



converge2eu



# Annual Convergence Report 2025 - Western Balkans -



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**Report prepared by:**

**Branimir Jovanović**, The Vienna Institute for International Economic Studies, Austria  
**Zoran Nečev**, Think Europe, Slovenia

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ZVR-Zahl: 329995655

Postanschrift: A 1060 Wien, Rahlgasse 3, Tel: [+431] 533 66 10, Telefax: [+431] 533 66 10 50  
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## ECONOMIC PILLAR

### Albania

30.2% of EU average

+2.1 pp last year

53 years to EU

### BiH

32.0% of EU average

-0.9 pp last year

100+ years to EU

### Kosovo

25.7% of EU average

+0.9 pp last year

100+ years to EU

### Montenegro

42.2% of EU average

+0.1 pp last year

72 years to EU

### North Macedonia

38.2% of EU average

+0.9 pp last year

59 years to EU

### Serbia

41.7% of EU average

+2.1 pp last year

35 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- The **economic pillar** is among the **weaker areas** in the region, though also one that **shows some progress**.
  - In 2025, countries **ranged from 26% of the EU level (Kosovo) to 42% (Montenegro and Serbia)**, with Albania, Bosnia and Herzegovina, and North Macedonia at around 35%.
  - **Five economies improved their economic pillar** in 2025, with Bosnia and Herzegovina being the only exception.
  - **Albania and Serbia closed 2.1 percentage points (pp)** of the gap to the EU, Kosovo and North Macedonia closed 0.9 pp, and Montenegro closed just 0.1 pp, whereas Bosnia and Herzegovina widened the gap by 0.9 pp.
  - Based on today's gap and trends over the past five years, **the time needed to reach the EU level** of economic development ranges from roughly **35 years in Serbia to more than 100 years in Bosnia and Herzegovina and Kosovo**.
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- Looking at the individual indicators within this pillar, **countries stand best in terms of output per worker**, ranging from around 43% of the EU level (Albania and Bosnia and Herzegovina) to around 55% in the other four economies.
  - **GDP per capita is the second-strongest indicator**, ranging from about 30% of the EU level (Kosovo and Bosnia and Herzegovina) to above 50% (Montenegro and Serbia).
  - **Wages, both minimum and average, are generally lower**, usually standing at 30-40% of the EU average. This is due to the high profits in the region and suggests that there is room for further wage growth in the coming period.
  - **Minimum wages are typically higher than average wages (relative to EU levels)**, reflecting weaker labour markets and higher unemployment, which dampen market-driven wage growth and imply that stronger administrative action is needed if wages are to rise faster.
  - **Pensions lag even more**, ranging from around 10% of the EU level (Albania and Kosovo) to roughly 20% (North Macedonia, Montenegro, and Serbia), largely due to relatively low pension contributions across the region.
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- **The strongest progress within this pillar has been in the minimum wage**, which is why most countries are now within a few decades of reaching the EU level on this indicator, typically at 20-40 years away. Kosovo is the only exception, as it had not raised its minimum wage for years, although it did increase it in 2025 (after the cut-off point for this update).
  - **Average wages and GDP per capita have also been improving**, but the pace has been slower and more uneven, with some countries roughly three decades away from EU levels and others still more than 100 years away.

- **Progress has been slower, and even more uneven, for output per worker.** Serbia is within about 25 years of reaching the EU level here, while North Macedonia is more than 100 years away, and Bosnia and Herzegovina and Montenegro are diverging from the EU on this indicator.
- The fact that wages have been rising faster than productivity **may become a concern in the coming years, although not yet**, as wages in the region remain well below productivity levels.
- **Pensions have progressed the least.** Five of the six economies are on a diverging path relative to the EU, and Kosovo remains more than 100 years away, which underlines the **need for higher pensions across the region.**

## SOCIAL PILLAR

### Albania

76.9% of EU average

+4.1 pp last year

71 years to EU

### BiH

59.1% of EU average

+1.3 pp last year

Diverging from EU

### Kosovo

63.8% of EU average

+1.2 pp last year

19 years to EU

### Montenegro

71.7% of EU average

-0.1 pp last year

59 years to EU

### North Macedonia

64.4% of EU average

+0.8 pp last year

100+ years to EU

### Serbia

75.8% of EU average

+1.0 pp last year

51 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **The social pillar is among the stronger ones** in the region, although progress is not particularly fast and remains quite uneven across countries.
- In 2025, countries **ranged from 59% of the EU level** (Bosnia and Herzegovina) **to around 76%** (Albania and Serbia), with Kosovo, North Macedonia, and Montenegro in between.
- **Five economies improved** in this pillar in 2025, with Montenegro being the only exception.
- **Albania recorded the strongest performance** in 2025, closing 4.1 pp of the gap to the EU, mainly due to higher employment among women. Bosnia and Herzegovina, Kosovo, Serbia, and North Macedonia each closed around 1 pp, while Montenegro lost 0.1 pp relative to the EU.
- Based on the current gap and trends over the past five years, **Kosovo is the closest to the EU level of social development, at roughly 19 years**. Serbia, Albania, and Montenegro are around 50-70 years away, North Macedonia is more than 100 years away, and Bosnia and Herzegovina is currently diverging from the EU.
- Looking at the individual indicators within this pillar, **countries perform best on inequality**, measured by the top 10% share of post-tax income. Most economies in the region are at around 90% of the EU average, which implies **slightly higher inequality than in the EU**. This reflects the region's socialist legacy, which kept inequality relatively low for a long time.
- The other indicators show substantial cross-country variation. The **employment rate** in Albania, Montenegro, and Serbia is at around 90% of the EU average, around 70% in Bosnia and Herzegovina and North Macedonia, and only 54% in Kosovo.
- **Unemployment** is somewhat less dispersed, ranging from 47% of the EU level in Bosnia and Herzegovina, which means the headline unemployment rate is about twice the EU rate, to 67% in Serbia, which implies a headline rate around one third higher than in the EU.
- **Poverty**, measured by the bottom 20% share of post-tax income, stands at around 50% of the EU level in five of the six economies. Kosovo is a clear exception, at around 90% of the EU average, which is likely linked to relatively high social spending, including pensions for war veterans.
- The **gender employment gap** is also highly uneven. In **Kosovo**, it is **26%** of the EU level, meaning the gap is almost four times larger than in the EU, while in Serbia it is 83% of the EU level, meaning the gap is only slightly larger than in the EU.
- **The strongest progress within the social pillar has been in the employment rate**, with Albania, Montenegro, and Serbia less than a decade away from the EU level. Bosnia and Herzegovina is slightly further behind, at around 14 years, while

Kosovo is at around 22 years. This reflects solid job creation in the region as well as persistent emigration, which has tightened labour markets. North Macedonia is the only economy diverging from the EU on this indicator, reflecting a weaker pace of job creation.

- For **unemployment**, Kosovo is around eight years away from the EU level, reflecting the rapid decline in its unemployment rate in recent years. Albania, North Macedonia, Serbia, and Montenegro are around 30 years away, while Bosnia and Herzegovina is roughly 50 years away.
- On **inequality**, North Macedonia is around three years from the EU level, and Kosovo about 15 years. The rest are much further behind, Albania, Bosnia and Herzegovina, and Montenegro are around 70 years away, while Serbia is diverging from the EU.
- **Poverty** is only improving meaningfully in Kosovo, which is around seven years away from the EU level. Serbia and Montenegro are roughly 80-90 years away, Albania and North Macedonia are more than 100 years away, and Bosnia and Herzegovina is currently diverging from the EU.
- The **gender employment gap** is clearly the weakest area. Five of the six economies are diverging from the EU level, and Serbia would need more than 100 years to converge under current trends, which points to a clear area for policy intervention.

## HEALTH PILLAR

### Albania

64.2% of EU average

+1.5 pp last year

39 years to EU

### BiH

76.8% of EU average

+1.2 pp last year

89 years to EU

### Kosovo

58.0% of EU average

+0.2 pp last year

41 years to EU

### Montenegro

87.5% of EU average

+1.8 pp last year

17 years to EU

### North Macedonia

85.8% of EU average

+1.6 pp last year

7 years to EU

### Serbia

86.9% of EU average

-1.6 pp last year

100+ years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **The health pillar is also among the better in the region**, reflecting the socialist legacy, although progress in recent years has been weak and uneven.
- In 2025, **countries ranged from 58% of the EU level (Kosovo) to around 86%** (Montenegro, North Macedonia, and Serbia), with Albania and Bosnia and Herzegovina in between.
- **Five economies improved** in this pillar in 2025, with Serbia being the only exception.
- Albania, Bosnia and Herzegovina, Montenegro, and North Macedonia closed around 1.5 pp of the gap to the EU, Kosovo closed just 0.2 pp, and Serbia widened its gap by 1.6 pp, driven by higher infant mortality.
- **Based on the current gap and trends over the past five years**, North Macedonia is the closest to the EU level in this pillar, at roughly 7 years. Montenegro is at around 17 years, Albania and Kosovo at around 40 years, and Bosnia and Herzegovina at around 90 years, whereas Serbia is more than 100 years away.
- Looking at the individual indicators within this pillar, **countries perform best on life expectancy**, with all six economies standing between **93%** and **98%** of the EU average.
- The other indicators show more pronounced cross-country variation. **Public spending on health** ranges from around 40% of the EU level in Albania and Kosovo, to 105% in Montenegro, with North Macedonia, Bosnia and Herzegovina, and Serbia ranging between 70% and 90%.
- **Infant mortality** ranges from 54% of the EU level in Albania, meaning the infant mortality rate is almost twice the EU average, to around 160% in Montenegro and North Macedonia, meaning rates there are roughly 60% lower than the EU average. Bosnia and Herzegovina, Kosovo, and Serbia stand at around 60-70% of the EU level on this indicator.
- **Variation is also strong for hospital beds**. Kosovo stands at 46% of the EU average, while Serbia is at 118%, reflecting different historical patterns of investment in the sector. North Macedonia is close to the EU level, at 99%, while the other three economies are at around 70-80%.
- For the **number of physicians**, Kosovo is at 49% of the EU average, Albania and Bosnia and Herzegovina at around 60%, Montenegro and North Macedonia at around 70%, and Serbia at 79%.
- **The strongest progress within the health pillar has been in infant mortality**. Montenegro and North Macedonia already outperform the EU average on this indicator, while Kosovo and Albania are roughly a decade away from reaching it. Bosnia and Herzegovina is around 25 years away, while Serbia remains more than 100 years away, reflecting very slow progress in this area.

- **Hospital beds are the second area showing meaningful progress.** Serbia already exceeds the EU average, and North Macedonia is roughly one year away. Albania and Bosnia and Herzegovina are around a decade away, while Montenegro is around 60 years away. Only Kosovo is more than 100 years away. At the same time, a substantial part of this improvement is linked to private hospitals, which are not always easily accessible to everyone.
- In **public health spending**, Montenegro has already reached the EU level, and Serbia is estimated to be around four years away. The others, however, have shown limited progress. North Macedonia is around 80 years away, while Albania, Bosnia and Herzegovina, and Kosovo are diverging, with health spending falling further below the EU average.
- In the **number of physicians**, Kosovo is around 35 years away and is the only economy showing meaningful progress. Bosnia and Herzegovina and Montenegro are estimated to be more than 100 years away, while the other three economies are diverging from EU standards.
- **Life expectancy**, despite being the indicator for which countries are currently closest to the EU level in percentage terms, shows the weakest trends. Only Kosovo has made progress, improving to around 31 years away from the EU average, while the other five economies are diverging from the EU on this indicator.

## EDUCATION PILLAR

### Albania

69.9% of EU average

+0.5 pp last year

Diverging from EU

### BiH

71.3% of EU average

+0.6 pp last year

18 years to EU

### Kosovo

61.2% of EU average

-0.5 pp last year

Diverging from EU

### Montenegro

77.1% of EU average

+0.2 pp last year

Diverging from EU

### North Macedonia

70.9% of EU average

-3.0 pp last year

Diverging from EU

### Serbia

82.9% of EU average

+1.0 pp last year

Diverging from EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Education remains one of the region's stronger areas**, reflecting the socialist legacy, **but the situation has deteriorated seriously in recent years**, with most countries now diverging from the EU benchmark.
- In 2025, **countries ranged** from 61% of the EU level (Kosovo) to 83% (Serbia), with Montenegro at 77% and Albania, Bosnia and Herzegovina, and North Macedonia at around 70%.
- **Four economies improved in this pillar in 2025**, while Kosovo and North Macedonia worsened. Serbia recorded the strongest improvement, closing 1 pp of the gap to the EU. Albania, Bosnia and Herzegovina, and Montenegro each closed around 0.5 pp. Kosovo diverged by 0.5 pp, while North Macedonia widened its gap by 3 pp.
- **The longer-term picture is far less positive**, and based on trends over the past five years, five of the six economies are not expected to reach the EU level any time soon. Bosnia and Herzegovina is the only exception, and under current trends, it is estimated to reach the EU average in around 18 years.
- **Looking at the individual indicators within this pillar, countries perform best in terms of the labour force with advanced education** (i.e. the share of people with tertiary education who participate in the labour force). Albania, Bosnia and Herzegovina, and Montenegro are already above the EU average when it comes to this, while the other three economies stand at around 90% of the EU level.
- **PISA scores are also relatively strong**, ranging from 74% of the EU level in Kosovo to 93% in Serbia, with the other four economies at around 80%.
- In terms of **public spending on education**, Albania stands at 57% of the EU average, while Bosnia and Herzegovina is at 85%. Serbia and North Macedonia are at around 70%, and Kosovo and Montenegro are close to 80%.
- For the **tertiary education attainment rate** (i.e. the share of the working-age population with completed tertiary education), Bosnia and Herzegovina stands at 48% of the EU average; Kosovo, Montenegro, and Serbia at around 75%; and Albania and North Macedonia at around 66%.
- **Enrolment in tertiary education shows wider variation**. Kosovo has the lowest rate, at 25% of the EU average, while Serbia is at 92%. Albania stands at 81%, Montenegro and North Macedonia at around 68%, and Bosnia and Herzegovina at 56%.
- The **NEET (not in education, employment, or training) rate**, relative to the EU, ranges from 29% in Kosovo, meaning the headline NEET rate is roughly three times higher than in the EU, to 71% in Serbia, meaning the rate is about one third higher than the EU average. Albania stands at 40% of the EU benchmark, North Macedonia at 50%, and Bosnia and Herzegovina and Montenegro at around 60%.

