



CONFERENCE REPORT

Leaders' Dialogue

Implementing the Green Agenda for Economic and Societal Prosperity in the Western Balkans

on 7 June 2023 in Tirana, Albania





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on 7 June 2023 in Tirana, in preparation of the Berlin Process Summit 2023 in Tirana, Albania
co-hosted by

the Albanian Ministry of Energy and Infrastructure and the Albanian Ministry of Tourism and Environment, the German Federal Ministry for Economic Cooperation and Development in cooperation with the German Federal Foreign Office

On 7 June 2023, representatives from the Western Balkans and German governments, the European Commission, regional bodies and organisations, international donors, chambers of commerce and civil society organisations met in person in Tirana for the Leaders' Dialogue "Implementing the Green Agenda for Economic and Societal Prosperity in the Western Balkans" as the kick-off for the Regional Climate Partnership between the Western Balkans and Germany (announced at the Berlin Process Summit in 2022) under the Albanian Chairmanship of the 2023 Berlin Process.

The goal of the event, in preparation of the 2023 Berlin Process Summit, was to bring together representatives of relevant institutions to engage in a constructive dialogue about opportunities and challenges created by the green transition required by the Green Agenda for the Western Balkans (hereafter: Green Agenda). The meeting explored how the region can create conditions for joint progress towards the Green Agenda's goals of climate neutrality and environmental sustainability by 2050 while ensuring a socially just and economic transition. Participants discussed their current actions and priorities, challenges and next steps for the region to reach these ambitious objectives as well as how to strengthen their cooperation. The event explored in depth issues of current high priority for the region: How the Western Balkans can reach energy security and independency while simultaneously advancing the energy transition, and how individuals, companies and academia can be enabled to benefit from the new economic opportunities afforded by the green transition.

Participants reiterated that a crucial step was taken by the Western Balkans in adopting the Green Agenda in 2020 and its Action Plan in 2021 and reinforced their commitment to work towards climate-neutrality and sustainability by 2050 in alignment with the European Green Deal and the Paris Agreement, as well as the commitments made under the Energy Community Treaty, including the "Decarbonisation Roadmap for the Contracting Parties of the Energy Community" adopted in 2021. The participants also recalled the "Joint Declaration on Energy Security and Green Transition in the Western Balkans" adopted at the 2022 Berlin Process Summit and agreed that the energy crisis and the green transition can only be managed through deeper regional cooperation and improved coherence. Participants welcomed the opportunity to provide recommendations for the 2023 Berlin Process.



The Conference was structured around three thematic forums: “The Green Agenda as a Joint Mission – Rethinking Government-Private Sector-Civil Society Relationships”, “The Socio-Ecological Transformation as an Engine for Employment and Private Sector Innovation” and “Decarbonising the Region and Investing in Renewables”, the discussion results of which are summarized below.

GENERAL

- Participants welcomed the fact that EU integration continues to be one of the top priorities in region. They expressed their conviction that enlargement of the EU, and in particular the spread of its democratic values, laws and standards, is in the interest of both the Western Balkans and the EU.
- In this context, participants reaffirmed the key role of the Berlin Process as accelerator of EU integration and driver of regional cooperation. Understanding the implementation of the Green Agenda as a crucial step for EU accession and key element for economic integration within the region and with the EU Single Market, participants expressed their hope that the Berlin Process will continue to raise political awareness for and energize implementation of the Green Agenda.
- Participants underlined that economic and societal prosperity cannot be achieved in the region without an **effective** implementation of the Green Agenda and reconfirmed their commitment to join the EU in its ambition to become the first climate-neutral continent by 2050. Recognising the current priority of making progress with the energy transition, the participants also stressed the importance of giving the necessary political attention to and accelerating implementation in all five pillars of the Green Agenda – (1) Decarbonisation (Climate, Energy, Mobility), (2) Circular Economy, (3) Depollution (Air, Water and Soil), (4) Sustainable Agriculture and Food Production and (5) Protection of Nature and Biodiversity – as well as improving coordination between the pillars.
- Participants recalled the 2022 Berlin Process Summit Chair’s Conclusions, in which the German Government committed to launching a Regional Climate Partnership with the Western Balkans and expressed their appreciation for the support foreseen through technical and financial cooperation for the implementation of the Green Agenda as well as the intensification of the political dialogue.
- Participants agreed that a just energy transition will strengthen the resilience of the region and EU integration. It will also serve as catalyst for economic integration, employment and prosperity, investment and connectivity projects under the Green Agenda. Assessment of the socio-economic impact of decarbonisation at the individual economy and regional level would be helpful to inform decision-making and actions. Participants agreed that development of programmes for addressing energy poverty and financing schemes for households are required to support just energy transition.
- Participants from throughout the region addressed the need for climate adaptation, as the effects of climate change are felt across the Western Balkans, with increasing climate events such a floods, droughts and heat waves taking place. In critical areas such as public services provision (e.g. water),

