

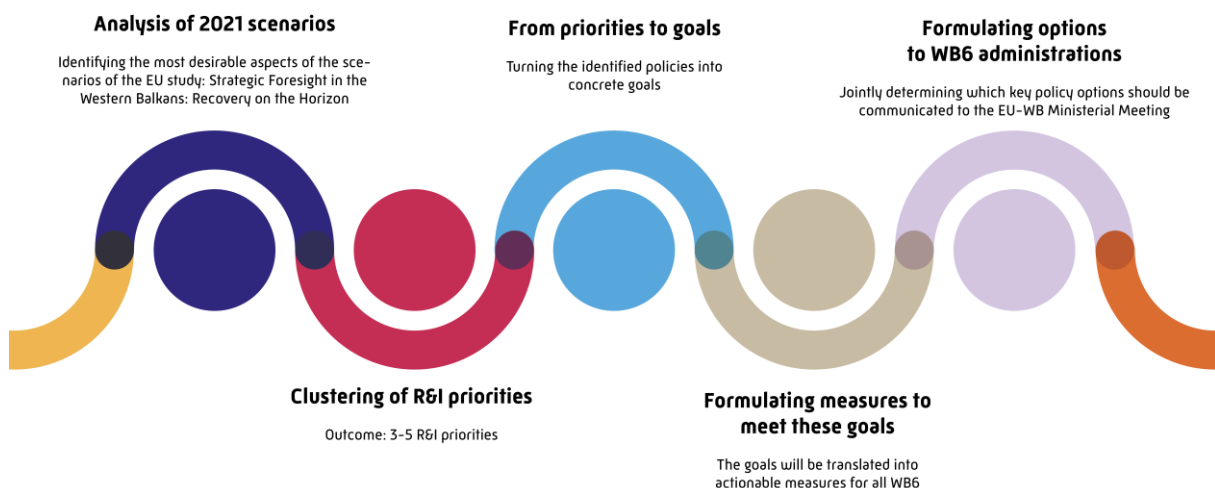


Scenarios

The following scenarios were co-created in the framework of the study by the European Commission: Strategic Foresight in the Western Balkans: Recovery on the Horizon. The report outlines three scenarios on the possible futures of Research and Innovation (R&I) policies in the Western Balkans in 2035. Using a Strategic Foresight approach, the report supports policy-makers in creating an enabling environment for R&I policies to thrive and decide on priorities for strategic investments for the future. The scenarios in the report are rooted in an extensive co-creation process with more than 700 experts on R&I from the Western Balkans, who represent academia, civil society, the private sector, international organisations as well as central and subnational governments. In order to provide inspiration to implement future-proof policies on R&I, the report moreover entails initial roadmaps. These seek to inspire decision makers by pinpointing goals and their required actions to further develop their R&I systems for the benefits of all citizens in the Western Balkans.

The scenarios will create the basis for our joint discussions in the workshops. **We therefore kindly ask you to read them carefully prior to the workshop!**

The 2023 Foresight Workshop at a glance



Scenario 1: Joining the Common Market

“The Western Balkans are part of Europe and not just a stopover on the Silk Road”, said former President of the European Commission Ursula von der Leyen 15 years ago in her first State of the Union address. Today, in 2035, her quote can be seen as the starting point for the WB accession into the EU and a period of rapid and transformative change for the Western Balkans. Eventually, Albania, Montenegro, North Macedonia and Serbia gradually became members of the EU until 2035 although with some transitional provisions. Bosnia and Herzegovina and Kosovo have also taken a great leap forward towards the EU, but there are still some political barriers which hold back the EU accession. In terms of socio-economic implications, the influence of the EU in the region has increased significantly and it has slowed down the economic presence exerted by third countries (e.g. China) in comparison to the 2020s. The free trade among the four new EU members with the rest of the Union has been further developed on various levels, and the Union as a whole remains the most important trading partner for the entire WB region.

