 st revision*	3 rd revision**	1 st revision % change from initial budget	2 nd revision % change from initial budget	% change from 2019 executed budget	executed	executed	
Total revenues	486,677	460,349	94.6%	509,675	10.7%	489,675	446,570	-3.9%	-12.4%	-3.0%	226,116	194,902	-13.8%
VAT	151,314	132,412	87.5%	151,621	14.5%	142,621	130,760	-5.9%	-13.8%	-1.2%	65,913	58,235	-11.6%
Profit tax	33,500	36,575	109.2%	38,000	3.9%	34,000	30,390	-10.5%	-20.0%	-16.9%	20,444	13,701	-33.0%
Personal income tax	41,900	46,124	110.1%	47,500	3.0%	44,500	41,080	-6.3%	-13.5%	-10.9%	22,129	15,925	-28.0%
Local government revenues	25,661	23,102	90.0%	26,944	16.6%	26,944	23,045	0.0%	-14.5%	-0.2%	13,458	10,236	-23.9%
Other local taxes	18,106	17,539	96.9%	21,222	21.0%	21,222	18,422	0.0%	-13.2%	5.0%	10,034	7,657	-23.7%
Property tax	6,915	5,208	75.3%	5,354	2.8%	5,354	4,254	0.0%	-20.5%	-18.3%	3,123	2,248	-28.0%
Small business tax	640	355	55.4%	369	3.8%	369	369	0.0%	0.1%	4.0%	301	331	10.0%
Total expenditures	519,577	491,897	94.7%	549,374	11.7%	558,374	579,535	1.6%	5.5%	17.8%	229,569	233,389	1.7%
Local government expenditures	55,286	56,227	101.7%	57,554	2.4%	57,554	53,485	0.0%	-7.1%	-4.9%	29,158	22,340	-23.4%
Unconditional transfers				26,040		26,040	26,040	0.0%	0.0%				
Own budget				30,844		30,844	26,845	0.0%	-13.0%				
Shared taxes				670		670	600	0.0%	-10.4%				
Budget deficit	-32,900	-31,549	95.9%	-39,699	25.8%	-68,699	-132,965	73.1%	234.9%	321.5%	-3,453	-38,487	

Source: Ministry of Finance and Economy, Albania and Authors calculations

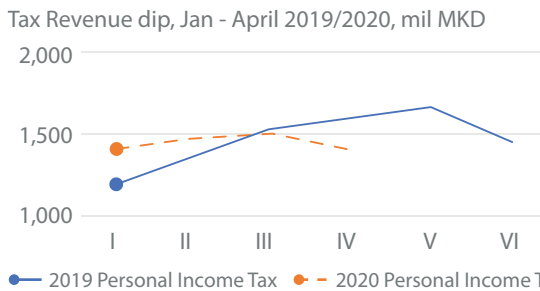
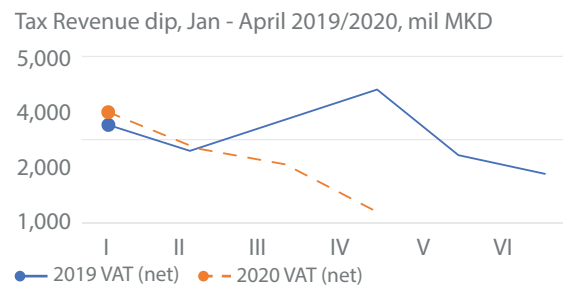
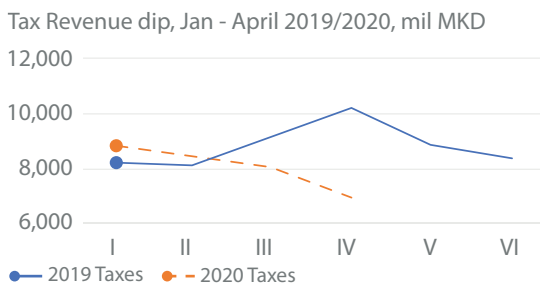
*1st revisions, are related to changes introduced with Normative Act No. 6, dated 21/03/2020 'For some changes and additions to Law No. 88/2019 'On year 2020 Budget'**3rd revisions are related to changes introduced with Normative Act No. 28, dated 02/07/2020 'For some changes to Law No. 88/2019 'On year 2020 Budget, amended'.

Annex 6. Monthly Comparison, Tax Revenue Execution, 2019-2020, RNM

Budget of NRM MtM change %	I	II	III	IV	Total I-IV change	Expected annual change (Executed Budget 2019/Budget 2020)	Revised downward change (Budget to Revised budget 2020)
Total revenues	5%	4%	-5%	-20%	-5%	9%	-11%
Taxes and Contributions	11%	6%	-4%	-20%	-3%	10%	-13%
Taxes	7%	4%	-11%	-31%	-9%	11%	-16%
Personal Income Tax (PIT)	20%	9%	-1%	-12%	3%	8%	-8%
Value Added Tax (VAT)	6%	2%	-17%	-43%	-15%	7%	-14%

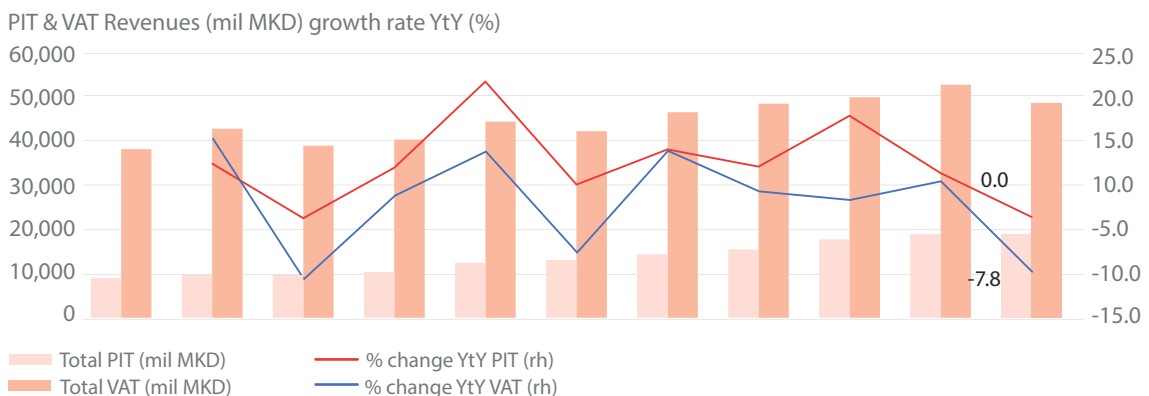
Source: Monthly and Annual Budget Execution Reports, Ministry of Finance of NRM, last checked 28.05.2020

Annex 7. Tax Revenue Comparisons Month-to-Month, RNM



Source: Monthly and annual budget execution reports, Ministry of Finance of NRM, last checked 28.05.2020.

Annex 8. PIT and VAT Tax Revenues, Annual Changes, RNM



Source: Monthly and Annual Budget Execution Reports, Ministry of Finance of NRM, last checked May 28, 2020.

Notes

1. The working paper was prepared under the World Bank Urban Partnership Program (UPP) in the Western Balkans in collaboration with the Municipality of Gazi Baba, North Macedonia. Main findings were presented and discussed in the Regional Workshop - Webinar 'COVID-19 Pandemic Risk and Potential Impact on LSG Finances' in October 29, 2020 (for more information see <http://www.seecities.eu/seecities.eu/EVENTS/Workshops>).
2. The working paper was prepared under the World Bank Urban Partnership Program (UPP) in the Western Balkans in collaboration with the Municipality of Shkodër, Albania. Main findings were presented and discussed in the Regional Workshop - Webinar 'COVID-19 Pandemic Risk and Potential Impact on LSG Finances' in October 29, 2020 (for more information see <http://www.seecities.eu/seecities.eu/EVENTS/Workshops>).
3. Statics of coronavirus in North Macedonia, daily update, <https://koronavirus.gov.mk/stat>
4. Source of data: <https://new.shendetesia.gov.al/covid-19-ministria-e-shendetesise-75-te-sheruar-133-rastedhe-4-humbje-jete-ne-24-oret-e-fundit/>
5. At the beginning of June 2020, most economic activities returned to 'normal', while public transportation and large cultural and public events were still not allowed.
6. Global Outlook, World Bank, 2020
7. Prior to the pandemic, in the MFF 2021 – 2023 the real GDP growth rate was projected at 4.1% for 2020 and at 4% for the next three years, mainly based on the contribution of domestic demand, private consumption, and investments (see Annex 1). External demand was projected to contribute marginally to overall growth due to the counterbalancing effect of intensive growth imports, despite the continuation of positive growth rates of exporting activity (assuming no external shocks in international primary goods prices). As a result, the current account balance deficit was projected to narrow during 2020, registering a level of 7.2% of nominal GDP in 2020 and shrinking further over the next three years. The inflation rate was projected to pick up gradually and, in 2023, to hit the targeted level of 3% in light of the accommodating monetary policy implemented by the Bank of Albania (BoA). Based on these projections, budget revenues were planned to grow annually by 4.5% registering about 28.7% of GDP in 2020 and to stabilize around 27.6% between 2021 and 2023; expenditures were projected to shrink somewhat and account for about 30.9% in 2020 and about 29.3% of GDP (average) between 2021 and 2023; and progressive narrowing of the budget deficit and public debt were projected over the considered period. However, the outbreak of COVID-19 called for adjustments and revisions of macroeconomic projections and underlying assumptions, as included in the Revised MFF 2021-2023. The real GDP growth rate is projected to plunge to -4.3%, widening the budget deficit to -8.4% in 2020 and narrowing it in the 2021-2023 period. Alongside the MoFE's revised projections, international organizations such as the International Monetary Fund (IMF) have revised nominal GDP growth rate projections downward for the period 2020 – 2023.
8. The Revised Fiscal Strategy (RFS) pre-COVID-19 anticipated a real GDP growth rate of 3.8% for 2020. Growth would be primarily driven by consumer spending with an expected real growth of exports by 9.8% and a current account balance of -1.2% of GDP. The inflation rate was projected to be stable at 1.7% and, based on these assumptions, a budget deficit of 2.3% of GDP was anticipated. The budget projections were prepared

- in accordance with expectations of global economic growth of 3.4%, and EU GDP growth of 1.9% for the year 2020.
9. Decision of BoA Supervisory Council of March 25th, 2020 available at: https://www.bankofalbania.org/Press/Supervisory_Council_decisions/SC_decisions_on_key_interest_rate/Monetary_Policy_Decisions_25_3_2020.html
 10. https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200717_1~f143ca1c56.en.html
 11. First package - Normative Act No. 6, dated 21/03/2020 'For some changes and additions to Law No. 88/2019 'On year 2020 Budget', adopted on March 19th included support measures for about ALL 23 billion (1.4 of nominal GDP), combining spending reallocations and increased ones, and sovereign guarantees to support businesses affected by COVID-19 crisis.
Second package - Normative Act No. 15, dated 15/04/2020 'For some changes to Law No. 88/2019 'On year 2020 Budget', amended, was introduced on April 15th and included support measures for about ALL 22 billion (1.4% of nominal GDP) including direct transfers to employees (of small businesses and those laid off from large companies and the tourism sector), as well as a sovereign guarantee for all businesses in the private sector (which were tax compliant and solvent before the pandemic).
 12. In Albania: 1st revision with Normative Act No. 6, dated 21/03/2020 'For some changes and additions to Law No. 88/2019 'On year 2020 Budget'; 2nd revision with Normative Act No. 15, dated 15/04/2020 'For some changes to Law No. 88/2019 'On year 2020 Budget', amended; and 3rd revision with Normative Act No. 28, dated 02/07/2020 'For some changes to Law No. 88/2019 'On year 2020 Budget', amended.
 13. In RNM: Ministry of Finance of Republic of North Macedonia, Decree with legal force amending the Budget of the Republic of Northern Macedonia for 2020 during the state of emergency, Official Gazette of Republic of North Macedonia, 126/2020, as of 15/5/2020, available at https://finance.gov.mk/mk/Budget_RSM_2020
 14. Fiscal indicators data for the first half of 2020 show that revenues dropped by about 13.8% compared to the same period the previous year. Among tax items, revenues from VAT narrowed by 11.6%, profit tax revenues plunged by about 33%, and revenues from PIT dropped by about 28% in comparison to the first half of 2019.
 15. Shared taxes between the two levels of government are: (i) 97% of the property ownership transfer tax imposed on individuals, physical and juridical persons; (ii) 25% of the revenue from the annual used vehicle circulation tax; (iii) 5% of the revenue from mining royalties; and (iv) 2% of personal income tax (PIT) revenue. Despite being in force since January 2018, PIT revenues have never been shared with local governments (municipalities).
 16. The data and figures in this paragraph and the following information on Albania are sourced from the Local Public Finances, Status Report 2019 of Co-PLAN, Institute for Habitat Development, 2020.
 17. The VAT is shared and distributed based on a Decree for methodology for distribution of revenues from value added tax per municipalities, by the GoNM.
 18. National bank of Republic of North Macedonia, <https://bit.ly/2U2c0Ut>.
 19. Balanced: equal distribution per month of 8.3% throughout the twelve months of the year.
 20. Block transfers are conditional transfers for education and preschool-kindergarten functions.
 21. The Municipalities of Shkodër and Gazi Baba both participated the World Bank

- Austria Urban Partnership Program, which envisaged the application of the Municipal Finances Self-Assessment (MFSa).
- 22. GAF is part of the Municipal Finances Self-Assessment, which municipalities can use to assess their financial health, identify gaps and design improvement action plans, assess their own management of finances, and apply shadow credit ratings, etc.
- 23. Data on revenues and expenditures for the period 2016-2019 and planned data for 2020-2022 are based on the documents of Medium-Term Budget Program 2020-2022 and Budget Execution Report of the Year 2019, Budget Execution Report of the Year 2018.
- 24. The Municipality of Shkodër is composed of 11 administrative units namely: Shkodër, Ana e Malit, Bërdicë, Dajç, Guri i Zi, Postribë, Pult, Rrethinat, Shalë, Shosh, Velipojë, divided across one city and 93 villages. It has a population of about 135,612 inhabitants based on Census 2011 data, 55% of whom live in the city of Shkodër. The total municipal surface is about 872.7 km² with a population density of about 239.87 inhabitants per km².
- 25. Source: https://drive.google.com/file/d/1pY7px3pASHCiqYp0g_PWj0IVB6vfXOtY/view.
- 26. http://www.bashkiashkoder.gov.al/web/veshtrim_i_pergjithshem_2871_3148.pdf.
- 27. According to OECD (2020) about 50,000 jobs have been lost due to the crisis. Source: <https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Albania.pdf>.
- 28. Law No. 9869/2008 'On local self-government borrowing.'
- 29. Earmarked grants for investments, revenues from the infrastructure impact tax, and sales of municipal assets are considered under capital revenues.
- 30. Municipality of Gazi Baba, Local Economy <https://bit.ly/3glDHLL>.
- 31. East Gate is a planned project for the urban center of the City of Skopje as the biggest shopping and entertainment center in the region and will include a business center and residential area.
- 32. Scenarios are estimated by the World Bank and Gazi Baba team and use the World Bank Municipal Finance Self-Assessment tool.
- 33. As presented in the World Bank Working Paper from May 2020: The potential impact of the COVID-19 pandemic on Local Governments' financial health in North Macedonia: Developing alternative financial scenarios for the Municipality of Gazi Baba – Skopje. The paper is courtesy of the Mayor of Gazi Baba.
- 34. An example of the classification of services into essential and non-essential can be found in: <https://www.publicsafety.gc.ca/cnt/ntnl-scrtr/crtcl-nfrstrctr/esf-sfe-en.aspx>.
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Socio-economic Effects of COVID-19 in Bulgaria: A Spatial Analysis

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Summary

This paper studies the socio-economic effects of COVID-19 in Bulgaria to uncover their multidimensional forms and provide a broad picture and empirical evidence of the inflicted changes. Based on available information and data as of the end of August 2020, the paper aims to uncover the key factors that drive the socio-economic processes and to determine the intensity, scale, and persistence of the immediate, multidimensional impacts of the outbreak and their territorial implications. The study is organized in three main parts. The first provides a short overview of the most relevant processes at a European level. The second uncovers, visualizes, and explains certain relations between the time dynamics in the COVID-19 spread at a national level, the pandemic containment measures, and different socio-economic indicators and trends. The third scrutinizes the specific processes at the regional and local levels, going deeper into the study of the different territorial factors, mechanisms, and scenarios. The mixture of quantitative and qualitative analyses in the study reveals that the COVID-19 crises severely devastated the Bulgarian economy in between March and May 2020, with some positive trends of recovery registered in June and July. The spatial discourse of the study detects diverse spatial impacts, with their size, strength, and expected duration varying according to specific territorial characteristics. Yet, we also detect significant entropy in the system with subjective and random factors often being of real importance. Finally, permanent, in-depth studies of the ongoing COVID-related processes are crucially needed to be able to foresee some of the highest risks and to conceptualize adequate responses.

Keywords: COVID-19, Pandemic, Bulgaria, Impact Assessment, Spatial Analyses, Local and Regional Development, Territorial Governance

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Introduction

The abrupt outbreak of the COVID-19 pandemic gave birth to some unprecedented phenomena in modern history. Due to the crisis borne out of the pandemic, the current socio-economic and political models are faced with challenges and dilemmas of efficiency, and put under pressure to transform and evolve. The unpreparedness and inability of public authorities and relevant structures to deal with the threat raised many issues concerning global security and questioned the efficiency of the existing world order itself. Furthermore, COVID-triggered processes added new variables and unknown quantities to 'good governance equations' and thus have strong implications on planning, territorial security, and local and regional development.

Being a country where major trends in the spread of COVID-19 often diverged from those observed in Europe (and even in neighbouring countries), Bulgaria presents an interesting case study to explicitly illustrate some of the pandemic's potential effects and to explain the determinants and mechanisms that define the size, scale, and strength of those impacts. At the beginning of the pandemic in Europe, while most of the European countries were registering a rapidly growing number of COVID-19 cases, the situation in Bulgaria was very much under control, with relatively low number of infections. Then, in June and July, when newly registered COVID-19 cases decreased in most of the European countries, Bulgaria was severely struck and reached most of its record case numbers. The major question that arises is whether or not these peculiarities are related to the restriction measures taken in the country. From another point of view, Bulgaria is an interesting case because it is both an EU member state (hence being integrated into the EU decision-making structures, being a potential beneficiary of EU recovery funds, etc.), and a Balkan country (hence being part of a region that was 'peripheral' to the pandemic at the beginning, sharing lots of common social, economic, and political features with other eastern EU member

states and a number of non-member states, etc.).

The pronounced spatial discourse in the spread of the virus and in its related impacts can be seen as a kind of rehabilitation of the spatial sciences (and especially geography) in the 21st century. Spatial aspects of different phenomena are particularly visible in the context of growing hybridization, an increasingly networked society, globalization, and the free movement of people, goods, services, and capital. These features of the modern world have generally been treated as a strong privilege and a common good by the social sciences and humanities. However, in light of the COVID-19 pandemic, it turns out that these characteristics have much to do with the major factors responsible for inducing vulnerability and insecurity in different economic and territorial systems. That is why the COVID-19 pandemic's spatial dimensions and components must not only be explored but also adequately managed at different territorial levels (McCoy, 2020).

If we consider outbreaks of infectious diseases as "socio-spatial processes with complex geographies" (Kuebart and Stabler, 2020, p. 482), the analysis of the territorial diffusion of these diseases in modern societies requires a multidimensional approach to space through the prism of the TPSN (Territories, Places, Scales and Networks) framework (Cummins et al., 2007; Jessop et al., 2008). Networks are arguably the most important in conceptualizing the geographies of disease outbreaks because the networking of communicable diseases necessarily occurs via ties of personal contacts or infection pathways (Bian, 2004). Due to network patterns, infectious diseases hardly spread evenly in space. Therefore, further analyses must focus on the behavioural patterns of humans and the way they interact with their built environment (Keeler and Emch, 2018). The relationship between places and people has been considered highly relevant for the understanding of how infectious diseases spread. Places and networks are closely inter-related in the

process of transmittable disease outbreaks (Wolf, 2016). Characteristics of places, such as size, shape, density, and available infrastructure (among others) determine to a large extent not only the intensity and frequency of communications but also “the sociodemographic configuration of the people most likely to be found at those places” (Kuebart and Stabler, 2020, p. 485).

The aim of this paper is to provide a broad picture of COVID-19’s socio-economic effects in Bulgaria by analysing some of the immediate, multidimensional impacts of the outbreak and their territorial implications. The research is based on available information and data as of the end of August, 2020 (i.e. almost six months after the first active COVID-19 case was registered in the country). While trying to reveal and explain the key factors and mechanisms that drive the multidimensional transformations within the country in the last few months, the study concentrates on the most relevant economic, social, and (to some extent) political processes caused by the pandemic and measures taken to mitigate its adverse effects. The analysis is based on diverse data from: official institutional statistics and questionnaires; information retrieved from the government’s and national crisis management staff’s regular briefings; publications in national, regional, and local press; institutional and municipal websites; TV interviews and media reports. Further, own calculations are used to uncover the most relevant socio-economic changes, effects, and trends, with different techniques applied to visualize those major research focuses. Finally, given the nature, scope, and ambition of the study, some research considerations and limitations should be taken into account: the data is still insufficient for making strong general conclusions, especially at lower territorial levels (regional and local), with its reliability sometimes questionable; many of the impacts would only be registered and felt in a mid- and even long-term perspective; the pandemic is not yet over so empirical research must be seen as a snapshot of the current situation.

The first part of the paper provides a short overview of the most important and relevant processes for Bulgaria going at the European level, with a special emphasis on programmes and measures addressed to find effective solutions to deal with the challenges of COVID-19. The second part follows the temporal dynamics in the spread of the virus, the pandemic containment measures taken at the national level, and the changes in some key socio-economic indicators. Subsequently, the paper presents empirical evidence of the diverse impacts of the COVID-19 pandemic in Bulgaria by uncovering, visualizing, analysing, and explaining different trends, relations, and models. Finally, the third section scrutinizes the specificities of the most relevant processes at the regional and local levels, going deeper into the study of the different territorial factors, mechanisms and scenarios able to explain these processes and the situation in the country, to foresee some of the greatest risks, and to conceptualize adequate responses.

Europe and the Challenges caused by the COVID-19 Pandemic

After the first recorded case in Europe on January 24, 2020 (in France), the virus began to spread quickly throughout the continent, turning it into a major global disease outbreak (especially at the end of February and in March). As of August 31, 2020, more than 4.2 million people in Europe had been infected, with almost 220,000 deaths registered (WHO, 2020)¹. Europe, like many other regions in the world, is experiencing a rapid economic slowdown as a result of the fight against the spread of COVID-19. According to Eurostat, the EU’s seasonally adjusted GDP for the second quarter of 2020 is 11.7% less than in the first quarter of 2020 and 14.1% less than the second quarter of 2019.² Further, the latest forecasts of the European Commission (2020b) suggest that the EU economy will contract by 8.3% in 2020 and eventually begin to recover in 2021 (with an estimated growth of 5.8%). The EU is facing difficulties in finding the right balance between limiting the spread

of the virus and supporting national health systems on the one hand, and dealing with the severe negative impacts inflicted on the economy (Figure 1), mitigating the diverse consequences, and recovering from the socio-economic crisis as quickly and painlessly as possible on the other. It has reached a point where politicians have had to make the difficult decisions about whether to prioritize “saving the people before saving the economy” or “saving the economy before saving the people” (Ozili and Arun, 2020, p. 20).

The adoption of emergency measures related to the repatriation of EU citizens, funding of relevant scientific research, and bringing in new (or transforming old)

instruments and initiatives to control the crisis, began already in January. Dealing with the COVID-19 pandemic was also critical to decisions on the future EU budget – after five days of intense negotiations, the Special European Council (July 17-21, 2020) finally agreed on a comprehensive package of over 1.8 trillion euros, which includes the Multiannual Financial Framework (2021-2027) and the EU Recovery Fund. The debates on the latter, perceived as the COVID-19 funding deal, were very controversial with claims made by those states most impacted by the virus (such as Italy and Spain) being highly contested by the ‘frugal four’ (Austria, Denmark, Sweden, and the Netherlands) and, to some degree, Finland before the final deal was struck.