economic sectors (e.g. agriculture, infrastructure, manufacturing, tourism and many more) and health and wellbeing of the population, measures to reduce climate-related risks and losses and to increase resilience are needed already now. Nature-based solutions (such as blue-green infrastructure, protection and restoration of ecosystems, etc.) were mentioned as important approaches to increase resilience while at the same time contributing to other Green Agenda objectives.

- Participants reported about their actions and experiences with implementation of the Green Agenda so far. Despite some important progress in some areas (e.g. circular economy strategies, NECPs, etc.), participants were mindful of the monumental challenge faced.
- Participants agreed that implementation of the Green Agenda comes with significant costs and that these are not fully covered by currently available funds and projected investments. There is an urgent necessity for the Western Balkans to find new, innovative ways to access foreign and domestic finance for the green/climate transition to meet their goals and obligations, as well as strengthen their technical, financial and administrative capacity to prepare and implement climate actions.
- At the same time, they underlined their readiness to accelerate efforts to properly and timely address the unprecedented environmental and climate challenges and accelerate EU accession. To this end, there is an imperative for the active participation and commitment of decision-makers to provide appropriate framework conditions by implementing the necessary reforms, aligning with this important and growing part of the EU acquis and to improve the investment climate as well as to reinforce the cooperation of existing expertise within the region.
- The European Commission confirmed the EU's partnership and solidarity with Western Balkans partners and readiness to increase pre-accession funding beyond the significant funds already committed under the Economic and Investment Plan to advance the energy and green transition and accelerate the convergence. To this end, it will increase its dialogue with the region on how to most effectively to link reforms and investments towards the energy and green transition.
- To allow for a speedier transition, alignment of policies and investments, the Western Balkans are eager to be included in the EU climate instruments to the greatest possible extent. A dialogue with the EU on possible instruments is expected and welcome, as the current pre-accession financial instruments are not enough to cover the needs of ambitious climate action under the Green Agenda.
- A central point of discussion was the lack of awareness about the Green Agenda and the importance of energy, climate and environmental protection among policy makers and administrators, the business community, education and research, media and citizens. At the same time, there is widespread public apprehension about the financial burden the green transition may impose on households. Participants agreed on the paramount importance of awareness-raising and education, mechanisms for public participation, access to information and technical support. An honest public discussion on benefits, challenges, trade-offs and support needs is required in the Western Balkans.



