



EUROPEAN COMMISSION

Brussels, 22 April 2021

**COMMISSION STAFF'S OVERVIEW OF THE ECONOMIC REFORM
PROGRAMMES FOR 2021-2023**

OF

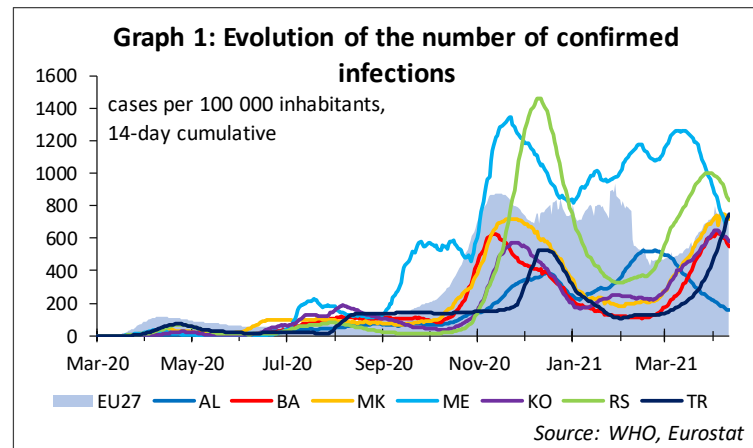
**ALBANIA, BOSNIA AND HERZEGOVINA, KOSOVO*, MONTENEGRO,
NORTH MACEDONIA, SERBIA AND TURKEY**

Information note for the Economic and Financial Committee

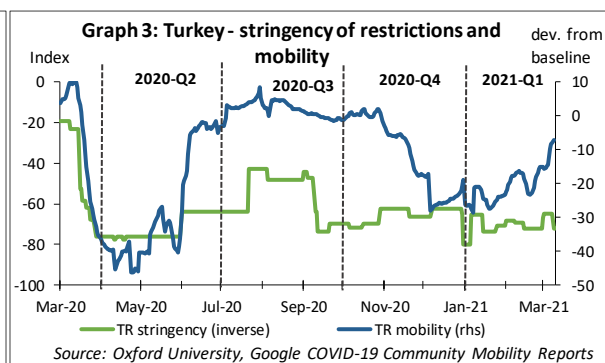
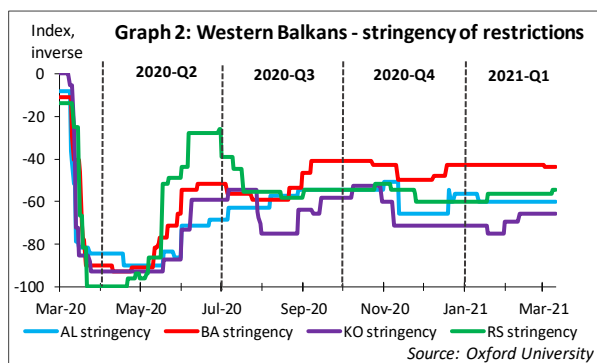
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

1. Economic developments in 2020: impact of the COVID-19 crisis and the policy response

The COVID-19 pandemic took a heavy toll in the Western Balkans and Turkey. Since the end of the first quarter of 2020, the pandemic has hit the Western Balkans and Turkey in several waves. While the first wave from March to May 2020 led to a limited number of COVID-19-related deaths thanks to swiftly taken and stringent initial



containment measures, the somewhat stronger second wave in the third quarter of 2020 largely subsided before the end of the quarter. The third wave developing in the fourth quarter however took the heaviest toll in terms of infections, hospitalisations and fatalities as a strong seasonal acceleration of the pandemic was accompanied by a relatively stable level of stringency of containment measures. After relatively low levels at the very beginning of 2021, infections and hospitalisations have again accelerated as of February, influenced in particular by the spread of more contagious variants.



The pandemic had a significant negative impact on economic growth in the Western Balkans and Turkey in 2020. As a result, after a relatively strong pre-crisis growth momentum, all Western Balkans economies suffered a contraction in 2020 while only Turkey, after sluggish growth in 2019, is estimated to have recorded some expansion in 2020. Across the Western Balkans, the depth of the downturn varied widely, ranging from a relatively mild 1% fall in GDP in the Republic of Serbia to a very sharp output loss of 15% in Montenegro, with Bosnia and Herzegovina (3%), the Republic of Albania (3.3%), the Republic of North Macedonia (4%) and Kosovo (7%) recording intermediate levels of contraction. The sectoral structure of the economies, in particular the share of tourism, played a central role for the severity of the economic fallout, accounting in particular for the very sharp contraction in Montenegro. Strong agricultural seasons had a mitigating impact in

particular in Serbia and Albania. Differences in the policy response to the crisis, partly due to varying degrees of available policy space, also had an impact on economic outcomes.