- **Progress has been weak across most indicators.** Even for the **labour force with advanced education**, where Albania, Bosnia and Herzegovina, and Montenegro already exceed the EU average, Kosovo and North Macedonia are on a diverging trend, and Serbia is estimated to be around eight years away from reaching the EU level.
- For the **NEET rate**, Bosnia and Herzegovina is around 13 years from the EU level, while Montenegro and Serbia are around 30 years away. Albania is more than a century away, while Kosovo and North Macedonia are drifting further away from the EU.
- In terms of the **tertiary education attainment rate**, Bosnia and Herzegovina is around 27 years from the EU level, and Albania around 47 years away. North Macedonia is more than 100 years away, while Kosovo, Montenegro, and Serbia are diverging.
- For **enrolment in tertiary education**, only Albania and North Macedonia have shown progress in recent years, and both are roughly two decades away from the EU average. The other four economies are moving away from the EU level.
- For **PISA scores**, only Serbia has improved and is estimated to be around 13 years from the EU level. Albania, Kosovo, Montenegro, and North Macedonia are diverging, while for Bosnia and Herzegovina the trend cannot be calculated due to insufficient observations.
- For **public spending on education**, only Bosnia and Herzegovina has recorded progress recently and is estimated to be around three years from the EU level if current trends continue. The other five economies are diverging, meaning their education spending is falling further behind the EU level over time.

## GOVERNANCE PILLAR

### Albania

73.8% of EU average

+1.8 pp last year

64 years to EU

### BiH

59.3% of EU average

+1.5 pp last year

Diverging from EU

### Kosovo

66.2% of EU average

+0.8 pp last year

26 years to EU

### Montenegro

76.7% of EU average

+2.5 pp last year

57 years to EU

### North Macedonia

73.3% of EU average

-0.5 pp last year

40 years to EU

### Serbia

70.1% of EU average

+0.9 pp last year

100+ years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Governance is also among the relatively solid pillars in the region, and one for which all the countries are at a rather similar level.**
  - In 2025, they ranged from 59% of the EU level (Bosnia and Herzegovina) to 77% (Montenegro), with the other four countries at around 70% of the EU level.
  - **Five countries improved in this pillar in 2025**, with North Macedonia being the only one to worsen.
  - **Montenegro recorded the strongest improvement**, closing 2.5 pp of the gap to the EU. Albania and Bosnia and Herzegovina closed around 1.5 pp, and Serbia and Kosovo around 1 pp, whereas North Macedonia widened its gap by 0.5 pp.
  - **Based on current gaps and trends over the past five years**, Kosovo is expected to converge to the EU level first, in around 26 years. North Macedonia is about 40 years away, and Montenegro and Albania are around 60 away, whereas Serbia is more than 100 years away. Bosnia and Herzegovina is diverging and is not expected to reach the EU level any time soon.
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- Looking at the individual indicators within this pillar, **political stability is where countries perform best**. They range from around 70% of the EU level (Bosnia and Herzegovina and Kosovo) to around 85% (Albania and North Macedonia), with Serbia and Montenegro in between, at around 80%.
  - **Regulatory quality comes next**, with countries ranging from 62% of the EU level (Kosovo) to around 80% (Montenegro and North Macedonia). Bosnia and Herzegovina stands at 66%, while Serbia and Albania are at around 75%.
  - **Voice and accountability is close behind**, ranging from 60% of the EU level (Bosnia and Herzegovina) to 79% (Montenegro). Kosovo and Serbia are at around 67%, while Albania and North Macedonia are at 74%.
  - **Dispersion is smallest for the rule of law**, with countries clustered between 61% of the EU average (Bosnia and Herzegovina) and 69% (Montenegro).
  - **By contrast, dispersion is widest in government effectiveness**. Bosnia and Herzegovina stands at just 44% of the EU average, while Albania and Montenegro are at around 80%, and the remaining three economies are at roughly 70%.
  - **Control of corruption is the weakest area across the region**, ranging from 56% of the EU average (Bosnia and Herzegovina) to around 70% (Montenegro). The other economies sit within this band: Serbia at 60%, North Macedonia and Albania at 63%, and Kosovo at 67%.
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- **Although countries are relatively close to each other in the governance pillar, their recent trends have diverged markedly.**
  - **Political stability has seen the strongest progress over the past five years**, although with large cross-country differences. North Macedonia is around six years away from the EU level if recent trends continue, Kosovo is at 13 years,

Montenegro at 41 years, and Bosnia and Herzegovina at 63. Albania and Serbia are currently diverging from the EU level.

- For **government effectiveness**, Albania, Kosovo, and Montenegro are each around 15 years away from the EU level, while the remaining three economies have been diverging from the EU average.
- In **control of corruption**, only Kosovo and Albania have made meaningful progress over the past five years and are around 17 and 31 years away from the EU average, respectively. North Macedonia and Bosnia and Herzegovina are more than 100 years away, while Serbia and Montenegro are not improving and are on a diverging trend relative to the EU.
- In **voice and accountability**, only Montenegro and North Macedonia have shown meaningful progress and are respectively around 16 and 32 years away from the EU level. Kosovo is estimated to be more than 100 years away, while the other three economies are diverging from the EU.
- For the **rule of law**, Albania has shown the strongest recent progress and is around 25 years away from the EU average if the past five-year trend continues. North Macedonia and Serbia are estimated to respectively need roughly 50 and 70 years to converge, and Kosovo is more than 100 years away, whereas Bosnia and Herzegovina and Montenegro are diverging.
- In **regulatory quality**, none of the economies is on course to reach EU standards within a generation. Serbia is around 56 years away, Kosovo around 80 years away, and Montenegro and Bosnia and Herzegovina more than 100 years away, whereas Albania and North Macedonia are diverging.

## ENVIRONMENT PILLAR

### Albania

54.4% of EU average

-0.5 pp last year

100+ years to EU

### BiH

37.1% of EU average

+0.8 pp last year

Diverging from EU

### Kosovo

22.2% of EU average

+1.6 pp last year

100+ years to EU

### Montenegro

44.9% of EU average

-0.2 pp last year

Diverging from EU

### North Macedonia

44.2% of EU average

+2.5 pp last year

Diverging from EU

### Serbia

35.8% of EU average

-0.7 pp last year

Diverging from EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Environment is one of the weakest pillars in the Western Balkans, and also one in which none of the countries is making meaningful progress.**
- In 2025, the region ranged from 22% of the EU level (Kosovo) to 54% (Albania), with the other four at around 40% of the EU level.
- **Three countries improved in this pillar in 2025, and three worsened. North Macedonia recorded the strongest improvement**, closing 2.5 pp of the gap to the EU. While Kosovo (1.6 pp) and Bosnia and Herzegovina (0.8 pp) also closed part of the gap, Albania, Montenegro, and Serbia widened their gaps by around 0.5 pp.
- **The longer-term patterns have been far worse.** Based on trends over the past five years, none of the countries is on track to reach the EU level any time soon. Albania and Kosovo are estimated to be more than 100 years away from converging to the EU average, while the other four economies are even diverging.
- Looking at the individual indicators within this pillar, **the only area where some countries have some good results is the renewable energy share.** Albania and Montenegro already outperform the EU in this, reflecting their geography and large hydropower investments from the socialist period. North Macedonia is also close to the EU average, at 96%, while Bosnia and Herzegovina stands at 81%. Serbia is further behind, at 67%, and Kosovo is at just 31%, reflecting its heavy reliance on coal.
- For **energy intensity**, the region ranges from around 30% of the EU level in Bosnia and Herzegovina, Kosovo, and Serbia, meaning energy use per unit of GDP is more than three times higher than in the EU. At the other end is Albania, at around 60% of the EU average, with Montenegro and North Macedonia at around 40%.
- For **premature deaths attributable to PM2.5**, the region ranges from 24% of the EU average (North Macedonia) to 40% (Montenegro), with the other four economies in between. This implies air pollution-related premature deaths are roughly four times higher than in the EU in North Macedonia, and around 2.5 times higher in Montenegro.
- For **carbon intensity**, the region ranges from 17% of the EU level (Bosnia and Herzegovina and Kosovo) to 47% (Albania), with the remaining countries in between. In other words, CO<sub>2</sub> emissions per unit of GDP are between about six times higher than the EU average (Bosnia and Herzegovina and Kosovo) and around twice as high (Albania).
- For **waste recovery**, Kosovo stands at just 4% of the EU average, and Montenegro at 8%. The other four perform slightly better. Albania, Bosnia and Herzegovina, and Serbia are at around 30% of the EU level, while North Macedonia is at 42%.

- **There is virtually no indicator in which any of the countries has made good progress over the past several years.**
- **Only in renewable energy share are Albania and Montenegro already above the EU level, but this has nothing to do with recent developments,** as it is a legacy from decades ago. In that area, North Macedonia is closest to reaching the EU level, at 27 years away, with Kosovo following, at 44 years away. Meanwhile, Bosnia and Herzegovina and Serbia are diverging from the EU.
- In **waste that is recovered**, only North Macedonia and Serbia have shown some progress, though only marginal, being around 40 years away from the EU. Kosovo is more than a century away, while the other three countries are diverging from the EU level.
- In **premature deaths due to PM 2.5**, Kosovo is 40 years away from the EU level, while Albania is 60 years away. North Macedonia and Serbia are around 100 years away, while Bosnia and Herzegovina and Montenegro are diverging from EU levels.
- In **energy intensity**, no country has made any meaningful progress. Albania is 80 years away from the EU level, and Bosnia and Herzegovina and Serbia are more than a century away, whereas the remaining three economies are diverging from the EU level.
- **Carbon intensity is even worse**, as all six countries are diverging from the EU (i.e. increasing their CO<sub>2</sub> emissions per unit of GDP relative to EU levels).

## DIGITALISATION PILLAR

### Albania

60.6% of EU average

+1.5 pp last year

11 years to EU

### BiH

71.2% of EU average

+2.3 pp last year

30 years to EU

### Kosovo

66.0% of EU average

+1.5 pp last year

100+ years to EU

### Montenegro

79.6% of EU average

+1.9 pp last year

18 years to EU

### North Macedonia

77.9% of EU average

+1.9 pp last year

8 years to EU

### Serbia

93.1% of EU average

-3.5 pp last year

3 years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Digitalisation is the best-performing pillar in the Western Balkans, with most of the countries expected to reach the EU level within a generation.**
  - In 2025, the region ranged from 61% of the EU level (Albania) to 93% (Albania). Kosovo and Bosnia and Herzegovina are at around 70%, while North Macedonia and Montenegro are at around 80%.
  - **Five countries improved in this pillar in 2025, with just Serbia worsening.** Bosnia and Herzegovina saw the strongest improvement, closing 2.3 pp of the gap to the EU, with North Macedonia and Montenegro following, with 1.9 pp. Albania and Kosovo were also good, improving by 1.5 pp.
  - **Based on the current gap to the EU and the trends over the past five years, Serbia is projected to reach the EU level in three years, while Albania and North Macedonia in about a decade.** Montenegro is about two decades away, while Bosnia and Herzegovina around three. Only Kosovo has not made strong progress in digitalisation over the past several years, being more than a century away from reaching the EU level.
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- **One indicator under this pillar for which all countries are consistently strong is the share of households with internet access.** It ranges from around 90% of the average EU rate (Bosnia and Herzegovina and Montenegro) to around 105% (Albania and Kosovo), with Serbia and North Macedonia in between, at 95%.
  - **Value added in ICT** is very high in some countries but much lower in others. Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia have surpassed the EU on this indicator, with ICT accounting for more than 5% of GDP, while Kosovo and Albania remain at around half of the EU level.
  - **Employment in ICT** is also relatively strong overall, but with notable cross-country differences. Serbia is already above the EU average, with more than 4% of total employment in ICT. North Macedonia is at around 90% of the EU level, Bosnia and Herzegovina and Kosovo at around 80%, and Montenegro at around 70%, while Albania lags significantly, at about 40%.
  - **ICT exports** are somewhat lower relative to EU values. Serbia leads the region, at around 90% of the EU level, followed by North Macedonia, at around 80%. Kosovo is at around 60%, and Montenegro at around 50%, whereas Bosnia and Herzegovina and Albania are weaker, at roughly 30% and 20% of the EU average, respectively.
  - **The share of enterprises with a website** is fairly solid across the region, although variation remains. Serbia and Montenegro are already above the EU level, Bosnia and Herzegovina follows at around 85%, and North Macedonia and Albania are at around 70%, whereas Kosovo lags, at roughly half of the EU rate.
  - **The weakest area under this pillar is the use of e-government services.** Only Albania and Serbia perform relatively well, with Albania above the EU average

and Serbia at around 80% of it, while the other four economies are only at around 40-50% of the EU average.