THE GREEN AGENDA AS A JOINT MISSION: RETHINKING GOVERNMENT–PRIVATE SECTOR– CIVIL SOCIETY RELATIONSHIPS

- The many complex, interrelated and sometimes conflicting tasks presented by the Green Agenda demand simultaneous action in multiple areas and sectors, on all levels and cooperation with a large spectrum of stakeholders. Effective implementation of the Green Agenda thus requires the further development and improvement of the governance frameworks, including clear political leadership, multi-level governance, inter-ministerial and inter-institutional cooperation, robust policy planning, measurable monitoring framework and sufficient financial resources.
- Participants stressed that the Green Agenda will only be achieved if local governments and regional authorities, who play a key role in providing public services and are closest to the citizens, are involved and empowered to take action. They need to be better connected to implementation mechanisms, direct funding and access to technical and financial assistance. The involvement of local governments and municipal actors should thus receive adequate attention in the Berlin Process and Regional Climate Partnership.
- There is a need to strengthen the administrative (including regulatory) capacity of competent central and local authorities responsible for strategic planning, investment programmes and projects to conduct Green Agenda and environmental/climate assessments. These should ensure that impacts are adequately considered before the decisions are made.
- Civil society organisations welcomed the endorsement of the Green Agenda and aspire for an active role in its implementation on regional and local levels. For their effective participation, transparency about the process and funding around the Green Agenda are required, as are inclusive consultation platforms for public decision-making. Participants recognised the key role of the civil society for improving capacities, advocating for and monitoring implementation of the Green Agenda as well as tackling the backlog in the environment and climate change acquis alignment.
- An ongoing structured dialogue is needed in the Western Balkans between governments, the business community and civil society that will provide opportunities for each to contribute to the green transition and a platform to voice concerns and to negotiate interests. There is room for improvement to include both, civil society and business actors, as source of knowledge and innovation, corrective factor and partner in policy formulation and implementation.
- On the regional level, the Regional Cooperation Council (RCC) has the mandate to strengthen regional governance in close cooperation with regional sectoral organizations, relevant authorities and stakeholders, including the establishment and maintenance of different exchange platforms and mechanisms for monitoring and annual reporting on the Green Agenda. Once in place, these mechanisms can provide important orientation on where the region stands with regards to implementation and support joint learning and coordination of priorities.
- Participants expressed their conviction that the Green Agenda needs to be tackled locally and regionally as a joint mission of government, private sector, civil society and citizens to overcome the legacy of the past and enhance the prospect of the Western Balkans on their European path. To this



end, they recognise the importance of jointly designing and implementing a predictable, coherent and robust institutional, policy and financial framework that will allow to reap the benefits of the green transition for the benefit of all citizens.

THE SOCIO-ECOLOGICAL TRANSFORMATION OF THE ECONOMY AS AN ENGINE FOR EMPLOYMENT AND PRIVATE SECTOR INNOVATION

- The EU integration process has helped Western Balkans achieve growth while reducing poverty. Living standards have increased across the region and access to public services improved. However, the region still needs to undertake important efforts to meet the key economic requirements for EU membership: to ensure functioning market economies and demonstrate the capacity to cope with the competitive pressure and market forces within the EU.
- The region recognises that bringing the Western Balkans closer to the EU Single Market is the bedrock of EU accession with the Green Agenda – as the region’s green growth strategy – being an integral element of this path.
- The Western Balkans is one of the regions in Europe most heavily affected by the impact of climate change, a trend that is projected to continue. At the same time, levels of pollution of air, water and soil and are high. The region, for example, suffers from the highest level of air pollution in Europe, with high risk to the health and productivity of citizens. The region’s wealth of ecosystems and biodiversity is threatened by unsustainable use of natural resources and climate change.
- Addressing the magnitude of climate impacts and environmental degradation will make fundamental adjustments in the economies and societies of the Western Balkans necessary. This will require, for example, the adaptation of economic and industrial policies, the transposition of new and revision of existing laws and their implementation, the mainstreaming of climate and nature into all sectors and policy areas, the greening of products and services and the way citizens consume.
- Participants agree that the green transition must go hand in hand with a digital transition, as digitalization is considered a key enabler for the five Green Agenda pillars. The objectives of these pillars should be pursued through concrete actions and supported by mechanisms and financial instruments. To this end, participants look forward to working hand in hand with the EU and IFIs in deploying the necessary resources that will support citizens and businesses in the twin transformation.
- Therefore, furthering the integration of the Western Balkan digital economy with the EU Digital Single Market will play a central role in relaunching and modernising the economies of the region. There is an expectation that unleashing the potential of the digital and green economy in the region will boost competitiveness, create new businesses and jobs, facilitate exchange of goods and services and



intensify trade by enabling more products and services to be exported to more markets. In this context, the development of digital and green skills strategies and qualification offers is essential.