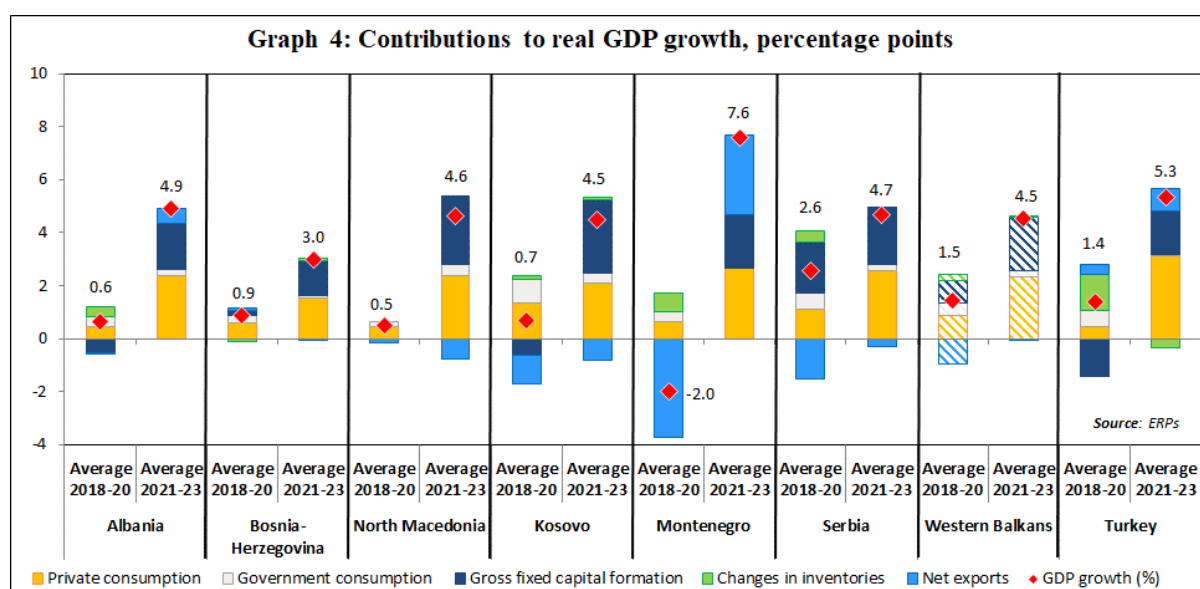
The overall contraction was significantly mitigated by a series of fiscal, monetary and financial support measures in both the Western Balkans and Turkey. Depending on the available fiscal space, the volume of the direct discretionary fiscal support measures varied considerably from around 1% of GDP in Albania and Montenegro, 2% in Turkey, 2.5% in Bosnia and Herzegovina, 3% in North Macedonia, up to 5% in Kosovo and 8% in Serbia. In countries with lower overall volumes of support, the measures were typically more targeted towards enterprises and individuals active in sectors most hit by the crisis. In countries with larger overall packages, such as in Serbia, this tended to be accompanied by broader lump sum support to a large part of enterprises across all sectors as well as cash payments to all households. In both the Western Balkans and Turkey, the direct fiscal support measures were accompanied by liquidity-enhancing state guarantee schemes for loans to enterprises, which reached a volume of up to 4% of GDP in the case of Serbia. A range of liquidity-enhancing measures were also taken by the central banks of the Western Balkans and Turkey, in particular via loan moratoria, as well as market operations and interest rate cuts in the case of Albania, North Macedonia, Serbia and Turkey. In Turkey, the financial sector, led by state-owned banks, provided subsidised credit lines at favourable conditions to households and businesses. To cover the increased budget financing needs triggered by the economic contraction and the discretionary fiscal mitigation measures, the Western Balkans and Turkey resorted to increased market financing but also, with the exception of Serbia and Turkey, to borrowing from international financial institutions. Complementing financing from the IMF and other IFIs, the EU granted a total of EUR 750 million in macro-financial assistance (MFA) to five Western Balkan partners (in Serbia, however, the increased financing needs were fully covered by tapping domestic and international capital markets). The EUR 750 million MFA was part of the larger EUR 3.3 billion support package for the Western Balkans in response to the COVID-19 pandemic announced by the EU in April 2020¹. Until the end of March 2021, the first MFA instalments totalling EUR 250 million have been disbursed to North Macedonia, Kosovo, Montenegro and Albania. Moreover, to spur the long-term economic recovery of the Western Balkans, the EU has presented an Economic and Investment plan that sets out a substantial investment package mobilising up to EUR 9 billion of funding for the region.