- **Looking at progress in the individual digital indicators over the past several years, the share of households with internet access again stands out.** Albania and Kosovo have already exceeded the EU level, and all other economies are on track to do the same within roughly three to seven years if recent trends continue.
- For **value added in ICT**, four economies have already converged to the EU level (Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia), while Albania and Kosovo have made much slower progress. Based on current trends, Albania is around 56 years away from the EU average, while Kosovo is more than 100 years away.
- **ICT services exports** shows a similar pattern. Kosovo, Montenegro, North Macedonia, and Serbia are all within about a decade of reaching the EU level, while Bosnia and Herzegovina is still more than 100 years away, and Albania is diverging from the EU.
- In **employment in ICT**, Serbia has already converged to the EU level. North Macedonia is estimated to be around two years away, and Bosnia and Herzegovina around a decade away. Albania is roughly 40 years away, while Kosovo and Montenegro are currently diverging from the EU on this indicator.
- For the **share of enterprises with a website**, Montenegro and Serbia have already converged to the EU level, and Albania is estimated to be around 14 years away. North Macedonia is around 35 years away, while Bosnia and Herzegovina is more than 100 years away, and Kosovo is diverging.
- In terms of the **use of e-government services**, Albania has already converged to the EU level, Serbia is around three years away, and Kosovo roughly a decade away. By contrast, Bosnia and Herzegovina is estimated to be around 60 years away, and Montenegro around 80 years away, whereas North Macedonia is diverging from the EU on this indicator.

## INFRASTRUCTURE PILLAR

### Albania

14.1% of EU average

+0.4 pp last year

100+ years to EU

### BiH

23.2% of EU average

+0.5 pp last year

100+ years to EU

### Kosovo

37.3% of EU average

+1.3 pp last year

Diverging from EU

### Montenegro

30.6% of EU average

+0.0 pp last year

100+ years to EU

### North Macedonia

38.4% of EU average

+1.6 pp last year

100+ years to EU

### Serbia

36.6% of EU average

+1.2 pp last year

100+ years to EU

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Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Infrastructure is one of the weakest pillars in the region, and one for which there has not been any meaningful progress.**
- In 2025, countries ranged from just 14% of the EU level (Albania) to around 37% (Kosovo, North Macedonia, and Serbia), with Bosnia and Herzegovina and Montenegro in between.
- **Five countries improved in this pillar in 2025, with Montenegro stagnating.** Kosovo, North Macedonia, and Serbia closed around 1.5 pp of the gap to the EU, while Albania and Bosnia and Herzegovina closed around 0.5 pp.
- **The longer-term trends, however, are much more worrying and point to no tangible convergence.** Based on current gaps and trends over the past five years, none of the economies is on track to reach the EU level any time soon. Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia are estimated to be more than 100 years away from the EU average, while Kosovo is diverging from the EU level.
- **Motorway length varies considerably across the region, with no country performing particularly strongly.** Kosovo and North Macedonia are at around 60% of the EU level, with Serbia following at around 50%. The other three economies are much weaker: Bosnia and Herzegovina and Montenegro are at around 20% of the EU benchmark, while Albania is at just 4%. The weaker situation in the latter three reflects geography to a significant extent.
- **The picture is even worse for the total length of roads.** The best performers, Montenegro and Serbia, reach only around 40% of the EU average. The remaining economies are clustered far below, at roughly 10% of the EU level, pointing to prolonged underinvestment in road infrastructure.
- For **railway track length**, Serbia stands at 63% of the EU average. North Macedonia and Kosovo are at around 40%, and Montenegro and Bosnia and Herzegovina around 30%. Meanwhile, Albania stands at roughly 10%.
- In terms of the **number of airports per square kilometre**, Montenegro is at around 50% of the EU average. North Macedonia, Kosovo, and Bosnia and Herzegovina are at around 30%, Albania at 24%, and Serbia at only 12%.
- **Installed electricity capacity shows the least variation across countries**, ranging from 19% of the EU level (Montenegro) to 35% (Kosovo), with the remaining economies at around 25%.
- **The only indicator showing some progress in recent years is motorway length.** Kosovo, Montenegro, North Macedonia, and Serbia have invested in this area, and if the trend from the past five years continues, they could reach the EU average in roughly 20-30 years. Albania and Bosnia and Herzegovina have made much less

progress, and under current trends, they are unlikely to reach the EU benchmark on this indicator within the next 100 years.

- **All other infrastructure indicators show no meaningful progress.** For the number of airports, Albania is estimated to be around 33 years away from the EU level, and for installed electricity capacity, North Macedonia is around 53 years away. In all other cases, countries are either more than 100 years away from the EU level or diverging from it.

# WHAT EXPLAINS THESE TRENDS?

## REGIONAL OVERVIEW ACROSS THE EIGHT PILLARS

- **The Western Balkans are closest to the EU in digitalisation, and relatively closer in health, education, governance, and social outcomes** – but they remain **far behind in economic development** and even **further behind in infrastructure and the environment**.
- **Digitalisation is the clearest regional strength**. Basic connectivity is already widespread, and the private-sector digital economy is developing in parts of the region. The main constraint is the uptake of e-government services and the ability to translate digitalisation into higher productivity and better public services.
- **Health and education are still at decent levels, but trends have been mostly negative**. The region benefits from a legacy of relatively broad access and a solid base from socialist times, but there has been very little improvement in recent years, with even a deterioration in many areas. Without stronger public investment and quality reforms in these pillars, convergence will not happen even if headline indicators remain not too far from EU levels.
- **Social outcomes are mixed, with two clear structural weaknesses**. Employment and inequality can look relatively close to the EU levels in parts of the region, but **poverty remains high and the gender employment gap stands out** as a persistent regional deficit that is not closing fast enough.
- **Infrastructure is a hard bottleneck**. The current situation is dismal compared to the EU, and only motorways have seen some progress. Other areas suffer from chronic underinvestment over many years, limited implementation capacity, and governance constraints in planning, procurement, and delivery.
- **Environment is the other hard bottleneck, with no convergence at all**. A few economies benefit from a legacy of renewables from socialist times, but the region's pollution, high energy intensity, and slow progress on emissions and waste management keep the pillar far from EU standards.

## ECONOMIC PILLAR

### Strengths

- Output per worker is the ‘least weak’ part of the pillar. It suggests that, for those in work, productivity is not catastrophically far from the EU level, but **overall living standards remain low because too much of the economy is still concentrated in lower-value-added activities** and because labour-market structure (participation, informality, sector mix) drags down GDP per capita.
- **There is still room for wage catch-up.** Wages remain well below productivity in relative terms, so further wage increases are possible. But they need to be followed by productivity gains and technological upgrading.

### Weaknesses

- **The region’s economic model does not generate enough high value added.** Growth is often driven by consumption, construction, tourism, remittances, and low-to-mid value-added production. These can stabilise growth, but they rarely deliver fast and sustained convergence in GDP per capita.
- **Wage dynamics are partly policy-led.** Minimum-wage increases and public-sector wage decisions have pushed wages up faster than productivity in several cases. If this persists, it can erode price competitiveness unless non-price competitiveness (quality, innovation, skills, logistics, business environment) improves. This once again underscores the need for industrial policy.
- **Pensions are the chronic weak spot.** Low pension contributions, emigration, ageing, and small budgets keep pension adequacy low and slow to improve, even when headline GDP and wages move.

### What improved recently

- **Administrative wage-setting supported convergence at the bottom.** Minimum-wage rises helped to lift measured pay indicators faster than the underlying production structure would normally allow.
- **Post-pandemic normalisation and sector rebounds helped GDP per capita.** Tourism/services recoveries and investment cycles supported short-run improvements, even if they did not fundamentally change productivity patterns.

### What deteriorated / stalled

- **Productivity upgrading stalled in parts of the region.** Where convergence slowed or reversed, the typical driver is the same: weak structural change (limited movement into higher-value-added activities) and insufficient innovation/investment quality, with the result that productivity does not keep pace with wages.

- **Pension catching-up remains slow regardless of growth.** Even with decent GDP performance, pension adequacy does not follow quickly because it is driven by long-run labour-market formality and fiscal-demographic constraints.

## SOCIAL PILLAR

### Strengths

- **Inequality is relatively contained (by regional standards),** which is a legacy of the socialist period and a still fairly compressed income distribution compared to what the region could look like at this income level. This is the indicator for which the region tends to look closest to the EU level.
- **Labour-market indicators are generally moving in the right direction** in several economies, supported by gradual recovery and job creation but also by emigration, which reduces labour supply and tightens labour markets.

### Weaknesses

- **Poverty remains high because growth does not translate well into broad-based household security.** Social benefits are often low/fragmented, activation policies are weak, and regional (urban-rural) disparities remain large. As a result, improvements in jobs and wages do not reliably reach vulnerable groups.
- **The gender employment gap is another major structural problem.** It is driven by low female labour-force participation, insufficient childcare and care services, informality, and “deep-rooted” social norms. Furthermore, in some countries, women who do work are more likely to be in vulnerable jobs with weak protection.

### What improved recently

- **Employment and unemployment improved** mainly because of post-pandemic recovery, relatively solid growth, strong inflows of foreign direct investment (FDI) inflows, and emigration.
- **Poverty (and sometimes inequality) improved where external incomes and policy played together.** Remittances, minimum-wage increases, and (in some cases) expanded or better targeted social transfers supported the bottom of the distribution.

### What deteriorated / stalled

- **Poverty reduction is slow in most cases because transfers are not strong enough** and labour-market improvements are uneven. Informality and weak activation keep many households only partially connected to formal income growth.

- **Gender gaps tend to stall or widen without targeted policies.** When childcare, activation, and labour-market inclusion measures are weak, overall labour-market improvements do not automatically translate into better outcomes for women.

### Positive examples from the region

- Kosovo: Poverty is much lower here than elsewhere, mainly due to higher social spending and transfers (including war-related schemes).
- Albania: The strongest recent improvement is linked to rising female employment and strong labour demand (in tourism, construction, and emerging digital services).

## HEALTH PILLAR

### Strengths

- **Outcomes are still relatively close to the EU level on life expectancy,** reflecting the socialist-era legacy of broad access and basic system coverage. The problem, however, is that progress has become weak.
- **Infant mortality is the indicator that has shown the best progress lately.** Where maternal and neonatal care improves (via better access, staffing at births, and primary care outreach), the gap can close relatively quickly compared to other health indicators.

### Weaknesses

- **Financing is often too low, and out-of-pocket payments are high.** In the lower-spending systems, chronic underfunding limits access and quality and pushes costs onto households (which also creates unequal access).
- **Workforce shortages are becoming widespread.** Emigration of medical staff, weak retention, and insufficient strategic workforce planning (training capacity, specialisations, regional allocation) make it hard to improve outcomes even when spending rises.
- **Hospital capacity is a mixed story.** Some systems have too few beds due to long-term underinvestment, while others reflect an outdated, hospital-centred model, with a high number of beds but without modernisation or improvements in related areas. In addition, increases in capacity are sometimes driven by private hospitals, which are not equally accessible.

### What improved recently

- Infant mortality improved in some countries due to strengthened prenatal, delivery, and paediatric care. This is the clearest good news, and it is owed to targeted interventions and better service coverage.
- Hospital capacity increased in some countries through gradual upgrades, new equipment, and private-sector expansion (though this does not automatically mean better access for everyone).

### What deteriorated / stalled

- **Life expectancy trends are negative.** Even though levels are close to that of the EU, progress is often stagnant or negative, pointing to gaps in prevention, chronic disease management, and broader environmental/lifestyle risks.
- **Physician availability stagnates or even deteriorates in some cases.** Even when new graduates enter, emigration and weak working conditions in the public sector can lead to declining numbers.
- **In some cases, health spending fell behind the EU trend,** suggesting that fiscal prioritisation has weakened after the pandemic period and/or that execution and efficiency remain issues.

### Positive examples from the region

- **Montenegro and North Macedonia: Infant mortality is already better here than the EU average,** showing that focused maternal/child-health improvements can deliver convergence even without a full system overhaul.

## EDUCATION PILLAR

### Strengths

- **Broad access and decent inherited status** – The region still benefits from a socialist-era baseline of relatively wide access to education, which helps to keep some headline outcomes (e.g. PISA levels and labour-market activity among the tertiary-educated) not too far from the EU level.
- **Strong labour-market participation of the tertiary-educated in parts of the region** – In several economies, tertiary-educated people who are in the country tend to participate in the labour force at high rates, suggesting that the core problem is not employability, but rather attainment.

## Weaknesses

- **Learning quality is the major weakness** – Weak or declining learning outcomes point to deep delivery problems: outdated curricula, insufficient teacher training and motivation, and limited modern learning resources (including digital ones).
- **Underinvestment** – Education spending is falling behind the EU level in all six economies. Where budgets exist, a large share is absorbed by wages and maintaining a dispersed school network, leaving too little for quality upgrades (e.g. on teacher development, materials, early childhood, and school infrastructure).
- **Weak school-to-work links keep NEET rates high** – Persistently high NEET rates reflect poor coordination between education and employment policies, limited quality vocational pathways, weak work-based learning, and insufficient transition support for young people.

## What improved recently

- **Selective progress in spending and enrolment** – Bosnia and Herzegovina is the main case where education spending has been moving closer to the EU level, while Albania and North Macedonia have shown some progress in tertiary enrolment.

## What deteriorated / stalled

- **Falling PISA performance in several economies** signals that access and participation are not translating into skills, largely because core delivery constraints (e.g. curricula, teaching practice, early foundations, resources) remain unresolved.
- **Public spending is a key drag** – With education budgets falling behind the EU in most economies, systems have limited capacity to fund quality upgrades, infrastructure modernisation, and the expansion of early childhood coverage – all of which are preconditions for sustained convergence.
- **Tertiary systems are not producing enough ‘useful’ graduates** – High dropout/low completion rates, weak programme relevance, and emigration prevent expanded tertiary participation from translating into higher attainment and productivity-enhancing skills.

## Positive examples from the region

- **Serbia: Despite low investment, the country has relatively strong outputs.** It combines comparatively solid PISA and labour-market outcomes with low spending, showing that system performance is not only about money, even though quality risks remain.

## GOVERNANCE PILLAR

### Strengths

- **The best-performing dimension is political stability**, which is owed to the absence of major conflicts and the relatively predictable political transitions.

### Weaknesses

- **Control of corruption remains the weakest governance area.** A key structural issue is high-level corruption and weak oversight of public procurement, especially in large infrastructure projects implemented through bilateral agreements without competitive tendering and with limited disclosure.