The implementation of the Copenhagen Criteria has significantly improved the openness and transparency of the WB’s governance and thereby led to increasingly effective public administrations. The domestic, regional political and ethnic conflicts from the past, which were pre-dominantly perceived as origins of stagnation and an encrusted political system, have been jointly swept under the carpet. In its latest Western Balkans report, the international NGO Transparency International (TI) highlighted the ongoing and, in some areas, successful fight against corruption - one of the biggest challenges in the region in the last 50 years. These reforms have also affected the R&I sector: Education, R&I have been anchored (to varying degrees) in the political agenda of the WB by planning and implementing systemic changes towards building knowledge-based societies and evidence-informed policy making.

One example of the increased impetus for reforms is the handling of Open Science and Open Access: Research publications and data as well as (newly built) R&I infrastructures are openly accessible for domestic and foreign partners. The majority of the publicly funded WB initiatives and projects within national, regional and international R&I competitions have been evaluated in a transparent manner by international, independent peer reviewers in 2035. Moreover, in the last 15 years, the WB have taken a number of anti-corruption steps, such as adapting legislation and establishing dedicated anti-corruption institutions with both preventative and effective law-enforcement competences. These efforts as well as the increased national public R&I investments have contributed to decreasing the level of corruption in re-search and higher education, according to TI’s Corruption Perceptions Index. Media outlets and civil society especially have promoted and supported the anti-corruption developments in these fields and have contributed to a renewed trust in the academic system in the region.

Improvements can also be noted in the research infrastructure and the cooperation between academia and the private sector. The development in both areas was significantly supported by a better exploitation of the European Framework Programmes and the innovation support measures offered by the EU. The number of R&I projects, international publications and innovation clusters initiatives have doubled in the last decade. University reforms and the additionally gained research openness have significantly improved the impact and relevance of WB researchers in the global scientific arena during the last 15 years. The anti-corruption

measures as well as the stronger focus on applied research activities in the universities and the public research sector have positively affected the international reputation and social acceptance of scientific work in the WB. Nonetheless, the application of the academic curricula of leading universities in accordance to the market and entrepreneurship needs is still an on-going process.

Propelled by the increased collaboration within the EU in the field of innovation, special attention is nowadays devoted to entrepreneurship and SMEs. This has resulted in an advanced entrepreneurial culture in the WB. The change in attitudes towards entrepreneurship has likewise ameliorated the status of Research, Development & Innovation (RD&I) in general and thereby helped to improve the cooperation between universities and SMEs in the WB. The national governments have increased their attention devoted to support programmes for SMEs and have considered a public investment in strengthening SME development. As a consequence, a substantial number of spin-offs have taken place in the WB. SMEs also benefited from the internationalisation and closer connection with the diaspora and business communities in Europe. Especially the cooperation with some national and European Centres of Excellence in the field of ICT, health and green technologies have led to the development of concrete products, as called for by some foreign investors.

The collaboration with the business sector has stimulated the private financing of R&D conducted at public universities and research organisations. Nevertheless, according to the Euro-stat R&D Financial Report 2024, the business enterprise investments in the new EU members Albania, Montenegro, North Macedonia and Serbia were on average still significantly lower than the R&D funding from entrepreneurship in the EU27 countries. Furthermore, the World Economic Forum's "Regional Risk of Doing Business" 2024 edition still cites concerns about prevailing corruption in the business sector - despite some recent positive trends. Nowadays, major companies exert great pressure and influence on political parties and found legal loop-holes to avoid public scrutiny and accountability mechanisms. A representative survey conducted by the Regional Cooperation Council (RCC) in 2022 found that "the prevailing nepotism" and "clientelism" were cited as the most important reasons for youngsters to pursue a job in a different country than their home-country.

The adoption, implementation and enforcement of the EU *Acquis Communautaire* on Environment was an obligation for aspiring member countries in the framework of the stabilisation and association process. Upgrading infrastructure and developing a much bigger and more competitive industrial base in this field were (to a various extent) political priorities especially in the EU member countries of the Western Balkans in the last decade. In terms of economic reforms, the WB radically adjusted their stance vis-à-vis renewable energy. The potential of biomass, hydropower, wind, and solar was supported through improved cooperation and exchange with European enterprises, research institutions and state actors, as well as significant funding through the European Commission's Green Deal Just Transition Mechanism. The European Commission's Energy Cluster Initiative, established in 2023, further supported this change in attitude. Due to the high investments in green technologies, the British weekly-newspaper *The Economist* praised the Commission's support mechanisms for renewable resources "[...] as yet the green transition's most effective instruments of the last decade".