- The development of a robust private sector is essential for socio-economic development and regional integration, and to improve the region's competitiveness and job creation. The role of the more than 300,000 small and medium-sized enterprises (SMEs) in the Western Balkans is particularly important considering that they represent 99% of all enterprises, generate around 65% of total business sector value added and account for 73% of total business sector employment. SMEs play a key role in achieving the net-zero goal for greenhouse gas emissions and further sustainability goals.
- The OECD's SME Policy Index 2022 confirms that greening efforts have recently gained momentum in the Western Balkans, with the share of SMEs offering green products or services increased in almost all economies. However, participants report the majority of SMEs continue to face challenges such as lack of knowledge, low levels of digital uptake, lack of access to necessary financial resources and incentives as well as administrative barriers to reduce emissions and adopt green business models.
- Supporting green and digital innovation, ensuring access to financing and reducing red tape for SMEs is thus of vital importance for competitiveness and job creation in the Western Balkans. In this context, particular focus should be on supporting start-ups and SMEs in strategic sectors for the Western Balkans, such as tourism and digital. By the same token, participants recognised that creation of the "Regional Industrial and Innovation Area" will help to harness the full potential of the region.
- According to the participants, the business community requires awareness raising and capacity building programmes that will increase the understanding of the impact, requirements and opportunities of the green transformation on businesses. Education and technical support are key to the success of green policies. Chambers of Commerce and business associations can play an important role here. Furthermore, governments should conduct impact assessments on the impact of the green transition upon various industries and propose new policy frameworks (e.g. industrial policy, circular economy frameworks, green public procurement) and finance instruments that will be the basis for private sector support. Success stories such as e.g. the "Green Challenge Fund", "Labour Market Observatory" and "Solar Auction" should be replicated across the region.
- With 75% of the Western Balkans area being rural and 40% of the population living in rural areas, the agriculture and food production sectors still account for a large share of the GDPs (20-25%) and workforces. The potential for making agricultural economic development more sustainable is significant; restructuring and greening agri-food sectors would increase competitiveness, food security and quality, reduce waste and improve alignment with EU standards such as the Farm to Fork Strategy.
- Modelling shows that climate change presents an unprecedented challenge for agriculture in the region, potentially resulting in water scarcity and increasing extreme climate events, such as floods and heat waves. Adjusting patterns of agricultural production now and planning climate adaptation and assistance measures for rural producers should become an immediate priority.



- Central for the transformation to sustainable agriculture and food production systems required by the Green Agenda is to ensure that it will not contribute further to unemployment or depopulation of rural areas as well as the deterioration of the environment and loss of biodiversity. Alternative and sustainable economic opportunities will need to be created to keep rural areas attractive and reduce migration of young people to urban centres and the EU.
- Rising food prices coupled with volatile energy prices are heavily and negatively impacting affordability for households (an average family currently spending ca. 35% of household income on food and 15% on energy) and businesses of the region. To this end, special attention should be devoted to cushioning the impact of green transition.
- There are 3.5 million youths across the region. However, according to RYCO surveys 52% of youth is willing to leave in pursuit of a better life. At the same time, two thirds have expressed an interest to contribute to the green transition. Thus, the transition should particularly cater to the future needs and interests of the youth. Participants see communication and education as crucial elements to changing behaviour and ensuring youth engagement for the climate and environment. Environmental education should start from an early age with curricula and education systems imparting information, competences and skills, so that the region's youth is equipped for the future labour market and society and can meaningfully and decisively contribute to the implementation of the Green Agenda.

DECARBONISING THE REGION AND INVESTING IN RENEWABLES

- There is a need for a strong partnership with the private sector for unlocking the enormous potential for the further development of renewable energy sources, in particular wind and solar, the electrification of the transport system as well as the decarbonisation of the economy in general. This will require the provision of adequate framework conditions for private and public investments. Public entities will have to play a key role and should also be decarbonised themselves. In the Western Balkans, a large potential for energy efficiency is untapped and can provide immediate environmental and economic benefits (reduction of harmful emissions) for a swift green transition.
- High ambitions of the Western Balkans are displayed in the plans for National Energy and Climate Plans (NECPs). All NECPs should be formalised within the timeframe communicated by the Energy Community and in line with the decision of the Energy Community Ministerial Council on 2030 energy and climate targets.
- Participants will accelerate cooperation together with Energy Community, EU and other regional and international partners, to increase synergies, to join forces and to make the most out of available and future funding for the region, including WBIF grants and EFSD+ guarantees.
- Participants recommend that focus topics for intensified regional cooperation are the expansion of renewable energies including storage capacities and regional power grids, energy efficiency and



decarbonisation of transport ensuring a Just Transition given that 60% of the electricity in the Western Balkans comes from lignite, the energy efficiency of buildings is low and pollutant emissions in the transport sector are high. Participants confirmed that progress in these areas will have significant impact on the environment, climate and the health of the population in the Western Balkans.