### What improved recently

- **Political stability** – Where it improved, the driver was a more predictable political environment, with fewer acute crises and clearer government formation.
- **Government effectiveness** – Improvements are typically linked to practical public-administration reforms (e.g. streamlining procedures and improving co-ordination across institutions) and service digitalisation.

### What deteriorated / stalled

- **Regulatory quality** – Where it deteriorated, this typically reflects policy unpredictability and weak implementation resulting from frequent legal changes, uneven consultation, weak oversight and enforcement, and limited administrative capacity to implement reforms consistently.
- **Rule of law** – Slow court proceedings, politicisation, weak judicial independence, limited resolution of high-level corruption cases, and constrained prosecutorial capacity keep the indicator from improving even when strategies and laws exist on paper.

## ENVIRONMENT PILLAR

### Strengths

- **Renewable energy share is the one area with genuinely good relative results in parts of the region.** This mainly reflects geography and large hydropower capacity built up over decades rather than recent 'green transition' progress.

### Weaknesses

- **Energy intensity and carbon intensity are structurally high** because the production base is outdated and decarbonisation is slow. Old technologies, weak investment in efficiency, and slow adoption of cleaner production practices keep the region far from EU standards.

- **Coal dependence remains a central constraint in many economies.** Reliance on lignite-based electricity and slow progress in replacing ageing plants keep emissions high and make convergence on carbon intensity particularly difficult.
- **Air pollution remains severe because the root causes are still not tackled.** Coal-based power generation, inefficient household heating, and high vehicle use dominate in many places, while enforcement and investment in cleaner technologies lag.
- **Waste recovery is extremely low because systems are missing.** Recycling infrastructure is underdeveloped, municipal capacity is weak, waste separation is limited, and circular-economy policies are not implemented consistently. As a result, landfilling remains dominant.

### What improved recently

- **Renewables improved in some countries, with new added capacity in wind and solar.** This strengthens the ‘clean generation’ side of the story, even if it does not yet translate into lower carbon intensity economy-wide.
- **Some progress has been made in waste recovery, but it is only marginal.** Where it improved, it reflects gradual steps in collection and sorting rather than a functioning recycling system. As a result, the gap to the EU remains very large.

### What deteriorated / stalled

- **Carbon intensity is the most worrying trend,** and it is diverging from the EU level across all six economies. This is due to the fact that economic activity is not becoming cleaner as a result of coal-based power, low investment in energy efficiency, and slow decarbonisation.
- **Energy intensity shows no meaningful progress.** Inefficient buildings, outdated machinery, weak enforcement of energy-efficiency standards, and limited incentives to invest keep energy use per unit of output far above the EU level.
- **Waste recovery stalled or deteriorated in most of the countries.** Without investment in sorting/recycling facilities and consistent enforcement, strategies remain largely declarative and recovery rates do not move.

## DIGITALISATION PILLAR

### Strengths

- **Digitalisation is the clearest regional strength.** Basic connectivity is already widespread, and households’ access to the internet is relatively close to the EU level in most economies.
- **The private-sector digital economy is developing in parts of the region.** Where ICT value added, exports, or ICT jobs are stronger, it reflects a combination of

foreign investment, local entrepreneurship, and the ability to plug into international service markets.

### Weaknesses

- **E-government usage is the main bottleneck.** The gap is the result of the inexistence of tools and weak uptake. Limited user trust, weak digital skills, patchy service quality, and a preference for in-person administrative procedures keep usage low.
- **Digitalisation does not yet translate into broad productivity gains.** Many firms – especially smaller ones – lag in adopting digital tools, e-commerce, and modern management systems. As a result, the productivity ‘payoff’ remains concentrated in a few sectors and companies.

### What improved recently

- **Connectivity continued to strengthen.** Internet access for households improved further in all countries, reflecting continued investment in networks and falling effective costs of access.
- **ICT sector indicators improved in the leading economies.** Growth in ICT exports and ICT employment reflects deeper integration into international markets and a gradual build-up of capabilities.

### What deteriorated / stalled

- **E-government uptake stalled in several cases.** Many governments did not do anything on this due to a lack of interest among policy makers, inefficient public institutions, and a paper-based administrative culture.
- **Adoption of digital tools slowed in some places.** In some countries, many companies still do not have websites, reflecting a lack of awareness about the importance for this and a general backwardness of the business sector.

### Positive examples from the region

- **Serbia:** The country is close to the EU level on the digitalisation pillar, reflecting stronger ICT sector development and better overall uptake.
- **North Macedonia:** While generally similar to Serbia, it lags just a bit behind.
- **Albania:** Thanks to strong progress on e-services and digital public administration, the country has lifted usage and improved the pillar’s overall performance.

## INFRASTRUCTURE PILLAR

### Strengths

- **Motorways are the only area with visible progress.** Progress reflects large public investment programmes, stronger use of external financing, and a clearer political focus on flagship road corridors.

### Weaknesses

- **The infrastructure gap is extreme, persistent, and widespread.** The region starts from a very low base and has not invested enough – for long enough – to generate meaningful convergence with the EU.
- **Investment is uneven and often poorly prioritised.** Road building has dominated, while rail infrastructure has been neglected. This limits connectivity, raises logistics costs, and weakens the region's capacity to shift to greener transport.
- **A lack of political will for infrastructure investment is a major problem.** It reflects low awareness of its importance as well as a short-term political mindset that does not prioritise long-term projects with delayed payoffs.
- **Project delivery constraints are a central bottleneck.** Weak planning, limited administrative capacity, and procurement and governance problems slow implementation and raise costs.
- **Energy infrastructure is also a constraint.** Limited generation capacity and weak grids in parts of the region reduce reliability and are making the energy transition harder.

### What improved recently

- **Motorway construction advanced in some countries.** This is the main driver of any improvement in the pillar, but it does not change the overall picture because other components remain far behind.
- **Air connectivity only improved in some places.** Where airports expanded, it was more about catching up with demand than about awareness about the importance of infrastructure.

### What deteriorated / stalled

- **Rail infrastructure is the clearest area of stagnation.** Underinvestment, slow modernisation, and weak management keep the network unreliable and uncompetitive. As a result, the gap to the EU is not closing.
- **Road network, installed electricity capacity, and number of airports stalled as well** due to a lack of awareness of the importance of the issue and weak project delivery capacity.

## SCENARIOS

To better understand how different EU integration pathways might influence Western Balkan economies' convergence, this analysis considers four scenarios as defined in the converge2eu model:

- **Full EU Membership** – immediate accession with all rights and obligations;
- **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

These scenarios are informed by the post-accession trajectories of **comparators (e.g. Bulgaria, Croatia and Romania)**, whose experiences provide empirical benchmarks. The modelling uses a structural equations model (SEM) approach, examining key transmission channels (e.g. EU budget inflows, increased EU exports and institutional improvements) as well as their effect on growth and other societal outcomes.

The analysis is conducted in a panel setting covering the period from the late 1990s to 2023. It includes the three newest EU member states as benchmarks, alongside the Western Balkan economies. One indicator from each of the **eight convergence pillars** is included:

- **Economy:** GDP per capita at purchasing power standard (PPS)
- **Social:** income share of the bottom 20%
- **Health:** life expectancy
- **Education:** tertiary enrolment
- **Governance:** control of corruption
- **Environment:** energy intensity of the economy
- **Digitalisation:** ICT exports
- **Infrastructure:** road density

## GDP PER CAPITA

### Albania

Status quo:	30 years to EU
Full EU accession:	20 years to EU
Access to EU budget:	23 years to EU
EU single market:	26 years to EU
Institutional reforms:	28 years to EU

### Bosnia and Herzegovina

Status quo:	100+ years to EU
Full EU accession:	88 years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Kosovo

Status quo:	62 years to EU
Full EU accession:	40 years to EU
Access to EU budget:	47 years to EU
EU single market:	53 years to EU
Institutional reforms:	57 years to EU

### Montenegro

Status quo:	50 years to EU
Full EU accession:	23 years to EU
Access to EU budget:	30 years to EU
EU single market:	37 years to EU
Institutional reforms:	43 years to EU

### North Macedonia

Status quo:	100+ years to EU
Full EU accession:	60 years to EU
Access to EU budget:	99 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Serbia

Status quo:	29 years to EU
Full EU accession:	18 years to EU
Access to EU budget:	21 years to EU
EU single market:	25 years to EU
Institutional reforms:	27 years to EU

## POVERTY

### Albania

Status quo:	100+ years to EU
Full EU accession:	75 years to EU
Access to EU budget:	75 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Bosnia and Herzegovina

Status quo:	Divergence
Full EU accession:	96 years to EU
Access to EU budget:	96 years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

### Kosovo

Status quo:	7 years to EU
Full EU accession:	5 years to EU
Access to EU budget:	5 years to EU
EU single market:	7 years to EU
Institutional reforms:	7 years to EU

### Montenegro

Status quo:	91 years to EU
Full EU accession:	43 years to EU
Access to EU budget:	43 years to EU
EU single market:	91 years to EU
Institutional reforms:	91 years to EU

### North Macedonia

Status quo:	100+ years to EU
Full EU accession:	46 years to EU
Access to EU budget:	46 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Serbia

Status quo:	77 years to EU
Full EU accession:	38 years to EU
Access to EU budget:	38 years to EU
EU single market:	77 years to EU
Institutional reforms:	77 years to EU

## LIFE EXPECTANCY

### Albania

Status quo:	Divergence
Full EU accession:	37 years to EU
Access to EU budget:	70 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Bosnia and Herzegovina

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Kosovo

Status quo:	31 years to EU
Full EU accession:	21 years to EU
Access to EU budget:	24 years to EU
EU single market:	27 years to EU
Institutional reforms:	29 years to EU

### Montenegro

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### North Macedonia

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Serbia

Status quo:	Divergence
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	Divergence

## TERTIARY ENROLMENT

### Albania

Status quo:	19 years to EU
Full EU accession:	17 years to EU
Access to EU budget:	18 years to EU
EU single market:	19 years to EU
Institutional reforms:	19 years to EU

### Bosnia and Herzegovina

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Kosovo

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Montenegro

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### North Macedonia

Status quo:	24 years to EU
Full EU accession:	22 years to EU
Access to EU budget:	23 years to EU
EU single market:	23 years to EU
Institutional reforms:	24 years to EU

### Serbia

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

## CONTROL OF CORRUPTION

### Albania

Status quo:	31 years to EU
Full EU accession:	21 years to EU
Access to EU budget:	21 years to EU
EU single market:	31 years to EU
Institutional reforms:	21 years to EU

### Bosnia and Herzegovina

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Kosovo

Status quo:	17 years to EU
Full EU accession:	11 years to EU
Access to EU budget:	11 years to EU
EU single market:	17 years to EU
Institutional reforms:	11 years to EU

### Montenegro

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### North Macedonia

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Serbia

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

## ENERGY INTENSITY

### Albania

Status quo:	84 years to EU
Full EU accession:	20 years to EU
Access to EU budget:	29 years to EU
EU single market:	43 years to EU
Institutional reforms:	57 years to EU

### Bosnia and Herzegovina

Status quo:	100+ years to EU
Full EU accession:	43 years to EU
Access to EU budget:	74 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Kosovo

Status quo:	Divergence
Full EU accession:	44 years to EU
Access to EU budget:	77 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Montenegro

Status quo:	Divergence
Full EU accession:	70 years to EU
Access to EU budget:	100+ years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

### North Macedonia

Status quo:	Divergence
Full EU accession:	100+ years to EU
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Serbia

Status quo:	100+ years to EU
Full EU accession:	43 years to EU
Access to EU budget:	75 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

## ICT EXPORTS

### Albania

Status quo:	Divergence
Full EU accession:	49 years to EU
Access to EU budget:	56 years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

### Bosnia and Herzegovina

Status quo:	93 years to EU
Full EU accession:	25 years to EU
Access to EU budget:	27 years to EU
EU single market:	27 years to EU
Institutional reforms:	88 years to EU

### Kosovo

Status quo:	6 years to EU
Full EU accession:	5 years to EU
Access to EU budget:	5 years to EU
EU single market:	5 years to EU
Institutional reforms:	6 years to EU

### Montenegro

Status quo:	10 years to EU
Full EU accession:	7 years to EU
Access to EU budget:	7 years to EU
EU single market:	7 years to EU
Institutional reforms:	10 years to EU

### North Macedonia

Status quo:	3 years to EU
Full EU accession:	2 years to EU
Access to EU budget:	2 years to EU
EU single market:	2 years to EU
Institutional reforms:	3 years to EU

### Serbia

Status quo:	4 years to EU
Full EU accession:	2 years to EU
Access to EU budget:	2 years to EU
EU single market:	2 years to EU
Institutional reforms:	4 years to EU

## LENGTH OF ROADS

### Albania

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Bosnia and Herzegovina

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Kosovo

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### Montenegro

Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

### North Macedonia

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

### Serbia

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

## **ECONOMIC (GDP per capita)**

**Our scenarios indicate that EU accession can significantly accelerate economic convergence in the Western Balkans.**

Under the **status quo**, convergence horizons range from relatively manageable timelines in **Serbia (29 years)** and **Albania (30)** to much longer trajectories in **Montenegro (50)** and **Kosovo (62)** in addition to extremely slow convergence in **North Macedonia and Bosnia and Herzegovina (both 100+)**.

**Full EU membership consistently accelerates convergence in the region, with sizeable gains for all economies.** Serbia's convergence horizon falls from 29 to 18 years, Albania's from 30 to 20 years, Montenegro's from 50 to 23 years, and Kosovo's from 62 to 40 years. The two slowest convergers also improve markedly in absolute terms: North Macedonia shifts from 100+ years under the status quo to 60 years, and Bosnia and Herzegovina from 100+ to 88 years.