The increased R&I public investment, especially through the support of several EU initiatives and programmes, has radically changed the energy sector in the WB. The newly built infra-

structures have created new job opportunities, and the educational and vocational sector with the support of EU funding was able to improve the quality of education and digitalisation in terms of acquiring specialisations in the fields related to the green transition. In this context, the swift towards knowledge-intensive services, especially in the field of green technologies, has progressed. Nevertheless, the technology penetration, even in prioritised industries sectors, lags behind the global average. During the latest Western Balkans Summit “EU Green Future” in 2033, the Commissioner for Energy and Environment welcomed the joint initiative “Together for our society”. Brought together by a common cause, the WB had agreed on transnational standards by adopting specific technical innovation related to the everyday life of individuals in the region.

Due to the increased scientific research excellence and the improved infrastructures, the competitiveness and productivity of the WB’s economies have significantly risen as it was stated in the latest edition of the World Economic Forum’s Global Competitiveness Report. All of the WB have entered the top 70 of the ranking. The digitalisation of important sectors such as public administration, health and education improved significantly the value added. Nevertheless, some challenges prevail. Starting from a relatively similar economic structure, regional economic specialisation was comparatively slow over the last 30 years. However, the specialisation of the four WB which had become members of the EU for certain product markets have been accelerated by the European commitment to become the world’s first climate-neutral continent by 2050.

The EU company law rules cover issues such as the formation, capital and disclosure requirements, as well as operations (mergers, divisions) of companies. These regulations are relevant for all member states - respectively also for Albania, Montenegro, North Macedonia and Serbia. The aim is to enable businesses to be set up and to carry out operations anywhere in the EU. Indeed, many traditional WB companies, especially medium-sized family companies, were forced to shut down as they were unable to meet these EU regulations and compete with EU peers.

As stated in the WB Prime Ministers’ Joint Declaration at the latest WB summit in July 2034, the freedom of movement in the EU has contributed to change the brain-drain of well-educated professionals into a brain circulation even if plenty of expatriates have not returned to the Western Balkans yet. Generally, the academic freedom is increasingly seen as a positive sign for the scientific immigration to the region. The implementation of sustainable science-industry cooperation and knowledge transfer have offered new perspectives for career development. This applies especially to scientific areas in which the WB are specialised in.

A positive side effect of this evolution is the region’s R&D improved attractiveness to incoming researchers. However, a sustainable strategy for brain gain of R&I foreign experts is still missing in the majority of the WB. There are still WB researchers who are intrigued by the opportunity to emigrate and continue their research in better-paid jobs and more prestigious institutions in the “old” EU countries. Thus, the Prime Ministers acknowledged during the WB summit in July 2034 that concrete incentives for the return of highly skilled workers are still required as the business sector laments shortages of an adequately skilled labour force. For now, companies retreat to recruiting employees from Ukraine, Belarus, and Turkey.



Scenario 2: Looking beyond EU borders

By 2035 the EU has become increasingly fragmented and economically under pressure due to overall low economic growth rates aggravated by a rise in regional and social disparities. In addition, external shocks have occurred, such as a new influx of immigrants, alarming debt crises in a few of its member states, caused by the bursting of the real estate sector bubble in 2032. Correspondingly, resources were diverted to policy areas such as economic stabilisation and health but also to homeland security, defence as a response to geo-political tensions. Enlargement policy has lost priority, and the budgets for European R&I policy have stagnated at the same nominal level as Horizon Europe, the 9th European Framework Programme for R&I (2021-2027) that ended eight years ago. In 2035, the enlargement fatigue at the EU side is met by an accession fatigue by the WB, which have grown tired of ever-continuing accession talks. A perceived double standard between current member states and accession states in terms of good governance requirements did not contribute to pacify EU-sceptics in the WB.