Figure 1. COVID-19 Impact Index by Industry

Categories affected by COVID-19	Banking, Financial Services % Insurance	Energy & Resources	Healthcare & Life Sciences	High Tech & Telecommunication	Media & Entertainment	Public Sector	Retail	Manufacturing	Universities & Colleges	Non-profits	Travel & Transportation
Personnel											
Operations											
Supply Chain											
Revenue											
Overall Avasant Assessment											

Source: Dunlap et al. (2020)³

An in-depth analysis of trends in the spread of COVID-19 in Europe (based on World Health Organization statistics) uncovers significant differences in confirmed cases and deaths both between regions and between countries within a single region. One of the main reasons for this variability is the different national approaches, measures, and solutions to control the virus. Governments are working under conditions of “radical uncertainty” to deal with the

“highly asymmetric” impact of the various challenges posed by the crisis (OECD, 2020, pp. 3-4). In order to make full use of the most universal measure to combat coronaviruses, social distancing, different countries (e.g. Italy, Bulgaria, Spain, France, and Austria, among others) have undertaken partial or complete national lockdowns, combined in some cases with the imposition of a 24-hour or a partial curfew – unprecedented (in terms of scope) measures affecting

more than half of the global population. There is already empirical evidence that the number of registered weekly cases is lower in countries with a complete lockdown, as well as in those with an early lockdown decision (Al Humaid et al., 2020). Moreover, early lockdown approaches not only separated the influenza from COVID in the winter months, but also postponed the peak of the infection and gave countries/regions the opportunity to better prepare their health systems for the threat. However, given that all countries saw tremendous increases in COVID-related figures after the lockdown and that the economic effects were devastating, it is still unclear whether or not lockdowns were the best approach. Yet, the removal of temporary restrictions is seen as particularly important for restoring the EU's economy and fundamental values related to the freedom of movement and further integration, including in countries with which the Union has special relations (the United Kingdom, Switzerland, Liechtenstein, Norway, and Iceland) and potential members from the Western Balkans and Eastern Europe. Thus, in June and July, a gradual opening of borders and removal of some restrictions followed, with each country maintaining the right to impose quarantine or declare specific rules for entry.

More and more policy measures to control the pandemic and deal with the growing global recession were adopted by different countries with the ongoing spread of the virus and multiplication of related problems. They can be conditionally divided into four groups: *monetary measures* (granting regulatory forbearance or interest moratorium, provision of liquidity, purchase of bonds and securities, lowered interest rates, and sustained flow of credits); *fiscal measures* (government stimulus packages, provision of income support, and social welfare payments); *public health measures* (public and border quarantine, stay-at-home policies, and social distancing) and *human control measures* (border closures, shutdown of schools, military enforcement of stay-at-home orders, travel bans, and visa denial and suspension) (Ozili and Arun, 2020).

The outbreak of COVID-19 and the closure of a large number of companies also revealed the EU economy's dependence on China, including in vital areas such as the production of pharmaceuticals, protective masks, respirators, disinfectants, and other medical equipment. Supply chain disruptions, the closure of borders, and complications with the transport sector proved the instability, uncertainty, and unsustainability of the modern global production system (Rustici, 2020). From this point of view, the concept of nearshoring is gaining increasing popularity at the EU level. Decision makers are reassessing the potential benefits of stimulating production spatially closer to the European consumers, instead of production being primarily concentrated in distant countries with cheap labour markets. This can reduce logistics costs, delivery times, and most importantly provide greater flexibility and adaptability in similar, unforeseen situations with distorted supply chains. COVID-19 coincides with debates and preparations for a new programming period and the new EU industrial strategy in ways that can act as a kind of political impetus not only for the modernization and digitalization of European industrial policy, but also for its Europeanisation (Schmitz, 2020). Thus, by building and applying progressive strategies for attracting investments, the Balkan countries stand a very good chance of turning into a desirable, nearshoring destination. At the same time, in terms of protectionism, the European Commission attaches special attention to balancing and controlling the EU's openness to FDI through the screening mechanism (EC, 2020a). It is designed as an instrument for preventing inflow of capitals unfavourable for the EU and for safeguarding any potential capture and control of key sectors by third countries.

No matter how adequate, reasonable, and timely the above-mentioned EU strategies and measures to address the COVID-19 pandemic seem to be, applying a one-size-fits-all approach is unlikely to succeed. Therefore, an emphasis on the diverse local contexts is needed by utilizing place-based approaches taking into account the specific

combination of territorial capabilities, potentials, and resources, as well as the particular economic, social, and political conjunctures.

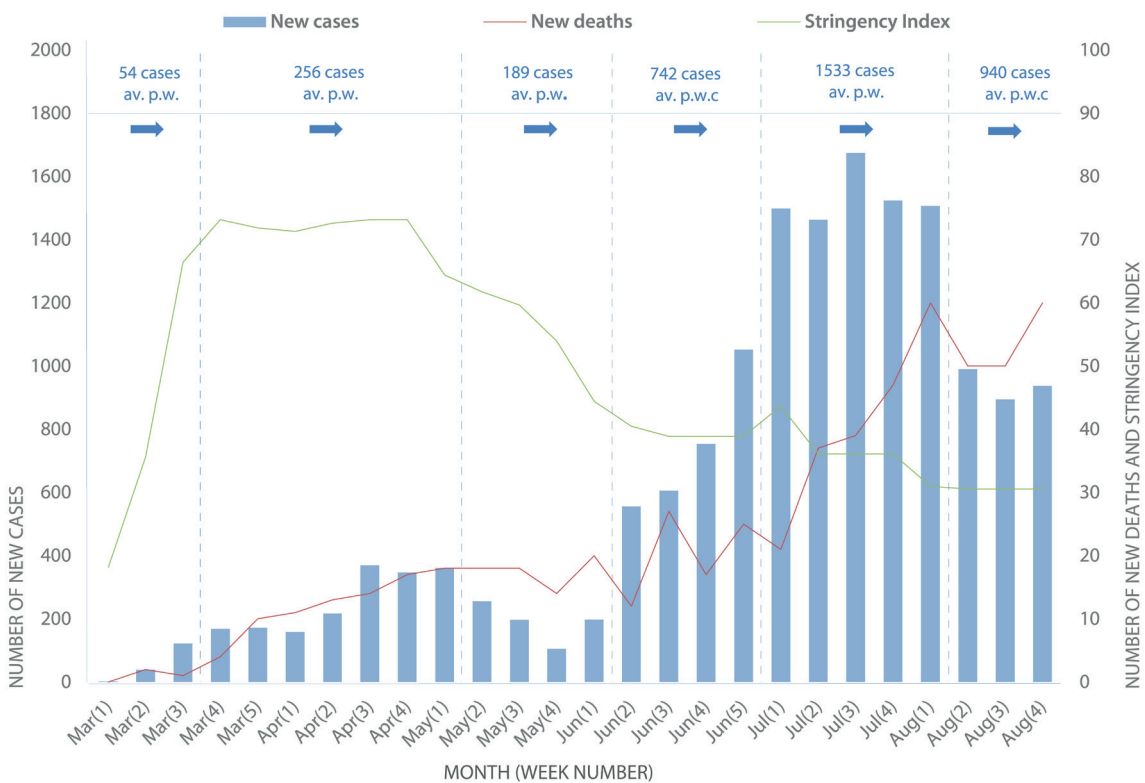
Impacts of the COVID-19 Pandemic in Bulgaria

The first COVID-19 case in Bulgaria was registered on March 8, 2020, i.e. relatively late (even for the Balkan region). This could be considered as crucial in terms of enhancing the general preparedness to counteract the forthcoming threat. At that time, the country already had a functioning national crisis management office, whose immediate recommendations made the Bulgarian Parliament declare a state of emergency (starting from March 13) and impose strict measures to contain the spread of the virus. The fairly quick reaction was widely considered as a necessity given the weak and potentially vulnerable healthcare

system of the country. However, just a few weeks later, public debates were already more focused on how to mitigate the adverse effects of the measures themselves and find the right balance between restrictions and restoration of the economy and social life.

Before uncovering and analysing the multidimensional social, economic, and political effects of the COVID-19 pandemic in Bulgaria, it is important to firstly trace a possible connection between the stringency of the restrictions and cases/deaths related to the outbreak. An in-depth retrospective analysis suggests that six separate time periods (Figure 2) can be conditionally distinguished. The differentiation of these periods makes it easier to characterize the ongoing trends and shed some light on the relationship between the spread of the virus and the political measures aimed to counter that process:

Figure 2. Comparing COVID-19 Cases and Deaths with the Stringency of Applied Measures (March – August 2020)



Source: Authors' elaboration based on Hale et al. (2020) and OurWorldInData (2020) data.

- March (Week 1) – March (Week 3): The first period denotes the quick introduction of diverse initiatives to prevent the spread of the virus, which is clearly attested by the Stringency Index (SI)⁴, measuring containment and closure, as well as economic and health system policies related to COVID-19 (Hale et al., 2020). These measures were in line with the growing number of newly registered cases, although in comparison to the other European countries the overall number remained low (23 total cases per million as of March 22 compared to an average of 30 for the Balkan countries and 225 for the EU countries).
 - March (Week 4) – May (Week 1): This period is characterized by the application of the most rigorous measures (the weekly average SI reached its peak level of 73.2), including school closures, restrictions on gatherings and internal movements, and various international travel controls, among others. The number of new cases per week was growing slightly, as were deaths (on average 12.4 per week). However we can conclude that the situation was, to a large extent, under control.
 - May (Week 2) – June (Week 1): The decreasing number of new cases (only 189 new cases per week on average), combined with growing social pressure, economic concerns, and the general feeling that the worst period was over, resulted in a very brief removal of some major restrictions in an attempt to return to normal life. The SI dropped to 44.4 in the last week of this period.
 - June (Week 2) – June (Week 5): The average number of new cases per week increased almost fourfold (in comparison to the previous period) to 742. The assumption is that the growing number of new cases is simply related to the higher number of tests conducted, as there is a certain correlation between both variables (on average, 4.5% of the tests in this period were positive). However, this logic might conceal the real nature of the problem, which is better expressed by the exponentially growing number of COVID-19 patients who needed to be hospitalized⁵ (from 158 to 463 within these four weeks).
 - July (Week 1) – August (Week 1): During this period, the new cases registered per week doubled and stabilized at a very high level for the country, setting some new records. Around 5% of all tests were positive. The constant increase of hospitalized people (reaching over 850 in the first week of August) was especially concerning for the stability of the healthcare system.
 - August (Week 2) – August (Week 4): The last period is characterized by a significant drop in newly registered cases. The number of hospitalized people also gradually decreased to around 710-720. These positive trends made some health experts predict that the pandemic was fading away, but there are already some signs that those numbers don't necessarily reflect the reality. On the one hand, these figures seem inconsistent with the limited restriction measures (and lack of control for their real implementation). On the other, health authorities themselves admit that, due to some organizational problems, they can't register the majority of active COVID-19 cases in the country.⁶ This latter fact might explain why Bulgaria is among the EU countries with the highest COVID-19 death ratio.
- The analysis suggests a high probability of significant linkages between imposed restrictions and COVID-19 spread in Bulgaria. By calculating Pearson correlation coefficients to estimate in what time frame the pandemic containment measures are expected to provide best results, we can conclude that the time delay in the case of Bulgaria is generally around three weeks with a strong negative correlation of -0.57 (i.e. the lower the SI is in week 'x', the more likely to have a higher number of new cases in week 'x+3'). Yet, the studied period is relatively short for drawing generalizable conclusions, and the SI itself doesn't indicate

the extent to which the different measures were applied, followed, and abided by in practice.

Apart from the purely medical aspects, the pandemic and the related restrictions posed a very serious challenge to the Bulgarian economy. The size of this challenge could be convincingly illustrated by the changes in the Total Business Climate Indicator⁷ for the country (Table 1). While remaining stable at the very beginning of the pandemic (i.e. in March), the declared state of emergency and

the quick introduction of serious restrictions (affecting some businesses) made its value collapse to -17.7 in April, thus reaching its lowest level ever since February 1997. Yet, in the following months (until August 2020) a positive trend was observed with a recovery of more than half of the losses reported in April. The biggest impact and the lowest speed of recovery are both reported in the business climate of the service sector, with problems related to tourism, transportation, and education playing a key role.

Table 1. Dynamics of the Business Climate (in %) in Bulgaria (January – August 2020)

	January	February	March	April	May	June	July	August
Total Business Climate Indicator	● 28.5	● 27.7	● 24.0	● -17.7	● -5.9	● 5.5	● 8.0	● 8.5
Business Climate in industry	↑ 26.8	↑ 26.8	↑ 21.6	↓ -10.2	↘ 1.2	→ 10.9	→ 11.0	→ 11.2
Business Climate in construction	↑ 30.3	↑ 30.8	↑ 32.2	↓ -13.4	↘ 3.9	↗ 18.3	↗ 16.5	↗ 16.7
Business Climate in trade	↑ 41.6	↑ 41.0	↑ 34.4	↓ -17.6	↘ -1.4	→ 14.4	↗ 20.8	→ 17.9
Business Climate in service sector	↑ 17.0	↑ 12.4	↑ 10.3	↓ -36.8	↓ -34.3	↓ -27.3	↘ -19.1	→ -14.5

Source: Authors' calculations based on National Statistical Institute of Bulgaria (2020b).

The worsening business climate (accompanied by the forced closure of some businesses such as retail shops and restaurants) and the inability of others to act at full capacity resulted in significant changes in the labour market marked by a sharp increase in the unemployment rate in April (Figure 3). Then, less than 13,000 people were hired while over 87,000 (2.1% of the working age population) were registered as newly unemployed. The unemployment rate reached 9% in May and decreased slightly to 8.3% in June (when, for the very first time since the beginning of 2020, the number of new hires exceeded that of the newly unemployed), and further to 7.9% in July (in July 2019, it was only 5.3%). Yet, this mild sign of mitigation may not be related

to any positive mid- and long-term effects, as the current decrease in unemployment might be explained by seasonal factors. A survey among non-financial enterprises conducted by the National Statistical Institute of Bulgaria (2020a) shows that from March to July, on average, 30% of enterprises declared to make use of paid leaves in a single month during this period and 21%, unpaid leaves. Almost 14% were forced to lay off personnel, while less than 8% benefited from the tailored government subsidies (a national programme aimed at financing 60% of the wage costs of enterprises that, due to the coronavirus outbreak, would otherwise lay off personnel). Only 5.7% of enterprises reduced wages and salaries (Figure 4). These numbers suggest

that many enterprises were forced to go through broad transformations and that, if the rise in the unemployment rate was to

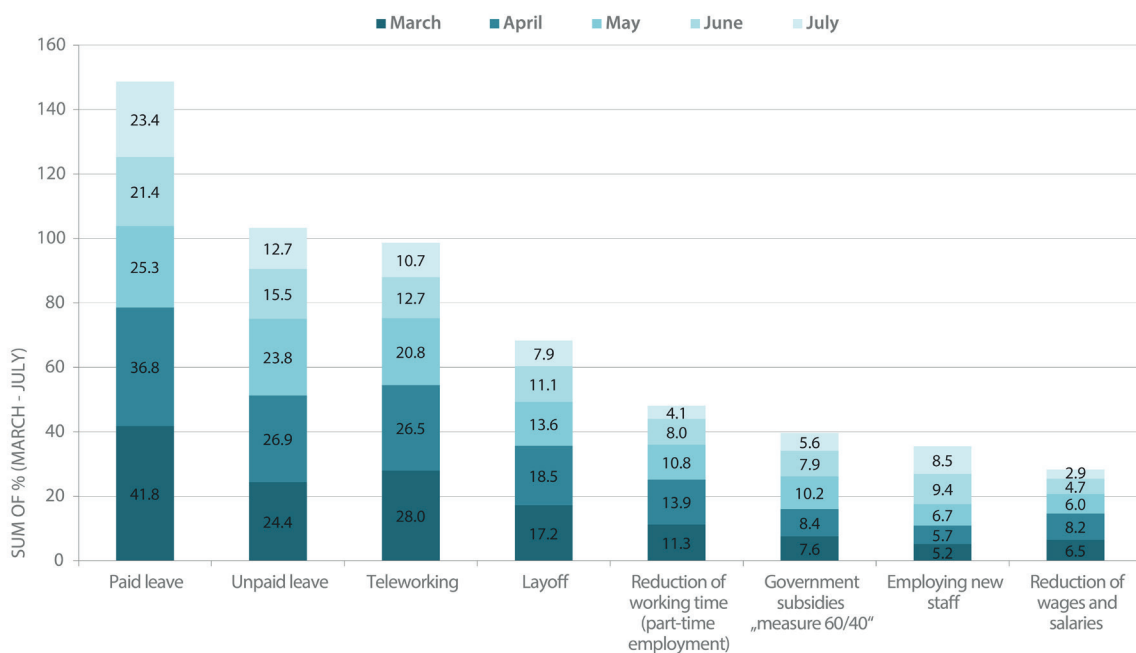
be avoided, there should have been more effective political measures. The changes in the Bulgarian economy and the asymmetric

Figure 3. Unemployment in Bulgaria (January – July 2020)



Source: Authors' elaboration based on the Ministry of Labour and Social Policy of Bulgaria (2020).

Figure 4. Measures taken by Enterprises in Relation to their Personnel (March – July 2020)

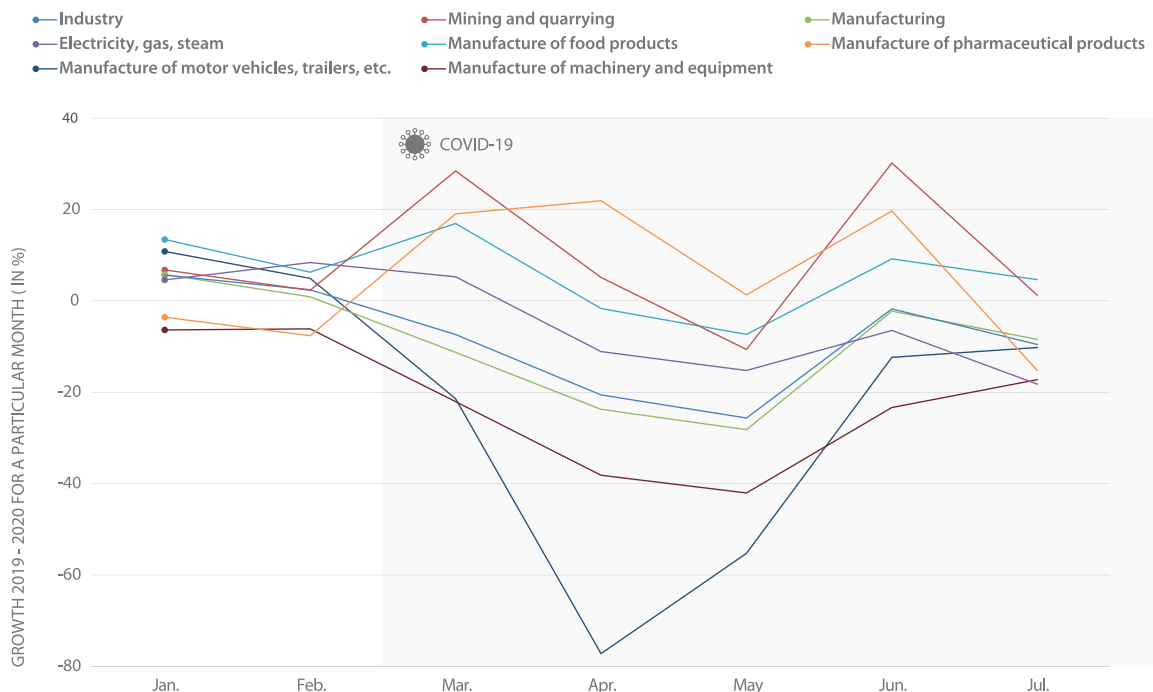


Source: Authors' elaboration based on National Statistical Institute of Bulgaria (2020a).

effects caused by the COVID-19 outbreak can also be perceived in an analysis of transforming industries in the country. A month by month comparison between the Total Industrial Turnover Indices for 2019 and 2020 (Figure 5) reveals the deterioration of all industry in the first three months of the pandemic, with the growth rate of the general index falling from 5.6% in January to -25.6% in May. In June and July, a significant recovery is observed with figures almost reaching their 2019 levels. While the major sub-sectors (mining and quarrying, manufacturing, and electricity) follow more or less the general trend, it's more interesting to capture the dynamic processes related to some specific manufacturing activities. The manufacturing

of motor vehicles (mainly production of automotive parts and components) has been a success story for the country in the last few years. However, it suffered severely during the pandemic due to its globalized nature and strong connectivity with companies that were forced to shut down. Another example of an activity negatively influenced by both disrupted supply chains and a general decrease in demand is the manufacturing of machinery and equipment. On the other hand, turnover in food production remained relatively stable, while the manufacturing of pharmaceutical products even registered better results in comparison to 2019, with positive growth rates for each month in the period from March to June.

Figure 5. Monthly Comparison between the Total Industrial Turnover Indices for 2019 and 2020 (January – July 2020)



Source: Authors' calculations based on National Statistical Institute of Bulgaria (2020b).

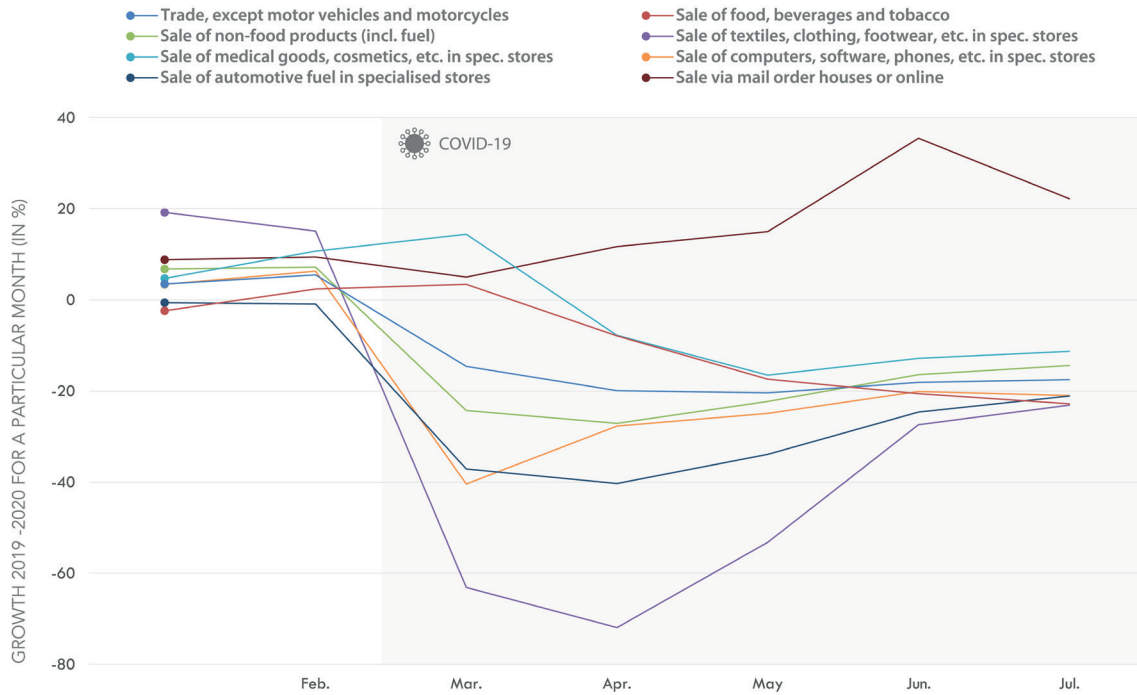
The pandemic also severely affected retail trade, which registered an 18-20% decrease in turnover for April, May, June, and July compared to the amounts generated for the corresponding months in 2019 (Figure 6). At the start of the outbreak the retail sale of food, beverages, and tobacco remained stable, but decreasing incomes and consumption made its turnover drop

significantly in the following months. With regard to non-food products, the sale of the automotive fuel shrank (unsurprisingly, due to travel restrictions and decreased industrial production). The most dispensable consumer goods seemed to be textiles, clothing, and footwear. This can be partially explained by the closure of some specialised stores and the parallel growth of retail via

mail-order houses or online shopping, with the latter compensating (to some extent) the reduced sales of textiles, clothing, and footwear in stores. Curiously, in July, despite

significant fluctuations earlier, the growth of all analysed variables converged (except for online sales) ranging from -12% to -23%.

Figure 6. Monthly Comparison between Turnover Indices in Retail Trade (except motor vehicles and motorcycles) for 2019 and 2020 (January – July 2020)



Source: Authors' calculations based on National Statistical Institute of Bulgaria (2020b) data

The above-mentioned trends in industry and trade are indicative of the entire Bulgarian economy. They explain, to a large extent, why forecasts remain rather pessimistic, with some international organizations forecasting a contraction of the Bulgarian economy by between 5% and 7% in 2020, e.g. the European Commission (-7.1%)⁸, the World Bank (-6.2%)⁹, the European Bank for Reconstruction and Development (-5%).¹⁰

Spatial Discourses and Scenarios related to the COVID-19 Crisis in Bulgaria

Already in the first few months of COVID-19's spread across Europe, different studies and observations revealed that impacts can vary widely in scope, not only between countries but also within countries (Fernandes, 2020; Böhme and Besana, 2020; Buheji et al., 2020; etc.). The regional and local effects of the COVID-19 outbreak seem to be highly

heterogeneous, with territorial specificities bringing significant differences in terms of crisis management and the need for policy responses. From this point of view, spatial discourses and implications play a key role in the following analyses related to: the existing outbreak patterns in the country; the different levels of risk assigned to territorial units; the diverse scenarios at regional and local levels based on the nature of the political initiatives taking place, the attitudes of local communities towards measures, and the COVID-driven behavioural models of different industries and companies, for instance.