- The creation of competitive and integrated energy market through better utilisation of the interconnectors enables regional and pan-European exchange of electricity and supports European power system flexibility.
- The creation of a competitive and integrated energy market through better utilisation of the interconnectors and successful launch of electricity market coupling, will enable regional and pan-European exchange of electricity and supports European power system flexibility. In light of the latest developments in the EU, it was also underlined that regionally coordinated response to the EU Regulation on the carbon border adjustment mechanism (CBAM) would be needed to preserve the regional electricity market. In this context, an introduction of a carbon pricing in a coordinated manner is one of the key challenges ahead of the green transition in the region.
- Decarbonisation of transport should be seen as an opportunity to revisit the overall transport strategies and to promote a greener and more sustainable transport network. The revitalisation of the rail network, promotion of multimodal transport solutions, improving operational logistics and Intelligent Transport System (ITS) solutions aimed at making transport operations more efficient, and reducing CO2 emissions have the potential to make transportation smarter, less polluting and customer friendly.
- The development of de-risking mechanisms, renewable supporting schemes and security of investments needs to be enhanced to fully exploit renewable energy potential available in the region. Carbon financing can be used to leverage investments.
- Participants agreed that the Initiative for coal regions in transition in the Western Balkans and Ukraine can be a useful tool to achieve the goals of the Green Agenda and enable that none is left behind in the green growth processes in at least 13 regions in the Western Balkans.

REGIONAL CLIMATE PARTNERSHIP BETWEEN GERMANY AND THE WESTERN BALKANS

- The Regional Climate Partnership between Germany and the Western Balkans was welcomed as an important initiative as it will support a continuous high-level policy dialogue and regional cooperation. It will also provide an umbrella for the existing and future joint efforts of technical and financial cooperation in the region to further the objectives of the Green Agenda in all its pillars (1) Decarbonisation (Climate, Energy, Mobility), (2) Circular Economy, (3) Depollution (Air, Water and Soil), (4) Sustainable Agriculture and Food Production and (5) Protection of Nature and Biodiversity.



- Participants confirmed that implementation of the Green Agenda's ambitious goals requires close cooperation and coordination across sectors and the support of all state and non-state actors at all levels. Participants reiterated the willingness to use the Regional Climate Partnership to collaborate even more intensively and coherently between Germany and the Western Balkans in the fields of climate/environment, energy and green and just economic transition.
- The Regional Climate Partnership will contribute to the EU integration through support for the alignment of the region with the EU climate and sustainability goals. It will also accompany and support the development of Long-term Strategies (LTS) for identifying pathways to climate neutrality in the Western Balkans.
- In the framework of the Regional Climate Partnership, Germany (with other partners invited to join) is willing to further support implementation of the NECPs for reaching their targets through financial and technical cooperation, including through the EUR 1.5 billion announced at the 2022 Berlin Process Summit, to be implemented through KfW. This support consists of both Policy-based Loans as well as funding for green infrastructure projects. Energy and climate action are considered areas with strong potential for further cooperation. Participants recommended to reconfirm this willingness in the outcome document of the 2023 Berlin Summit in Tirana.
- The Regional Climate Partnership could also be beneficial in facilitating the progress with the alignment with the EU legislation on emissions trading system (EU ETS) and assisting the region in further work towards decarbonisation and mainstreaming renewable energy in the emission intensive sectors.
- Participants confirmed that the Western Balkans need more meetings of this kind and their willingness to continue this high-level political and technical exchange in a dialogue format between government representatives, the private sector, civil society and academia to encourage the exchange of best practices, launch joint initiatives, and align policies for a common approach towards a green and socially just transition in the framework of the Regional Climate Partnership.
- The Regional Climate Partnership will use synergies and work in coherence to existing regional formats and structures such as under the Regional Cooperation Council (RCC), the Energy Community (EnC), the Transport Community Permanent Secretariat (TCPS), the Standing Working Group on Regional Rural Development (SWG RRD), the International Union for Nature Conservation (IUCN), the Network of Associations of Local Authorities of South-East Europe (NALAS) and others. European partners and regional and international (financial) institutions are encouraged to contribute with their know-how and financial support.