2. Macroeconomic and fiscal outlook

Most Economic Reform Programmes (ERPs) project economic growth to rebound strongly in 2021 and to recover or exceed pre-pandemic rates of expansion thereafter. For most Western Balkan economies, except for Serbia and Albania, the strength of the 2021

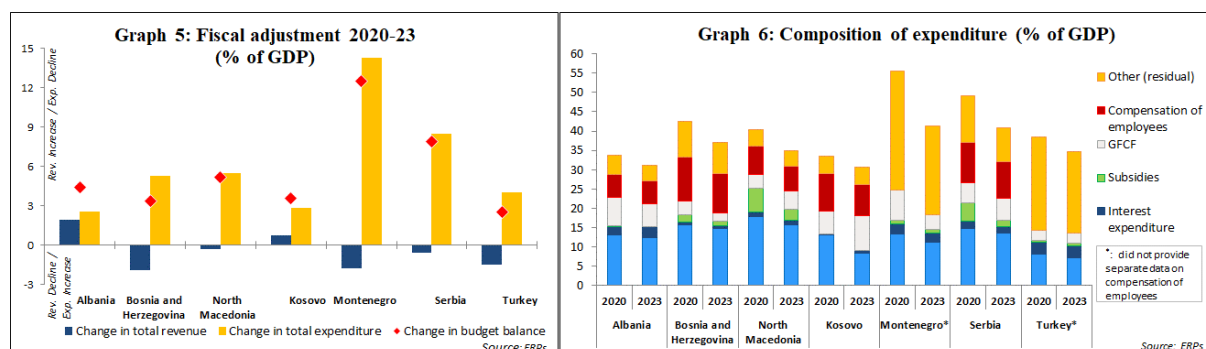
¹ The other large components of the overall EU support package were loans by the EIB (EUR 1.7 billion) and grant money, mostly from reallocation of funds under the Instrument for Pre-Accession Assistance (IPA), of over EUR 800 million, to be disbursed under various modalities, including budget support. By the end of March 2021, the total grant disbursements under the IPA components of the support package approached EUR 400 million.

rebound is however expected to remain below the 2020 contraction. Thus, only Serbia expects to return to its 2019 level of real GDP already in 2021. Helped by carry-over effects from strong growth momentum in the second half of 2020, the ERP for Turkey projects output to increase by around 6% in 2021, largely exceeding pre-crisis growth rates. Apart from Serbia and Kosovo, most Western Balkan economies are expected to expand faster in 2022-2023 than in 2018-2019, while Turkey projects to maintain a rate of expansion of 5%, substantially above the pre-crisis track record. Both in the 2021 rebound and the 2022-2023 expansion, the key driver of economic growth in both the Western Balkans and Turkey is projected to be domestic demand, primarily private consumption and gross fixed capital formation. While net exports are set to have a slightly negative or neutral contribution to growth in most of the Western Balkans in the rebound and thereafter, they are expected to contribute positively to growth in countries with a strong tourism sector, i.e. Montenegro and Albania, as well as in Turkey.