**Access to the EU budget alone delivers smaller but still significant gains for all countries.** Serbia (21 years), Albania (23), and Montenegro (30) still see clear acceleration relative to the status quo. Kosovo improves to 47 years, while North Macedonia remains at a very long 99 years and Bosnia and Herzegovina at 100+ years.

**Single market access produces more moderate effects.** Serbia (25 years), Albania (26), Montenegro (37), and Kosovo (53 years) all experience some acceleration relative to the status quo, but less than under the access to EU budget scenario. For North Macedonia and Bosnia and Herzegovina, single market access does not materially alter convergence paths (both remain at 100+ years).

**Institutional reforms alone have more modest impacts.** While they shorten convergence somewhat in Serbia (27 years), Albania (28), Montenegro (43), and Kosovo (57), they leave North Macedonia and Bosnia and Herzegovina effectively unchanged, at 100+ years.

**Overall, three broad patterns emerge.** First, EU integration – especially full membership – materially accelerates income convergence across the whole region. Second, economies with deeper structural constraints (i.e. North Macedonia and Bosnia and Herzegovina) experience only limited acceleration under the partial accession options. Third, trade integration and institutional reforms are insufficient, as the strongest growth effects are associated with scenarios that include EU budget transfers.

## SOCIAL (Poverty)

Our scenarios suggest that social convergence – proxied by the income share of the bottom 20% – is generally slow across the Western Balkans, and that **meaningful improvements are concentrated in scenarios that include access to EU budget transfers.**

Under the **status quo**, outcomes differ sharply across the region: **Kosovo** stands out with a relatively short convergence horizon (**7 years**), while **Serbia (77)** and **Montenegro (91)** face very long timelines. **Albania and North Macedonia** are even further away (**both 100+**), while **Bosnia and Herzegovina is diverging.**

**Full EU membership improves poverty convergence in several economies, but the pattern is uneven.** Kosovo accelerates further (from 7 to 5 years). Serbia's convergence horizon roughly halves (from 77 to 38), and Montenegro's falls substantially (from 91 to 43). North Macedonia also improves markedly (from 100+ to 46), and Albania shifts from 100+ to 75 years. Bosnia and Herzegovina also improves, though its convergence remains very slow; full EU accession switches it from divergence to 96 years to reaching the EU level.

**Access to the EU budget produces identical results to full membership in this pillar.** Kosovo stays at five years, Serbia remains at 38 years, Montenegro at 43, North Macedonia at 46, Albania at 75, and Bosnia and Herzegovina at 96. This underscores that, for poverty-related outcomes, the key driver is the redistributive and investment effects associated with EU budget support.

**Single market access yields limited benefits.** Kosovo converges as quickly as in the status quo (7 years), Serbia remains at 77 years, Montenegro at 91, and Albania and North Macedonia both at 100+. Bosnia and Herzegovina continues to diverge.

**Institutional reforms also fail to accelerate poverty convergence.** Kosovo remains at seven years, Serbia stays at 77, Montenegro at 91, and Albania and North Macedonia both at 100+, while Bosnia and Herzegovina remains diverging.

**Overall, two broad patterns emerge.** First, the scenarios that include access to EU budget transfers (full membership and EU budget access) generate sizeable improvements in most of the economies and, in Bosnia and Herzegovina, at least reverse divergence into slow convergence. Second, single market access and institutional reforms on their own are not sufficient; without EU-style transfers and programmes, poverty-related convergence largely stalls across the region.

## HEALTH (Life expectancy)

**Our scenarios suggest that EU integration does not translate into automatic improvements in health convergence in most of the economies of the Western Balkans.**

Under the **status quo**, only **Kosovo shows a clear convergence path (31 years to the EU level)**. All other economies are **diverging**, meaning the life-expectancy gap with the EU widens rather than narrows.

**Full EU membership improves outcomes in only two of the economies.** Kosovo's convergence horizon shortens from 31 to 21 years, and Albania shifts from divergence to convergence (37 years). In contrast, Bosnia and Herzegovina, Montenegro, and North Macedonia remain diverging even under full accession. Serbia shifts from divergence to extremely slow convergence (100+ years), indicating that any projected gains are very limited over the long run.

**Access to the EU budget delivers a similar picture, but generally weaker than full membership.** Kosovo still converges (24 years), and Albania converges more slowly (70). Bosnia and Herzegovina, Montenegro, and North Macedonia remain diverging. Serbia again shows only very slow convergence (100+).

**Single market access does not materially change regional outcomes.** Kosovo continues to converge (27 years), but Albania's convergence becomes extremely slow (100+), while Bosnia and Herzegovina, Montenegro, and North Macedonia remain diverging. Serbia also remains on a very slow path (100+).

**Institutional reforms alone have the weakest effect of all the partial EU accession scenarios.** Kosovo still converges (29 years), but Albania remains at 100+ years, while Bosnia and Herzegovina, Montenegro, and North Macedonia continue diverging. Serbia reverts to divergence under this scenario.

**Overall, three broad patterns emerge.** First, none of the EU accession scenarios speeds up health convergence significantly in all economies of the region, pointing out that there are deep structural problems here – and ones that will not vanish with EU membership. Second, full EU membership and EU budget access can still improve outcomes in some cases, notably in Kosovo and Albania. Third, single market access and institutional reforms by themselves have almost no impact on health convergence, suggesting that improvements in life expectancy have nothing to do with market access or institutional quality.

## EDUCATION (Tertiary enrolment)

**Our scenarios suggest that EU integration is not a major driver of education convergence in the Western Balkans.**

**Under the status quo, only Albania and North Macedonia show a clear convergence path, with Albania reaching the EU level in 19 years and North Macedonia in 24.** In contrast, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia are **diverging**, meaning the gap in tertiary enrolment widens rather than narrows.

**Full EU membership produces only limited improvements – and only where convergence is already present.** Albania's convergence horizon shortens slightly (from 19 to 17 years), and North Macedonia's also improves modestly (from 24 to 22). However, full accession does not reverse divergence in the rest of the region, as Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia continue to diverge even under membership.

**Access to the EU budget delivers an almost identical picture.** Albania converges in 18 years and North Macedonia in 23, while Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia remain diverging.

**Single market access does not materially change the regional outcomes, either.** Albania remains at 19 years, North Macedonia remains at 23, and divergence persists in Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia.

**Institutional reforms alone essentially have no effect in this pillar.** Albania remains at 19 years and North Macedonia at 24, while Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia continue to diverge.

**Overall, three broad patterns emerge.** First, none of the EU accession scenarios improves tertiary-enrolment convergence across the whole region, and for most economies, it does not even reverse divergence. Second, where convergence exists (i.e. in Albania and North Macedonia), EU-related scenarios make only marginal differences, suggesting that the trend is largely driven by domestic dynamics rather than EU accession. Third, tertiary enrolment appears largely disconnected from market access, EU transfers, and even institutional reforms, which points to the central role of national education policy choices and state investment.

## **GOVERNANCE (Control of corruption)**

**Our scenarios indicate that governance convergence – measured through control of corruption – is also largely unresponsive to the EU accession scenarios.**

**Under the status quo, only Albania (31 years) and Kosovo (17) show clear convergence paths.** Bosnia and Herzegovina and North Macedonia are extremely far from the EU benchmark (both 100+ years), while Montenegro and Serbia are diverging.

**Full EU membership only improves outcomes in countries where convergence is already present.** Albania's horizon shortens from 31 to 21 years, and Kosovo's from 17 to 11. However, membership does not alter the trajectory in Bosnia and Herzegovina and North Macedonia (both remain at 100+ years), nor does it reverse divergence in Montenegro and Serbia.

**Access to the EU budget produces identical results to full membership.** Albania and Kosovo converge more quickly (both at 21 and 11 years, respectively), while Bosnia and Herzegovina and North Macedonia remain at 100+ years and Montenegro and Serbia continue diverging.

**Single market access has no measurable effect.** Albania reverts to 31 years, and Kosovo to 17. While Bosnia and Herzegovina and North Macedonia remain at 100+ years, Montenegro and Serbia continue diverging.

**Institutional reforms alone only generate improvements in Albania and Kosovo (21 and 11 years, respectively),** but they leave Bosnia and Herzegovina and North Macedonia at 100+ years and do not reverse divergence in Montenegro and Serbia.

**Two broad patterns stand out.** First, EU-related scenarios do not produce governance convergence across the region as a whole, and in most of the economies, even full accession fails to narrow the gap. Second, improvements are concentrated in countries that already display a positive trajectory, suggesting that control of corruption depends less on formal accession modalities and more on domestic political commitment and the functioning of judicial and anti-corruption institutions.

## ENVIRONMENT (Energy intensity)

**Our scenarios suggest that EU accession can strongly influence environmental convergence – proxied by energy intensity.**

**Under the status quo, only Albania shows a clear convergence path (84 years).** Bosnia and Herzegovina and Serbia remain extremely far from the EU benchmark (both 100+ years), while Kosovo, Montenegro, and North Macedonia are diverging.

**Full EU membership improves outcomes across the whole region.** Albania's convergence horizon shortens sharply, from 84 to 20 years. Bosnia and Herzegovina and Serbia move from 100+ years to 43, while Kosovo shifts from divergence to convergence in 44 years. Montenegro also switches from divergence to convergence, but on a very long horizon (70 years). North Macedonia is the only country that improves only marginally, shifting from divergence to 100+ years.

**Access to the EU budget delivers weaker improvements than full membership, but they are still meaningful.** Albania still accelerates significantly (29 years), and Bosnia and Herzegovina and Serbia improve but remain rather slow (74 and 75 years, respectively). Kosovo shifts from divergence to convergence, but again on a very long horizon (77 years). Montenegro only improves only to 100+ years, while North Macedonia remains diverging.

**Single market access has limited effects.** Albania continues to converge (43 years), but Bosnia and Herzegovina, Serbia, and Kosovo all remain at 100+ years. Meanwhile, Montenegro and North Macedonia continue diverging.

**Institutional reforms alone also deliver little.** Albania still converges, but slowly (57 years), while Bosnia and Herzegovina, Kosovo, and Serbia remain at 100+ years and Montenegro and North Macedonia continue diverging.

**Overall, two broad patterns stand out.** First, full EU membership is the only scenario that generates region-wide improvement. Second, energy-intensity convergence is largely unattainable under partial-integration options for most economies, highlighting how difficult the energy-efficiency and decarbonisation transition will be without sustained long-term investment and active domestic policy.

## DIGITALISATION (ICT exports)

**Our scenarios suggest that digital convergence – which is already fairly strong in the region – can be further strengthened by EU accession.**

**Under the status quo**, Kosovo (6 years), North Macedonia (3), Serbia (4), and Montenegro (10) all show relatively fast convergence to the EU level. Bosnia and Herzegovina converges only very slowly (93), while Albania is diverging.

**Full EU membership accelerates convergence in almost all economies, often dramatically.** Kosovo converges in five years, North Macedonia and Serbia in just two, and Montenegro in seven. Bosnia and Herzegovina shifts from very slow convergence (93 years) to a much faster one (25). Albania also shifts from divergence to a rather slow but still positive convergence path (49 years).

**Access to the EU budget produces broadly similar results.** Kosovo remains at five years, North Macedonia and Serbia at two, and Montenegro at seven. Bosnia and Herzegovina converges in 27 years, and Albania converges more slowly than under full membership (56 years).

**Single market access also delivers strong outcomes for most economies.** Kosovo converges in five years, North Macedonia and Serbia in two, Montenegro in seven, while Bosnia and Herzegovina requires 27. Albania is the main exception: under this scenario, it remains diverging, indicating that market access alone is not sufficient to put its ICT exports on a clear convergence path.

**Institutional reforms alone have much weaker effects than the integration scenarios.** The economies that are already close to the EU benchmark still converge quickly (Kosovo: 6 years; North Macedonia: 3; Serbia: 4; Montenegro: 10), but Bosnia and Herzegovina remains on a very long horizon (88) and Albania continues diverging.

**Overall, two broad patterns stand out.** First, EU integration mainly accelerates an existing convergence process in the area of digitalisation. Second, for the weakest performers (especially Albania and, to some extent, Bosnia and Herzegovina), convergence appears to depend much more on deeper integration and supportive frameworks than on market access or domestic institutional reforms alone.

## INFRASTRUCTURE (Length of roads)

Our scenarios suggest that none of the EU integration pathways modelled here produces meaningful improvements in infrastructure convergence – proxied by road density.

**Under the status quo**, Albania, Kosovo, and Montenegro are already on extremely long convergence horizons (all 100+ years), while Bosnia and Herzegovina, North Macedonia, and Serbia are diverging.

**Under all the EU accession scenarios assessed here, convergence remains materially unchanged with respect to the status quo.** Albania, Kosovo, and Montenegro remain at 100+ years, while Bosnia and Herzegovina, North Macedonia, and Serbia continue diverging.

**The message is clear: road infrastructure convergence does not result automatically from EU integration.** Even under full accession, the region remains stuck with either divergence or convergence horizons beyond a century, pointing to structural issues that go beyond funding – including lack of political will, weak state institutions, poor project-preparation and -execution capacity, and perhaps geography as well.

# POLICY DISCUSSION

## 1. General Policy Discussion

The Western Balkan countries enter 2025-2026 at a pivotal but still fragile moment in their convergence journey with the EU. Across the region's eight pillars – economic, social, health, education, governance, environment, digitalisation, and infrastructure – the picture that emerges is one of **uneven progress, persistent structural constraints, and a convergence trajectory that remains far too slow under current conditions** for most countries and indicators.

The region's most striking structural feature is its asymmetric convergence profile. **Digitalisation stands out as the area of greatest relative strength**, with most economies on track to approach EU standards within a generation under existing trends. Health and social outcomes benefit from a socialist-era legacy that kept headline indicators at relatively high levels, but trends in both pillars have been mostly negative in recent years, raising serious concerns about whether these inherited advantages can be sustained. Economic convergence is proceeding at a moderate pace in some countries – notably Albania and Serbia – but remains extremely slow or even reversing in others, particularly Bosnia and Herzegovina. **Environment and infrastructure represent the region's most acute structural deficits**: none of the six economies has made meaningful progress in narrowing the environmental or infrastructure gap with the EU, and all six are actively diverging on several key indicators.