Disintegration tendencies in the region, however, had already existed for several decades, and even the unifying perspective of EU accession began to show clear signs of erosion more than 15 years ago. Many citizens from the WB region grew weary of the prevailing domestic and regional political and ethnic conflicts, which were predominantly perceived as signs of stagnation of an encrusted political system. At the same time, the yearning for change at any price increased. A political scientist from Belgrade expressed the situation as follows in a European television report in fall 2034: “In the last five years, it has become increasingly secondary what happened, as long as at least something happened that could change the negatively perceived status quo”.

Since 2025, the lack of perspective for EU accession in the near future and the resulting geopolitical vacuum has been taken advantage of by Russia, China, Turkey, and the Arab countries and has expanded the United States’ influence in the region. All of these governments signed a variety of treaties that removed tariffs for a selection of Balkan goods and boosted trade with the WB. In addition, strategic geopolitical military interests have been brought into play. New military agreements of distinct WB with Russia, the USA and Turkey continue to undermine regional stability and cooperation.

Although free trade with the EU has continued and the EU as a whole has remained the most important trading partner for the WB region, some of the WB firms have been able to diversify their markets and enter niches in global markets. Wine from the region has become an appreciated product among China’s vast number of consumers. Initiated by new military agreements, a few Western Balkan companies could profit from subcontracts in military production and related R&D. However, most of the firms did not succeed in integrating into global value chains (at least not at higher-tier levels) and severely struggle with the growing internationalisation pressure. Imports from China have become cheaper and have replaced domestic production to an even greater extent, especially in the field of machinery and sophisticated chemical products.

The 2034 World Bank Report Accelerating sustainable productivity growth notes that a structural shift in the economy towards medium- and high-tech production in the region has

been comparatively slow for the past seven years. The shift towards knowledge-intensive services has only been slowly progressing too. This has had implications for a deceleration of the diffusion and mainstreaming of radical technologies in the business. A good example of the low technology penetration that has a growth-inhibiting effect is the green industries sector, whose growth in the WB region lags well behind the global average, despite investments from Chinese companies in selected strategic business areas (renewable energies, material recycling and re-use).

Due to the volatile political situation, foreign direct investments (FDIs) from the EU have declined. They have partially been replaced by FDIs from China, Russia, the Arab countries and Turkey. These investments were mainly made in strategic areas and concerned basic industries (mining, chemicals), the agricultural sector, transportation, infrastructure and construction. European companies have also increasingly sold their shares to overseas investors. This has led the tourism sector, the energy and the telecom utilities sectors to gradually change property to investors from oversea.

Wandering the streets of Sarajevo these days in 2035, one can hear occasional chats not only in Bosnian, but also in Russian and Mandarin. According to data published by the Confucius Institute, the number of students in the Western Balkans that have taken Mandarin language classes have risen steadily since 2026. This trend is representative for isolated additional FDI in education, especially from China, Turkey and the Arab countries. Firstly, these investments concerned extracurricular institutions, such as the aforementioned Confucius Institute. Secondly, further privatisation of the higher education sector was particularly affected. This has led to massive student protests and “sit-ins” in spring 2033, which were generally received by the media as the “Hot Spring”. These protests have soon spread throughout the region, prompting the education ministers of Northern Macedonia, Albania and Kosovo to announce measures to curb further privatisation of the higher education sector and the hollowing out of state universities, respectively. The “Hot Spring” has created spill-over effects to civil society, which took to the streets and expressed their fear that primary and secondary education would also be privatised gradually.

In relative terms, the ICT sector shows the biggest economic success with the greatest growth potential in the region in recent years (until today). Many start-ups have also emerged in this area, which have provided employment for young, creative people - particular in large cities. ICT services have particularly been demanded by the mining and material sector, the energy and the tourism sector. In terms of growth during the last 15 years until 2035, the energy and sustainable tourism sectors have followed the ICT sector at a distance, while the healthcare sector and green industries have even had only marginal growth rates. The provision of digital infrastructure and digital services was primary driven by private ac-tors, which has led to increasing geographical disparities. While beneficial for urban areas, this has further widened the connectivity gap between rural and urban areas with several negative political, economic, social and demographic consequences. The 2034 UN-Habitat’s Report Fostering rural development found that only 13% of youngsters (defined as people younger than 30 years) in the Western Balkans wish to move to the countryside in the next five years.