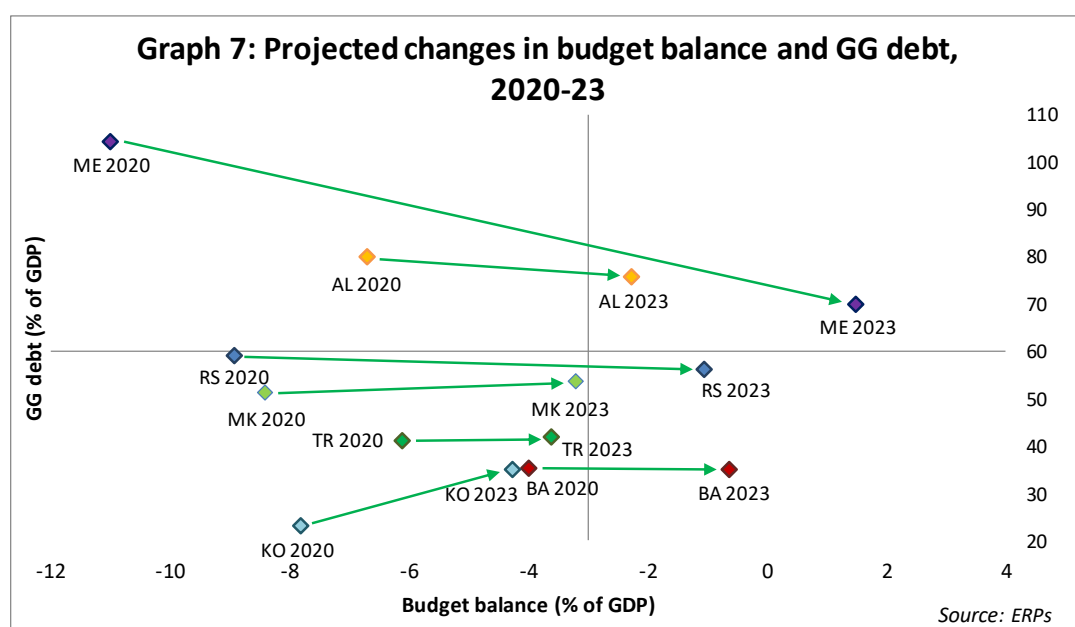


The ERPs’ baseline growth projections are subject to a high degree of uncertainty in view of the protracted impact of the pandemic. Renewed waves of the pandemic both in the Western Balkans and their main trading partners have led to continued or reinforced containment measures in the first quarter of 2021, which risks delaying the recovery as compared to the ERP baseline scenarios. With the exception of the moderate rebound projected for Bosnia and Herzegovina, the risks to the ERP’s baseline growth projections are therefore clearly tilted to the downside. In particular, a slower recovery in the EU, the main trade and investment partner of the Western Balkans, may lead to lower demand for their exports (also of tourism services) as well as lower inflows of remittances and foreign direct investment. Furthermore, in the majority of the Western Balkans’ baseline growth projections (in particular for Albania, North Macedonia and Kosovo) the rebound of overall gross fixed capital formation relies heavily on substantial increases in public investment. However, this may be challenging to achieve in view of persistent weaknesses in public investment management and a track record of low implementation rates of the capital budget. In Turkey, the recent dismissal of the central bank governor led to increased uncertainty, and given the

country's vulnerability to changes in investor sentiment, this might constrain the strength and durability of the recovery. All ERPs acknowledge the high level of uncertainty surrounding their baseline scenario and include at least one lower growth scenario, which however are not always well-elaborated and remain in general relatively benign.



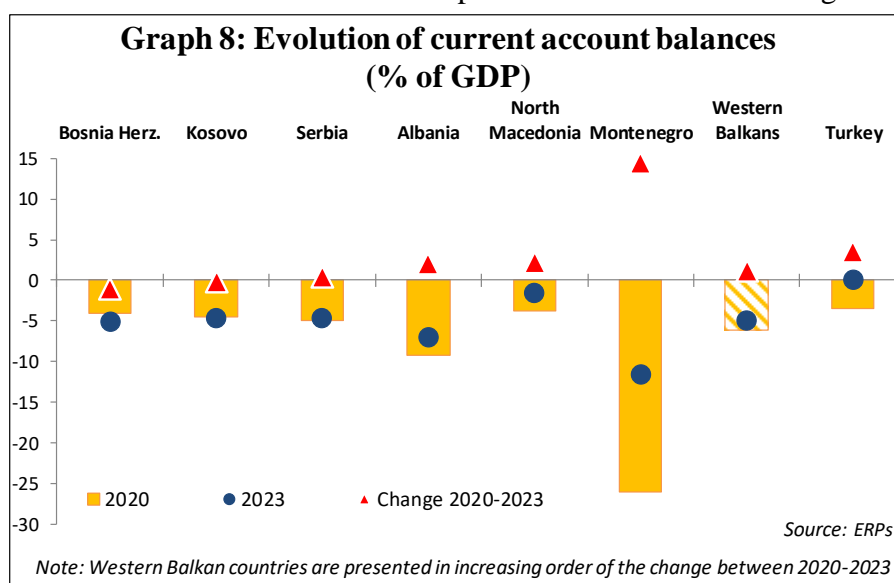
Following crisis-related high fiscal deficits and substantial increases in the debt-to-GDP ratio in 2020, gradual fiscal consolidation is planned to start as of 2021 or 2022. The combination of discretionary fiscal support measures, automatic stabilisers, large revenue shortfalls and nominal GDP contraction (except for Serbia) led to high fiscal deficits in the Western Balkans in 2020, ranging from an estimated 4% of GDP in Bosnia and Herzegovina, 7% in Albania, 8% in Kosovo, Serbia and North Macedonia, and up to 11% of GDP in Montenegro.



In Turkey, thanks to buoyant tax revenue and limited discretionary fiscal support measures, the general government deficit is expected to have been kept significantly below the ERP target of 6.1% of GDP, implying a significant fiscal tightening in 2020. For the Western Balkans, the ERPs project a gradual improvement of the budget balance over the programme horizon, starting already as of 2021 for Montenegro, Serbia, North Macedonia and Bosnia and Herzegovina, and as of 2022 for Albania and Kosovo. The improvement is mostly