**Cross-cutting the individual pillars, three structural dynamics stand out as decisive for the region's convergence trajectory. The first is governance quality.** Across all economies, weak rule of law, institutional fragmentation, limited public administration capacity, and persistent corruption are not merely a governance problem – they are simultaneously a growth constraint, a social policy failure, and an investment deterrent. The data are unambiguous: economies in which governance shows meaningful improvement (notably Kosovo and Albania) are also those in which economic and social indicators are converging more quickly. Conversely, in Serbia and Montenegro, governance indicators on key dimensions (e.g. control of corruption and regulatory quality) are diverging from the EU, which bodes ill for long-term convergence across other pillars. In Bosnia and Herzegovina, the fragmentation of political authority remains the single most binding constraint on convergence across virtually all domains.

**The second structural dynamic is the demographic deficit.** Emigration is reshaping the region's labour markets, fiscal sustainability, and social fabric. In the short term, emigration has in some cases reduced unemployment and tightened labour markets,

which has supported wage convergence. But the medium-term effects are deeply corrosive: a shrinking, ageing working-age population reduces the productive base, weakens the sustainability of pension and health systems, erodes education investment returns through brain drain, and limits the domestic demand needed to sustain growth. Without policies that retain skilled workers, attract return migrants, raise female labour force participation (which remains far below EU standards across the region), and improve social services that incentivise household formation, demographic decline will increasingly offset any gains from economic reform.

**The third structural dynamic is the region's growth model.** Too many Western Balkan economies still rely on consumption, construction, tourism, and remittances as their primary growth engines, with weak innovation and limited movement into higher-value-added activities. FDI inflows, while generally solid, have mostly gone to low-wage and low-value-added activities, reinforcing rather than transforming the existing structure of production. In this context, wages have in recent years risen faster than productivity in several economies – which is manageable for now, given the large wage-productivity gap, but represents a potential competitiveness risk if not accompanied by sustained productivity upgrading, innovation investment, and active industrial policy.

**The scenario analysis provides a clear and sobering read on what is at stake.** *Under the status quo*, the region faces convergence horizons ranging from roughly 29-30 years for Albania and Serbia on GDP per capita to over a century for Bosnia and Herzegovina and Kosovo. In social, environmental, and infrastructure pillars, divergence rather than convergence is the prevailing pattern under business as usual. *Full EU membership* materially accelerates convergence across most pillars. *Access to EU budget transfers* generates broadly comparable improvements to full membership in several pillars, particularly for poverty and energy-intensity convergence, underscoring the critical role of investment-enabling fiscal transfers. By contrast, *single market access* alone and *institutional reforms* alone produce more modest and uneven effects, accelerating convergence in economies where structural conditions are already relatively favourable, but doing little for those facing the deepest structural deficits.

**Two additional insights from the scenarios deserve special attention.** **First**, *education and infrastructure* do not converge under any scenario, including full EU accession. This makes a powerful case for targeted, sustained, domestically-driven investment and reform in both sectors, independent of the integration pathway chosen. **Second**, *health outcomes (life expectancy)* are largely unresponsive to the EU accession scenarios modelled, with most economies diverging even under full

membership, which points to deep structural problems in health systems that will not be resolved by the macroeconomic effects of EU integration alone.

**The policy implications are clear.** Accelerating convergence requires **simultaneously pursuing the deepest possible EU integration** – with full membership as the explicit and unambiguous goal – **while delivering credible domestic reform** in the areas that the scenarios and data identify as decisive: governance, education, health, green transition, and infrastructure investment. These are not alternatives. EU integration without domestic reform leaves the deepest structural deficits unaddressed. Domestic reform without EU integration leaves economies without the fiscal transfers, market access, and institutional anchors that the scenarios show to be critical accelerators of convergence.

## 2. Policy Discussion by Areas

### ECONOMIC:

**The economic pillar remains one of the weakest convergence areas for the Western Balkans despite some progress in recent years.** All countries were at around one third of the EU level in 2025. Five of the six economies improved in 2025, with Bosnia and Herzegovina being the only exception and Albania and Serbia posting the strongest progress.

The pillar's internal structure tells an important story. **Output per worker – at around half of EU levels across the region – is the strongest individual indicator**, suggesting that productivity is not catastrophically distant from European standards for those in employment. This relative strength is **offset by the much weaker position on wages and pensions**. Average wages typically stand at only 30-40% of EU levels, minimum wages somewhat higher, and pensions – at 10-20% of EU levels – represent the region's most chronic economic laggard.

The dominant pattern across the **region's growth model is reliance on consumption, construction, remittances, and tourism**, with limited progress in structural transformation towards higher-value-added activities. This model can generate headline growth – and it has – but it does not reliably deliver the productivity gains needed for sustained income convergence. In economies like Serbia, where FDI inflows and a larger industrial base provide a stronger foundation, convergence trajectories are meaningfully better. On the other hand, in Bosnia and Herzegovina, governance fragmentation actively undermines economic convergence. Wage dynamics across the region also deserve attention: minimum wage increases – mainly policy-driven – have been the strongest contributor to progress in the economic pillar in recent years, with most economies now within 20-40 years of EU minimum wage levels. However, wages have risen faster than productivity in several economies. Even if this trend is manageable while the wage-productivity gap remains large, it creates medium-term competitiveness risks requiring an active industrial policy response.

The scenario analysis confirms that **EU integration – particularly full membership – can meaningfully accelerate economic convergence**, nearly halving the time needed to reach the EU level in this area. Access to EU budget transfers produces broadly similar, if slightly weaker, acceleration, reinforcing the point that fiscal transfers are a key driver of income convergence. Single market access and institutional reforms alone only produce meaningful acceleration where structural conditions are already relatively favourable.

**Key policy priorities in the economic domain include developing and implementing industrial policies** that support structural transformation towards higher-value-

added activities; addressing **pension adequacy** by raising pension levels while also expanding the contribution base through formalisation of employment and increasing revenues; pairing minimum wage policies with **productivity-enhancing investment** to avoid competitiveness erosion; and designing **FDI-attraction strategies that maximise technology and skills transfer** to domestic firms and workers. Across all economies, building the business environment conditions needed to sustain private investment – including legal certainty, contract enforcement, and efficient public administration – remains a first-order priority.

## **SOCIAL:**

**The social pillar presents a mixed picture.** At two thirds of EU levels, it is among the region's relatively stronger convergence areas, and five of the six economies improved in 2025, with Albania recording the strongest gain and Montenegro being the only exception. Nevertheless, the aggregate conceals important structural weaknesses that policy must address directly.

On inequality – measured by the income share of the top 10% – most economies are at around 90% of the EU average, reflecting the socialist legacy of relatively compressed income distribution. Employment rates in Albania, Montenegro, and Serbia are at around 90% of the EU average, and unemployment has been declining in several economies, partly due to the tightening effect of emigration on labour markets. Kosovo stands out on poverty: its bottom-20% income share is at around 90% of the EU level – far better than the regional average of around 50% – largely because of high social spending, including pensions for war veterans. This is a positive example of what targeted social transfers can achieve, even in a low-income economy.

**The social pillar's two most serious structural weaknesses are poverty and the gender employment gap.** Poverty remains at around 50% of EU levels in five of the six economies. Critically, poverty reduction is slow because improvements in employment and wages do not reliably reach the most vulnerable groups – partly due to the large informal sector, partly due to weak activation policies, and partly due to geographic disparities between urban and rural areas.

**The gender employment gap is an even more acute structural deficit.** Five of the six economies are diverging from the EU on this indicator. Serbia – the best performer – would need more than 100 years to converge under current trends. Kosovo faces the starkest challenge, as its gender employment gap is almost four times larger than the EU average. The drivers are well understood: low female labour force participation rooted in limited affordable childcare, social norms, informality, and weak incentives for women to enter or remain in formal employment. Addressing this is both an issue of social justice and an imperative for economic growth, as expanding

female employment is one of the fastest available routes to raising GDP per capita across the region.

**The scenario analysis shows that poverty outcomes are strongly driven by EU budget transfers.** Full membership and EU budget access produce broadly comparable and meaningful poverty convergence improvements, roughly halving the timeline for most economies and reversing divergence in Bosnia and Herzegovina. Single market access and institutional reforms alone produce virtually no improvement in poverty outcomes, underscoring that redistribution- and investment-related fiscal transfers are the decisive mechanism for social convergence in this dimension.

**Key policy priorities** include significantly **expanding affordable childcare and care infrastructure** as a direct lever for reducing the gender employment gap; **reforming social transfer systems** towards greater generosity, better targeting, and more effective activation; reducing informality through **formalisation incentives**; and addressing the **urban-rural service gap** that keeps many rural communities chronically disconnected from economic progress.

#### **HEALTH:**

**The health pillar remains one of the Western Balkans' relative strengths, but the trend picture has deteriorated in recent years.** Countries ranged from 60-85% of EU levels in 2025. Five economies improved in the pillar in 2025, with Serbia – the previous top performer on several health indicators – being the only exception.

**Life expectancy** – the indicator where the region stands closest to the EU, at 93-98% of the EU average – is also the indicator with the worst trend picture. Five of the six economies are diverging from the EU on life expectancy, meaning the gap is widening. This is a serious warning signal: life expectancy is both a headline outcome indicator and a bellwether for chronic disease management, prevention, lifestyle factors, and environmental health. Only Kosovo is converging on life expectancy. Infant mortality is the health pillar's strongest recent success story: Montenegro and North Macedonia already outperform the EU average, while Kosovo and Albania are roughly a decade away from reaching it. This reflects the returns on targeted investments in maternal and neonatal care, access improvements, and primary care outreach.

**Health system financing remains a structural constraint across much of the region.** In Albania and Kosovo, public health spending is at only 40% of EU levels. This fuels high out-of-pocket payments, which create unequal access and financial hardship for lower-income households. Even in higher-spending systems, efficiency deficits, hospital-centric models, and fragmented delivery reduce the returns on investment. The healthcare workforce crisis, driven by emigration of medical professionals, is

becoming increasingly acute: countries like Bosnia and Herzegovina and Montenegro face situations where the number of physicians is more than 100 years from EU convergence under current trends – a consequence not just of training capacity, but of working conditions and salaries insufficient to retain trained staff in the public system.

**The scenario analysis delivers a sobering message for the health pillar: none of the EU accession scenarios significantly accelerates life expectancy convergence across the whole region.** Most economies continue diverging even under full EU membership, pointing to deep structural health system problems that are not primarily about GDP growth or market access, but about the quality, financing, and delivery of health services. This makes targeted reform of domestic health systems all the more urgent and indispensable.

**Key policy priorities** include substantially **increasing public health spending** in countries where it remains critically low – particularly Albania and Kosovo – while improving efficiency and reducing out-of-pocket payments; **addressing the healthcare workforce crisis** through competitive public-sector salaries, retention incentives, and managed-migration frameworks; **investing in primary and preventive care** as the backbone of a modern, efficient health system; and **tackling the life-expectancy deterioration** by strengthening preventive healthcare, with a particular focus on chronic diseases, alongside broader environmental and lifestyle interventions.

#### **EDUCATION:**

**Education is simultaneously one of the Western Balkans' historical strengths – reflecting the socialist legacy of broad access – and one of its most concerning recent trends.** The pillar ranged between 60% and 80% of the EU level in 2025. Four economies improved in 2025, but Kosovo and North Macedonia worsened. More importantly, the five-year trend picture reveals that this pillar is deteriorating across much of the region, with Bosnia and Herzegovina being the only economy with a clear convergence path on the pillar as a whole.

The internal structure of the education pillar reveals both inherited assets and deep delivery problems. The region **performs well on the labour force participation of tertiary-educated people** – with Albania, Bosnia and Herzegovina, and Montenegro already being above the EU average – suggesting that those who complete tertiary education and remain in the country are reasonably well integrated into the labour market. **PISA scores** range from 74% to 93% of the EU level and are also relatively stable. **But the weaknesses are severe. Public spending on education** is falling behind the EU in all six economies, and five of the six are diverging on this indicator.

**NEET rates** are critically high across the region and as high as three times the EU rate in Kosovo.

**Falling PISA performance in several economies is arguably the most alarming signal.** It indicates that access and participation – which the socialist legacy partially preserved – are no longer translating into skills because core delivery constraints remain unresolved: outdated curricula, insufficient teacher professional development, limited early childhood education, and school infrastructure that does not keep pace with modern learning requirements. **Tertiary education attainment and enrolment are also areas of concern**, as several economies – including Kosovo, Montenegro, and Serbia – are diverging from the EU on tertiary enrolment. This points to a structural weakening of the pipeline into higher education, which will have long-term consequences for productivity and human capital.

**The scenario analysis shows that education convergence is largely driven by domestic policy choices rather than EU accession pathways.** None of the integration scenarios – including full EU membership – generates meaningful education convergence across the whole region, and several economies continue diverging under all scenarios. Albania and North Macedonia, where tertiary enrolment is converging under the status quo, see only marginal acceleration from EU integration. This finding is critical: **education is a domain where Western Balkan countries cannot ‘integrate their way’ to convergence – they must invest and reform their way there.**

**Key policy priorities** include **reversing the decline in public education spending**, with emphases on early childhood education and teacher professional development; **expanding tertiary education enrolment** and improving its quality; **reforming curricula and teaching standards** to address the learning-quality crisis signalled by declining PISA trends; substantially **improving vocational education** and school-to-work transition support to reduce NEET rates; creating conditions that **retain skilled graduates domestically**; and expanding access to **digital learning tools** as a cross-cutting lever for modernising education delivery.