In Bulgaria, the first COVID-19 outbreaks were associated with:

- ski resorts (e.g. Bansko, responsible for some of the first cases in Lovech, Plovdiv, Burgas, etc.);

- migrant workers returning from Italy, Germany, the United Kingdom, etc., some of whom took part in family gatherings and celebrations upon return (Lom, Kaolinovo, etc.);
- participation in religious events (Samokov, Perushtitsa);
- local outbreaks in closed environments (retirement and nursing homes in Vidin, Ruse, Dobrich, etc.);
- employees in manufacturing working in high-density environments (Dospat, Sarnitsa, Pleven, Pazardzhik, Septemvri, etc.); and
- Roma neighbourhoods characterized by above-average household sizes, high building densities and poor hygiene (Yambol, Peshtera, Sliven, Kyustendil, etc.).¹¹

At a later stage, attendance of sporting events (Sofia, Plovdiv, etc.), the organization

of students' farewell balls (Veliko Tarnovo, Plovdiv, etc.), and the reopening of discos, clubs, etc., played a major role in the spread of COVID-19. Outbreaks in closed environments, such as those in care facilities for elderly people, generally have a more limited impact on the spatial distribution, but are nevertheless an important feature of the COVID-19 geography. In contrast, Roma neighbourhoods affected by the virus have a much stronger spatial impact on the diffusion of the virus beyond the original outbreak. The main reasons are related to the socio-cultural specificities of this ethnic group such as: large families generally living in small, unhygienic homes; many nomadic communities characterized by greater mobility, seasonal employment, and continuous dislocations; weak health culture and low percentage of people with health insurances; free spiritedness and habitual negligence of social rules and norms; and cultural traditions related to organizing crowded family gatherings and celebrations. It is noteworthy that in

Figure 7. Map of Bulgaria showing NUTS3 regions' Centres, as well as all Cities/Villages mentioned in the paper



Source: Authors' elaboration.

the Roma neighbourhoods where the services of medical mediators were used, the negative consequences of the virus are smaller (Sofia, Plovdiv, etc., in contrast to Yambol).¹² Thus, with some conditions, we may also consider the existence of an ethno-cultural model for the spread of COVID-19 in the country.

In many cases, large cities with their open economies, business travels, and active communications served as entry points for the virus, though some rural areas were also affected. This fact illustrates one of the difficulties in making territorial classifications or conceptualizing well-grounded spatial models of COVID-19's spread. Further, there is no strict correlation between population density and the spread, scale, and intensity of the disease around the country. This finding is also backed by Basset (2020), who proves that density itself cannot completely explain the processes of spread and considers issues related to poverty, poor housing conditions, and limited access to healthcare as more important factors. Cities, large and dense by definition, inevitably support explosive viral transmissions, but household congestion and poverty have even stronger impacts (Bell et al., 2009; De La Barra, 2000). The various socio-cultural, demographic, economic, and geographical features of different localities influence the patterns of disease transmission and explain why there are numerous outbreaks and mini-epidemics across the country that are difficult to classify. Yet, their studies help draw some conclusions about the spatiality of the COVID-19 pandemic in Bulgaria.

The high probability of a rather asymmetrical spread and impact of COVID-19 makes it even more important to pay special attention to the healthcare systems at certain territorial levels and assess their crucial differences in terms of vulnerability. To estimate the general COVID-related risk ahead of the healthcare systems in the NUTS3 regions of Bulgaria (or the so-called 'oblasts'), separate risks in three different categories are assessed:

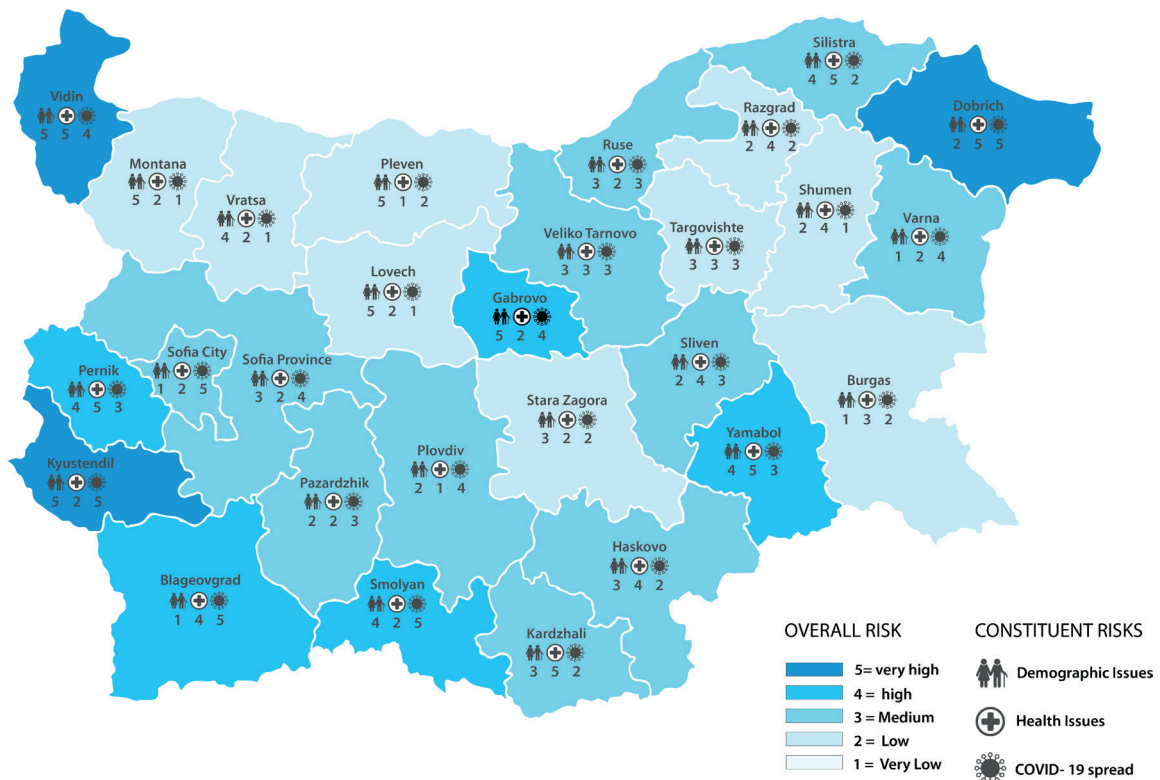
- Demographic issues measured by:
 - 1) Population aged 65 and above (% of

total population); and

- Healthcare issues – measured by:
 - 1) Number of hospital beds per capita;
 - 2) Number of physicians per capita
- COVID-19 spread – measured by:
 - 1) The total number of registered cases per capita; and
 - 2) Growth of registered cases in the last three weeks.

The overall risk (Figure 8) is aggregated on the basis of these three sub-risks. It is noteworthy that given the dynamism of indicators related to the spread of the virus and their relative unpredictability, the final results should be treated as a snapshot of the current situation and used only for short-term forecasts. They can nonetheless signal growing risks for territorial security and disclose some important aspects relevant to: adjusting and refining certain strategies, measures, and responses; applying differentiated approaches and tailor-made local policies; as well as conceptualizing the need to reform certain regional and local healthcare systems. The analysis of the results reveals that:

- Three NUTS3 regions (Vidin, Dobrich and Kyustendil) are considered at very high risk and five (Pernik, Blagoevgrad, Smolyan, Yambol and Gabrovo) at high risk. The rest of the NUTS3 regions are grouped within medium and low risks; none can be categorized as very low risk.
- Most of the regions characterized by unfavourable demographic and healthcare conditions are generally spared at this stage by the pandemic. There, the processes are to be followed strictly as the eventual spread of COVID-19 could easily cause havoc and a collapse of the system.
- Given the relatively well-structured spatial model, with many regions bordering ones with similar problems, it may be relevant for regional authorities to design common strategies to address COVID-19 challenges.

Figure 8. Risk Estimation for Healthcare Systems at NUTS3 Regional Level (as of July 31, 2020)

Source: Authors' elaboration based on National Statistical Institute of Bulgaria (2020b).

The COVID-19 pandemic makes the identification, assessment, management, and control of risk a key issue. Local authorities have an important role to play in translating, adjusting, and applying national measures, as well as utilizing their own instruments and means to guide the processes into the right direction. In some municipalities there was strong resistance by local citizens to restriction measures (Kaolinovo, Venets, Bukovlak, Yambol, etc.),¹³ with certain ethno-cultural behavioural models often being an important determinant. Forms of civil disobedience related primarily to blocking local and inter-settlement infrastructures were observed, accompanied by the boycotting of certain rules and accessibility bans issued by local authorities. Such territorial tensions have negative impacts on local social systems, the supply chains, and certain space-related behavioural stereotypes of citizens (e.g. routes used when moving to workplaces). Those tensions may lead to uncontrollable chain reactions in the mid- and long-term, and suggest the need for adequate territorial

crisis/conflict management to control the risk of escalation. On the other hand, in municipalities with greater trust in local authorities initially (e.g. Burgas),¹⁴ people were generally more tolerant to measures enforced by the governance structures. In those areas, no cases of civil disobedience or protests against the pandemic containment measures were registered. Instead, there was a certain balance between health and economic risks, as well as a better utilization of local resources and coordination with health institutions. Further, in some places, there were joint actions of empathy, solidarity, and coordination taken by the local authorities of neighbouring municipal administrations (Burgas Province), while in other places, there was a lack of empathy, mistrust, and mutual accusations of being unable to control the outbreaks (Sarnitsa and Dospat). The practice shows that clustering of municipal administrations in Bulgaria generates positive effects not only in terms of limiting the COVID-19 spread, but also in softening its adverse socio-economic effects.¹⁵

Municipalities show varying degrees of vulnerability to the COVID-19 crisis depending on their economic profile (with levels of diversification and self-reliance playing a key role) and the resilience of local economies (especially their ability to respond to short-term shocks). One of the indicators that provides the best clues about overall trends and changes is the unemployment rate. At the end of May, the lowest unemployment rate was registered in the capital – 4.4%. Thanks to the large share of services, especially in the high-tech sector and trade, Sofia's economy is more flexible and less affected by the restrictive measures brought about by the pandemic (Sofia Investment Agency, 2020). Slightly increasing unemployment in the capital is related primarily to those working in tourism, culture, sports, and public transport, among other sectors. Unemployment rates are also relatively low in smaller municipalities with sustainable industrial profiles (for example Bozhurishte, Kostinbrod, and Sopot) and with well-developed mining sectors supplying the non-ferrous metallurgy (for example Chelopech, Chavdar, Laki, and Mirkovo) (Institute for Market Economics, 2020). The unemployment rate for May was below 10% in the municipalities with large cities as centres – 5.9% in Plovdiv, 5.8% in Varna, and 6.7% in Burgas. Given the nature of the measures to contain COVID-19, one of the most important factors for mitigating economic impacts and reducing costs is the relative share of professions that can be practiced remotely. The population in large urban municipalities has significantly greater potential for teleworking, with better telecommunications and information technologies at hand. This capacity can be defined as a territorial resource for sustainability in times of crisis, assuming that certain, related external threats can also be recognized before-hand.

Municipalities with traditionally high levels of unemployment before the pandemic maintained their positions due to the low economic activity of their population, the inertial socio-economic development over a long time period, and the limited human and resource potentials. While in the above-

mentioned examples COVID-19's impacts are moderate, a group of municipalities with a pronounced tourism-related identity (Bansko, Hissarya, Velingrad, Sandanski, etc.) stands out with increased unemployment, due to the particularly strong blow inflicted by the pandemic on the tourism industry. Those tourism and service-oriented towns do not have a diversified economy, which is why it will be difficult for them to emerge from the looming socio-economic crisis. Paradoxically, before the COVID-19 crisis, they were among the privileged Bulgarian territories characterized by good and stable socio-economic indicators. Tourism is indicated as a priority sector and a factor for alternative employment in almost all municipal planning documents. In this context, it is necessary to rethink the planning process taking into account possible socio-economic scenarios and deviated directions of development that might be caused by similar crisis situations.

While generally considered as one of the greatest achievements for the country's economy over the past 15 years, the integration of the Bulgarian industry into global supply chains was tested with the spread of the COVID-19 pandemic and the stringent measures introduced by many governments. The pandemic and the responses of governments to it caused some serious interruptions in supply chains and had a negative impact on production. Most large manufacturing companies rely on imported resources from countries affected by the disease. Restrictive measures related to the COVID-19 crisis not only disrupted the integrity of production systems, but also destroyed the network and cluster organization of many territorial economic systems. In the case of Bulgaria, all of these circumstances can be directly related to the collapse of the automotive industry, which had shown a strong upward trend in the country before the crisis struck. Many automobile companies are operating in emergency mode with reduced production, but some of them are using their capacity to produce other types of products and components: safety equipment; helmets; goggles; air purifiers; and sensors for

temperature, heart rate, and blood oxygen level (for instance, companies in Smolyan, Plovdiv). Some of the sewing and textile companies (e.g. Tvarditsa, Gabrovo, and Sofia) are also rapidly reorienting themselves towards production needs under the new epidemic conditions (e.g. reusable protective clothing) and changing their specialization.¹⁶ Such flexibility might not only help an enterprise to survive, but also foster its development.

An analysis of the ongoing processes suggests that manufacturing companies with insufficient liquidity are particularly vulnerable. The ability to easily reorient towards new suppliers could be vital, with SMEs experiencing significantly greater difficulties in this regard. A key factor that potentially increases the risk for the Bulgarian economy is the large number of SMEs – over 98% of all companies in the country.¹⁷ They are expected to be most affected by the crisis. Many small companies have gone bankrupt and do not have sufficient funds to restore their activity or production capacity. In a spatial and territorial context, small settlements where SMEs provide the majority of the jobs will be particularly vulnerable and exposed to strong adverse effects. In contradiction to general trend in SMEs, many large companies managed to preserve their business activities and human capital during the first months of the COVID-19 crisis. Such is the case with the copper mining company 'Aurubis Bulgaria' (situated near Pirdop and Zlatitsa, Sofia Province) and 'Devnya Cement' (Varna Province).¹⁸ These companies are reporting a decline in demand, logistics operations, communications, and the use of large common office spaces but continue to be among the biggest donors in their respective municipalities, and participate actively in local community initiatives to fight the coronavirus.

The COVID-19 crisis put local governments to a great test considering the serious financial problems of many Bulgarian municipalities. Many of them had to organize urgent activities that were not planned in the budget. Typical cases in this

regard are settlements populated primarily by elderly people living alone (municipalities from Northwestern and Northern Central Bulgaria). Under the new conditions of the pandemic, the virtues of a developed social economy and volunteering services gained new importance. In some municipalities, regional and local donation funds were set up to support the fight against COVID-19 (raising funds for consumables and materials, medical equipment, protective clothing, recruiting volunteers, etc.). Volunteer centres were also created to activate social actions, which are considered to be of paramount importance during a crisis. In accordance with the national crisis management office, joint activities with local stakeholders were sought to provide information, coordinated actions, and a platform for recruiting volunteers as an essential element of local support (such as in Topolovgrad, Yambol, and Gurkovo).

There are also differences in terms of the measures applied to reduce the negative effects of the pandemic. Some local governments, for example, waived the collection of certain taxes and rents from sites located on municipal land, extended the deadline for payment of local taxes (e.g. Dimitrovgrad, Varna, and Sliven), and allowed citizens to use short-term paid parking zones free of charge during the state of emergency (Sofia). Local authorities also implemented various measures to support SMEs as well as disadvantaged groups. At the same time, in the first half of 2020 there were 91 increases in local taxes and fees and only 27 cases of reductions (Institute for Market Economy, 2020). Those increases were often ungrounded and untimely. A positive trend is that some local authorities are increasingly mobilizing digital tools to monitor and stop the spread of COVID-19 as well as to expand the range of electronic and remote services offered (Sofia, Varna, and Pavlikeni).

The pandemic has empirically revealed two aspects: local governments were faced with uneven socio-economic challenges within their territories (the spatial discourse); and local governments have a crucial role to

play in managing pandemics and other emergency/disaster events (the governance discourse). Both of these aspects suggest for the continuous need of local governments to improve their disaster risk reduction strategies and management actions. Some critical aspects that need to be considered include: the behaviour of key economic entities; fluctuations in businesses producing basic goods and necessities; possible changes in the economic identity of the region; and social structures, attitudes, and responses of citizens. The governance discourse of the COVID-19 crisis encompasses not only timely and efficient coordination between national and local authorities, but also constructive dialogue between regional/local governance, citizens, and diverse stakeholders. By sharing information on COVID-19's differentiated impacts on the local economy, budgets, and living conditions, local authorities might foster better understanding and agreement on crucial issues, including the distribution of public investments aimed to support the post-crisis recovery in line with certain strategic regional/local priorities.

There is a need to strengthen local systems and stabilize the capacity of local authorities to manage healthcare, the economy, and social protection (OECD, 2020). The alternative development of local and regional economies must mobilize the capacity for greater autonomy by rethinking the local model and strengthening sectors such as culture, education, health, and the social economy. It is no coincidence that concepts related to empowering communities, developing community economies, and strengthening territorial identities are increasingly being added to the political agenda. The pandemic and its impacts suggest that this might be the right moment for municipalities to take over the situation for their communities by employing a proactive approach, showing high levels of accountability towards their citizens, and no longer merely positioning themselves as implementers of instructions from the national government (Toto et al., 2020).

Conclusions

This paper studies the socio-economic effects of COVID-19 in Bulgaria to uncover their multidimensional forms and the key factors that drive relevant processes, change the status-quo, and determine the intensity, scale, and persistence of observed impacts. By linking processes at different territorial levels (supranational, national, regional, and local) and scrutinizing diverse socio-economic and political indicators and issues, the mixture of quantitative and qualitative analyses applied in this study reveals the main changes, consequences, and spatial implications caused by the COVID-19 pandemic in Bulgaria.

The pandemic's impactful and multidimensional effects in Europe made finding the right balance between containing the spread of the virus and avoiding an economic crisis a top priority. The different monetary, fiscal, health, and confinement measures tested some of the fundamental visions and values adopted by the EU. The COVID-19 pandemic also reinforced and added to the political agenda some concepts that were (to a large extent) formerly neglected, such as: nearshoring, Europeanisation of the economy, and FDI screening mechanisms. The pandemic and the related need for initiating recovery funds impeded the negotiation process for the new EU budget (for the next programming period, i.e. 2021-2027) provoking lengthy debates and controversies between some member states. As a country integrated into the EU structures and global economic networks, Bulgaria is largely in line with the major European trends in terms of COVID-19 impacts and the types of measures taken to stop the spread of the disease and mitigate its adverse effects. Bulgaria participated actively in the EU decision-making process and negotiated an increase of dedicated EU funds for the new programming period. The country also participates in the joint European tender for the COVID-19 vaccine.

The high degree of openness of the Bulgarian economy creates conditions for the strong and persistent influence of exogenous

factors and rapid transfer of external crises. This makes the Bulgarian economy very dependent on global processes and trends, with limited options of finding its own solutions and ways out of the crisis. The empirical analysis proves that the Bulgarian economy was severely devastated in the first few months of the pandemic in the country (March – May), while some positive trends of recovery have already been registered in June and July. The spatial discourse of the study uncovers the diverse territorial impacts of the crisis, with their size, strength, and expected duration varying according to social and demographic structures, political responses, the sectoral specialization of local economies, and the degree of their integration into the global supply chains. Yet, we detect significant entropy in the system as subjective and random factors often seem to be an important part of explaining the essence of the processes related to both COVID-19 spread and its influences on local economies. While detailed local knowledge and insight is crucial to uncover unknown factors that could shed light on these processes, it often seems insufficient to support more generalized logics on the territoriality of the phenomena (e.g. why COVID-19 spreads in certain areas and spares others with similar characteristics). This makes it difficult to distinguish clear territorial patterns. The analyses demonstrate that the different territorial units and economic entities in Bulgaria are characterized by diverse behavioural models and reactions to the challenges set by the COVID-19 pandemic. The uneven spread of the virus and the diverse spatial scenarios raise inherent geographical questions about the political, economic, financial, socio-cultural, and demographic dimensions of the pandemic and its effects. The asymmetric impact of COVID-19 on communities suggests the need to find effective mechanisms to increase the resilience of territories to health, economic, or social shocks. This requires a more decentralized and regionalized approach. The latter might also help mitigate the social and economic effects of COVID-19, build local social

capital, accelerate the development of social services, and foster more active and goal-oriented local communities. Strengthening local governance in Bulgaria might be one of the most important elements for successful recovery and long-term sustainability. These processes should be supported by the introduction of strong vertical and horizontal coordination mechanisms between the various government structures. Stimulating cooperation between municipalities and regions might avoid the loss of precious resources during a crisis and further strengthen regional and local socio-economic systems.

The COVID-19 crisis underlines the importance of effective local governance, coordination of management decisions at different spatial levels, active citizen participation in local territorial decision-making, and the reassessment of national, regional, and local priorities. In this discourse, the activation and utilization of territorial capitals, as well as the implementation of new approaches, strategies, and mechanisms for overcoming the crisis, is of crucial importance. From this point of view, possible integration and governance clusterization among the Balkan countries aimed to secure the implementation of common measures to fight the pandemic and its devastating impacts could turn into a key instrument for the stability of the region. Common activities in the spheres of information exchange, prevention, and application of restriction measures, tailored to the cultural diversity of the Balkans and available resources in the separate countries, could help ensure regional security and recovery from the current health and socio-economic crisis. In times of pandemic, solidarity and shared responsibility among the Balkan states might strengthen regional cooperation, provide impetus for further joint political activities, and transform the process of regionalization and its socio-economic dimensions.

The ability to find adequate solutions to the complex challenges posed by the COVID-19 pandemic, conceptualize smart place-

based strategies, adopt efficient recovery mechanisms, and build resilient economies will be key to fostering the sustainable development of countries and regions. All these issues are even more important in light of the current situation in Bulgaria, characterized by the persistent spread of COVID-19 and accompanied by nearly two months of massive anti-government protests. The potential coupling of medical, political, and economic crises could turn into a real disaster for the country and cause significant long-term damages to its economy and society.

Notes

1. As per the regionalization used by the WHO, the European region also includes Russia and the Central Asian Republics.
2. <https://ec.europa.eu/eurostat/news/news-releases> (Eurostat News release Euro indicators).
3. <https://www.computereconomics.com/images/default/articles/2788/Figure1new.png>.
4. The Stringency Index is based on the Oxford COVID-19 Government Response Tracker, which systematically collects information on several common policy responses that governments have taken to respond to the pandemic. It is calculated on a scale from 0 to 100.
5. This is the overall number of COVID-19 patients in a hospital on a single day.
6. https://www.capital.bg/politika_i_ikonomika/bulgaria/2020/08/25/4106189_zashto_jertvite_na_covid-19_v_bulgariia_dnes_sa/.
7. The Total Business Climate Indicator is a weighted average of business climate indicators in four branches: industry, construction, retail trade, and the service sector. It is based on business surveys that gather entrepreneurs' opinions about the situation and development of their business. The results are in the form of balances which are the difference between the positive and negative answers.
8. https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/bulgaria/economic-forecast-bulgaria_en
9. <https://www.worldbank.org/en/publication/global-economic-prospects>
10. <https://www.ebrd.com/news/2020/ebrd-economies-seen-contracting-by-35-per-cent-in-2020-48-per-cent-rebound-in-2021.html>
11. Information retrieved from the Government's and National Crisis-management Staff's regular briefings, online media publications, TV (national and regional) reports, and interviews with local governors.
12. Information retrieved from media publications, TV interviews with experts (including representatives of Ethnic Minorities Health Problems Foundation), etc.
13. Information retrieved from TV interviews and reports (national and local media).
14. This example is based both on the electoral behaviour of local citizens in the last two mayor ballots (when the candidate received strong support of 85% in 2015 and 65.8% in 2019) and on recent Internet questionnaire conducted by Sofia University students (subject 'Socio-economic geography of Bulgaria') revealing that the mayor, during his two mandates (2015-ongoing), is trusted by 63.8% of the respondents.
15. Information retrieved from the national crisis management staff's regular briefings, National Association of the Municipalities in Republic of Bulgaria, and TV interviews and reports (national and local media).

16. Information retrieved from corporate websites, media news and reports, and the government and national crisis management staff's regular briefings.
17. <https://www.nsi.bg/sites/default/files/files/publications/StatBook2019.pdf> (National Statistical Institute of Bulgaria).
18. Information retrieved from TV interviews with the chief executive officers of the companies.

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Transboundary Water Management In The Western Balkans: Challenges Of The Land-Water Nexus In The Drin River Basin

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Summary

Water basins experience huge pressure from urban growth, tourism, energy, and food demands, exacerbated by the pressing challenges of climate change. The competition for limited resources calls for efforts from riparian countries to define criteria for transboundary water management (TWM) to contribute to resilient environments. This paper explores the efficacy of TWM policies with respect to the Drin River basin in the Western Balkans, focusing on the Albanian territorial coverage of this basin area. To assess water governance effectiveness and efficiency, the paper uses the OECD's water governance indicator framework (2018). More broadly, it applies a 'land-water nexus' frame to assess the extent to which relevant land-based activities are included and effectively monitored in the Drin River TWM. A healthy and resilient river basin environment depends not only on good water governance but also on appropriate land uses and land development policies in the basin. Data was collected through desk research, supported by interviews with key stakeholders. The paper explores the Drin River TWM agreements based on: i) existing transboundary and national legal frameworks; ii) institutional and financial capacities for data collection and enforcement; and iii) the presence of a land-water nexus vision to support TWM. Research findings point towards the need to understand policy gaps between riparian countries and to develop an integrated cross-sectoral framework for resource management, such as a River Basin Management Plan, as the basis for a better land-water nexus and more sustainable and resilient development. Lastly, the authors present policy-oriented conclusions and recommendations at the transboundary, national, and local levels, focused on institutional, financial, and informational gaps.