projected to be achieved via a decrease in spending, reflecting in particular the phasing out of crisis-mitigation measures. Only Albania and Kosovo also project increases in their revenue-to-GDP ratios. The protracted impact of the pandemic and ensuing renewed or additional fiscal support measures are however already set to delay or decelerate fiscal consolidation. After surging across the Western Balkans in 2020, the public debt-to-GDP ratio is projected to record some further increase in 2021 in Kosovo, North Macedonia, Bosnia and Herzegovina, and, taking into account the recently renewed crisis support, also in Serbia, while Montenegro and Albania project the debt burden to start falling already this year. As of 2022 only Kosovo projects further increases of its (relatively low) debt ratio. North Macedonia expects broad stabilisation while highly indebted Montenegro optimistically forecasts a particularly large decrease in the public debt ratio. The remaining Western Balkan ERPs project a gradual decline of their debt ratios. The main driver of the expected debt decrease is the favourable snow-ball effect, as the rate of nominal growth is projected to again exceed the effective interest rate for all Western Balkan economies as of 2021. Turkey's ERP projects a slight decrease of the deficit level to below 4% of GDP (close to the 2020 outturn) and stabilisation of the debt ratio at around 41% throughout the programme period.

Current accounts deficits are mostly forecast to narrow over 2021-23. In most of the Western Balkans and in Turkey, the crisis triggered a substantial deterioration of the current account balance. This was mostly driven by lower exports of services by countries with large tourism sectors such as Montenegro, Turkey and Albania, and by significantly lower remittances inflows in most of the Western Balkans except for Kosovo and Montenegro. A lower goods trade deficit and lower reinvested earnings provided some offset across the countries, which even led to a marked improvement of the overall current account balance in Serbia. The 2021 rebound is projected to lead to a widening current account deficit in Serbia, Kosovo and Bosnia and Herzegovina, while the external balance is projected to improve in Montenegro and Turkey (in particular due to the gradual recovery of inbound tourism) and in Albania and North Macedonia (in particular due to the recovery of workers' remittances). For 2022 and 2023 all Western Balkan ERPs except Bosnia and Herzegovina's project a decline of their current account deficits while Turkey even expects to reach a balanced current account by 2023. These projections are subject to large uncertainties, in particular



related to the recovery of tourism. In terms of securing the necessary external financing, the Western Balkans expect to continue to rely mainly on foreign direct investment inflows. As regards external borrowing, several Western Balkan countries (Serbia, North Macedonia, Montenegro and Albania) managed to tap international markets and issued sizeable Eurobonds at favourable terms in 2020-21. However, a potential tightening of global financial conditions might have negative repercussions on capital flows into both the Western Balkans and Turkey.

Inflation is projected to remain at moderate levels in the Western Balkans while Turkey faces continuing large price pressures and significantly above-target inflation. After a crisis-induced trough in 2020, inflation is projected to rebound in the Western Balkans in 2021 and to remain at moderate levels thereafter, supported by gradually recovering domestic demand and low imported inflation. For Turkey, notwithstanding a decrease of average annual inflation in 2020 and a substantial monetary tightening implemented since November 2020, consumer price inflation accelerated to 15% y-o-y at the end of 2020, far above the central bank's 5% target. The ERP's envisaged disinflation path, which expected inflation to reach 5% by 2023, was too ambitious and has since been revised. The authorities' intention, outlined in the ERP, is to maintain a tight monetary policy stance until 2023, which is necessary to anchor inflation expectations, stabilise the exchange rate, reduce dollarization, and rebuild foreign exchange reserves. The course of inflation will depend on the future orientation of monetary policy, which is subject to particularly large uncertainty in view of the abrupt and unexpected dismissal in March 2021 of the central bank governor after only four months in office.

3. Main challenges

While further support to households and businesses most affected by the crisis appears necessary until the economic recovery has been firmly established, structural reform implementation needs to accelerate to foster a sustainable recovery in the medium-term. The pandemic had a deep recessionary impact in the enlargement region that was partially cushioned by fiscal, monetary and financial support measures. The protracted impact of the pandemic and continued high uncertainty calls for maintaining support to businesses and households until the economic recovery is firmly entrenched. At the same time, structural reform implementation should regain momentum in view of achieving a sustainable recovery, boosting potential growth and strengthening resilience in the medium-term. Overall, the main challenges that will need to be tackled in the upcoming period concern the following areas:

First, fiscal policy will need to provide further crisis-mitigation support as long as necessary. Thereafter, conditional on the recovery becoming well entrenched, a gradual consolidation of deficit and debt levels is needed, while ensuring a high level of efficient growth-enhancing spending. In view of the protracted impact of the pandemic and continued uncertainty, fiscal policy will continue to operate in an exceptional situation in 2021 and will need to maintain support to businesses, jobs and households where necessary.