Starting from a relatively similar structure, regional economic specialisation and Smart Specialisation Strategy processes have developed slowly over the last 30 years, both within individual regions and between the WB. The specialisation dynamics were slowed down by repeatedly introduced protective self-sufficiency measures of individual WB for certain

product markets due to swelling political tensions. Consequently, this has triggered temporary bilateral trade restrictions within the region.

The European Commission's Status Report on ERA-Integration of the WB Region, which was published last month in September 2024, confirms that R&I policies are not integrated in the overall national strategic priorities of the WB. This low priority is also reflected in mediocre public budget allocations for R&I, which remain overall at a low level. Investments in domestic medium to larger-scale R&I infrastructure are particularly negatively affected. The precarious budgetary frameworks has had a clear negative impact on domestic scientific and technological excellence. Even new collaborations with China and Russia in the field of science could not outbalance the lack of basic material and immaterial domestic resources in the WB.

Due to budget pressures, researchers, especially from some selected technical disciplines, are seeking increased third-party funding, which is why knowledge and technology transfer continues to play an important role. R&D spending by domestic companies and their limited absorption capacities for external R&D supply have, however, increased only slightly. Overall, corporate financing of R&D conducted at public universities and research organisations can neither provide a significant push nor meet the existing demand for financial means by the academic sector.

The association of the WB to the 11th European Framework Programme (EFP) for Research and Innovation, whose first calls were launched in January 2025, is being delayed and there are doubts whether the association will still be successfully concluded at all. Critical voices note that almost the entire WB region has been associated to the FPs for 30 years, but continues to have high subsidy needs. The Innovation Institute, an association of the leading European RTI policy consulting institutes, noted in their yearly report on Innovation Policy in Europe that, "the R&I policy reform agenda that has been repeatedly invoked by the Europe-an Research Area (ERA) so far had little concrete impact - beyond political lip service - in the WB. Instead of hearty reforms in line with the ERA agenda, too often only single aspects have been reformed or sometimes only cosmetically embellished". In essence, the report insinuates that the ERA has been equated with the Research Framework Programme, which has been primarily regarded as a potentially accessible source of income during the last 30 years, but not as a reform agenda.

One example of the insufficient impetus for reform is the handling of Open Science. Despite past remarkable efforts by policy-makers and researchers in the WB to implement the Open Access agenda in line with the European vision, a sluggishness has taken hold in the course of further implementation. This was partly caused by a lack of financial incentives (e.g. from the Framework Programme). The same development applies to the disclosure of data from publicly funded research projects. After an initial phase of political declarations of intent and, above all, externally funded pilot projects, there was a rapid cooling-off phase. This can partly be explained by the insufficient provision of national funds, which were made available to cover the economies' implementation of the long-term strategic Open Science agenda.

Despite the noticeable disintegration tendencies, cooperation in the field of research with the EU has remained important for the WB due to the existing ties, the ongoing attraction of the EU in R&I and the geographical proximity. National statistical R&D surveys show that the ex-tent of scientific and technological cooperation with the USA and China is only about half of the S&T cooperation with the EU. Russia and Turkey follow at some distance.



China and Russia in particular are also investing in R&D in the Western Balkans, and a few EU countries such as Hungary continue to show a willingness to invest in foreign R&D in the region. These investments sometimes serve soft diplomacy interests and are used for financing specific professorships but also for the establishment of private universities or colleges. Strategic R&D investments are made in certain industries (mining, agriculture, defence industries) in an attempt to gain economic control. In such areas, pockets of R&I excellence with strong ties to partner institutes in China, Russia or elsewhere could be established.