Keywords: Western Balkans, Transboundary Water Management, Land-Water Nexus, Drin River Basin

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Introduction

Transboundary Water Management

Water resources experience drastic changes due to various anthropogenic activities, leading to environmentally insensible practices. Population growth and the consequent sprawl of new developments and informal settlements alter land uses and consumption patterns. These factors, especially in developing countries, have strained water accessibility and availability. At the same time, industrial production, mining, and intensive agriculture, as well as other water-wasteful activities, have affected water quantity and quality through groundwater pollution and site contamination (Karar, 2017). These activities produce externalities influencing land and natural resources management. This paper aims to explore how land and water governance are harmonised in a transboundary water management context to achieve a sustainable land-water nexus, focusing firstly on the extended Drin River basin and secondly on the Albanian territorial coverage area of the Drin basin.

Competition and conflicts around limited resources arise in particular due to poor governance, rather than to resource scarcity or engineering impediments, calling for new management approaches to be explored (Tropp et al., 2017). This becomes especially relevant in the case of shared water resources, defined as “catchments or watersheds, including lakes and shallow groundwater, shared by more than one country” (UNDP, 2006, p. 206), which account for 60% of global river flows. The complexity of transboundary water management (TWM) involves a multilevel approach, where the decision-making and enforcement responsibilities are shared among different governance levels. These levels and processes can include international actors, national and subnational bodies, harmonisation with local policies, as well as acceptance and legitimisation by civic society and citizens (Earle and Neal, 2017). The latter group has the biggest potential impact and the

highest stakes in water conditions, especially regarding flood control and accessibility. As water availability and affordability depend on a “mismatch between physical water availability and societal water use” (Cabello, 2013, p. 14), social and ethnographic awareness and engagement are fundamental to enhance community resilience and to endorse institutional instruments for water governance (Cairns et al., 2017).

In the European Union (EU), the Water Framework Directive (WFD) was adopted in December 2000, to institutionalise a common vision for water management, moving from pollution prevention to the definition of a ‘good’ ecological water status. This condition is measured by biological, hydro-morphological, and physico-chemical parameters. The WFD is structured around the river basin scale – a natural geographical and hydrological unit – rather than being bound to administrative or political boundaries (European Commission, 2019), contributing to a territorial approach for the solution of water issues. Good water quality is achieved through mandatory measures, including legislation, pollution control measures, and a River Basin Management Plan (RBMP), alongside supplementary measures designed according to each country’s institutional and environmental landscape. The WFD has also helped to promote community participation in water governance with different results across the EU, conditional on levels of democratisation in various countries. (Ruiz-Villaverde and García-Rubio, 2017).

Water Governance in the Western Balkans

The inclusion of the WFD in national legal frameworks is legally binding for EU countries but non-binding for non-EU countries. The presence of EU member states, EU candidate countries, and non-EU countries in the Western Balkans has led to a diverse legal environment around water and fragmented the transposition of the WFD into national legislation. Nevertheless, the inclusion of the EU *acquis* in the national

framework of candidate countries is part of the EU enlargement strategy (Hearns, 2019). Therefore, many Balkan, EU-candidate countries have included the EU water norms in their framework through laws and bylaws, while making agreements with other EU countries. The existing legal misalignment between Balkans countries, together with differing socio-economic and institutional composition and development goals, are among the main factors impeding the implementation of those agreements (Drin Corda, 2020; Kolokytha and Skoulikaris, 2019). However, the WFD remains the main guideline for national and international water resources in the Western Balkans.

Albania is the country with the largest territorial coverage of the Drin basin. The country has experienced rapid growth since the dissolution of the communist regime in the 1990s. Considerable and ongoing rural-to-urban migration, accompanied with rapid urbanization on the one hand, and unprepared and weak public institutions on the other, has resulted in vast land and water quality degradation, exploitation of riverbeds, erosion, and problems related to floods and droughts. At the national level, institutional efforts have addressed the need to manage the country's vast water resources. The process of incorporating the WFD into national legislation began with the approval of Law 111/2012¹ and its bylaws. Nevertheless, the challenges are numerous, and include the national water-services coverage and quality. For instance, as demonstrated in the National Strategy of Water Supply and Sewage (NSWSS) 2020 - 2030, the water supply coverage was 78.3% and sewage network coverage was 50.2% in 2017. Only 10.45% of the urban population was connected to a wastewater treatment plant (Ministry of Energy and Infrastructure, 2019). This data helps to grasp the scale of water-related issues, such as water pollution due to untreated wastewater discharges, problematic water supply services, an inefficient billing system, and substandard water quality.

Albania has considerable surface and groundwater resources. In addition to four

national river basins, the country has two transboundary rivers: the Vjose Aaos River, shared with Greece; and the Drin basin, shared with North Macedonia, Greece, Kosovo,² and Montenegro. Drin riparian countries present a diverse legislative framework on water management. While North Macedonia has transposed most of the WFD, Kosovo has reached a partial transposition (NIRAS, 2019), mostly due to the post-war institutional and operational capacity challenges, damaged national water infrastructure, and affected international cooperation (Krampe, 2017). Similarly to Albania, Montenegro has made progress on the alignment with the WFD (as part of efforts towards EU admission), regardless of the lack of coordination between water-related institutions (GWP-Med et al., 2015). Finally, in Greece, TWM appears to occupy a low priority in the Greek development agenda, with few joint agreements and a lack of regular cooperation, despite the complete transposition of the WFD and an amount of shared water resources equal to 25% (Kolokytha and Skoulikaris, 2019).

The Drin Basin and Riparian Countries

The extended Drin River basin³ covers 19,582 km², the majority of which is located on Albanian territory (Figure 1), and is inhabited by roughly 1.6 million people (PointPro Consulting, 2017).

As part of the WFD, a multi-stakeholder process was initiated to foster TWM and strengthen national institutional frameworks. Consultations in 2006 and 2008⁴ started the Drin Dialogue, a consultative platform that took place in 2010-2011 supported by international organisations. A Memorandum of Understanding (MoU) signed by the five riparian countries in 2011 was a milestone for transboundary cooperation and political commitment. The process has resulted in the Drin Coordinated Action⁵ (Drin Corda), a joint body for the implementation of the MoU, facilitated by the Drin Action Plan. The Drin Corda institutional structure consists of: ministerial meetings; the Drin Core group, acting as a steering committee

Figure 1. Drin River Basin Boundaries



Source: Drin Corda, 2020

composed of representatives from the five riparian countries' ministries (Table 1); the technical secretariat; and lastly, four Expert Working Groups (EWGs). The EWGs are focused on i) alignment with the WFD; ii) monitoring and information exchange; iii) biodiversity and ecosystems; and iv) floods. The Drin Situation Analysis (2011) attempted to identify transboundary issues and degradation root causes; under the GEF Drin Project,⁶ this document is being updated in the Transboundary Diagnostic Analysis (TDA) resulting in six thematic reports⁷ (Drin Corda, 2017). In April 2020, the Strategic Action Programme (SAP), a negotiated policy document, was signed and endorsed to map needed reforms and

investments that can address the priority issues highlighted in the TDA, including the definition of an RBMP.

Several environmental challenges are present in the Drin basin regarding water quality, the environment, and the loss of biodiversity. The TDA has mapped the root causes of transboundary issues, including a lack political will, low financial resources for environmental protection, and climate variability, leading to five major environmental issues: deterioration of water quality, variability of hydrological regime, biodiversity degradation, sediment transport, and increase of water-related extreme phenomena (floods and droughts). In the Albanian territory, covering the downstream of the Drin River, pollution is mainly caused by solid waste and untreated wastewater discharge in urban areas (Alla, 2019; Mema and Ulqini, 2017), followed by industrial pollution and run-off of fertilizers and pesticides from agriculture (Alla, 2019). Moreover, the risk and occurrence of floods have increased on the Albanian side of Shkodër Lake. The intensity and frequency of floods have been exacerbated by extreme weather phenomena, poor riverbed maintenance, the mismanagement of outflow from artificial lakes and dams, the blockage of natural secondary drainage channels, and sediment transportation due to erosion and material extraction activities up- and downstream (Drin Corda, 2014). Additionally, unsustainable tourism and (in) formal urbanisation, combined with poor sanitation infrastructures, cause runoff in lakes and modify natural habitats. Lastly, water resources are frequently used as energy sources, causing environmental drawbacks on water flow and quality.

Table 1. Representative Institutions forming part of the Drin Corda

Riparian Countries	Representative Institutions involved in the Drin Corda
North Macedonia	Ministry of Environment and Physical Planning
Greece	Ministry of Environment and Energy
Kosovo	Ministry of Infrastructure and Environment
Albania	Water Resources Management Agency
Montenegro	Ministry of Agriculture and Rural Development

Source: Authors, 2020.

Relevance of the Land-Water Nexus

The idea of the 'land-water nexus' is advanced by the authors based on experiences in the Netherlands and Flanders (Belgium) during the past decade with the concept of multi-layer (water) safety in response to flooding. This concept was partly based on the EU Flood Directive of 2007, and recognises the importance of three-tiers of flood prevention measures for water safety, consisting of ('hard') infrastructure, ('soft') adaptive spatial planning, and emergency measures (see, among others, Leskens *et al.* 2013; Kaufmann *et al.* 2016). The significance of this approach is that it recognises that water safety depends, to a large extent, on what happens on land, and vice versa. Therefore, water safety is the responsibility not only of water managers but also of planners and other government departments and private actors, such as developers (Kaufmann *et al.*, 2016).

In this article, the authors apply the concept of multiple layers more broadly, and adapt it beyond the confines of water *safety* to include other domains where the proper management of water requires close integration with land-based activities, including land use planning for economic activities, agriculture, and water management more broadly. This idea of a 'nexus' between water and land echoes other nexuses, such as the ecosystem-water-food-land-energy (EWFLE) nexus concept (Karabulut *et al.*, 2018) and the land-water-energy nexus (see among others, OECD 2017). All of these recognise the importance of the interplay of different domains to the long-term health of ecosystems—as opposed to pursuing a narrow, sectoral approach. According to Carvalho *et al.* (2019), the EU has had ambitions for cross-sectoral policy integration since the 1970s, providing member states with a huge number of directives influencing pressures on the environment and drivers of change, focusing strongly on agriculture, and promoting the development of management plans to control anthropogenic factors (European Commission, 2017). However, as stated by Carvalho *et al.* (2019), the WFD only

weakly addresses morphological pressures, resulting in weakness in ecological status assessment and monitoring. By contrast, the Sustainable Development Goals (SDGs) constitute a resourceful policy driver advocating for cross-sectoral TWM, in particular SDG 6.5.⁸

Objectives and Methodology

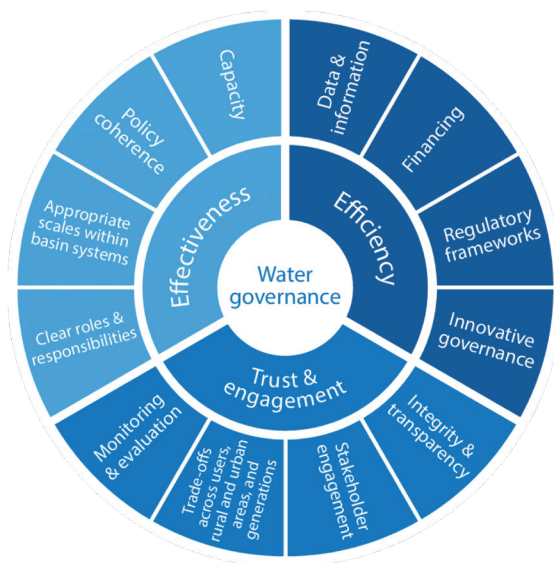
In light of the existing challenges and frameworks, and given the relevance of land-water nexus thinking for TWM, this research aims first of all to explore the effectiveness⁹ and efficiency¹⁰ of existing TWM policies with respect to the Drin River basin and in the Albanian territorial coverage of the Drin basin. The authors use the OECD Water Governance framework for this purpose. Indicators from the OECD are collected at both the basin and country level, where available.

According to the OECD Water Governance Programme, water governance is "the set of rules, practices, and processes through which decisions for the management of water resources and services are taken and implemented, and decision-makers are held accountable" (OECD website, 2020). Through a multi-disciplinary process, the OECD has developed twelve principles for Water Governance (Figure 2), clustered around three dimensions: effectiveness, efficiency, and trust and engagement (Figure 2). Due to the difficulties in collecting primary data from a broad range of stakeholders as a result of the Covid-19 pandemic, the principle of trust and engagement is excluded from the scope of this paper. Nevertheless, it is integrated as a crosscutting theme in the efficiency and effectiveness dimensions, based on the desk research findings and interviews.

The OECD provides a broad set of indicators for all principles (OECD, 2018b), allowing for the tailoring of the assessment on a contextual basis, instead of proposing a rigid framework as a one-size-fits-all approach. The OECD framework is not only tailored to the national scale, but can also be applied to regional and transboundary scales of water

management by providing a framework for evaluation and recommendations (Ménard et al. 2018). Moreover, following the evaluative research on the performance of different policy frameworks against the OECD principles at European level by Neto et al. (2018) (and endorsed by the OECD (2018)), the WFD is quite well aligned with the OECD principles. This supports the use of this framework (in an adapted version) in the transboundary context of both EU and non-EU countries.

Figure 2. Principles of Water Governance



Source: OECD, 2015.

Second, the paper assesses to what degree a land-water nexus vision has been taken into account in the TWM plans to enhance sustainable development in the Drin basin, and in Albania specifically. The land-water nexus is analysed with regards to the vision of the land component in water sectors (and vice-versa), the transboundary and national sectoral priorities, and the characterisation of land instruments.

Data collection for both components was based on desk research, supported by four online semi-structured interviews with Albanian and international consultants and experts on the water framework and water management in Albania.

Effectiveness and Efficiency of TWM in the Drin Basin

Effectiveness of TWM

Clear Roles and Responsibilities

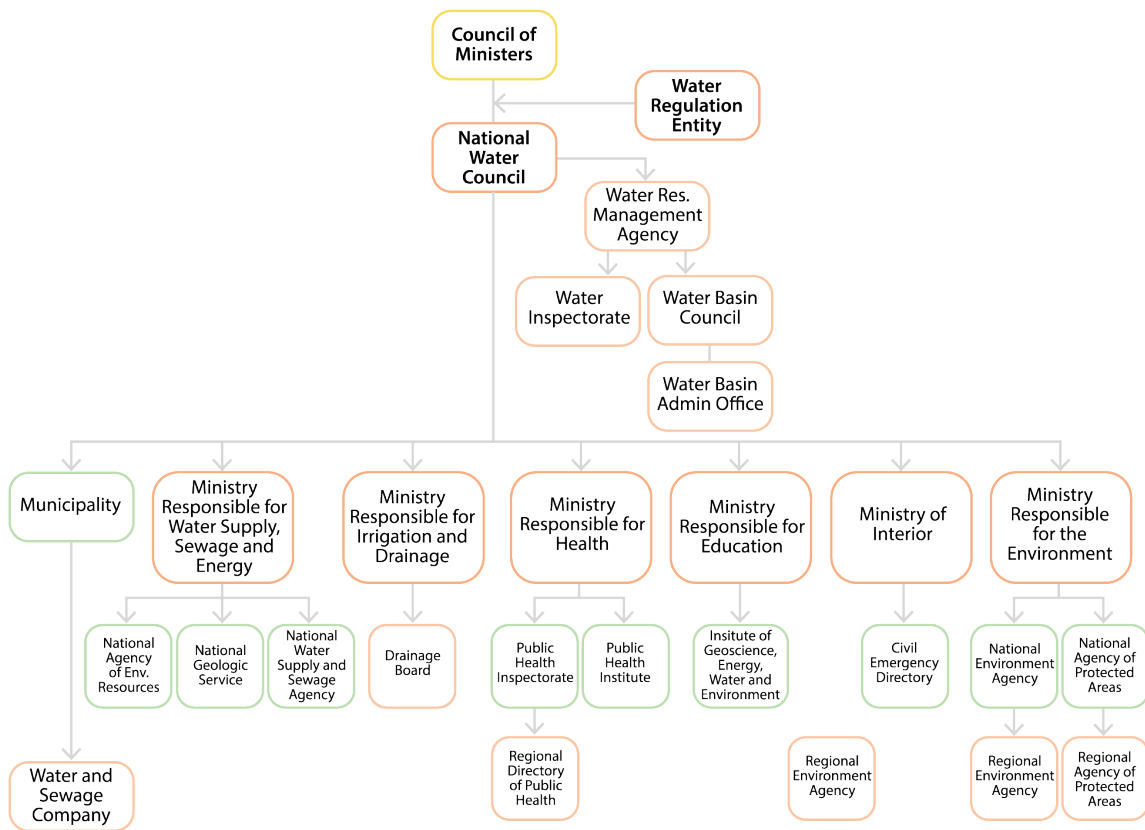
At the basin level, the Drin Corda represents a good case for cooperation in the Western Balkans, in accordance with the UNECE Water Convention and the WFD, the latter being the main subject of one of the EWGs. Despite the different levels of transpositions of the WFD in national legislation, Drin Corda has provided support for WFD integration in the basin. Strong cooperation is exemplified in the MoU, which is the result of a “sophisticated, step-by-step multi-stakeholders dialogue” (UNECE and INBO, 2015, p.31), though it is a legally non-binding document. Noteworthy is the fact that the cooperation initiated by the Drin Corda relies on the formal contributions of only one ministry/agency per country, leaving cross-sectoral alignment and enforcement in the hands of national representatives (Libert, 2015). The Drin Corda has become a reference point for donors and it is currently seeking funding to implement the Strategic Action Programme (SAP) (Interview 4). Some legally binding bilateral agreements for the management of international lakes exist, though they do not correspond to transboundary coordinated action (UNECE and INBO, 2015).

Albania, in line with its EU integration aspirations as well as its high dependency on water resources, started the WFD transposition by approving Law 111/2012¹¹ and then approving supporting by-laws. This legal framework covers regulations regarding the protection of water environments from pollution and overexploitation, sustainable distribution, water use, and flood risk management, while establishing institutional arrangements and responsibilities. The governmental restructuring after each general election, together with the approval of further laws, have contributed to institutional instability at a central level. Initially, the main central authority in charge of integrated water

management shifted from the Ministry of Environment to the Ministry of Agriculture after the 2013 elections, then to the Ministry of Tourism and Environment after the 2017 elections. Currently, the authority resides within the newly established Water Resource Management Agency (Law 6/2018; Alla, 2019). Additionally, a variety of institutions still cover different aspects of water management, such as irrigation, water supply and wastewater management, and flood risk management, among others.

Figure 3 is a summary of the institutional arrangement regarding water management in Albania, presented in the National Strategy of Integrated Management of Water Resources (NSIMWR) 2018-2027 (Council of Ministers, Albania, 2018a). While most of these institutions are already in place, some new institutions introduced by the water legislation are still in their early stages of consolidation or are still missing (Interview 3).

Figure 3. Institutional Arrangement of Water Management in Albania



Source: NSIMWR 2018-2027, translated by authors, 2020.

This complex stakeholder arrangement calls for well-established practices of horizontal and vertical coordination mechanisms. Albanian water legislation has conceived of the Water Basin Councils (WBCs) as a melting-pot for all relevant stakeholders at a basin scale (DCM 342/2016, Council of Ministers, Albania, 2016). The Drin-Buna WBC, part of the Drin basin, is to be composed of 21 members with representatives from the 12 local governments that share parts of the basin. However, there have not been any

decisions regarding the establishment of Drin-Buna WBC yet, creating an institutional void that is being spontaneously filled by ad-hoc agreements between different stakeholders for small scale and sectoral interventions. Each council relies on a technical body, the River Basin Agency (RBA), whose role is often undermined by a lack of resources and capacities (Rama, 2018), thereby giving it only a marginal role in practice.

Appropriate Scale within the Basin System

Following the WFD, the Drin basin scale and boundaries are clearly defined as one single watershed, including surface, groundwaters, wetlands, and aquatic ecosystems. To achieve a harmonised response, the GEF Drin project plans to strengthen the institutional transboundary cooperation by setting up a High Level Joint Commission (built upon the Core Group and the EWGs focused on RBMP definition) and secondly, national Inter-Ministerial Committees (IMCs) addressing water, environment, energy, agriculture, planning, treasury for the basin, and joint sub-basin management (Drin Corda, 2013). Additionally, the draft of a transboundary RBMP is planned and conditional to funding; the TDA constitutes a term of reference for the RBMP report (Interview 4). Nevertheless, several multilateral agreements have been taken forward, supported by international water agencies, and are building upon existing bilateral agreements. In fact, Albania signed TWM agreements with neighbouring countries at different stages: with Greece in 2001, with the Republic of North Macedonia in 2004, and with Montenegro and Kosovo in 2010. These agreements constitute a basis for further development and for sub-basin management, leading to the draft of donor-based RBMPs for most of the Albanian basins (Rama, 2018). As reported by Rama (2018), the Mati River RBMP has been approved, as has the Drini-Buna RBMP.¹² However, in the latter case, there is no permanent body that covers transboundary functions between Albania and Montenegro (GWP-Med et al., 2015); instead, the existing cooperation network works intermittently on a project basis. Overall, the lack of a supra-national RBMP entails that management interventions are limited to the fragmented actions of each country or according to the joint agreement, depending on local capacities and development goals.

Policy Coherence

The TDA, through a consultative and scientific process, assesses specific sources,

locations, and human activity sectors causing environmental degradation, hence addressing the trade-offs and spill-overs of water-related sectors. Afterwards, member countries are responsible for designing policies accordingly based on the interventions negotiated in the SAP (Interview 4). The achievement of this indicator is therefore highly dependent upon national efforts towards sectoral balance.

As anticipated, the Albanian Government has approved the NSIMWR 2018-2027 (Council of Ministers, Albania, 2018a). This is the main policy document on water governance in the country, seeking to integrate four water-related strategic pillars (energy, environment, food, and people) suitable to measure policy coherence in Albania. While the first principle of the NSIMWR links water and land management,¹³ the fourth highlights the importance of the economic value of water as a factor for informed decision-making. Nevertheless, the methodology used to translate the objectives set forward by this strategy into an actionable workplan with the relevant financial instruments is lacking. This strategy does not present any analyses of the monetary value and opportunity costs of the included water-related policies, nor does it succeed in presenting the budget required to fulfil the objectives it sets forth. Surprisingly, the section on financial resources presents the 2018-2020 sectoral Midterm Budget Plans (MBPs) for a variety of institutions relevant to water governance.¹⁴ In doing so, NSIMWR fails to provide policy coherence in different ways. First, by elaborating an integrated water management budget as a puzzle composed of pieces of sectoral MBPs, it fails to guarantee that there will be coherence between these sectoral investments or to ensure that these investments will contribute to the objectives set forward by the NSIMWR itself. Second, using the 2018-2020 MBPs as basis to estimate the financial needs of 2021-2027 solidifies the status quo of sectoral policies related to water, rather than pushing forward the fulfilment of the

objectives of the NSIMWR. Additionally, some of the sectoral strategies cover only the period up to 2020, hence it is hard to make budgetary projections for 2021-2027. Consequently, the NSIMWR does not present a budget linked to the objectives elaborated in this document, but rather submits to a path-dependent sectoral approach to water management. As stated in the document, the budget of NSIMWR is not an earmarked budget that will address the identified needs in water governance. Rather, it gives a referential picture of the financial needs without making it binding, posing further challenges to the longevity and consistency of these strategic investments.

Industry, agriculture, and fresh water supply make up the main sources of water consumption in Albania (NSIMWR, 2018). Data on the current and 2027 projections of water needs for each sector are specified in NSIMWR at a national scale, while water needs for agriculture and water consumption are also specified on a basin level. The National Energy Strategy (approved in 2018), on the other hand, does not report data related to current and future water consumption needs. Surprisingly, this strategy does not include Law no.111/2012 in the referenced legal framework. The level of coordination between these two strategies is unclear. The National Strategy for Irrigation and Drainage 2019-2030 refers to Law no.111/2012; this document presents the current and projected surface area of agriculture land for irrigation, as well as the range of water consumption per hectare without giving an absolute, overall figure. Calculations based on the data presented here show figures similar to the data presented in the NSIMWR.