At the same time, support measures should be well targeted, temporary and transparent to maximise their cost efficiency and avoid creating lasting market distortions or permanent entitlements. Conditional on a well-entrenched economic recovery, a well-calibrated return to a more prudent fiscal position appears feasible and desirable in the 2022 budget and in the updated medium-term financial frameworks to ensure gradual debt reduction and rebuild fiscal buffers. In this context, efforts should also be strengthened to shift budgets towards a more growth-oriented composition to accelerate the recovery, in particular by fostering the digital and green transitions. While there has been a considerable expansion of capital spending in percentage of GDP in Albania, Serbia and Bosnia and Herzegovina in 2020, only Serbia plans to maintain and further increase this share over the programme horizon. For all partners, to durably maximise the growth-enhancing effect, increased capital expenditure needs to be accompanied by higher expenditure efficiency and a proper cost-benefit analysis of investment projects. This includes improvements in investment management (including project planning and selection), the avoidance of supply-side shortages stemming from a sudden increase and fall of public investment focused on specific areas, and potential reprioritisation after pandemic-induced structural changes and in view of green and digital adaptation needs, also ensuring full benefit from EU funding. Appropriate resources also need to be allocated to develop human capital and mitigate the scarring effects of COVID-19 through investments in education, training and health.

Second, given the considerable crisis-induced deterioration of fiscal positions, fiscal-structural reforms for strengthening medium-term debt sustainability should advance already in the short term. This should include raising the capacity to mobilise public revenue by improving tax administrations and reviewing distortive, inefficient and costly tax exemptions. Failure to contain current spending, especially on public wages and pensions, has been a recurrent problem across the Western Balkans, and could hamper fiscal adjustment efforts. This calls for putting in place or reinforcing fair, transparent and sustainable public wage and pension systems as well as a better targeting of social transfers. Efforts should also continue to monitor and address fiscal risks stemming from public guarantees, inefficient state-owned enterprises and often non-transparent public-private partnerships, which may have increased as a result of the crisis. Finally, fiscal governance needs to be improved by strengthening or introducing fiscal rules (with the necessary escape clauses to allow for exceptional crisis circumstances) and setting up independent fiscal councils. This would send a strong signal about the authorities' commitment to return to prudent fiscal policies as soon as the economic recovery has been firmly established.

Third, the Western Balkans and Turkey need to closely monitor and address the impact of the crisis on the financial sector. Macro-prudential indicators have overall remained sound and capital adequacy ratios are well above minimum requirements in the Western Balkans, but there may be a considerable lagged impact of the crisis that will only become apparent once the mitigation measures are withdrawn. While the ratio of non-performing loans (NPLs) has remained stable and in some cases even decreased in 2020, the protracted impact of the pandemic and the end of forbearance measures may lead to a substantial

deterioration of banks' asset quality that need to be closely monitored and addressed via strengthened legal and regulatory frameworks for NPL resolution. Notwithstanding financial sector support measures, credit growth decelerated in Kosovo, Montenegro, North Macedonia and almost came to a halt in Bosnia and Herzegovina, while Albania and Serbia recorded some acceleration supported in particular by large state guarantee schemes. In Turkey, annual credit growth accelerated to 35%, supported by subsidised loans provided in particular by state-owned banks. The NPL ratio remained low and the banking sector is well capitalised, but high dollarization poses a particular challenge.

Fourth, all seven economies face challenges with their business environments. For most, the regulatory and institutional environment remains a key challenge hampering private sector development and competition. Several also face problems with still sizeable and unprofitable state-owned enterprises, which leads to a misallocation of resources and creates unfair competition for private companies. All seven economies struggle with corruption, legal unpredictability and slow legal procedures, making the economies less attractive to foreign and domestic investments. In order to overcome these challenges, there is a need for effective and well-coordinated structural reforms to improve the business environment and the investment climate, including significant efforts to strengthen the rule of law and institutions to fight corruption.

Fifth, informality is very high in all seven economies. While there is a lack of reliable data, the size of the informal economy is estimated at 25-35% of GDP in all seven economies. Widespread informality undermines competition, hinders the efficient allocation of state and private resources, and reduces tax revenues and funding of social security systems. For most economies, informality is driven by the overall weak institutional and regulatory environment, insufficient enforcement capacity of the public authorities, corruption and low awareness of the negative social implications. The low level of trust in government and the perceived low quality of public services discourage tax compliance. Undeclared work leads to reduced job security and safety at work. In order to overcome these challenges, there is a need to incentivise tax compliance through e.g. public awareness measures, a simplification of administrative procedures and lower ceilings for cash transactions, and strengthen law enforcement in this area.