According to the New Global Innovation Index published in Autumn 2024, the region's R&D attractiveness to incoming researchers has stagnated, while brain drain from the WB has severely increased. Some well-qualified workers have taken advantage of the new opportunities for cooperation with China, Turkey, the Arab region and Russia and have migrated to these countries for work. Brain gain, on the other hand, has almost come to a standstill due to the less than favourable job prospects, strong cultural differences and unattractive salary. Experts in the field relate the absence of brain gain in the research sector to decreasing levels of academic freedom in the region. According to the European University Association (EUA), corruption in the higher education sector has worsened in the WB region in recent years. This, in turn, has negatively affected the international reputation and social acceptance of research in and from the WB. Especially NGOs are alerted about this development, but also the huge majority of the academic community feels repelled and increasingly frustrated by such developments. The 2023 OECD's Government at a Glance indicators for public administration reforms underline that in comparison to the 41 OECD countries, the WB score rather poorly in terms of transparency, efficiency, and accountability. Although levels of corruption remain difficult to pinpoint, pressure groups such as Transparency International or CIVICUS lament the comparatively high figures, calling it "endemic for the region".

Scenario 3: Putting Business First

Looking back from 2035, it becomes clear that the “business first”-credo to settle conflicts in the Western Balkans by boosting economic recovery has become the main pathway for multilateral cooperation in the last 15 years. During the 2028 EU-Western Balkan Summit, the WB concluded that institutional reform and regional development is the only way to consolidate their influence in Europe. Economic cooperation was significantly supported by the implementation of the 2022 regional “Open Balkan” agreement and its several follow-ups, which has facilitated free trade and business spill-overs between the Western Balkans. Although the political disputes at national and regional level continue, the WB governments’ “pro-business attitude” facilitates exchanges and cooperation between various actors in these economies. The WB continue their efforts to implement the Copenhagen Criteria, but joining the common market is no longer the main political priority in most economies. Lengthy EU-accession negotiations are ongoing with all the WB, though with-out a political breakthrough on the horizon. This is also reflected in the absorption fatigue by the WB with respect to the EU’s Instrument for Pre-accession Assistance (IPA). A recent study conducted by the European Commission found that on average around 51% of available IPA funds have been used by the WB. Consequently, the EU member states’ allocation to this instrument was reduced significantly.

Nowadays, the administrative burden on the business sector is low, corporate taxes are minimal, labour unions have limited impact, and digital solutions are supported by the government. Private business interests significantly influence states’ decision-making processes to their own advantage. Despite improvements in the fight against corruption, an oligarchic culture continues to prevail, which negatively affects the research and higher education sectors among others.

Foreign direct investments (FDI), especially in the areas of digital infrastructure, products and services, predominantly comes from EU and European companies. Since 2025, they increasingly originate in the USA, India, Russia and China. The overall size of FDI in R&I has increased in the WB region as well as the R&D expenditures of domestic companies. SMEs have entered international business relations and got involved in higher tiers of international value chains. The way forward is a selective modernisation of some economic sectors (such as energy; ICT; food; construction; healthcare) and specialisation towards key sectors for the regional economy.

Economic modernisation and public sector innovation are supported by EU institutions as well as by the European Investment Bank. Consequently, the region’s start-up scene is prospering. Capital cities such as Belgrade, Tirana and Sarajevo have become regional hubs for pioneering technology. Overall, the WB have seen a sectoral shift towards regional medium-high and high technology products and an increased adoption of more radical technologies in business and consumer applications. The attractive new labour market opportunities in some cities further propel domestic and increasingly also intra-regional mobility and trade.

Despite these positive trends, prevailing corruption in the business sector impedes the WB to achieve their full growth potential. Influential businesses secure their monopolies in the

market and use their political leverage to avoid accountability and public scrutiny. As a consequence, the WB are lagging behind their European neighbours according to the World Banks Facilitating Business Index. An article by Balkan Insight entitled *The growing wealth gap between Western and Eastern Europe* highlights that the WB are struggling to transform their economic growth to the benefit of their societies at large.