In terms of energy production, Albania has been relying almost entirely on hydro energy production, although studies have shown high solar and eolithic energy production potential (Gjoka, 2018). There is a total of over 496 hydropower plants in Albania that are either operational, under construction, or planned, 105 of which are located in environmentally protected areas (Gjoka, 2018). National policymakers have

been divided between building several small-scale plants – ensuring a quick profit in concessions to foreigners – and the more recent approach of building fewer large-scale plants to be maintained as a national asset. The logic behind the latter approach is that a combination of convenient location and size and a reduced number of plants would support energy-water integration with neighbouring countries and increase safety and flood control, thereby having less impact on river flows (Selenica, 2020). Regardless of their numerous environmental externalities, the trend of constructing small hydropower plants has been increasing as an attractive investment opportunity for the private sector, though their overall energy production is negligible (Gallop, 2017). Although classified as small hydropower plants due to their production capacity, their environmental impact can be substantial and their cumulative environmental impact has not been assessed (Gallop, 2017). Moreover, water use for power production can cause draught and limited access to fresh water for local residents and rural economies (Gjoka, 2018). The construction of Skavica hydropower plant is an example of a key energy infrastructure project whose socio-ecological impact is unclear.¹⁵ As the project has been entirely managed by the central government, the lack of transparency and cooperation with local authorities and citizens has amounted to public resistance from local residents affected by the project: 10,000 residents are expected to be displaced and 40,000 residents are expected to lose their agriculture lands to expropriation (ABC news, 2020; Rrugae arberit, 2020; Shqiptarja.com, 2020; Top-Channel.tv, 2020; Vision Plus TV, 2020).

The Albanian central government is attempting to create cross-institutional working groups to support the integration of sectoral policies related to water. In 2015, the National Water Council (NWC) created four thematic working groups composed of different ministries that have water-related interest and shared responsibilities.¹⁶ However, these working groups are horizontal coordinating bodies on a central level, having no established partnerships with regional and local stakeholders.

Capacity

At the basin level, the overall institutional capacity is low. Drin Corda capacity building activities target water institutions and authorities in the basin acting within the institutional sphere (Drin Core Group, 2012a). The EWGs have provided several tailor-made trainings and workshops to build capacity within the basin regarding topics such as pollution control, TWM, and gender mainstreaming, among others (Hearns, 2019). However, operational capacity regarding data collection and use, as well as the ability to set up an up-to-date, automated information management system (IMS) is low across riparian countries (Hearns, 2019). Formalised peer-to-peer platforms are also lacking. Lastly, the lack of grant writing and management skills diminishes the possibilities for local authorities to access funding without the support of foreign experts. Moreover, Drin Corda's contribution to the TDA and to several bilateral management pilot-plans takes the form of monitoring programs and assessments, which will begin serving as a basis for a joint masterplan.¹⁷

In Albania, the WFD's transposition has been accompanied by an on-going reform that expands the public sector institutions associated with water management in the country. While these institutional changes could incentivise water careers in the public sector, this is expected to happen over a longer period of time. Regional and local water decision-making is quite limited, reducing local bodies (i.e. WBC and RBA) to a passive role compared to the active role of central water-related ministries and agencies (Rama, 2018). Currently, the supply of water-related study programs in the public universities in Albania is limited to technical degrees (mostly related to environmental/hydrological engineering) that do not tackle water management (UNITIR, 2020; UPT, 2020). Additionally, there are no guidelines or standards for capacity building across authorities at all levels (Interview 1 and 2). The associations of some institutions at the local level, such as municipalities and water supply associations, contribute to the

horizontal networking of stakeholders on specific water-related sectors. Nevertheless, vertical and, most importantly perhaps, basin level stakeholder networking is lacking. Another challenge in terms of water management capacities in the public sector is the lack of permanent staff in managerial positions (Ministry of Energy and Infrastructure, 2019) due to the continuous restructuring of institutions and political and nepotistic practices of employment in public institutions (Interview 1, 2 and 3). This is one of the main issues that needs to be addressed in terms of capacities in the water sector, especially since the cost of labour is one of the main costs of many public institutions (NSWSS, 2020-2030).

Efficiency of TWM

Data and Information

As stated by Skarbøvik et al., (2014), reliable and updated data on water resources is a key step to TWM. The Drin TDA collected the available data to generate the first georeferenced database monitoring report (the IMS) as part of the vision of the MoU.¹⁸ Besides collecting data from national databases, the TDA was based on the previous analysis, field activities to verify ecological parameters, and on the construction of future climate scenario taking into account climate variability (Drin Corda, n.d.), resulting in a GIS database. This IMS is operating, although not as an automated system and not one that is open to the public; only institutional representatives and scientific bodies of the member countries will be able to populate the database with the data available (Interview 4, Drin Core Group, 2012a). Moreover, as confirmed in an interview, official data exchange platforms do not exist and monitoring circles are not in place (Interview 4). While data on physical measurements are usually correct, data on chemicals are incomplete or irregular, and the data on flood risks are often collected on a project basis. Similarly, donors usually play a role in setting up the project for monitoring and data collection at the national level, linking data to specific projects, timelines, and actors.

In Albania, interviewees claimed that one of the main water challenges is the lack of available, updated data and integrated databases on which stakeholders can discuss and negotiate. The Water Resource Management Agency is the institution in charge of creating, managing, and updating integrated information systems on the water sector, namely the National Cadastre of Water Resources (Law 6/2018, Art. 55; DCM.221/2018¹⁹). So far, the agency (supported by international donors) has launched the domain of the cadastre and is working on a regulatory framework to align population data and environmental data (AMBU, 2020). Environmental data will include surface water classified according to its chemical and ecological status, protected areas, modified water bodies, environmental

licences for water related activities, areas inclined to eutrophication, safeguard zones, health hazardous areas, and drinking water bodies.²⁰ As suggested by Rama (2018), the general lack of data, with the exception of the Drin-Buna river, hampers the full implementation of the RBMP, due to the impossibility of assessing water quality and ecological statuses in a timely manner.

Currently, data is collected through a network of institutions across levels to ensure data collection at an appropriate scale (see the table for details).²¹ Horizontal data collection is based on priority sectors and vertical data collection (when the relevant data are collected on a local level and aggregated by the National Environmental Agency (NEA)) (AKM, 2019).

Table 2. Water-related Data Collection in Albania

Data	Institution Responsible for Collection	Frequency of Data Collection
Freshwater resources (surface and groundwater), such as the biological and ecological conditions of freshwater	NEA (AKM)	Yearly report
Morphological conditions of freshwater resources	NEA (AKM)	Yearly report
Agriculture and urban discharges/polluters on freshwater bodies	NEA (AKM)	Yearly report
Coastal morphology	NEA (AKM)	Yearly report
Natural hazards	IGEUM (IGJEUM)	Upon request and fee payment
Protected areas	NAPA (AKZM)	Unclear

Source: Authors, 2020.

NEA reports are published and are accessible to the general public online but the disaggregated database is not. Interviewees raised concerns regarding the insufficient number of monitoring stations along water basins for accurate data collection. Data from the Institute of Geoscience, Energy, Water and Environment (IGEUM) (especially its cartographic data) is one of the main sources

that informs the water basin management plans and decision-making related to the economic exploitation of water resources (IGJEUM, 2019). Unfortunately, this data is not accessible to the public and is only made available upon request and for a fee. Regarding protected areas, it is not clear what type of data the National Agency of Protected Areas (NAPA-AKZM) monitors

and evaluates and with what frequency. Nevertheless, the agency has published a variety of publications through different donor funded projects.²²

Financing Tools

Financing instruments for TWM are mainly dependent on international donors and come only partially from national funds. The Drin process was funded through the limited resources of national governments (Germany and Sweden) and international organisations (GWP-Med and UNECE) (Châtel et al., 2014). Similarly, infrastructure

construction, waste management, and water treatment facilities have often been funded through external financing (World Bank, 2019). At the sub-basin level, water supply and sewage tariffs are the main source of financial revenues for water organisations. This high dependency on foreign bodies impedes continuous project development and longer-term budgeting.

In Albania, the main water-related revenues are generated by the activities listed in Table 3 and are usually not earmarked, except those revenues generated by the Water Supply and Sewage Company.

Table 3. Revenue Generating Activities

Activity	Budgeting of the Revenues Collected
Industrial Polluted Water (Art. 30)	Central Government Budget
Curative, Thermo-mineral and Geothermal Water Usage (Art. 48)	Central Government Budget
Water usage/exploitation authorisations, licence and concession contract fee (including administration fees) (Art. 50, 53)	Central Government Budget
Water supply and sewage (Art. 92)	Water Supply and Sewage Company Budget

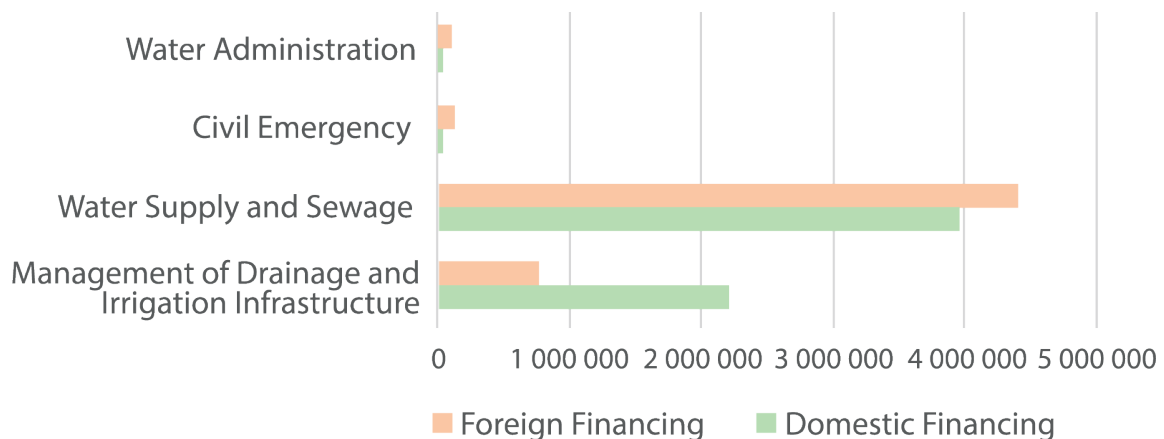
Source: Law 111/2012, updated.

The NSWSS 2020-2030 highlights the challenges involved with water supply and sewage tariff collection, as reported by local water supply and sewage companies. The latest data, from 2017, indicates that revenues are collected on only 35% of water consumed, as a result of a lack of metering in wells, pumping stations, reservoirs, and in some cases, households. Metered water supply coverage in 2017 was 68.3%, of which 86% of measured tariffs were collected. This is why revenues from tariffs make up, on average, only 50% of both water supply and sewage companies' budgets, even if during the last decade the water supply and sewage tariffs have increased by 143% and 218% respectively. In addition, the NSWSS indicates serious financial gaps between the cost of the 2020-2022 strategy and the financing capabilities available, as well as a

heavy reliance on foreign investment (up to 72% of planned investments). Again, a heavy reliance on foreign capital for investments in the water sector is evident in the NSIMWR and in the central government's 2020 budget. The table below shows the ratio between domestic and foreign financing of capital investments in four main water-related budgeting programs.²³

Regulatory Frameworks

Regulatory measures underpin several aspects of water governance, from use to accessibility and conflict resolution. The case of the Lake Shkodër's future development, shared between Albania and Montenegro, shows issues of water management under weak transboundary regulatory

Figure 4. Domestic and Foreign Financing for Water Budget Programs

Source: Authors, based on the central government's 2020 budget.

frameworks (Skarbøvik et al. 2014). Firstly, unsustainable agricultural practices, where intense production is combined with high use of fertilisers, especially by under-trained farmers, and over-pumping of water for irrigation, result in increasing pollution in the Lake. Secondly, an increase in tourism, if not paired with commensurate road and sewage infrastructure development, could affect the ecological status of the lake. Thirdly, water availability on the Albanian side depends on the Montenegrin use of the lake as a drinking source. Fourthly, the development of hydropower plants and dredging activities would change the hydrology of the lake. From the data available, it seems that these aspects are undermanaged and lack platforms for conflict resolution and monitoring at the basin level as a whole. Additionally, law enforcement, especially in protected areas, constitutes a challenge due to the lack of coordination between national and regional inspectorates, which generates a mismatch between recording illegal activities and collecting fines. To tackle this specific issue, multi-inspectorates task forces are being implemented in the Drin-Buna basin (GWP-Med et al., 2015).

Alla (2019) recognises some important aspects of WFD that have not been adequately transposed into Albanian legislation and raises concerns about their practical implications on the regulatory framework. Law 111/2012 fails to explicitly

define drinking water bodies as protected areas, though it does define safeguard zones around them as protected areas. Alla argues that while safeguard zones are important, their designation as protected areas is not meant to replace the designation of the whole water body as a protected area. Moreover, the Albanian government has yet to legally address key areas related to the establishment of environmental objectives for: surface water; groundwater and water in protected areas; requirements on how to conduct an analysis of river basin characteristics; monitoring criteria; and the content of the RBMP.²⁴ Such technical criteria are important in guiding the elaboration of management plans as well as their implementation and monitoring (Alla, 2019).

Innovative Governance

The case of the Drin TWM has thus far been an innovative process in the Western Balkans, both in terms of coordination efforts and in terms of the broad range of stakeholders involved. The MoU represents an innovative tool for cooperation at the national and transboundary level, involving ministries, national authorities, water users, NGOs, academics, the private sector, international institutions, and donors (UNECE and INBO, 2015). However, innovative tools and information and communication technologies seem to be lacking in the region. Moreover, while the establishment

of EWGs supports coordination among riparian countries and the establishment of a shared baseline in the long-term, TWM suffers from low societal awareness of water governance's relevance and poor juridical prosecution at the local level (Drin Corda, 2014). These issues can affect the scaling-down process from the transboundary to the sub-basin level. We can conclude, in the absence of a database agreed upon by different institutions and considering the issues on sectoral management highlighted in previous sections, that further innovation in institutional coordination and in data collection and sharing is still needed.

Towards a Land-Water Nexus Vision

The RBMP, as envisioned by the WFD (Moss, 2004), is the main instrument anticipated to help achieve integrated water management. Achieving this objective means aligning water governance with land governance in an effort to control and reduce pollution sources, such as urban run-off, urban wastewater pollution, and intensive agriculture near water bodies. On a transboundary level, the land-water nexus is embedded in the Water-Food-Energy-Ecosystem Nexus report of the TDA, supported by UNECE and still unpublished (Lucia de Strasser, 2018). The first phase consisted of a qualitative assessment of three priority issues, linking i) hydropower, flow regulation, and flood protection; ii) ecosystem services, biomass production, and forest management; and iii) agricultural activities and water demand. A second phase will provide a quantitative assessment of these issues based on different climate scenarios. The role of land in urban development and urban land markets, which have a direct impact on water quality and quantity, has been overlooked by this document.

Looking to linkages with territorial planning on a national level in Albania, the Environmental Impact Assessment (EIA) of the National Territorial Plan (NTP) (AKTP, 2020a) sets environmental objectives based on relevant, ratified conventions and EU directives (including

all the directives in the water sector) in an integrated manner. Simultaneously, this document assesses the cumulative impact of the strategic objectives defined in the NTP on the environment. Doing so, the NTP defines the strategic objective of transiting from an energy importing country to an energy exporting one as incompatible with the water objectives as set out in the EIA. Nevertheless, the EIA comments on measures to minimise the environmental impact of such interventions and does not challenge the validity of the proposed strategic objectives and projects altogether. In this respect, the prevalence of the energy sector could undermine the establishment of a land-water approach. However, the nexus could also benefit the national energy strategy by addressing the fragmentation of river systems and unstable precipitations that affect the continuity of energy production and force the country to import energy (IABR et al., 2016). Improvements to the infrastructure network together with trading agreements with neighbouring countries, land planning, solutions for climate adaptation, and riverbeds preservation could mitigate ecosystem fragmentation and degradation.

While the expectation of some water experts is that the RBMP should be informed on land management issues by national spatial planning instruments in place and then trickle down to local instruments (Interview 4), such an approach overlooks the considerable impact that local authorities' decision-making has on water quality and quantity. Shkodër Lake provides some examples of these issues and impacts (Municipality of Shkoder et al., 2016). Firstly, untreated urban wastewater is one of the main pollutants of the lake, which must be addressed by local actors. Secondly, the Shkodër bypass, which connects two national motorways bypassing the inner city of Shkodër, has almost been completed despite the negative environmental impacts highlighted in public hearings. Specifically, the bypass creates a barrier between the city and the lake, fragmenting the lake's habitat and threatening urban expansion in its vicinity. Most importantly, while the

bypass supposedly mitigates the flooding risk by creating a water barrier, it increases the risk of pluvial flooding in Shkodër as the flow of rainwater towards the lake is now disrupted.

On a basin scale, there is a lack of cooperation between the national and local governments in the absence of a second-tier government such as a decentralized regional authority, which poses several management challenges. Currently, the main urban planning instruments employed in Albania are comprehensive territorial plans, also referred to as general local territorial plans in local legal terminology, elaborated at the municipality scale. The Albanian Drin sub-basin overlaps with the administrative boundaries of thirteen municipalities. Three of these municipalities do not have approved General Territorial Plans in place (AKTP, 2020b), whereas the existing local territorial plans of the other 10 municipalities only cover the portion of the river basin within each municipalities' territorial jurisdiction. Depending on local expertise and data availability, they vary in quality, accuracy, and approach to land and water management. Therefore, they do not provide a clear picture of an integrated land-water management plan for the entire Drin basin in the Albanian territory. This could be overcome by a regional plan. However, efforts to undertake regional development reform in Albania have failed to produce concrete sustainable outcomes (Imami et al., 2018) in terms of decentralised institutions that could undertake the task of elaborating and implementing a regional plan, while having the authority to raise revenues independently.

Conclusions and Recommendations

The complex water system and socio-political framework of the Western Balkans requires an integrated approach to transboundary water management across countries and sectors, especially since environmental pressures are expected to increase as a result of rapid political and economic change (Skarbøvik et al., 2014). The Drin Corda constitutes a good practice

in the region: the riparian countries share a vision that takes advantage of political will and momentum to collaborate. A key contribution of the Drin Corda is to increase capacity and provide standards to follow at the same pace for its members. In this sense, the recently-signed Strategic Action Programme formalises the commitment of the riparian countries in addressing the transboundary issues framed in the Transboundary Diagnostic Analysis. Although Drin Corda partners are involved in different pilot projects, these are affected by institutional dissimilarities and a lack of reliable water data. Improving the effectiveness of water governance in defining clear water policy goals and targets will depend on institutional stability in the riparian countries and on the elaboration of a transboundary River Basin Management Plan. The efficiency of water governance in maximising the societal benefits at least costs will be linked to much-needed balance and coordination among sectoral national strategies and the involvement of local actors.

In Albania, the policy and regulatory landscape for water governance is characterised by institutional instability and inadequate enforcement. Moreover, funding sources for national and transboundary projects are mainly tied to external donors, which compromises funding coherence. Data collection and accessibility are: dependent on specific, ongoing projects; based on agreements between international and national parties; and are not collected or shared in a systematised manner. Integrated policy approaches and documents are lacking: policymaking and regulation occurs in a piecemeal fashion rather than contributing to established strategic objectives at the basin or sub-basin level. In addition, the local capacity for fundraising and managing grants autonomously is also limited. A lack of horizontal and vertical coordination between public authorities is another challenge confronting the integrated water management objectives. For instance, the overriding importance of the energy sector recognised by the Albanian government

conflicts with other sectoral objectives and complicates the quest to address water governance as an integrated, overarching way that involves various sectors.

A Land-Water Nexus Vision for Enhanced Resilience: Institutional, Funding, and Data Gaps

A land-water nexus vision is part of the Drin Corda approach, as well as part of Albanian strategic plans. At the moment however, it is implemented nationally through zoning regulations for protected areas and general local territorial plans focused on local land use. The fragmented nature of these latter plans represents one of the main challenges to nexus implementation. This challenge is compounded by the disproportionate role played by central institutions in resource management (compared to the weak position of local institutions) and the lack of a regional, in-between body that could address land-water nexus priorities at a sub-basin level. Moreover, the lack of a transboundary RBMP represents a gap between the institutional cooperation of Drin Corda and the sub-basin level at which RBMPs are being drafted. The elaboration of a RBMP would also put the SAP in the longer timeframe of 30 years. Additionally, it is possible to assume that due to the challenges highlighted in financing tools, data, and policy coherence, the nexus concept in Albanian policy-making will remain largely on paper until budgets and implementation plans can be aligned in an integrated fashion.

At the transboundary level, the need for drafting and implementing an RBMP is imperative. This should be informed by engagement processes with local actors and final users, thereby improving negotiation abilities and providing cross-sectoral policy integration by prioritising the creation of national Inter-Ministerial Committees. The RBMP should become a hybrid instrument, able to inform national and local authorities. It should also be able to gather and assess the needs and objectives of water-related sectors through different consultative

working groups, including private sector representatives from farmer and fishing communities and businesses, energy trading companies, water supply companies, and other private stakeholders. Moreover, it is important to improve the transparency and coordination of data and capacity sharing among donors, international agencies, and local entities for the sustainability of water-related projects.

In Albania, the implementation of basin and sub-basin plans should firstly be combined with an institutional decentralisation process to strengthen the role of local institutions and increase their capacity and power. Second, efforts should be taken to fill institutional gaps at the regional level. This can be tackled by pushing forward the process of establishing new institutions stipulated by Law 111/2012 (especially the Water Basin Councils) and decentralized regional authorities. Thirdly, at the central level, national and regional strategies should be guided by cost benefit analyses of water usage in all water-dependent sectors. These should also include benefits that are hard to monetize, such as health, environment, and urban quality benefits for water-related projects to better understand the trade-offs of each decision. In this sense, environmental impact assessments should be strictly applied to protected areas and used to inform national strategies in the water-sector. In terms of energy, a diversification of the sector towards alternative energy sources could diminish dependency on over-exploited water resources. Small hydropower plants should be cautiously evaluated, since evidence shows that they present numerous environmental externalities while their contribution to overall energy production is very modest.

Local bodies should be capacitated to increase their regulatory frameworks and address uncontrolled local practices. Moreover, a process of capacity building in acquisition, spending, enforcement, and the support of local informal networks would empower local bodies to play a more active role in resource management. Similarly,

greater awareness of water issues should be promoted among all users and civil society, especially in terms of risks and consumption.

Notes

1. 'On the integrated water resources management' (Ministry of Environment, 2012)
2. All references to Kosovo are made in the context of UN Security Council Resolution 1244 (1999).
3. The Drin River is composed of two main branches: the Black Drin and the White Drin. The Black Drin flows from Ohrid Lake in North Macedonia and joins the White Drin, which flows from Kosovo, in Fierza Lake in Albania. Hence, the downstream of the Drin River flows in Albanian territory, where the Drin joins the River Buna before it meets the Adriatic Sea.
4. These consultations were carried out under the Petersberg Phase II/Athens declaration process and the Global Environment Facility (GEF) IW:LEARN Programme, supported by the World Bank, UNECE, and GWP-Med, with the financial support of the Swedish Environmental Protection Agency and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.
5. The Coordinated Action for the implementation of the Memorandum of Understanding for the management of the Drin basin (Drin CORDA) is supported by the GEF Drin Project. The latter is implemented by the United Nations Development Programme (UNDP) and executed by the Global Water Partnership (GWP) through GWP-Mediterranean (GWP-Med), in cooperation with the United Nations Economic Commission for Europe (UNECE). GWP-Med serves as the Secretariat of the Drin Core Group, the multilateral body responsible for the implementation of the Memorandum of Understanding.
6. Composed of: I) a full-sized project entitled, 'Enabling transboundary cooperation and integrated water resources management in the extended Drin River basin' (PIMS 4482/ GEF ID 4483); and, II) a medium-sized 'add-on' project 'Enabling transboundary cooperation and integrated water resources management in the White Drin and the extended Drin basin' (PIMS 5510 / GEF ID 9121)(Hearns, 2019, p. 2).The GEF Drin Project was endorsed in 2011 and began in 2015. The project supports the Drin Corda activities and implementation of the MoU.
7. These thematic reports address: Biodiversity, Pollution, Hydrology, Institutional and Legal Setting, Socio-economics, and the Water-Food-Energy-Ecosystems Nexus.
8. SDG 6.5 calls for the following: "By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate" (United Nations, 2020).
9. "Effectiveness relates to the contribution of governance to define clear sustainable water policy goals and targets at all levels of government, to implement those policy goals, and to meet expectation targets" (OECD, 2018a).
10. "Efficiency relates to the contribution of governance to maximise the benefits of sustainable water management and welfare at the least cost to society" (OECD, 2018a).
11. Amended with Law 6/2018 (Ministry of Environment, Tirana, Albania); drafted by the Ministry of Environment with the assistance of two EU-funded projects: Implementation of National Plan for Approximation of Environmental Legislation (INPAEL 2009-2011) and Strengthening Environmental Law Enforcement in Albania (SELEA 2012-2014).
12. DCM 1/2020 (Council of Ministers, Albania, 2020). The DCM does not include the final plan of the river basin.
13. "Efficient (water) management links land management to water management

- along the whole catchment area and underground aquifers" (NSIMWR 2018-2027, p.3032).
14. These institutions include the Water Resource Management Agency, Ministry of Environment, Ministries responsible for water supply and sewage, civil emergency, energy, and the Albanian Development Fund (NSIMWR, p.3072).
 15. Two options have been laid out for Skavica hydropower plant, one with an estimated power of 120MW and yearly production capacity of 479 GWh that would cost 308 million € and a second one, with an estimated power of 210 MW, yearly production capacity of 915 GWh, and cost of 510 million € (Gordani, 2020), to be financed by the Government of Albania after years of failed attempts to finance it through a concession scheme.
 16. These groups were created by Decision NWC 4/2015.
 17. Pilot projects include the development of the Lake Ohrid Watershed Management Plan, a sewage treatment plan for Skadar/Shkoder, and a joint monitoring network in the Skadar/Shkodër and Buna/Bojana sub-basins in Albania and Montenegro. Moreover, a pilot project on flood adaptation is under consideration (Hearn, 2019).
 18. The MoU Action Plan includes "Action 3. Improvement of information exchange through the establishment of a system for regular exchange of relevant information among the competent authorities of each Party" (Drin Core Group, 2012b, p. 18).
 19. DCM 221/ 2018, Section III-2/ç (Council of Ministers, Albania, 2018b).
 20. Law 111/2012 updated, Art.88.
 21. These institutions include regional authorities, central authorities through the Ministry of Tourism and Environment, Local Government, scientific and professional research institutes and public service companies (in landfills, water supply and sewage, etc) (National Environmental Agency, 2019).
 22. The most recent project is 'Monitoring Manual for Lake-bound Species and Habitats of Lakes Prespa, Ohrid and Shkodra/Skadar', which is an output of a transboundary project between Albania, Montenegro, and North Macedonia (NAPA, 2019) on conservation and sustainable use of biodiversity at Lakes Prespa, Ohrid, and Shkodra/Skadar.
 23. These four programs are the main water-related budgeting programs however they do not cover the entire budget directed to water-related issues, since other budgeting programs might also have water-related activity projects. Also, the 'Civil Emergency' program refers to all civil emergencies, not only water-related ones.
 24. Decision no.1 of the National Water Council 'On the content, elaboration and implementation of the National Water Strategies, Water Basin Management Plans and Plans of Flood Risk Management', approved on 17/02/2015, should address this issue. However this decision has not been published by the Official Publishing Centre and cannot be accessed online.