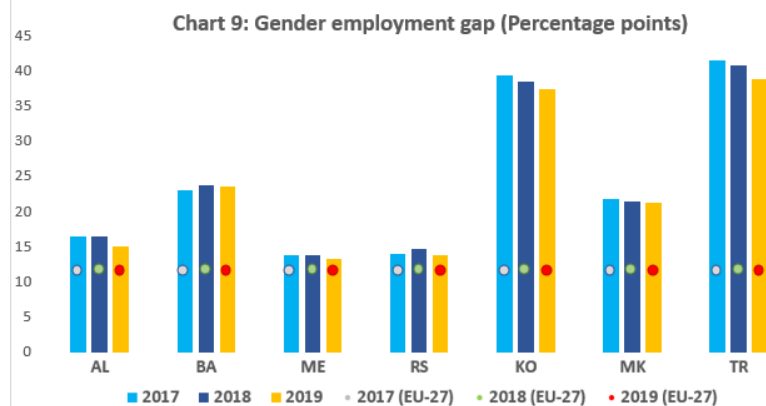
Sixth, inefficient energy use and insecurity of energy supply are among the main obstacles to competitiveness and leave ample scope for more environment- and climate-friendly policies. The underdeveloped energy market is one of the key challenges in Kosovo and Serbia, although similar issues are faced by the other economies of the region. The liberalisation of the energy market in Serbia, despite being an obligation under the Energy Community, is lagging behind. Electricity tariffs still do not reflect actual costs in most economies. The progress in the establishment of the regional electricity market is slow and still hampered by bilateral disputes. High energy imports are one of the sources of the large trade deficits in the region. The economies have a big potential for developing renewable energy sources and reduce their dependence on coal, which would allow them to further diversify the energy mix and to reduce pollution. While construction and maintenance of

infrastructure is important, the focus should be on tapping the renewable energy and energy saving potentials, including improving energy efficiency and fully opening electricity markets to competition. Discontinuing subsidised energy tariffs is a priority that should be combined with incentives for energy efficiency and social protection schemes to prevent energy poverty.

Seventh, the lack of regional economic integration in the Western Balkans prevents the region from realising its full growth potential. All Western Balkan partners have committed to boosting the regional cooperation and to creating a Common Regional Market, based on the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industrial policy. This would bring more competition and allow economies of scale and productivity gains. Such a regional market, based on EU rules and standards, would provide a stimulus for intra-regional trade and investment, increase the benefits of big infrastructure projects and make the Western Balkans a more attractive investment destination. Finally, the Common Regional Market represents a stepping-stone to integrate the region more closely with the EU Single Market already before EU accession, which will further contribute to the economic growth of the region.

Eighth, low activity including lower integration of women in the labour market, and poorly targeted active labour market policies, remain key challenges. Labour markets in the region continue to be characterised by overall low activity and employment as well as high unemployment. With the exception of Serbia, the improvements in labour market outcomes have been halted and slightly reversed by the COVID-19 pandemic. Structural challenges remain, among which under-utilisation of labour resources and lower integration of women, young people and less represented ethnic groups in the labour market. The gender employment gap in 2019 was ranging from around 13 to 15 pps in Albania, Montenegro and Serbia to around 37 to 39 pps in Kosovo and Turkey, well above the EU-27 average of 11.7 pps. (see chart 9 and Annex table III). The outreach and coverage of support services for jobseekers are limited. Active labour market policies are not sufficiently targeted at categories most in need, such as long-term unemployed, and only a small range of measures is on offer. Undeclared work constitutes from around 20% to more than 30% of the workforce.

No comprehensive strategies have been implemented so far to address the issue. Social partners are not regularly consulted on the design and implementation of economic, employment and social policies, and social dialogue between employers and workers,



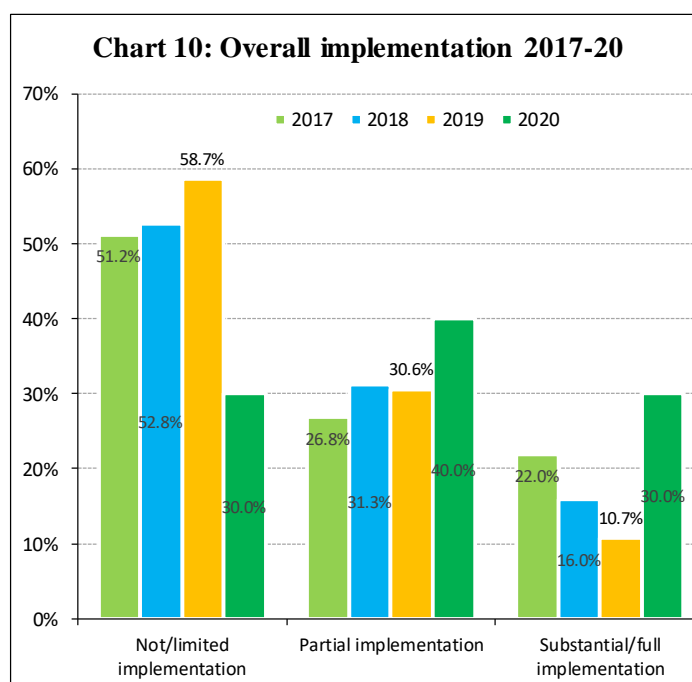
including collective bargaining, is underdeveloped.