One priority area for public and private investment is digitalisation. The education and vocational training sector reacted to this demand and trains talented youngsters through courses related to ICT, data and other areas demanded by the economy (such as engineering). Although structured top-down reforms of the higher education sector are pending, some faculties (especially from private universities) start to offer tailor-made courses for companies. All administrations from the WB are setting-up R&I agendas that are integrated into overall national priorities. These R&I agendas are implemented through innovation support measures via projects and infrastructures. Science-industry collaboration is promoted through these measures, resulting in more sustainable collaborations between universities and businesses. Additionally, the Western Balkans Six Chamber Investment Forum, a joint initiative of chambers of commerce from Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Monte-negro, and Serbia, established a regional innovation mechanism that successfully facilitates the advancement of tech-sectors.

The number of subsidiaries of international technology companies opening offices in Belgrade, Tirana and Sarajevo has been growing, which has positively impacted private R&I budgets and infrastructures. This, in turn, has created a more competitive market for private R&I. Universities and research organisations increasingly receive private financing for R&I, especially in the areas of applied research in the Natural Sciences, Technology, Engineering and Mathematics (STEM) domains.

Public R&I budgets have not been increased and as a result basic, fundamental and public research has collapsed. This continues to affect traditionally operating universities most negatively. Scientific research excellence has increased due to private investments, although only in domains relevant for business R&D and for addressing human capital needs. Re-searchers from the WB take part in EU R&I initiatives and programmes more frequently, often with co-funding from businesses. This has strengthened the networks of researchers and resulted in additional funding for research activities. Through these networks, a limited number of agile universities and research organisations were able to attract strong foreign researchers for domains relevant to businesses thanks to investments in domestic medium to large-scale R&I infrastructures that are open to or shared with businesses. Despite the growing number of private R&I companies, opportunities for researchers remain limited and brain drain continues to be a major challenge in all WB. Engineering-focused universities experience a great loss of expertise because their researchers increasingly move to the flourishing private high-tech or ICT sectors to pursue a career there.

Effects of the desperately needed reforms in the science system are starting to take hold. Driven by international trends in the science system and EU goals, many publicly funded R&D project results and publications are published with open access (although not all), public research data is more widely shared and open peer review is predominantly applied. Due to more openness, and increased frequency in science-business collaboration, scientific work has gained an overall positive reputation in society. Although corruption in research and education continues to exist, it has diminished considerably due to the frameworks imposed by internationally operating businesses. Simultaneously, the increase in private R&D and the



lack of funding for basic and fundamental research has implicitly affected academic freedom in research and teaching. Businesses who sponsor positions, institutes and research programmes have gained influence on research and education programming and strategies, limiting individual academic freedom and causing occasional conflicts of interests.

While successfully supporting business development and promoting exploitation of natural re-sources, most of the WB countries have not implemented reforms in areas such as rule of law, education, and social policy. Demand from the EU as well as from civil society on green investments has grown and the local population demands environmentally friendly practices. Massive protests in Serbia in 2030 put a stop to the plan to open a new coal mine. However, ambitious transformative reforms regarding climate mitigation and the transformation towards a green economy have been largely absent. Climate change, air pollution and resource exploitation severely impact all economic sectors equally. Only those industries, where a clear market opportunity was available and quick wins could be attained (e.g. renewable energies; waste water/recycling industries), read the signs of the time and adapted to these challenges. Today, these opportunity-driven sectors are technologically proficient and are early adopters to serve the needs of the local and regional market. Even though businesses still exploit natural resources, recent years have also seen increased investments in the development of green technology, as world-wide there is a clear demand for more sustainable products. For regional impact, it is however important to have successful green technology adopted by industry, government and citizens in the WB - requiring investments that businesses see not reflected in short-term revenues and many citizens cannot afford.

The absence of long-term investments in social and public infrastructures has led to increased tensions, especially between urban and rural regions in terms of supply of public services and labour market opportunities. Serbia and Montenegro have invested in technological parks outside of urban areas boosting developments, but capacity of such facilities is limited by the lack of infrastructure and human capital in these areas. Social unrest is pre-sent in several WB, and policy-makers do not offer solutions to address these issues. EU accession negotiations are therefore not progressing as foreseen.