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Economic Viability of Alternatives for Lignite-free Electricity Production in North Macedonia: The Case of TTP Oslomej

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Summary

The Republic of North Macedonia (RNM) is undergoing a complex process of integration into the European Union (EU) including the alignment of environmental protection policies, which is one of the most challenging and cumbersome sectors. After signing the relevant international agreements and increasing awareness about the damage that fuel (lignite, coal) causes to the environment and human life, this energy source's popularity began to decline significantly. Coal usage as an electricity input in North Macedonia is less and less attractive, particularly given the low quality and limited coal reserves, coupled with changes in the strengthened European environmental legislation and increasing competition from renewable energy sources (RES). The impact of these trends will be most acutely felt in the Southwest planning region of North Macedonia, where the Oslomej thermal power plant (TPP) (one of two in the country) is located. Although the plant's lifespan is almost over, it has a significant effect on the local economy, both directly and indirectly. The sector (mining and electricity production) employs a noteworthy number of people and contributes to the regional economic value added. The lack of a clear approach to manage the anticipated post-lignite effects of Oslomej's possible decommissioning in a timely and integrated manner is evident, as institutionally-coordinated initiatives to prepare for the transition are lacking (at least as far as the public is aware). This article intends to illustrate the economically viable alternatives to be considered for reducing or mitigating the negative economic effects of the post-lignite era within the framework of an adequate and timely approach to the transition.

Keywords: Decommissioning Coal Electricity Production, Economic Viability, Alternatives, Republic of North Macedonia

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Introduction

The decommissioning of fossil fuel power production plants between now and 2030 is essential for Europe's planned low carbon future. In this in-between period, significant changes are needed within the member countries' energy sectors if the European Union (EU) is to meet its goals for the Green Deal and to be climate-neutral by 2050 (European Commission, 2019). This entails reducing greenhouse gas (GHG) emissions to at least 40% below the 1990s level by 2030 (as per the Paris Agreement of 2015). While the EU has made considerable progress in improving energy efficiency and using renewable energy sources (RES), a well-planned transition out of carbon-intensive power generation is needed to meet the long-term aim of creating a low-carbon society not only in EU, but in the Republic of North Macedonia (RNM) as well.

Through the 2030 Climate and Energy Framework (European Council, 2014) and subsequently through the Green Deal, the EU set their renewable energy target to at least 27% of total energy. The share of renewables in gross final energy consumption at an EU level was 18.9% in 2018, compared with 9.6 % in 2004 (Eurostat, 2020). The transition of the Macedonian energy sector from environmentally polluting non-renewable sources to RES is rather slow however, and lignite production is still prevalent. Lignite as a source for energy production still accounts for over 70% of the country's total energy mix (State Statistical Office, 2020).

The Republic of North Macedonia is an EU candidate country. As of March 2020, the EU's General Affairs Council decided to open accession negotiations. While aspiring to adhere to the European goals, the RNM has to deal with the challenge of being one of the countries with the highest level of air pollution.¹ Its urban areas regularly rank among the top air-polluted locations within Europe. While the EU is moving quickly away towards its ambitious environmental plans, the RNM is struggling to keep up as the environmental gap between North Macedonia and the EU widens.

The decarbonization of power production is crucial to reducing greenhouse gas emissions and tackling climate change. Decommissioning coal power plants is in line with these environmental goals. This process is expected to have a notable impact on the economy and the society as a whole, requiring a vital transformation of the energy system. The transformation towards renewable and low-carbon energy requires significant investments followed by clear national strategies and action plans. While it may be a significant potential source of economic activity and new jobs, economic losses are also expected, caused by the closure of the traditional energy plants and energy-dependent sectors. The RNM's compliance with the European environmental goals for decarbonization and the abandonment of coal-fueled energy production will undoubtedly affect the socio-economic development of the Southwest planning region in North Macedonia, where the Oslomej thermal power plant (TTP) is located.

The goal of this article is to demonstrate the possibility for economically viable and profitable alternatives that can be both positive for the environment and for the local economy by modelling several scenarios. It provides an overview of the challenges of the energy sector in the context of the environmental future of the RNM on the path to full EU membership. Furthermore, the case of the Oslomej TTP models the possible regional, economic effects through several scenarios.

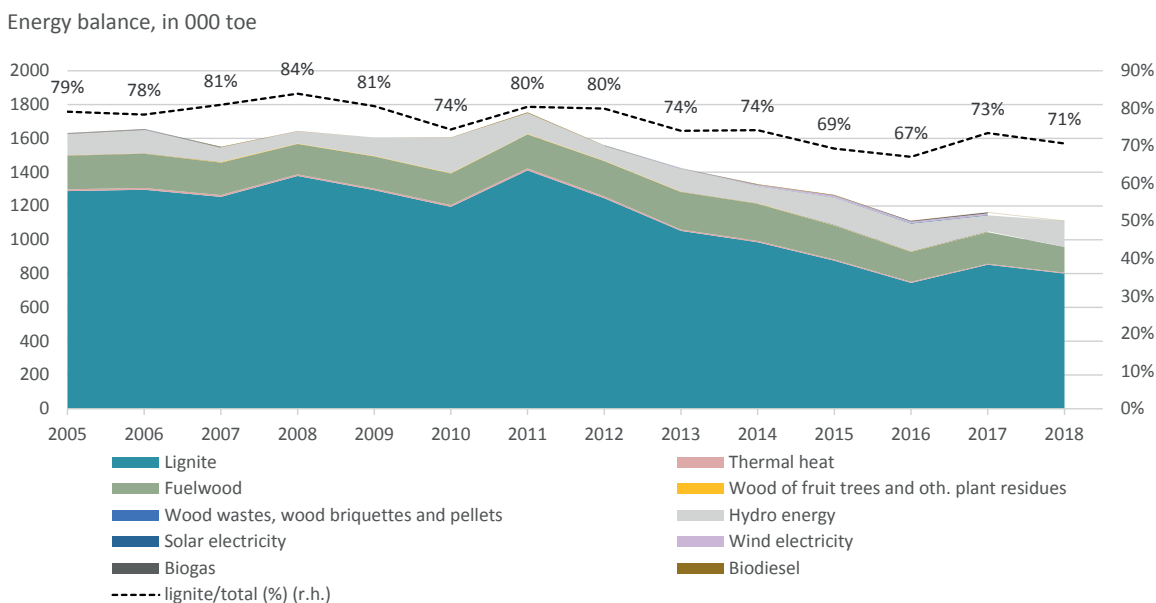
Energy-generating Mix in North Macedonia

Energy resources in the Republic of North Macedonia indicate a modest energy potential, directly affecting the opportunities to meet the country's own energy source needs. The exploited energy sources in the RNM are predominantly coal and hydro-energy. The country relies heavily on fossil fuels that are powered by a low-quality lignite and oil for electricity generation. In the last fifteen years there has been a sluggish transition from coal-

based electricity generation towards clean RES such as solar and wind. In 2018, lignite accounted for 71% of the total energy balance while collectively, solar, wind, thermal, and biogas accounted for less than 2% of the total annual electricity generation. Hydro energy generation accounted with less than 14% (State Statistical Office of RNM, 2020).

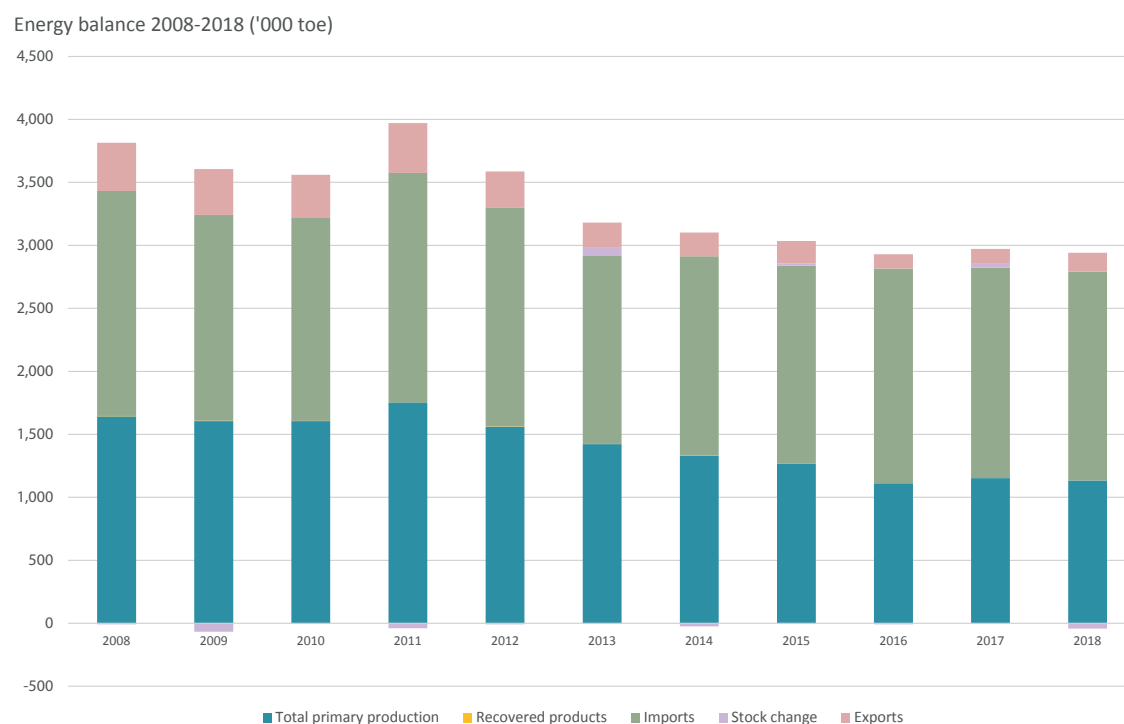
Despite investments in the system's modernization, domestic energy production has decreased by about 30% in the last ten years (Figure 1), while imports have risen to 64% of total energy consumption (Figure 2) (State Statistical Office of RNM, 2020).

Figure 1. Energy Mix in North Macedonia, 2005-2018



Source: State Statistical Office of RNM (2020)

Figure 2. Energy Balance North Macedonia, 2008-2018



Source: State Statistical Office of RNM (2020)

The International Monetary Fund has suggested that prices paid by consumers in North Macedonia for fossil fuels are broadly in line with low domestic supply costs, but that low-priced supply does not reflect the costs of environmental damage. This is mainly due to the adverse impacts on health from “local air pollution and contributions to global warming, which are tantamount to sizeable fossil fuel subsidies” (UNECE, 2019, pg. 67).

Challenges exist in meeting the country's legally binding renewable energy target, due to its reliance on fossil fuels and hydropower. The RNM's target for RES in 2020 was reduced from 28% to 23% (Energy Community, 2018) while at the same time its solar and other RES energy potential is considered to remain untapped (IRENA, 2019).

Strategic Direction in the Energy Sector and European Policies

In 2010, North Macedonia adopted three key documents for the energy sector valid for the next decade(s), the 2010 Energy Development Strategy, the 2010 Strategy for the Improvement of Energy Efficiency, and the 2010 Strategy for the Use of Renewable Energy Sources. The 2010 Energy Development Strategy (valid until 2030) faced major backlash due to a nuclear power plant scenario as one of the options. Furthermore, the Strategy was criticized for its excessive focus on hydropower and insufficient attention to other RES. A decade later, finalized at the very end of 2019, a new national Energy Development Strategy was enacted by the Government of Republic of North Macedonia (GoNM) valid until 2040. Under the Energy Community commitments to increase the share of RES, the country had a target of 28% of the gross final energy consumption in 2020, while at the end of 2018, the Energy Community's Ministerial Council adopted a decision lowering the country's 2020 target for the share of RES in gross final energy consumption to 23%. Regarding North Macedonia's energy sector in 2018-2019, the Annual Report of

the Energy Community stated that, “the adoption of the Energy Law in May 2018 marks a turning point in the transposition of the Third Energy Package” (Energy Community Secretariat, 2018, p.102). “The legally binding renewable energy target was revised to 23% by the Ministerial Council in 2018. In 2017, the country achieved a 19.7% share of energy from renewable sources, lower than the 21% trajectory for the years 2017 and 2018.” (Energy Community Secretariat, 2019, p.138). Further, “Almost 80% of the total GHG emissions are CO₂ emissions originating from the energy, buildings and transport sectors. Due to the extensive use of fossil fuels and particularly the dominant share of lignite for electricity production, there is significant potential in the country for policies and measures leading to GHG emissions reduction” (ibid., p.144). The EC report also notes: “The amended national renewable energy action plan is now in line with the binding target of 23% of energy coming from renewable energy sources by 2020. The new Energy Law is fully aligned with the Renewables Energy Directive. The implementing legislation is in the process of being adopted.” The new strategy was adopted at the very end of 2019 to be implemented until 2040, with three ambitious scenarios. The new energy strategy clearly pinpoints the fact that TPPs fuelled by coal, such as Oslomej and Bitola, are both faced with a lack of coal sources. While Oslomej is using the final coal reserves, Bitola will be faced with this challenge in the coming decade.

The Economic Effect of Thermal Plant Decommissioning: The Case of Oslomej

The Oslomej TTP is in the Southwest planning region of the country. The energy sector of the region, primarily comprised of the Oslomej mine and thermal plant, contribute around 16% of the gross value added (GVA) of the region (Center for Economic Analyses, 2017).² The case of Oslomej TTP is of relevance, as the Oslomej mine produces less than 2% of the total coal produced for energy transformation when active. Oslomej TPP is the second

thermal power plant according to installed capacity in North Macedonia. At one time, it contributed approximately 10% of the total domestic electricity production. Nowadays, when it is active, it contributes up to 2% of electricity produced. Faced with the depletion of nearby coal reserves, the thermal plant's future is not only bleak, it is non-existent. Despite this, the ESM 'Power Plants of North Macedonia, Five-Year Investment Plan 2018-2022,' commissioned new coal reserves in the vicinity of Oslomej TPP, however did not occur due to the socio-environmental reasons and public pressure (Ministry of Economy of RNM, 2019).

At the same time, stakeholders are not aligned in the RNM about the direction to be taken. This is evidenced through the lack of an integrated and coordinated approach to energy development with long-term, state spatial planning; environmental protection planning; health protection measures for the population; economic development; and sustainable growth. Considering the lack of coordination, a civil society initiative evaluated the regional economic implications if and when the Oslomej thermal plant is closed. In this effort, and given several scenarios, the results serve to illustrate the existence of possible alternatives that may mitigate the economic effects of closure. The scenarios demonstrate that, if adequately planned and implemented, it is economically viable and preferable to decommission the coal plant.

In the Center for Economic Analyses and Ekosvest's (2019) economic analysis, two approaches were used in designing the scenarios: the Input-Output Model approach (IOM) for the Southwest region of the RNM, and a Cost-Benefit Analysis (CBA). The scenarios considered to estimate the possible impact were:

1) Zero scenario/No change – where no preparatory or other activities are taken after the full exploitation of the coal reserves in the Oslomej mine and there is no compensation for jobs lost, nor for the value added to be lost once the lignite units are shut;

2) Decommissioning – closing the plant according to standards and appropriate technical activities, dismantling facilities, and bringing the site to the state for brownfield investment without soil decontamination; and

3) Alternative economic activities in the primary, secondary, and tertiary sectors of agriculture, processing industry and tourism services (potential areas determined in consultation with the community) as value-added substitutes for the lost employment in the electricity supply sector through a phasing out and gradual reintegration approach.³

Input-Output Method (IOM)

By using the IOM model of multipliers, the three scenarios refer to the creation of new jobs and local value added that contributes to the economy of the region directly, and then takes into account the multiplier effects through the interaction with different sectors in the regional economy.

The comparison of the scenarios indicates that the decommissioning of Oslomej (either before or after the depletion of the lignite reserves) will lead to the loss of two thousand jobs. Approximately half of these jobs are direct losses with the other half are job losses in interacting sectors in the local economy.⁴ The greatest impact, as a result of the multiplier effects, is expected in related economic activities such as: mining, processing, and electricity supply, while positive outcomes are expected in agriculture as well as administrative and other service activities. In terms of gross value added (GVA), the decommissioning of Oslomej will generate a loss of over one billion denars,⁵ half of which will result as a direct loss from Oslomej's contribution to the sector. The remaining losses result from the indirect multiplier effects on related economic activities.

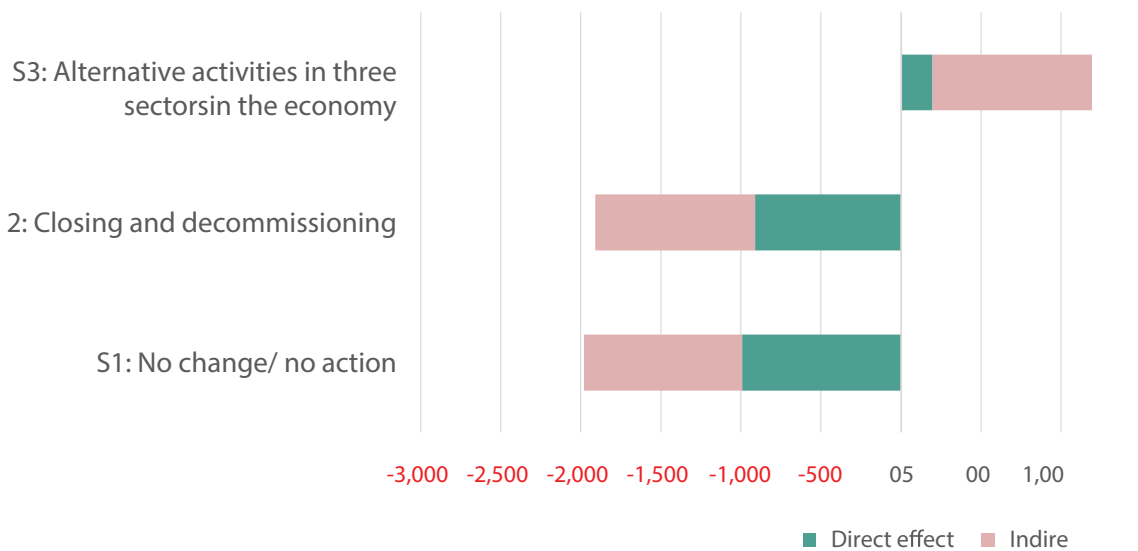
The scenario with the gradual substitution of labour in alternative economic activities illustrated through three given sectors⁶ could directly replace 194 direct jobs and another 994 indirect jobs in other sectors.

Without gradual substitution, the closure of Oslomej upon depletion of lignite reserves would immediately result in 991 direct job losses and an additional 989 in other related sectors. With the decommissioning process, 912 direct jobs would be lost and an additional 999 in other, related sectors. At the same time, following an approach of substitutions with alternative economic activities, the regional value-added loss would be substituted and surpassed from the other sectors, mitigating the negative effects.

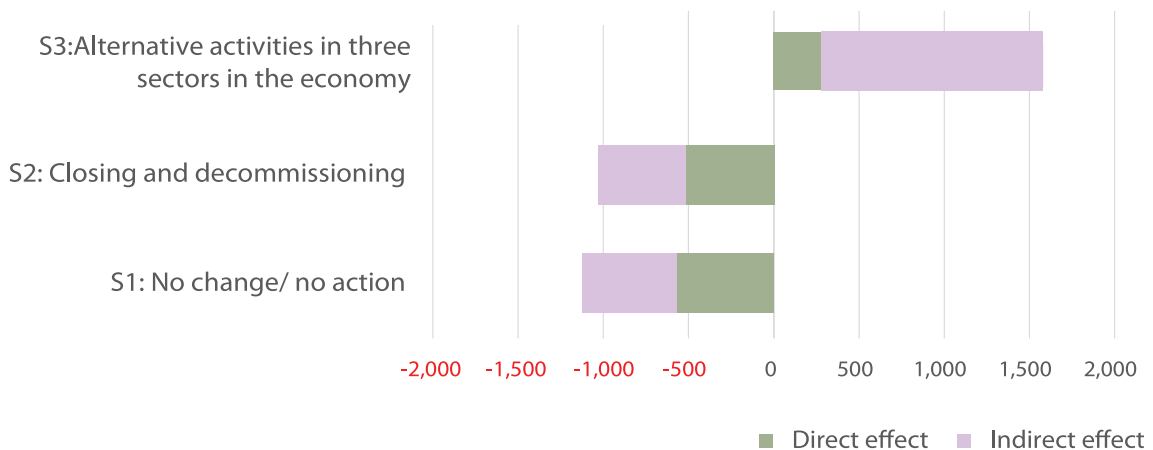
The results of the scenarios modelled with the input-output approach are summarized in the following figure (see Figure 3). These results show that only in terms of employment, the sectors in the given alternatives cannot fully absorb the labour substitution from Oslomej. However, the regional loss of value added to the economy can be significantly compensated though the generated value added from other activities that will not only substitute but contribute beyond Oslomej's value added.

Figure 3. Comparison of Scenario Effects on Jobs and Value Added

Reduction/Creation of jobs



Reduction/Creation of regional value added



Source: CEA, Ekosvest (2019)

What is crucial is timely, systematic, and organized action, in accordance with good practices and principles that are responsive to the needs of the citizens affected and environmental protection.

Cost-Benefit Method

The results of the scenarios from the second approach, with the financial analysis indicators, show that decommissioning Oslomej is a financially unprofitable option. However, the economic analysis shows an economically feasible and profitable decommissioning scenario. Furthermore, we modelled the process of closing Oslomej with a gradual substitution of labour and reorientation towards economic activities in other sectors, which is expected to have a significant, long-term, positive economic effect. In particular, effects would be felt on the quality of life of the people, the protection of the environment, and the protection of health and human life. The given scenarios assess the financial and economic profitability in the continuance of activity at Oslomej until the full depletion of lignite reserves without any planned activities for the labour force or other economic activity; in a decommissioning process without substitution; and two alternative scenarios of possible labour substitutions within economic activities not related to coal production or other polluting, economic activities.

The results of the modelled scenarios indicate that, from a solely financial perspective, the 'no action scenario' as well as a scenario of 'no action followed by labor substitution' after the depletion of lignite reserves, has a positive financial effect. These outcomes are expected since there are no financial capital investments in the period considered, merely revenue generation (i.e. generating positive annual cash flows). Gradual labour substitution in the three sectors (agriculture, food processing and tourism) would generate positive flows after the closing of the TTP.

However, if we consider the economic feasibility and profitability of the scenarios

with the benefits and costs, which are much wider than only the financial profitability, then the state of play is significantly different and the economic benefits exceed the costs many times over.

The most favourable scenario, measured by the CBA through economic net present value (ENPV), is the closure and decommissioning of Oslomej accompanied with a plan for gradual labour substitution and reintegration in other, non-polluting sectors. In the scenario, a combination of primary agricultural production, food processing, and the development of services in the field of tourism are used. This is expected to generate benefits of 2.15 billion denars⁷ in a period of twenty-five years, with an internal rate of return of 24%. The most economically unfavourable scenario, on the other hand, is not taking any action due to the negative implications and costs for society as a whole.