AGENDA

Leaders' Dialogue

Implementing the Green Agenda for Economic and Societal Prosperity in the Western Balkans

Tirana, 6-7 June 2023

TUESDAY, JUNE 6

19:00- 21:00 **Reception and Dinner**
Hosted by the Ambassador of the Federal Republic of Germany Peter Zingraf at Savor Restaurant at Maritim Plaza Hotel Tirana

WEDNESDAY, JUNE 7

08:00-09:00 *Arrival, Registration and Networking*

09:00-09:30 **Opening by Chairmanship Berlin Process 2023 / Co-Host Albania**
Addresses by
Belinda Balluku, Deputy Prime Minister and Minister of Infrastructure and Energy
Mirela Kumbaro, Minister for Tourism and Environment

09:30-10:00 **Addresses Co-Host Germany**
Niels Annen, Secretary of State, German Federal Ministry for Economic Cooperation and Development (BMZ)
Video Address by Anna Lührmann, Minister of State for Europe and Climate, German Federal Foreign Office

10:00-10:15 **Keynote: The Green Agenda for the Western Balkans as a Shared Mission**
Majlinda Bregu, Regional Cooperation Council (RCC)

10:15-10:45 **Coffee Break**

10:45-12:30 **High-Level Plenary "The Green Agenda as a Joint Mission – Rethinking Government-Private Sector-Civil Society Relationships"**
Statements by WB6 Ministers/Deputy Ministers for Climate/Environment, European Commission/DG NEAR, Civil Society, WB6 Chamber Investment Forum
Chief Rapporteur: Aleksandar-Andrija Pejović

12:30	Group Photo	
12:40-14:00	Lunch Break (Restaurant Savor, Hotel Plaza, 2 nd floor)	
14.00-16:00	<p>Roundtable 1: The Socio-Ecological Transformation of the Economy as an Engine for Employment and Private Sector Innovation <i>Venue: Queen Geraldine Conference Room</i></p> <p>Chair: Siniša Marčić (Regional Cooperation Council) Rapporteur: Demush Shasha Commentators: Deputy Ministers of Economy, Chambers of Commerce, SWG RRD, RYCO, Civil Society, GIZ Further statements / discussion</p>	<p>Roundtable 2: Decarbonizing the Region and Investing in Renewables <i>Venue: The Standard Meeting Room</i></p> <p>Co-Chairs: Adam Cwetsch (Energy Community), Barbara Frey (German Energy Agency) Rapporteur: Aleksandar Macura Commentators: Deputy Ministers of Energy, Transport Community, Civil Society, KfW Further statements / discussion</p>
16:00-16:30	Coffee Break	
16:30-17:15	<p>Plenary: Summary and Discussion of Results Conclusions and Recommendations to the Berlin Process 2023 and the Regional Climate Partnership between Germany and the Western Balkans Chief Rapporteur and Roundtable Rapporteurs</p> <p>Closing by Co-Hosts Niels Annen, Secretary of State, German Federal Ministry for Economic Cooperation and Development (BMZ) Odetta Barbullushi, Advisor to the Prime Minister of Albania for EU and Regional Cooperation, Berlin Process Chairmanship 2023</p>	
19:30-22:00	<p>Networking Event and Farewell Dinner Hosted by Albanian Ministry for Tourism and Environment <u>Venue:</u> Fustanella Farm, Petrela, Albania <i>Transport to the dinner location will be provided. Departure from Hotel Maritim Plaza Tirana (main entrance) at 19:00.</i></p>	