#### **GOVERNANCE:**

**Governance is a pillar where the Western Balkans display both relative resilience and profound long-term challenges.** In 2025, all countries were at around two thirds of EU levels. Five countries improved in 2025, with North Macedonia being the only exception. But these aggregate figures mask a deeply uneven picture.

**Political stability is the governance dimension where the region performs best** – ranging from 70% to 85% of the EU level – reflecting the absence of major conflicts and relatively predictable political transitions. **Government effectiveness shows**

**more variation**, with some countries at around 80% of EU levels and others at just around 40%. **Control of corruption remains the region's weakest governance dimension overall**, ranging between 56% and 70% of the EU level. On this indicator, only Kosovo and Albania have made meaningful progress over the five-year trend period. **Regulatory quality is another area of generalised concern**. None of the six economies is on course to reach EU regulatory standards within a generation.

**The governance pillar's scenario analysis delivers a clear message. EU accession scenarios do not produce governance convergence across the region as a whole.** In most economies, even full EU membership fails to put governance indicators on a meaningful convergence path. The scenarios that generate improvements in control of corruption – full membership and EU budget access – only produce gains in countries in which convergence was already occurring (i.e. Kosovo and Albania). In Montenegro and Serbia, even full accession does not reverse diverging corruption trends. This finding underscores **a fundamental truth about governance reform: it depends more on domestic political commitment, judicial independence, and the functioning of anti-corruption institutions than on any external anchor.**

**Key policy priorities** in the governance domain include **establishing genuinely independent anti-corruption agencies, prosecutors and courts** that are insulated from political interference in addition to having adequate resources and track records of high-level case prosecution; **reforming public procurement systems** to ensure competitive, transparent tendering – particularly in large infrastructure investments, which represent major vectors of corruption risk; **accelerating the operationalisation of EU Growth Plan reform agenda** requirements as a conditionality-linked pathway for governance improvements; **strengthening civil society oversight and media independence** as essential checks on public power; and – **in Bosnia and Herzegovina specifically** – **addressing governance fragmentation**, which is the root cause of across-the-board underperformance and will require fundamental constitutional and institutional reform.

#### **ENVIRONMENT:**

**The environment pillar is the Western Balkans' most acute area of structural deficit** – as well as the one where the gap with the EU is not only large but widening on most indicators. In 2025, the region was at just around one third of EU levels, with three countries improving slightly in 2025 but three worsening. The five-year trend picture is almost uniformly negative; based on current trends, none of the six economies is on track to reach the EU environmental level.

**The individual indicators tell a consistent story of structural failure to align with EU environmental standards. Carbon intensity** (i.e. CO<sub>2</sub> emissions per unit of GDP) is diverging from the EU level in all six economies, meaning that economic growth in the

region is becoming dirtier, rather than cleaner, relative to EU progress. **Energy intensity** (i.e. energy use per unit of GDP) is two to three times the EU level, reflecting outdated industrial infrastructure, inefficient buildings, weak energy-efficiency standards, and limited investment in modernisation. **Air quality**, measured by PM2.5-related premature deaths, is two to four times worse than the EU average across the region, representing a significant public health burden that intersects directly with the deteriorating life expectancy trends in the health pillar. **Waste recovery** is critically low.

**The one area of relative occasional strength is renewable energy share.** Albania and Montenegro already exceed the EU average, reflecting large hydropower capacity built up during the socialist period. North Macedonia is close to the EU average. Rather than generating momentum for a broader green transition, this historical advantage reflects legacy infrastructure rather than active decarbonisation policy. In addition, the other environmental indicators show no corresponding improvement.

**The scenario analysis provides perhaps the strongest argument in the entire report for full EU membership as a convergence accelerator.** In the environment pillar (proxied by energy intensity), full EU membership is the only scenario that generates region-wide improvement: it dramatically accelerates Albania (from 84 to 20 years), switches Bosnia and Herzegovina and Serbia from very slow to 43-year convergence, and converts divergence to convergence in Kosovo and Montenegro. By contrast, partial integration options – single market access and institutional reforms – achieve very little for most economies. The implication is stark: achieving the green transition in the Western Balkans requires the full regulatory and investment framework of EU membership.

**Key policy priorities** in the environment domain include implementing a credible and funded **coal phase-out trajectory** with EU support for just transition measures in coal-dependent communities; substantially accelerating **investment in energy efficiency** in buildings, industry, and transport; building **functional waste-management and recycling systems** through investment in infrastructure and consistent regulatory enforcement; investment in public and rail transport in order to reduce the use of cars; aligning with **EU carbon-pricing frameworks** and integrating the Western Balkans into EU Emissions Trading System arrangements as part of the accession process; and treating air-quality improvement as both an environmental and a public health emergency that demands **immediate action on heating systems, transport emissions, and industrial pollution.**

## **DIGITALISATION:**

**Digitalisation is the Western Balkans' clearest convergence success story as well as the pillar where the region as a whole is closest to EU standards.** In 2025, the region ranged between 60% and 90% of the EU average. Five economies improved in 2025, and based on current five-year trends, Serbia is projected to reach EU digital levels within just three years, Albania and North Macedonia within a decade, and Montenegro within about two decades.

**Household internet access is a clear regional success:** all six economies are at 90-105% of the EU rate, meaning basic connectivity has been broadly achieved. **ICT value added** exceeds the EU benchmark in four of the six economies, reflecting the emergence of a competitive domestic digital services sector. **ICT employment** and exports are also strong, with several of the countries being very close to the EU level.

**The main structural weakness is e-government uptake.** Most economies are at only 40-50% of the EU level on the use of digital public services, and the trend picture shows that this gap is not closing quickly in most countries. Albania is a notable positive exception, as it has already reached the EU level. But across much of the region, the e-government gap reflects a combination of limited availability of digital public services, weak digital skills among users, low institutional trust, and a persistent culture of in-person administrative procedures. A second structural concern is that the digital economy's gains remain concentrated in a few sectors and companies: many small and medium-sized enterprises (SMEs) lag significantly behind in adopting digital tools, e-commerce, and modern management systems, which limits the economy-wide productivity payoff of digitalisation.

**The scenario analysis confirms that digitalisation is a domain where EU integration accelerates an already broadly positive trajectory.** Full EU membership and EU budget access generate strong additional improvements. Single market access also produces strong effects for most economies.

**Key policy priorities** include substantially accelerating the development and quality of **e-government services** across all six economies, accompanied by interoperability standards and digital skills programmes to drive uptake; extending the digital economy's reach into **SMEs** through digitalisation grants and technology-adoption support; **using EU Growth Plan digital investment commitments** to deliver measurable improvements in service quality; and building **regional digital infrastructure standards** to enable cross-border digital services integration as part of the Common Regional Market.

## **INFRASTRUCTURE:**

**Infrastructure is the Western Balkans' second-most-acute structural deficit – alongside environment** – and the pillar where the gap with the EU is both the most extreme and resistant to change. In 2025, countries ranged between 14% and 37% of EU levels. Five countries improved slightly in 2025, but Montenegro stagnated, and the five-year trend picture is deeply concerning. Based on current trends, Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia are all more than 100 years from the EU infrastructure level, while Kosovo is diverging. These are not merely long convergence timelines – they reflect a fundamental inadequacy in the region's physical capital stock that constrains every other aspect of economic and social development.

**The only infrastructure indicator with visible progress is motorway length.** Kosovo, Montenegro, North Macedonia, and Serbia have invested in motorway construction, and under current trends, they could reach EU levels in 20-30 years on this single indicator. However, motorway investment has dominated infrastructure spending to the detriment of equally critical areas. **Railways have been chronically neglected** – Serbia is the only economy with a railway network at above 60% of the EU level, while Albania stands at just 10% – and the deteriorating quality of rail infrastructure raises logistics costs, limits freight capacity, and undermines the region's ability to shift to greener transport modes. **Road networks beyond motorways are severely underdeveloped**, with most economies at only 10% of EU road-density levels. **Installed electricity capacity and airport infrastructure are similarly weak.**

**Rather than simply being a funding problem, the infrastructure deficit reflects structural constraints that go beyond fiscal resources** to include weak project-preparation and feasibility-assessment capacity, governance problems in planning and procurement, limited institutional capacity for project delivery, and insufficient political prioritisation of long-term infrastructure investment. Large infrastructure projects have frequently been implemented through **bilateral government agreements without competitive tendering, creating both corruption risk** and value-for-money concerns that reduce the effective return on investment.

**The scenario analysis delivers the most categorical finding of any pillar: none of the EU integration scenarios modelled produces meaningful improvement in infrastructure convergence.** Under all four scenarios – including full EU membership – Albania, Kosovo, and Montenegro remain at 100+ years from the EU level, while Bosnia and Herzegovina, North Macedonia, and Serbia continue diverging. This finding is not an argument against EU membership, which produces large benefits in other pillars. Rather, it is a clear signal that **infrastructure convergence requires a sustained, targeted, regionally coordinated investment programme combined with**

**deep institutional reform of project delivery systems**, which cannot emerge automatically from macro-level integration.

**Key policy priorities** include significantly **increasing the share of EU Growth Plan** and other international financing allocated to railway modernisation and energy infrastructure; establishing **regional infrastructure-coordination mechanisms** to plan and deliver cross-border connectivity projects efficiently; urgently reforming **public-procurement and project-delivery institutions** to combat corruption and improve project-preparation quality; **addressing energy infrastructure gaps** as a prerequisite for both the green transition and long-term economic competitiveness; and **building a multi-year pipeline of infrastructure projects** that are fully prepared, funded, and ready for implementation.

### 3. Conclusions and Policy Recommendations

**The regional convergence data for 2025 confirm that the Western Balkans are progressing, and in several areas, the pace and quality of that progress deserve genuine recognition.** Digitalisation – the region’s strongest pillar overall – has Serbia projected to reach EU levels within three years, while most economies are on track to converge within a generation. Kosovo has reduced its unemployment rate so sharply that it now stands just eight years from the EU benchmark. Montenegro and North Macedonia already outperform the EU average on infant mortality, demonstrating that focused, sustained investment in a specific area can deliver convergence even ahead of formal EU accession. Rather than being marginal gains, these are proof that convergence is achievable when the right policies are sustained long enough to deliver results.

**The analysis of alternative EU integration pathways reinforces this mixed picture.** Full EU accession clearly accelerates convergence in several pillars, most notably in GDP per capita, poverty reduction, digitalisation, and, to a more limited extent, environmental performance. Access to the EU budget emerges as a key transmission channel, underlining the importance of structural and cohesion-type funds for supporting growth, infrastructure, and social outcomes.

**However, accession alone does not automatically resolve weaknesses in health, education, or governance.** In areas such as life expectancy, tertiary enrolment, and control of corruption, projected gains under accession scenarios are modest. These domains depend less on market access or financial inflows and more on deep domestic reforms, institutional capacity, and sustained implementation.

**The overall message is therefore straightforward: EU accession can significantly accelerate convergence, especially through financial support and single-market integration. But it is not a substitute for structural reform.** Without improvements in governance quality, education delivery, environmental enforcement, and public investment management, convergence will remain partial and uneven.

Translating this analysis into actionable policy requires a clear assignment of responsibilities across the various actors whose decisions will determine the region’s convergence trajectory.

#### a) Western Balkan Governments

Western Balkan governments carry **the primary responsibility for domestic reform delivery**, and the data identify five areas where commitment and action are most urgently needed.

**Strengthen governance institutions and deliver credible rule-of-law reforms, including fully independent and well-resourced anti-corruption bodies that produce visible results – especially in high-level cases.** Governance is the single most cross-cutting driver of convergence across every pillar. Weak rule of law, poor regulatory quality, and entrenched corruption simultaneously deter investment, distort public spending, slow policy implementation, and erode citizens' trust in reform. Improving governance is therefore not a condition imposed by external partners but one of the reforms offering the highest returns that any Western Balkan government can make for its own citizens. Albania's trajectory over the past several years illustrates this directly: sustained judicial reform and anti-corruption enforcement have moved it to around 70-80% of the EU average on government effectiveness, placed it on a 31-year convergence path on control of corruption, and, crucially, helped it to open 13 EU negotiating chapters in 13 months. This sequence is the clearest evidence available in the region that governance improvements unlock integration momentum, which in turn simultaneously accelerates convergence across all other pillars. The path is open to every economy in the region; what distinguishes those making progress is not circumstance but sustained political will to make institutional independence real rather than declaratory.

**Invest decisively in education quality, starting with teacher development and early childhood learning, and improve and expand tertiary education and vocational training.** Access to education is no longer the region's binding constraint; quality is – and the region still has significant ground to close on learning outcomes. PISA scores are generally good across the region, ranging from 74% to 93% of the EU average. Serbia offers the most encouraging model: by maintaining a system-wide focus on learning outcomes and teacher quality rather than simply expanding enrolment, it has achieved the region's highest score for the education pillar with only moderate per-student spending. The steps that have made the difference include curriculum improvements, targeted investment in school infrastructure, and professionalisation of teacher career pathways.

**Close the gender employment gap through affordable childcare, flexible employment frameworks, and targeted activation policies.** Five of the six economies are diverging from the EU on the gender employment gap, making this one of the region's most persistently neglected structural weakness while also one of the fastest available routes to raising GDP per capita. Albania demonstrates what targeted action can achieve: between 2024 and 2025, it closed 4.1 pp of the gap between its social pillar score and the EU average, driven primarily by a significant rise in female employment across tourism, construction, and emerging digital services. For the economies where the gender employment gap remains most acute – Kosovo's gap is nearly four times the EU average – adopting a comparable package

of affordable childcare, activation programmes, and flexible employment frameworks could unlock comparable acceleration in social and economic convergence.