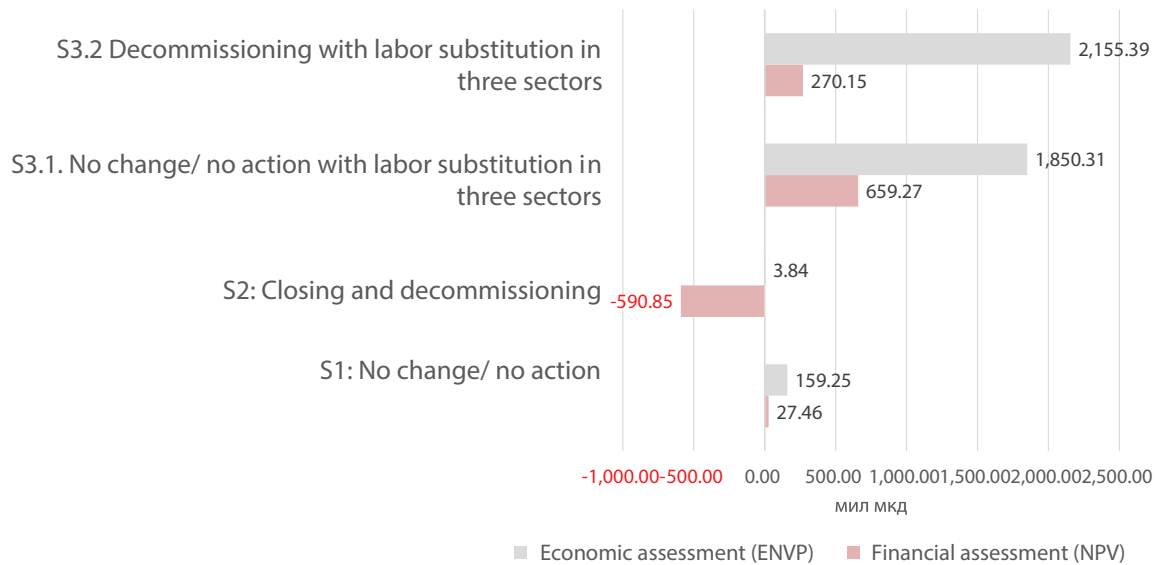
Concluding Remarks: There are Alternatives

This paper's goal has been to illustrate the economic viability and positive outcomes of alternative scenarios that are beneficial for the economy, community wellbeing, and the environment, through the case of the Oslomej TPP. The essential prerequisites for win-win scenarios are political will, clear goals, good planning, and an integrated approach, followed by determined and efficient policy implementation involving the local community. Pursuing such a scenario is important as the RNM's transformation to a post-lignite era is lagging behind the European goals.

The movement of the RNM towards the increased capacities and usage of RES vs. non-renewables is lethargic, especially for decommissioning coal usage. The two thermal plants (one of which is Oslomej), though minimally significant energy producers nowadays, require a well-planned system of decommissioning coupled with plans for the reintegration of the labour force and mitigation of local economic effects. While decarbonization and energy

Figure 4. Comparison of Financial and Economic Viability of Scenarios

Comparison of economic and financial assessment of scenarios
(period: 25 years; discount rate 8%)



Source: CEA, Ekosvest (2019)

system restructuring is a complex, lengthy, and expensive process, immediate actions are needed.

Policymakers should balance the environmental necessity for accelerated coal plant decommissioning with a thoughtful, managed allocation of the capital losses, while constructing a just system for the transition of the labour force and local economic development. Environmental fairness programs should be enforced to ensure that the local communities participate fully and benefit from the transition process towards clean, renewable energy.

Adopting and practicing no-coal and clean energy should be put into practice more vigorously and dynamically, as there are alternatives that are socially and economically more viable than inaction. With adequate planning and support, these alternatives can turn into effective policies that will not only mitigate or reduce the potential negative economic effects, but make them even more economically sound in the long run.

Notes

1. Approximately 1,600 people die prematurely every year as a result of exposure to AAP (PM2.5) in North Macedonia (World Bank, 2019); 3900 premature deaths in the Western Balkans due to coal plants (Puljic, V. M., et al., 2019)
2. The balanced regional development indices for RNM shows a huge gap between the Skopje statistical planning region and the seven other statistical planning regions.
3. Please note that during the design of the scenarios, we did not take into account specific development parameters for each sector, such as the evolution of market value, existing and future market, return on investment, engagement of institutions, providing a favorable environment for substitution, etc.
4. For details of the methodology and the assumptions, please consult the full study: Center for Economic Analyses, (2019) Economic Analysis: Towards a Lignite-free Development, Case Oslomej.

5. 1 EUR= 61.65 MKD, 1 bill. MKD =16.2 mill EUR
6. The selection of the sectors to substitute the job losses are based on the responses of the local community.
7. 1 EUR= 61.65 MKD, 2.15 bill. Mkd =32.4 mill EUR

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CENTROPE Initiative – Lessons Learned and Inspirations for the Western Balkans

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Summary

European integration is a long-lasting and multi-layered process with different dynamics in particular parts of Europe. Important parts of these processes are cross-national, territorial cooperation initiatives at the meso-regional level, where several lessons for integration can be found and used for inspiration and transfer of experience. The last decade of the twentieth century was a period of optimism and positivity in Central Europe, fostering convergence and cooperation among cities and regions. One of the most visible projects of this era was the CENTROPE (Central European Region) initiative. The objective of CENTROPE, among others, was to create a governance framework for effective and efficient cooperation in an area of more than six million citizens and thousands of high-skilled laborers with the potential to be competitive in the European economy. However, the initiative did not deliver the expected results and, for the past several years, it appears to be inactive.

On the basis of an extensive literature review, 12 semi-structured interviews with key stakeholders from the area of public policy and academia, and experience from more than 20 years of working in the field of cross-border cooperation, this paper discusses lessons from CENTROPE that can serve as an inspiration for territorial governance, regional identity management, place branding, and image building in the Western Balkan region. Like the Western Balkans, the economic and social development of CENTROPE was and still remains uneven; there are different administrative systems, complicated histories among the countries, and resulting societal atmospheres that do not favour close cooperation. As our research concludes, CENTROPE did not manage to fully overcome these problems because of failing to establish polycentric governance arrangements, which would have enabled an effective management of spatial activities in the region. This paper examines this development and concludes with recommendations that can feed into debates on territorial governance and regional identity management in the Western Balkans.

Keywords: CENTROPE, Western Balkans, Territorial Cooperation, Macro-regions, Regional Identity

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Introduction

Central European space, with its territorial and societal fragmentation and increasing spatial inequalities and polarization, has been a great challenge for spatial planning since the 1990s. It was during this period that the region began to harmonize after nearly half a decade of different social, cultural, and political developments and look for ways to foster cooperation (Schulz, 2019; Iammarino et al, 2017). These inequalities are increasing at all geographic and administrative levels (Böhme and Martin, 2019). CENTROPE, as a space between Austria, Slovakia, the Czech Republic, and Hungary, is an example of how politicians have attempted to deal with these issues, seeking a more harmonious and sustainable development of the entire region. Although the geography and political situation is different than the Western Balkans region, the issues such as the history, mental imagery, lack of common vision, and different political and administrative systems are similar. We present how these complex issues were tackled in the case of CENTROPE, although with limited success, and how this can be stimulating for similar discussions in the Western Balkans.

The paper discusses the development of the CENTROPE region 17 years since its establishment with the signing of the Kittsee Declaration, where 16 actors agreed to work jointly towards the creation of the Central European Region. This development can serve as an example for cross-border cooperation and provide insights and examples for inspiring the development of cooperation and attendant governance models for the Western Balkans. The research is based on a set of 12 interviews performed in 2018 and 2019 with key stakeholders from the CENTROPE region, some of which are quoted in the text. In the first part, we review the literature of competition and cooperation between cities and regions as a theoretical base for the paper. These types of competition and cooperation processes have been running across Europe for the last two decades and have provided the underlying context for

many territorial processes – e.g. fostering and improving territorial governance processes, management of regional identity, and promoting social and regional cohesion. The second part of the paper is dedicated to the case study of the CENTROPE region. The third part discusses the CENTROPE initiative and its impact on the territory, and the final part discusses lessons and inspirations from CENTROPE, which can serve to instigate governance arrangements and regional identity building in the Western Balkans.

Competition and cooperation in cities and regions

Transformation and the re-structuring of cities and regions have been key topics in spatial planning, economics, as well as urban sociology discourse for more than 20 years (see Finka and Petříková 2000; Kováč and Komrska 2000; Jaššo 2015; and Jaššo, Hajduk 2019). Processes of European integration have delivered a plethora of concepts and paradigms aimed at steering the optimal spatial development of the old continent (e.g. Blue Banana Europe (Brunet, 1989) or the 'European Grape' (Kunzmann and Wegener, 1991)). Accelerated globalisation (and particularly its negative impacts) have also generated processes of regionalisation and emphasized mutual interconnection. Some approaches consider both as part of a single process and introduce the term 'glocalization' (see e.g. Messely et al., 2010; Jaššo, Hajduk 2019). Competition between cities, regions, and other territorial constructs has been discussed in rather intensive and multidimensional way. Several types and sizes of territorial subjects (cities, FUAs, macroregions) generate their own specific and peculiar aspects of competitiveness, defined by Mayerhofer (2005) as the ability to generate while being and remaining exposed to international competition and possessing relatively high level of income and high employment levels. The various typologies of territorial constructs include several fundamental characteristic and traits. In 2003, the OECD introduced the following key factors (see Tosics, 2005):

- specialisation and sectoral structure (clustering and advantageous location factors);
- innovation and knowledge (education and spread of know-how); and
- accessibility and connectivity (physical infrastructure and communication links).

Rapid technological changes, geopolitical shifts, demographic changes, as well as newly established innovations in production, distribution, and consumption patterns have significant effects on the new role and positioning of European regions within these processes of mutual competition (more e.g. Giffinger, 2005; Jaššo, Hajduk 2019). Regions have taken on new roles as interregional and highly volatile competition exposed long-neglected weaknesses and enabled territories to utilise their strengths and hidden potentials. Each region is increasingly challenged to leverage its advantages and assets to try and find mechanisms to compensate for its weaker points (see Jaššo and Hajduk, 2019). Currently, some of the most discussed policy topics are ideas such as smart cities and smart regions, which emphasize the ability of territorial subjects to learn (e.g. Husar et al, 2017).

Understanding regions as single and autonomous places within or across national states has begun an intense discourse on regionalization (see e.g. Jaššo, 2009a). The term "region" has become one of the most significant metaphors of current cultural, political, economic changes and practices (Tangkjaer and Linde-Laursen, 2004, p.11). The most significant factors of success in regional competition are considered to be economic diversity, human capital, social cohesion, institutional network, physical environment, communication networks, and institutional capacity (Parkinson, 1997, in Fertner 2006, p.13). Giffinger (2005) points out the following observations regarding the highly dynamic and volatile environment in which regional competition unfolds (further elaborated in Jaššo 2015 or Jaššo and Hajduk 2019):

- Traditional, rather linear spatial development is being replaced by processes of polarization, fragmentation, and sometimes segregation (e.g. gentrification);
- Spatial development of urban settlements with high density in central spatial structures is being replaced by networking spatial structures. New developmental poles beyond traditional hierarchic structures are rising. The space of flows is replaced by the space of networks (see Taylor, 2001);
- Competition of municipalities, cities and regions is increasing on an international level, while the traditional hierarchic ties within national contexts are fading away. Moreover, this competition is not a linear one – the number of competitors, their strengths, relevance, positioning, and assets are continuously changing. The city or region is not competing in only one competition but enters into different competitive races and builds various strategic and tactical alliances and cooperation patterns; and
- Cooperation and competition are becoming complementary mechanisms. The same cities or regions might be partners as well as competitors in various fields. Highly profiled identity, authentic values, as well the legibility of the partner are key in the long term (more see Jaššo, 2015).

It goes without saying that a unique, authentic, original, and attractive regional profile is the result of continuous, long, and often arduous process based on the interaction of many stakeholders. Obtaining competitive advantages in a particular region is not possible without a legible, stable, and clearly profiled vision and regional identity. This has been intensely reflected in the development strategies, planning, as well as the regional policies on various levels. The unique profile of each region, its positioning in the European and

global market, values, and distinctive traits are some of its most precious assets, since these issues cannot be emulated, bought, or stolen (see Jaššo 2009a; 2015).

Competitiveness has become one of the major leading forces of regionalization, being the leitmotif of its legitimization. If a given territorial subject neglects the process of competition (or cooperation, which is considered as one of the most effective tools of interregional competition (see Giffinger 2005)) it can lead to the marginalization and decline of the whole region (“others will outmanoeuvre us” – Tangkjaer and Linde-Laursen, 2004, p.11). One of the fundamental preconditions of success is the authenticity of the message. This means not only finding the unique selling proposition (USP) of the region but, more than ever before, developing and managing regional identity in concordance with past developments, value priorities, and the expectations of inhabitants (more see Jaššo 2009b; 2015; Jaššo and Hajduk 2019).

The regional identity and USP of any territorial subject can be instrumentalised by several marketing and external communication tools, e.g. through place branding or creation of a corporate identity for the region or city. The term place branding refers to the cluster of activities aimed at highlighting the essential characteristics and mental traits of the given region or city. Brand is a unique mental concept of thoughts, emotions, and characteristics delivered to selected target groups. This term has been widely used since 2000, though the region or city as a subject of marketing campaigns was already being researched in the early 1990s. After shy and methodologically insufficient initial attempts, it has been clearly shown that any territorial subject can be a specific category of product, requiring specific and precise methods of brand management (Kavaratzis and Ashworth, 2005, p. 506). Nowadays, place branding is one of the most dynamically developing phenomena of regional marketing (more see Jaššo 2009a; Jaššo 2015). The brand

of a region, city, or any other territorial subject carries an emotional added value, promotes identification with place, secures orientations, and evokes feeling of empathy (Tangkjaer and Linde-Laursen 2004). The general idea of the majority of place branding concepts is to create a profile of the region (or any other territorial subject) as an attractive, unique, and competitive brand. The specific situation of territorial subjects allows them to clearly emphasize some of their core features (e.g. uniqueness, openness, friendliness, hospitality) related to a certain place or area. The authenticity of the message is a necessary precondition in order to raise the emotional value of the brand and thus to develop brand loyalty.

CENTROPE Region Case Study

Background Information on Developing the CENTROPE Initiative

CENTROPE is an acronym for the Central European Region consisting of territories within the quadrangle formed by the Czech Republic, Slovakia, Hungary, and Austria. The CENTROPE name and brand was a result of a competition among schoolchildren back in 2002, organised within the project CERNET, a cross-border, educational cooperation project. More than 100 schools took a part in the competition with the winning proposal coming from the students of the KMS Josef Enslein-Platz secondary school in Vienna. The name CENTROPE combines both of the basic, semantic characteristics of the region – central and Europe –together. The first cross-border, Interreg III A project was launched under this name in 2003.

The idea of creating CENTROPE materialized in 2003 in Kittsee. However, the history of cooperation in this space is much older. In the 1990s, after the fall of the Iron Curtain, several small activities aimed at re-initiating communication and cooperation between the CENTROPE countries were starting to occur. It was the EU integration, however, that gave the greatest impetus for continuing cooperation efforts (Austria became an EU member in 1995, while Slovakia, the Czech Republic, and Hungary entered together

in 2004). Additionally, it provided a sort of guarantee of staying in one large European space and being able to access funding for their cooperation activities. Joining the EU and the 'EU narrative' fostered new members to overcome the complexity of relations in the region, including issues such as troublesome historic relations, as well as political and administrative differences.

The participating territorial subjects – namely the counties of Vienna, Lower Austria, Burgenland, Southern Moravia, Southern Bohemia, Bratislava, Trnava, Győr-Moson-Sopron, Vas and the cities of Brno, České Budějovice, Bratislava, Trnava, Győr, Eisenstadt, Sopron, Szombathely and St. Pölten – decided to prolong and advance their bilateral, cross-border cooperation activities by forming the newly established Central European Region (CENTROPE) (Figure 1). The Southern Bohemia region and city of České Budějovice later withdrew from the initiative.

Figure 2. The CENTROPE Region



Source: *TourCentrope, 2020.*

The political declaration adopted in September 2003 stressed common goals for raising the prosperity and fostering the sustainable development

of the newly established region. Several sectoral development perspectives have been defined, including communication and public relations, labour market and qualification, tourism, science, research and innovation, culture and society, as well as multilateral co-operation management (more in e.g. Jaško 2009b; Krajatis et al, 2003; Lettner 2007). The Kittsee declaration (2003) stressed the following statements:

- establish CENTROPE as a common region of growth and prosperity and support all measures towards the attainment of this goal;
- create an attractive, internationally-respected, quality location covering all areas of life and improve the framework conditions for cross-border cooperation; and
- intensify cooperation by networking existing initiatives, communicate the future potential of the region to the public at large, and strengthen the social and entrepreneurial commitment to the Central European Region.

After the initial the Kittsee declaration in 2003 ('Building a European Region'), a series of political memoranda followed (see Jaško, 2009b or CENTROPE, 2006). These memoranda and common meetings of stakeholders predestined future vectors of CENTROPE's development and were clearly dominated by the optimistic, future-oriented, and progressive attitudes of the main actors. A series of political memoranda significantly contributed to building capacity, outlining structures, and defining the context of the CENTROPE region's activities. The St. Pölten 2005 Political memorandum 'We grow together, together we grow' constituted the first joint statement of the CENTROPE partners regarding sector-driven thematic areas and challenges in the common region. Dominant voices underlined a common future and the need for a common unique selling proposition in international markets. The conference 'We Shape the Future – CENTROPE 2006 plus,' held in March 2006

at the Vienna City Hall, marked the end of the first phase of the CENTROPE project and the kick-off of a new stage of cooperation in the region. On the occasion of this event, governors, region and county presidents, and mayors presented the 'Vision CENTROPE 2015' for the first time to a general audience. As an outcome of cooperation ventures implemented during the preceding two-and-a-half years, the 'Vision' comprised the totality of shared ideas for development and togetherness in the quadrangle. The political conference Bratislava 2007 – 'Ready for Take-off' was held in November 2007, roughly eighteen months after the adoption of 'Vision CENTROPE 2015'. A timetable for concrete cooperation activities, supported by partners on an equal footing, occupied the forefront of political interest during the conference.

The period between 2003 to 2006 was predominantly dedicated to building sectoral networks and political structures (e.g. Fertner, 2006, p. 76-77). May 1, 2004 – the day of accession of Slovakia, Czech Republic and Hungary to the European Union – provided an additional boost and new dynamics to these efforts. This act removed almost all restrictions and increased the degree of economic convergence.

The backbone of this region is represented by the metropolitan region of Vienna-Bratislava, with its long common history, mutual functional ties, and high dynamics of growth.

One of the most significant competitive advantages of the CENTROPE region is its scientific profile. More than 25 universities and academic bodies are based in the region and their cooperation with business institutions is promoted intensely. CENTROPE is striving to maintain its identity as a sustainable region by stressing its natural landscape potential. The Danube River and the green belt between Vienna and Bratislava are irreplaceable landmarks of the region. The outstanding quality of life in the region derives from the proximity of urban centres and attractive natural landscapes. Significant efforts have been

made in terms of revitalizing brownfield areas in the region, especially in urban areas (e.g. gasometers in Vienna or the Eurovea area on the Danube embarkment in Bratislava). Having entered into the accelerating competition of European regions, CENTROPE has to clarify and live its vision in order to mobilize and utilise all its extraordinary resources and potentials (see Krajatis et. al., 2003). However, many questions are still unanswered and many issues remain to be solved.

CENTROPE Vision 2015 and its Revaluation in 2020

The strategic vision of any territorial subject might be one of the most powerful driving forces regarding its future development. If the vision resists being a set of phrases and clichés, but presents a vibrant array of imageries, it can be a very profound and powerful tool of regional development. The vision must encapsulate all underlying ideas, aims, values, and basic assumptions, and must reflect the authentic and trustworthy identity of the region. Finding a common vision for regions and territories that have been repeatedly contested during previous historical eras (valid both for Central Europe and Western Balkan) or that are located on historical tectonic rifts is especially difficult and important. The vision is also a central control mechanism when the current status quo of the region is assessed, revaluated, or comes into the spotlight during disputes. The vision should be a living organism, being able to absorb new impulses, correct obvious drawbacks and errors, and be mobilised in times of decreased overall societal stamina and mental energy.

With this in mind, the CENTROPE Vision 2015 has been adopted within the Vienna 2006 Memorandum (CENTROPE, 2006) as a result of more than two years of work by more than 200 experts from the fields of politics, public administration, economy, research, culture, tourism, labour, and the media in all four participating countries. Vision 2015 was prepared as an interim open document with the main goal of setting up the vectors of future development,

defining relevant tasks and ambitions, and reviving its image beyond purely political declarations. In this way, CENTROPE tried to move closer to inhabitants, regional actors, and local stakeholders. The document is directed more towards its main actors and players, however, and does not highlight dimensions of EU integration as robustly as it has in previous political declarations. Processes of collaboration should overcome national differences, distinctions, and barriers. Though there have never been open animosities amongst the stakeholders from different national parts of CENTROPE, the vision tries to encapsulate and reflect all national perspectives and points of view. CENTROPE Vision 2015 should generate further suggestions, alternatives, impulses, and reflections on the historical and contemporary development of the region (Jaško 2009b). In 2015, the horizon of the vision was set up broadly enough to overcome current and temporary setbacks, unsolved matters, and everyday obstacles. At the same time, the 2015 time-horizon was set up to be not that far in the future, making the effort more tangible and motivating. As such, 'Vision CENTROPE 2015' functions as a snapshot to inform findings and possible perspectives proposed thus far. It seeks to provide suggestions, trigger reflections, generate new impulses, and offer

a framework for the creative and productive evolution of CENTROPE, in keeping with the motto "We grow together - together we grow" (CENTROPE, 2015, p.15). If we outline the results of Vision 2015 now, in 2020, we can observe the following conclusions:

- All requirements for the free movement of citizens have been fulfilled. The economic growth of the CENTROPE is on-going (Figure 2), though the region also faces the challenges of the current pandemic.
- An intensification of cooperation between 'old' and 'new' EU member countries continues. After severe measures related to the COVID-19 crisis, the borders among participating countries were opened as soon as possible. (The borders in most EU countries, including CENTROPE members, were closed in the middle of March 2020 and were opened starting on May 21, 2020).
- Research and development networking is operational and searching for new challenges. The cooperative business clusters (e.g. automotive cluster, services Austria-Slovakia) seem to be running smoothly.

Figure 2. GDP at Market Prices in CENTROPE countries, in EUR (2010-2019)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Austria	295,896	310,12	318,653	323,910	333,146	344,269	357,299	370,295	385,711	398,682
Czech Republic	157,920	165,202	162,587	159,461	157,821	169,558	177,438	194,132	210,892	223,945
Hungary	98,98	101,552	99,733	102,032	105,905	112,210	115,259	125,600	133,780	143,826
Slovakia	68,093	71,214	73,483	74,354	76,255	79,758	81,038	84,521	89,605	94,171

Source: EUROSTAT, 2020.

Yet, on the other hand:

- The feeling of a common regional identity, social cohesion within the region, and feelings of togetherness are still rather weak and vague. Despite the intensive media coverage of all

main CENTROPE events since 2000, the public has remained rather detached and feedback has been scarce.¹

- Decision-making processes are still not fully or formally harmonised (e.g. Clark, 2007, p. 17).² Furthermore,

differences in terms of governance structures (especially between Austria and Slovakia) were heavily exposed and cooperation went on based more on personal contacts than on smooth governance and decision-making mechanisms (Telle, 2017). However, this can be overcome. As one interviewee commented: *“There are some challenges, but if you really want to cooperate, you can do it. You can jump over it. Also, in Austria inside there are these things, but if there is willingness, you can do it”* (Public Officer 2, Austria, 2018).

- Business forces prefer to be related to the TWIN-City Brand rather than to CENTROPE. CENTROPE is still perceived as more scientific or as a political concept and necessary business-driven attention is lacking. Initial development dynamics in some areas has decreased and new impulses are still lacking (Jaššo, 2009b).

In 2012, as a result of project Centrope Capacity, the document ‘Centrope Strategy 2013+’ was released nine years after the kick-off in Kittsee (Centrope Agency, 2012). This document reflects the more recent developments in society, strongly impacted by the global economic crisis of 2008/2009, and provides a more realistic view on the region as well as arguably more realistic objectives. It seems as if the first decade, characterised by optimism and enthusiasm for the beginning of a new millennium, was an introduction to cooperation with the objective of illustrating to partners what could be done together. Suddenly, it was time for more pragmatic approaches focused on implementing concrete initiatives and reflecting on existing challenges, including potential brain-drain or excessive dependence on the automotive industry, among other issues. Four focus areas had been determined (knowledge region, human capital, spatial integration, and culture and tourism), yet governance or other forms of cooperation remain absent and the initiative remains somewhat voluntary.

CENTROPE Identity and Branding

Over the past 17 years, the CENTROPE brand personality has proven to be well-mannered and friendly, manifold and versatile, academic and sophisticated, but also diffuse and vague, artificial, and sometimes too ambitious. As stated by one interviewee: *“...the biggest success was to create this image at all, which is still very much alive”* (Academic, Austria, 2018). Marketing communication was aimed almost exclusively toward the external environment (investors, foreign journalists, and banks) and completely neglected the domestic public and partners. Neither inhabitants nor domestic small and medium enterprises (SMEs) have been the target group of the numerous communication initiatives in recent years. The only entrepreneurial subject to mention CENTROPE as the market they were operating in was the Austrian bank Raiffeisen.

From this evaluation of the overall regional marketing strategy, we can conclude that CENTROPE’s brand personality or USP is well-defined and communicated though the brand is still rather ‘young and inexperienced.’ CENTROPE is not perceived as a relevant brand to all segments of society and, even after 17 years, is rather unprofiled, lacking spontaneity, and lacklustre. Evaluating its brand knowledge (the degree of awareness and knowledge made by personal experience or the degree of intimacy of the brand), it is evident that CENTROPE is not lived and transmitted by personal experience (see Jaššo, 2009b).

An important (but often underestimated) part of any regional identity is its inner dimension – its identification with the lived space and its spatial/social structures and patterns; its ‘Wir-Gefühl.’ Space is not a mere background for our social identity creation process, but is one of its dominant categories, heavily influencing all the other dimensions of identification processes. Space cannot be ‘value-neutral;’ it is always a projection of some vision, ideology, and values (Low and Walter, 1982). Local inhabitants are always in delicate and rather awkward positions

regarding the fostering of regional identity as they are both co-creators of this identity, as well as the key recipients concerning its acceptance and evaluation. A key element in this field is the authenticity and trustworthiness of the message – a regional identity and all its facets must be based upon the inner potential and natural substance of the region. It is especially important when a new identity, branding, or vision is being built or re-born.

Highlights of CENTROPE

CENTROPE is perceived rather critically today as the expectations anchored in its strategic documents of endless prosperity were, in hindsight, not realistic. Still, it is important to review the highlights and successes achieved in the region. The biggest successes are the qualitative attributes of improved cooperation by getting to know counterparts across the border and introducing the idea that people are not living in separate countries but belong to one common space.

“This initiative should lead to integration within this space, to strengthening its competitiveness, closer cooperation between centres of the triangle Vienna, Bratislava, Brno and their regional surroundings...” (Academic, Slovakia, 2018).

“The expectations were pretty high. Due to the abolishing of physical barriers, it was supposed that national borders would diminish their role and the ties between the regional centres would be intensive. But I don't think that these expectations were fulfilled” (Public Officer 2, Slovakia, 2018).

Although it may sound like a minor success today, the greatest success of the CENTROPE initiative was launching a process of familiarisation and cooperation via communication and mutual understanding. This was linked to weak institutions in the former socialist countries, which came to interact with a more advanced and established administrative system in Austria. Increased communication was particularly crucial considering that during

the second half of 20th century all previous communication channels and contacts between Austria and the eastern bloc countries had been suspended. Although there were some smaller initiatives before 2003, their reach was limited. It was the Kittsee declaration (a success in its own right) that launched continuous communication on a formal (political conferences) and informal (workshops and non-official meetings) level, the fruits of which can still be seen today.

“...We created the standards of communication and negotiation, we got to know the people, which definitely led to better understanding in this region. In the past there was no real cooperation...” (Public Officer 1, Slovakia, 2018).

“...A lot of cooperation projects in the field of school cooperation were started then, I think that at least the programming of the Interreg period 2007 until 2014 was very much influenced by the ideas of CENTROPE” (Private Planning Consultant, Austria, 2018).

Another success, as perceived by CENTROPE stakeholders, was the creation of the CENTROPE brand. Although CENTROPE as a brand is viewed rather critically today (low diffusion towards the citizens, not recognized by businesses, etc.), it was the first time that this territory was portrayed as a single unit under a common brand, which was accepted by partners from all countries. The main idea was not to produce a slogan for marketing stickers but rather to reveal a common identity. That identity was no longer perceived based on nation states within clearly demarcated national borders, but as a modern European region sharing a common heritage, territory, and culture.

Lastly, it was the first time that cooperation activities began to be considered across the whole region. The cooperation projects of the 1990s were exclusively focused on smaller parts of the border and, as a rule, only between two countries. CENTROPE covers the territory of four countries and focuses on the perception of this space as one unified territory in order to approach the development of this region

as a whole. This enables stakeholders to overcome historical tensions at the borders and provides a vision for developing the wider territory as one space with the potential to be competitive on a European and global level.

“...One of the biggest successes was starting to deal with this whole territory. From the historical point of view this was not so easy, you know Benes decrees, Hungary-Austria border history is not that easy...” (Public Officer 3, Austria, 2018).

“In regions like ours, where you have so many borders on such a limited space, you need to cooperate not only with one neighbouring country, but with this whole bunch of neighbouring countries, and it would be really essential to take this transnational point of view” (Private Planning Consultant, Austria, 2018).

Failures and Setbacks of CENTROPE

While speaking of the successes of CENTROPE, it is also important to underline its setbacks and main limitations. Firstly, there had been several rather formal issues connected to the daily operation of the initiative, including language differences (four languages from three diverse language groups). Similarly, bureaucratic procedures differ according to national legal systems, leading to lack of understanding of the processes and a loss of cooperative dynamics. Secondly, political will and cooperation is weak in the political agenda of local and regional politicians. The 2003 declaration in Kittsee is regarded as a great success due to the fact that all the members were able to find consensus and sign the memorandum of cooperation, but ever since then, political priorities have been changing. One of the key drivers of this change was the economic crisis of 2008/2009 and later, the changing political climate in the EU linked to the migration crisis of 2015. These shifts in the thinking of national and regional politicians were clearly identifiable within CENTROPE. Another issue linked to politics was the fact that the CENTROPE representatives failed to make the initiative attractive to a wider

audience in regional and local politics.

“One of the biggest limitations was the fact that you would need a lot of political power and courage to get forward ... there was not this strong force behind the project ... somehow the partner [on the other side of the border] was lost somewhere on the way [...]. This was the biggest limitation: that on the political level, it was not really important in the agenda” (Public Officer 3, Austria, 2018).

“lack of ‘personal continuity’ – new mayors, politicians” (Politician 1, Austria, 2018).

Thirdly, while the role of the borders had been changing and their importance had diminished in terms of the barrier effect, the differences among the CENTROPE countries remained. This was evident in terms of cultural and historical differences, as well as differences in the political and administrative systems (so-called multilevel mismatch). This was clear not only between the old and new EU member countries (Austria versus the rest), but also between Slovakia, Hungary, and the Czech Republic. Closely linked to this issue were feelings of inferiority by representatives of Slovak regions when negotiating with their Austrian counterparts.

“Paradoxically, it is the borders of the nation states as well as distribution of competences. In Slovakia we have a local, regional, and national level and it works similarly in neighbouring countries, and there are too many actors with different competences” (Public Officer 2, Slovakia, 2018).

“I think there is still this cultural difference, cultural-historical, some kind of, I don't want to say superiority or even snobbery...it took us more time and energy to convince partners about our truth [arguments], about our view. Sometimes we even had to bring it to the boil to push our ideas...” (Public Officer 1, Slovakia, 2018).

Lastly, the PR activities and branding did not turn out to be powerful enough to overcome and sustain the rather narrow perception of sovereignty and nationalism (vs. a common

European or CENTROPE identity). In the beginning, the branding was regarded as one of the key priorities and focal points. Yet, despite the investments in branding, it did not succeed in creating a common brand of CENTROPE that could be taken up by actors from the public and private realm, nor did it create a sort of common identity among citizens.

"Maybe it is a lack of PR to its local citizens"
(Public Officer 1, Austria, 2018)

"We did not manage to successfully "sell" the outputs and benefits, like the bridge between Schlosshof and Devínska Nova ves – this is the CENTROPE in everyday life" (Politician 1, Austria, 2018).

Discussion

The CENTROPE idea was a unique initiative reflecting the overall social and economic context in Central Europe at the beginning of the 2000s, fed by optimism based on geopolitical changes and shifts and fostered by the opening of borders in the 1990s. Regions placed directly on the interface between the former East and West should have provided for a masterful initiative of European political and territorial integration and act as a role model for other cases born under similar circumstances. With the advantage of historic hindsight, it is possible to be critical about its successes and setbacks. For an objective evaluation, several target groups and levels are discussed. The following are those that we consider to be most essential, covering both the institutional level (political level, administrative level, and common projects) as well as 'soft' informal issues (public perception):

a. Political level

On the political level, CENTROPE served as an umbrella initiative as well as an ice-breaker for initiating cooperation among old and new EU member countries. Before CENTROPE, the citizens as well as the political representations of the participating countries were slowly and cautiously

introducing themselves to one another. Their relationships were less balanced given the formal and real superiority of the old EU countries (Austria) economically, politically, and socially. CENTROPE, as an EU-funded project, sought to overcome these imbalances and provided some political and economic stability. One high-level politician from Austria was very sure about CENTROPE's successes in that it prepared countries for EU entry and created the basis for a transnational region with vivid cooperation and exchange of people, goods, and ideas. From this point of view, it was definitely a success as the CENTROPE space 20 years ago was critically different than it is today. However, the circumstances changed drastically. Several crises arrived (particularly the financial crisis in 2009 and migration crisis in 2015) and not only did CENTROPE changed, but the overall mood in the EU and worldwide changed with states 'closing themselves off' (i.e. physical borders and the rise of nationalism). As public officers in Austria stated:

"For 50 years on, there was a strong wish of working together without borders[...] there was not a problem of immigration and other problems that arose, there were open borders, transferring over the borders, working together. This was more-or-less fine, but now you have a more national or regional view of this." (Public Officer 2, Austria, 2018).

"In many of the political parties they do not fight against this [rising nationalism in CEE], rather they use this atmosphere for their politics and it could have been even an advantage this kind of anti-European atmosphere for the CENTROPE initiative, because one aim was that the regional politicians write together resolutions with the EU for the common goals but has also happened not so strong." (Public Officer 1, Austria, 2018).

Especially after the migration crisis in 2015, the national borders began to play a significant role in some politicians' and citizens' mental landscapes again, though bilateral relations among the participating countries remain essentially cordial and friendly.

Broadly speaking, many of the political goals of CENTROPE were fulfilled, such as the diminishing the role of national borders, integration of policies, increased mobility, etc. We can ask if these changes would have taken place if CENTROPE did not exist, and our answer is perhaps yes, but at a slower pace and with less obvious acceptance among citizens. From a narrower perspective, some of the initial objectives were not met, including a common labour market; one single, unified, universally accepted vision for the whole CENTROPE space; and one common regional plan or functionally integrated space. A feeling of a common regional/territorial identity also remains rather vague. We need to add that as of today, none of these changes seem to be taking place in the near future considering the atmosphere worldwide, current status of CENTROPE, and the political situation on the national and regional levels in CENTROPE countries. But perhaps the current situation provides a great opportunity to leverage CENTROPE and resume cooperation again with a fresh perspective and a more realistic approach. Cooperation has evaporated over the years. At the beginning, cooperation provided the idea of a fresh start, integration, and the re-invention of a region as a vision of the bright future of a unified Europe. Arguably, the most difficult part of re-starting CENTROPE will be just this – formulating the common ground for a new vision.

b. Administrative level

One of the most visible challenges in cross-border cooperation is the so-called multilevel mismatch (Telle, 2017), wherein administrative systems in the cooperating states are not matched and responsibilities are not mirrored. In the case of CENTROPE, centralized and decentralized systems met, causing misunderstandings and time delays when trying to work together (Figure 3). A similar issue was raised in the relationship between the political and administrative level: when the political representation changed after the election, the public officials changed as well, and partners on the other side of the border had to introduce

themselves again and work on building trust. This was especially true for Slovak and Czech partners and Austrian partners expressed frustration with the matter. (The Austrian system is more independent and the terms of public officials are longer). Part of CENTROPE's aims was also the convergence of different systems and raising awareness of integration issues. This was done through exchanges of public officers and numerous seminars and common meetings fostering the need to work together and build trust. Cooperation and trust are the basis of many cross-border initiatives, as partners need to be flexible and driven to achieve the common objectives.

Another issue which came out of the field research was the professionalization of communication and creation of standards for cooperation. Austrian partners in particular were leading by example as other partners were slowly acquiring these skills and standards, something that could help them in other projects. As time went, these meetings and seminars became less frequent. Currently the project partners are meeting only annually in a formal manner. Austrian partners were often perceived as the (sometimes dominant) "pace-maker" and main decision maker, which was sometimes met with criticism by other partners. This dominance has somehow slowly faded with both positives and negatives outcomes.

c. Citizens' perception

In everyday life, the perception of CENTROPE as a profiled brand is extremely rare. The only private enterprise that referred to CENTROPE was the Raiffeisen Bank while other businesses did not mention the area as a brand at all. If you asked about CENTROPE on a street in Vienna or Bratislava, very few people would know about it; outside of these cities nearly no one would have heard of it. In the past, the business landscape in the region seemed to be more attached to the Twin Cities Vienna-Bratislava concept, which proved to be more business driven, flexible, and politically independent. Compared to the Twin City initiative, the CENTROPE idea seems to be a more political

Figure 3. Different Administrative levels compared between Austria, Slovakia, the Czech Republic and Germany

Federal Republic of Austria	Slovak Republic	Czech Republic	Federal Republic of Germany
9 provinces/states (Bundersländer)	8 regions (kraj)	14 regions (kraj)	Free State of Saxony
99 Districts	79 Districts (okres)	205 municipalities with transferred powers	10 rural districts (Landkreis) + 3 urban districts (Kreisfreie Stadt)
2357 municipalities (Gemeinden)	2928 municipalities	6253 municipalities	432 municipalities

Source: Spacek and Husar, 2018.

and scientific project with little relevance for citizens and businesses (especially SMEs). In fact, CENTROPE was more successful in its branding outside of its territory. More politicians and academics in Europe and around the world know about the project than CENTROPE's citizens themselves.

The major success of territorial integration in the CENTROPE region is related to the accession of the Czech Republic, Slovakia, and Hungary into the Schengen area. In the border areas, the mobility of people for work/shopping/leisure is high (Verwiebe et al, 2017). Families spanning across two or more countries are not rare and they no longer perceive borders as a problem. On the other hand, CENTROPE, which arguably catalysed this convergence processes, did not succeed in creating a highly-profiled, common territorial identity. In the past five years, national identity has become stronger at the expense of a CENTROPE or European identity as a result of larger megatrends in Europe. At its height however, CENTROPE probably had the capacity and power to articulate this identity more distinctively but failed to do so.

d. Common projects

Before 2003, there had been several smaller projects financed by the EU (Interreg, Phare programs) or national governments dealing with particular issues in the cross-border spaces. CENTROPE as a project idea was much larger and delivered a break-through in its scale, complexity, and number of actors and stakeholders. For many years it served as an umbrella initiative supporting new project ideas. For funding agencies, it was an advantage to be under this larger initiative. However, when the funding for large projects on a CENTROPE level ran out, these projects did not manage to create a sustainable framework or structures to continue. In interviews, partners complained about each other, about providing funding, and about what this cooperation should look like in the future. The result is that CENTROPE is not operating anymore.

Similar to the times before CENTROPE, there has been a plethora of cross-border projects in the CENTROPE area, but covering much smaller territories and dealing with

sectoral issues (transportation and mobility, urban development and planning, and environmental issues). Though these are somewhat built on the debris of CENTROPE, the continuity of communication that CENTROPE offered is missing. It seems that perhaps the moment is not right for an initiative of the size and scope of CENTROPE. The way forward is rather viewed in relation to smaller and less ambitious projects, but with honest and realistic expectations and a common vision in some areas.

A list of past and current projects in the CENTROPE region includes: Project Jordes+ (2000-2006, 311,807.48 EUR); project EdTWIN (2008-2011, 2,200,000 EUR), INTERREG IIIA project Building a European Region, project CENTROPE Map (geoportal operating since 2007), CENTROPE TT (2009-2012, 1,747,003 EUR), CENTROPE Capacity (2009-2012, 4,515,462 EUR), Bratislava Umland Management BAUM 2020 project (2017-2020, 674,227 EUR), project KOBRA (2006-2007, 69,000 EUR).

Conclusions and Key Lessons reiterated for the Western Balkans

Central Europe and the Western Balkan have been in close contact for centuries. Some regions might even be labelled as overlapping both macroregional entities. Both territories have overcome major changes during the 1990s and 2000s. These changes were not only a consequence of geopolitical shifts in Europe, but they re-drew the mental maps of the inhabitants and (in some cases) heavily challenged their social identities. Regional identity, a sense of belonging toward certain territorial units, and socio-cultural milieus were modified, changed, and in some cases even contested. Although the new identities of many (now) cross-border regions and territories integrated common heritage from the past, they were also confronted with contradictions, resentments, and tensions. Several Western Balkan regions were influenced by partly contradictory issues: most of the countries have a centuries-old common regional history and/or identity characterised by a cultural melting pot.

However, turmoil in the last decade of the 20th century sowed some toxic notions in the public perception of their identity, common future, or collaborative patterns. Yet, in recent years, there are still some examples of good cross-border cooperation taking into consideration a common regional identity (the Istra peninsula, Croatian-Montenegrin cooperation on maritime and ecological issues, and the via Dinarica, among others).

Moreover, the Western Balkans is not one homogenous macro-region but rather a very manifold and unique metatext of different identities, narratives, and communities. The process of maintaining, developing, and enriching the regional identity of every Western Balkan region or city is not a finished task but a continuous process. Every case is different but the study of successful and unsuccessful processes of building a cross-border identity, place branding, regional image, and mutually compatible governance models always delivers very useful examples and case studies that might serve as an inspiration or warning for every European region.

We conclude the paper with eight key lessons learned from 17 years of CENTROPE's operation, which can serve as inspiration for regional identity management and territorial governance in the Western Balkans' cross-border regions:

1. Active communication towards the domestic audience (inhabitants, domestic SMEs) in terms of image building and maintaining is essential. CENTROPE did not manage to orient its communication activities towards local actors, who are the carriers of the tacit knowledge needed for brand and vision promotion. The active involvement of these actors is one of the preconditions of success. Authentic, spontaneous, and deep identification with the regional profile and positioning is necessary in order to be successful, especially in long-term. One of the key lessons for regions in the territory of the Western Balkans is that the underestimation of the domestic audience in branding and

- marketing activities can backfire, leading to a complete failure of the marketing strategy. profile and positioning is necessary in order to be successful, especially in long-term. One of the key lessons for regions in the territory of the Western Balkans is that the underestimation of the domestic audience in branding and marketing activities can backfire, leading to a complete failure of the marketing strategy.
2. Continuous and transparent re-evaluation of the vision is an essential corrective mechanism. A common and widely accepted vision is a living thing that needs to be re-evaluated and adjusted according to changing conditions (megatrends). Visions should be continuously enriched in terms of their emotional potential and ability to mobilize people. A regional vision is neither a prognosis nor audit, but should be a common denominator for all actors.
 3. Concentration on common interest and common goals encourages dedication to the process of harmonising political priorities. Building on points and themes of common interest is a way to foster mutual trust and sustainability of the cooperation. Competitive and cooperative elements must be in a balance, not fatally disturbing each other. Regions must be open to starting new partnerships, learning from best practices in various fields of action, and constantly upgrading their innovation potential.
 4. Flexibility is crucial in the reflecting on the overall socio-political climate (zeitgeist). Each historical or political period carries certain trends that are reflected in the public spirit and have the potential to impassion people. In the case of CENTROPE in 1990s, the region was focused on foreign investment, research, and technology. In the 2000s, it was EU integration that was raising spirits in all four countries and overshadowing the differences among the nations. This common denominator and grand narrative for cooperation is currently missing and is arguably one of the reasons for the lack of activity in recent years.
 5. Partners should mutually coordinate their activities and involve informal structures and channels. This is related to the coordination of activities in the framework of a good governance system, which accounts for both vertical and horizontal coordination of activities in the territory across borders. This system needs to be effective from the international level all the way down to the local/domestic level where the implementation of activities and projects takes place (the principle of subsidiarity). Governance systems need to integrate sectoral orientations together with a holistic vision.
 6. Parallel communication and cooperation structures can strengthen and complement official decision-making bodies. This way, the overall system is more robust and resilient to various types of vulnerabilities. Good peer-to-peer relations, common ties, and relationships beyond official channels might not only speed up the collaborative process, but can be an invaluable asset in times of crisis, misunderstanding, or external pressure. Language as the most important communication tool plays an important role. One of the advantages of many Western Balkan regions is the lack of language barriers.
 7. Initiatives should adopt a suitable cooperation dimension and scale. CENTROPE was a vast initiative (four countries, 16 cities and regions, 6 million people), which did not manage to accentuate a common vision and find common denominators upon which their cooperation could have been built. One of the main difficulties was the size and heterogeneity of actors. Therefore, it is important to find and build on common interests through a bottom-up approach (as opposed to EUSDR, for example). The

scale of cooperation might be different in each Western Balkan cross-border region.

8. Place branding should occur through actions rather than statements. More than an ambitious brand building process, it is important to create structures for pursuing the common interests of the actors within the cross-border regions. Despite having long periods of troublesome history and an array of conflicts in the Western Balkan region, the set of common interests in various practical fields is what counts at the end of the day. Specialised issues might include initiatives in fields like tourism and environmental protection (TG-WeB, 2018) or mobility, which could become the driving force of all the external communication of the region and shape its place branding. The active, versatile, and honest participation of various types of stakeholders is key for the resilience of the brand and its perceived, practical usability. Deep, thorough, and smart place branding of various regions in the Western Balkans could deliver efficient and sustainable marketing activities that go beyond the old clichés of beautiful nature, national parks, and gastronomy, for instance. A successful regional brand is always based upon a congruence of attitudes among internal actors (inhabitants) and the expectations of an external audience (such as tourists, visitors, and investors).

Notes

1. This is explained in more detail in the section about CENTROPE identity and place branding.
2. The countries have different administration systems and different forms and levels of decentralisation. Therefore, in cross-border level projects, success is based, above all, on good relations among the local authorities and the common project idea, which must be stronger than differences stemming from the various legal arrangements.

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Abbreviations

ALL	Albanian Lek	GVA	Gross Value Added
BiH	Bosnia and Herzegovina	GWP	Global Water Partnership
BoA	Bank of Albania	IGEUM	Institute of Geoscience, Energy, Water and Environment
CBA	Cost Benefit Analysis		
CEA	Center for Economic Analyses	IMC	Inter-Ministerial Committee
CENTROPE	Central European Region	IMS	Information Management System
COVID-19	Coronavirus Disease 2019		
Drin Corda	Drin Coordination Action	IOM	Input-Output Model
EC	European Commission	IT	Information Technology
ECB	European Central Bank	LGU	Local Government Unit
EIA	Environmental Impact Assessment	MBP	Midterm Budget Plans
ELV	Emission Limit Value	MFF	Macroeconomic and Fiscal Framework
ENPV	Economic Net Present Value	MFSA	Municipal Finance Self-Assessment
EU	European Union	MGB	Municipality of Gazi Baba
EUR	Euro (€), official currency of 19 member states of the European Union	MIE	Monitoring and Information Exchange
EUSDR	The European Union Strategy for the Danube Region	MKD	Macedonian Denars
		MoU	Memorandum of Understanding
EWG	Experts Working Group	MSH	Municipality of Shkodër
FDI	Foreign direct investments	NAPA	National Agency of Protected Areas
FUA	Functional Urban Area	NEA	National Environmental Agency
GAF	General Accounting Framework	NSIMWR	National Strategy of Integrated Management of Water Resources
GDP	Gross Domestic Product		
GEF	Global Environmental Facility	NSWSS	National Strategy of Water Supply and Sewage 2020-2030
GHG	Greenhouse Gasses		
GIS	Geographic Information System	NTP	National Territorial Plan
GNSP	General National Spatial Plan	NUTS	Nomenclature of territorial units for statistics
GoA	Government of Albania	NWC	National Water Council
GoNM	Government of North Macedonia	NYT	New York Times

OECD	Organisation for Economic Co-operation and Development	WHO	World Health Organization
		WTTC	World Travel and Tourism Council
PIT	Personal Income Tax		
RBA	River Basin Agency		
RBMP	River Basin Management Plan		
RCC	Regional Co-operation Council (Western Balkans)		
RES	Renewable Energy Sources		
RNM	Republic of North Macedonia		
SAP	Strategic Action Programme		
SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus 2 of the genus Betacoronavirus		
SDG	Sustainable Development Goals		
SI	Stringency Index		
SME	Small and Medium Sized Enterprises		
TDA	Transboundary Diagnostic Analysis		
TPP	Thermal Power Plant		
TWM	Transboundary Water Management		
UN	United Nations		
UNDP	United Nations Development Programme		
UNECE	United Nations Economic Commission for Europe		
UNWTO	United Nations World Tourism Organization		
USP	Unique Selling Proposition		
VAT	Value Added Tax		
VFR	Visiting Friends and Relatives		
WB	Western Balkans		
WBC	Water Basin Council		
WFD	Water Framework		

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