**Implement existing green transition commitments – and mobilise EU funds and investments to deliver real results on the ground.** Western Balkan governments have adopted ambitious frameworks – including the Green Agenda for the Western Balkans – yet implementation remains critically weak. Year after year, Western Balkan cities rank among the most polluted in the world, with Sarajevo, Skopje and Pristina regularly exceeding EU air-quality limits by several multiples. The shift to renewable energy (e.g. solar and wind) and the modernisation of grid infrastructure remain stalled by persistent fossil-fuel subsidies, weak regulatory enforcement, and limited institutional capacity to drive change. Governments must move from strategy to action: enforce clean air and energy regulations, phase out coal subsidies on a credible timeline, and accelerate the rollout of renewable capacity. Montenegro and Albania have demonstrated that scaling up renewables is achievable, with both countries recording measurable progress in renewable energy share in recent years. EU funds and investments are available to finance this transition; the critical gap is political will and the administrative capacity to absorb and deploy them effectively.

**Develop an active economic model – combining industrial policy, wage-productivity alignment, and pension reform – to accelerate income convergence.** The region’s dominant growth model – built on consumption, remittances, tourism, and low-value-added FDI – is insufficient to deliver rapid income convergence. Output per worker across the region stands at only half of the EU level, and pensions – at just 10-20% of EU levels – are diverging in five of the six economies, meaning the most economically vulnerable citizens are falling further behind even as headline GDP grows. Shifting this model requires active industrial policy: identifying sectors with higher-value-added potential, adopting tailor-made measures to support them, building the regulatory environment and skills systems to attract and anchor quality investment, and supporting innovation so that productivity growth does not lag behind the necessary wage growth. Montenegro illustrates the potential: its deliberate shift towards tourism and services, combined with investment in connectivity and business-environment improvements, has supported a GDP per capita level at 42% of the EU average – the joint highest in the region alongside Serbia – while its economic convergence horizon, at 50 years under the status quo, is among the more tolerable in the Western Balkans. Deepening this kind of structural diversification across the region, rather than remaining dependent on low-cost manufacturing and remittance flows, is the reform that would most directly accelerate income convergence for ordinary citizens.

## **b) EU Institutions and EU Member States**

EU institutions and Member States hold the most consequential external levers for Western Balkan convergence, and the data identify four areas where their decisions will most directly accelerate – or stall – the region’s trajectory.

**Reinvigorate the accession process – with credible, merit-based milestones and tangible intermediate rewards for reform performers – and resolve the internal EU debate on enlargement.** The scenario analysis leaves no room for ambiguity: full EU membership is the single most transformative policy available to the region. Montenegro’s GDP per capita convergence horizon halves from 50 to 23 years; North Macedonia’s falls from over a century to 60 years; and Kosovo – currently diverging entirely on the environment pillar – converts that trajectory into a 44-year convergence path. For Montenegro and Albania, accession dynamics have genuinely reinvigorated in recent years, with both recording meaningful integration progress. But for much of the region, the process has drifted off track – and the honest diagnosis is that this reflects as much an unresolved internal EU debate as it does a reform deficit in the Western Balkans. There would be no ambiguity on this question if the EU27 had reached genuine consensus on the conditions and timeline under which they are prepared to enlarge the Union. The most consequential step that EU institutions and Member States can take for Western Balkan convergence is therefore an internal one: agreeing a credible, conditional enlargement horizon – and coupling it with stronger, structured, and gradual integration in specific areas of mutual interest so that the convergence dividend begins to materialise for citizens before formal accession concludes.

**Increase and frontload financial support through the EU budget and consider granting the Western Balkans early pre-accession access to cohesion and other EU budget funds.** The scenario analysis is unequivocal: access to the EU budget is the single most powerful channel through which accession accelerates convergence. In several economies, budget access alone produces a large share of the income gains associated with full membership, particularly through infrastructure investment and poverty reduction. If the objective is to narrow the convergence gap within a politically realistic timeframe, then expanding pre-accession access to structural-style funds – conditional on governance safeguards and absorption capacity – would be one of the most effective instruments available. Gradual integration into selected EU budget instruments, beyond the current Instrument for Pre-accession Assistance (IPA) framework, would allow citizens and firms to experience tangible convergence benefits earlier, strengthen reform incentives domestically, and reduce the risk that prolonged accession timelines translate into economic stagnation.

**Deepen economic integration ahead of formal accession – through phased single market access, regulatory alignment, and mutual recognition of qualifications.** The scenario modelling shows that single market access produces the strongest convergence gains after full membership and access to the EU budget, with income, trade, and productivity improvements that do not require the full political architecture of accession to be in place. The legal instrument for accelerating this transition already exists: upgrading existing Stabilisation and Association Agreements to agreements at the level of Deep and Comprehensive Free Trade Areas (DCFTAs) would provide the framework for structured, graduated integration into the single market without waiting for accession to conclude. Critically, the four freedoms do not need to be unlocked simultaneously. A sequenced approach – beginning with the free movement of goods, for example, where the economic case is clearest – would allow the region’s producers and manufacturers to integrate progressively into European supply chains, capturing productivity and investment gains that are currently forgone. Serbia’s position in the automotive supply chain and North Macedonia’s role in textile and component manufacturing demonstrate that the industrial linkages are already forming organically; a DCFTA-level legal framework would formalise, deepen, and expand them. Freedom of movement of services, capital, and persons can follow on their own timelines and conditions, allowing EU Member States to manage integration at a pace that builds rather than undermines political support for enlargement.

**Target EU pre-accession funds and technical assistance to the pillars where divergence risk is most acute: health, environment, and education.** The convergence data point to three pillars now requiring prioritised attention. On health, five of the six economies show diverging life expectancy trends, driven by gaps in chronic disease prevention and health system quality that will not close through macroeconomic integration alone. On environment, Western Balkan cities rank among the most polluted in the world and existing frameworks (e.g. the Green Agenda for the Western Balkans) are not being implemented at scale; in this case, the binding constraint is not strategy but financing and administrative capacity. On education, learning quality is the region’s most persistent gap, requiring investment in teacher development and curriculum reform that goes beyond school construction. Bosnia and Herzegovina – currently on a 100-year-plus income convergence trajectory and facing significant gaps across all three of these pillars – is the clearest case for a concentrated, multi-pillar support package.

**Provide consistent, high-level political engagement that shields domestic reformers and sustains governance momentum across election cycles.** Governance is the most cross-cutting convergence driver in the data, and reformers across the region consistently identify EU political backing as a critical resource in resisting

entrenched interests. EU institutions and Member States should use their full toolkit – accession chapter openings, public statements, high-level visits, and targeted access incentives – to actively reinforce independent institutions, protect anti-corruption prosecutors, and publicly signal that backsliding carries real costs. This engagement is most powerful when it is visible and located in the region itself. Albania hosted the EU-Western Balkans Summit in 2022, the Berlin Process Summit in 2023, and the European Political Community summit in Tirana in May 2025 – a sequence that sent a consistent and compounding signal that the country’s reform trajectory was being recognised at the highest political level. That signal had domestic consequences: it strengthened the hand of reformers, raised the political cost of reversal, and demonstrated to citizens that the EU accession perspective is real and proximate. Montenegro’s hosting of a major EU-level engagement in 2026 continues this logic. Making structured, high-level political presence a consistent feature of EU engagement across all six economies – not only among the frontrunners – would be one of the highest-leverage and lowest-cost tools available for accelerating governance convergence across the region.

### **c) Regional and International Organisations**

Regional and international organisations occupy a distinct position in the convergence architecture: they neither carry the political weight of the EU accession process nor the direct democratic accountability of national governments, but they are uniquely positioned to coordinate across borders, mobilise multilateral financing, and sustain technical reform support independently of electoral cycles.

**Deepen intra-regional economic integration through the Central European Free Trade Agreement (CEFTA) in cooperation with the Regional Cooperation Council (RCC) – reducing non-tariff barriers, expanding coverage to services and digital trade, and building the regulatory foundations that single market integration will eventually require.** The Western Balkans’ own regional market remains fragmented by divergent regulations, administrative barriers, and limited mutual recognition – meaning the region is not yet fully exploiting its own economic space before attempting deeper EU integration. CEFTA provides the existing legal architecture to address this; expanding it to cover services, investment, and digital trade would simultaneously grow intra-regional economic activity and build the institutional capacities – regulatory harmonisation, customs cooperation, and dispute resolution – that single market access will demand. Serbia and North Macedonia, as the region’s largest intra-regional traders, would anchor such deepening most directly, but all six economies would benefit from a more integrated regional supply chain base that positions them collectively as a more attractive destination for European manufacturing and investment.

**Coordinate multilateral financing around the convergence pillars where market failures and fiscal constraints are most binding – particularly health, environment, and social infrastructure.** International financial institutions are already significant investors in the Western Balkans, but their programmes need to operate much more in concert. Aligning World Bank health and education lending, green transition and digital infrastructure financing of the European Bank for Reconstruction and Development (EBRD), and International Monetary Fund (IMF) fiscal framework support around the specific convergence gaps identified in the data would multiply impact and reduce fragmentation. The case for such coordination is most urgent in Bosnia and Herzegovina, where convergence challenges span income, governance, environment, and health simultaneously and where no single institution’s mandate covers the full scope of what is needed. A structured multi-institution convergence programme – with shared diagnostics, complementary instruments, and joint monitoring – would be significantly more effective than the sum of its parts.

**Invest in structured regional policy learning so that reform successes in one economy are systematically transferred to others — through the RCC, the Regional School of Public Administration (ReSPA), and sector-specific regional bodies.** The convergence data contain multiple examples of rapid progress in one economy that neighbours have yet to replicate: Montenegro’s governance improvement, Albania’s acceleration in female employment, and Serbia’s digital infrastructure trajectory. These are not only national achievements – they are regional assets. The institutional infrastructure to convert them into transferable lessons already exists through the RCC, the ReSPA, and sector-specific regional bodies; what is needed is deliberate investment in peer exchange mechanisms, joint regulatory development platforms, and shared technical assistance so that the policy knowledge embedded in one economy’s success becomes accessible to all six. This approach is among the most cost-effective acceleration tools available, as it builds on demonstrated results rather than imported models.

**Ensure that independent international monitoring – through the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE), and UN agencies – provides credible, visible, and consistently followed-through assessments of governance, rule of law, and human rights standards.** International monitoring serves a dual function in the convergence process: it gives governments credible technical benchmarks and guidance, and it creates public accountability pressure that sustains reform momentum between election cycles. The Venice Commission, the Group of States against Corruption (GRECO), the OSCE’s monitoring of democratic institutions, and UN human rights reporting all contribute to this function – but their impact depends on visibility and follow-through. Strengthening the public profile of these assessments, ensuring that the financing of international financial institutions

(IFIs) and EU pre-accession support explicitly references engagement with them, and protecting the institutional independence of monitoring bodies from political interference would reinforce rather than duplicate the EU accession process – and would provide a credible external anchor for domestic reformers across all six economies.

#### **d) Civil Society Organisations and Think Tanks**

Civil society organisations and think tanks perform functions that neither governments nor international institutions can replicate: independent monitoring, citizen-facing communication, cross-border knowledge transfer, and the sustained advocacy that keeps reform on the political agenda.

**Translate convergence data into citizen-facing analysis that makes the tangible costs of delayed reform – and the concrete benefits of integration – visible to the public.** The scenario analysis in this report contains findings of direct relevance to ordinary citizens: what EU membership would mean for pension levels currently at 10-20% of EU standards; what the gender employment gap costs in forgone household income; what the difference between a 50-year and a 20-year income convergence horizon means for a young person deciding whether to stay or leave their home country. Yet this kind of analysis rarely reaches the audiences most affected by it. Think tanks and civil society organisations are best positioned to close this gap – by producing accessible, evidence-based content that connects macroeconomic convergence data to lived experience, builds informed public demand for reform, and counters the fatalism that long accession timelines can generate among citizens who have stopped believing the process is real.

**Independently monitor government commitments and EU accession commitments – and publish findings publicly to sustain accountability pressure to political leadership.** Government self-reporting and annual EU progress reports provide a necessary but insufficient accountability architecture. Civil society monitoring – of public procurement integrity, judicial independence, implementation of anti-corruption strategies, and delivery of EU-funded projects – fills the gap between formal assessments and creates a continuous, publicly visible record of what is and is not being delivered. This function is particularly critical in the governance pillar, where the convergence data show the largest variation between stated commitments and measurable outcomes. Across the region, organisations such as those tracking beneficial ownership registers, court case outcomes, and public spending databases have demonstrated that credible, methodologically rigorous civil society monitoring can shift political costs and create space for reform in ways that external conditionality alone cannot.

**Build and invest in cross-regional civil society networks that allow reform experience, advocacy strategies, and policy knowledge to travel across borders.**

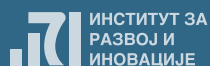
The convergence data contain multiple examples of rapid progress in one economy that neighbouring countries have yet to replicate – on governance, female employment, digital infrastructure, and health outcomes. The policy knowledge embedded in these successes is a regional asset, but it remains largely locked within national civil society ecosystems that have limited structured contact with each other. Regional think tank networks, joint research programmes, cross-border advocacy coalitions, and shared monitoring platforms would allow the lessons from Albania’s labour market reforms, Montenegro’s governance improvements, or Serbia’s digital trajectory to become transferable models rather than isolated cases. Investing in the regional connective tissue of civil society is one of the highest-return actions the sector itself can take to accelerate convergence across all six economies.

**Engage strategically with EU institutions – contributing evidence to European Commission annual reports, building relationships with European Parliament committees, and engaging Member State capitals – to ensure that the Western Balkans’ reform achievements and remaining gaps are accurately reflected in EU policy decisions.**

Civil society’s advocacy role is not limited to the domestic arena. The EU side of the accession equation – how the Commission frames progress, which commitments MEPs prioritise, how individual Member States calibrate their political support – is itself shaped by the quality and credibility of the analysis it receives. Think tanks and civil society organisations with rigorous, independent assessments of convergence trends, governance performance, and reform implementation are uniquely positioned to fill gaps in the EU’s own information architecture and to make the case – in Brussels and Member State capitals – for policy decisions that reflect the evidence rather than political convenience.



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