Ninth, the level and structure of social spending is not addressing the needs of the poorest segments of the population. Despite continuing positive economic trends in the pre-crisis years, high levels of poverty remain a problem in all partners. Social assistance schemes are under-funded and do not cover those most in need; the low support levels are ineffective in reducing poverty, thus further increasing income inequality, which is still high in most cases. On the other hand, relatively generous non-means tested social benefits, for instance to war veteran categories, might create disincentives to work. Social care services are not yet provided everywhere, especially in rural areas, thus hindering social inclusion of vulnerable people.

Tenth, structural skills mismatches persist, due to under-investment in human capital and weak education systems. The education systems in the Western Balkans and Turkey face challenges from early childhood education and care (ECEC) up until the transition to the labour market and adult education. Enrolment in ECEC is particularly low compared to the EU, and potentially affecting long-term education outcomes, especially of children with a less favourable economic background. Efforts to increase pre-school education are a first step in the right direction. New curricula are being introduced in basic education, but the mismatch between the provision of secondary and higher education and the needs of the labour market often impedes a smooth transition from school to work. Furthermore, the low participation in adult learning and lack of awareness in the population of the need to acquire qualifications in lifelong learning remain an issue. The training of teachers for all levels of the education system remains a challenge for most economies.

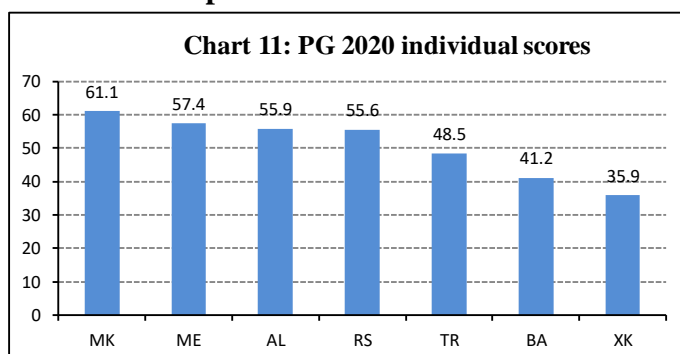
4. Implementation of the policy guidance adopted in 2020

Every year since 2015, the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has adopted targeted policy guidance (PG) for all partners in the enlargement region. The guidance represents the participants' shared view on the short-term policy measures that should be implemented to address macro-fiscal vulnerabilities and structural obstacles to growth. The underlying rationale of the PG is similar to that of the country-specific recommendations usually adopted under the European Semester for EU Member States. Implementation of



the PG is evaluated by the Commission in the following year's ERP assessments².

The assessment of the implementation of last year's policy guidance points to an across-the-board improvement in implementing the jointly agreed recommendations mostly linked to the particular short-term character of many recommended crisis-mitigating



measures. The average score across the Western Balkans and Turkey has strongly increased, from 35.5 out of 100 for the implementation of the policy guidance adopted in 2019 to 50.8 in 2020³. Less than one third (30%) of the policy guidance saw no or only limited implementation, which is the lowest share so far. An equal

percentage (30%) has been substantially or fully implemented; the highest share since 2017 (see Chart 10). In terms of individual performances, the scores display some variation, but four out of seven exceed 50 (see Chart 11). Overall, the implementation of the policy guidance adopted in 2020 is assessed as 'partial'⁴ for most partners, with North Macedonia achieving the highest score (61.1).

² The detailed evaluation of individual PG items can be found in Section 5 of the Commission's ERP assessments.

³ For a detailed description of the methodology used to assess policy guidance implementation, see Section 1.3 of the Commission's Overview and Country Assessments of the 2017 Economic Reform Programmes available at https://ec.europa.eu/info/publications/economy-finance/2017-economic-reform-programmes-commissions-overview-and-country-assessments_en

⁴ The assessment categories are as follows: limited (0<37.5), partial (37.5-62.5), substantial (62.5-87.5), full (87.5-100) implementation.

Table I:

Economic Reform Programmes 2021 - Key indicators

	2017	2018	2019	2020e	2021	2022	2023
Real GDP growth (% change)							
Albania	3.8	4.1	2.2	-4.4	5.5	4.8	4.5
North Macedonia	1.1	2.7	3.2	-4.4	4.1	4.6	5.2
Montenegro	4.7	5.1	4.1	-15.2	10.5	6.5	5.8
Serbia	2.1	4.5	4.2	-1.0	6.0	4.0	4.0
Turkey	7.5	3.0	0.9	0.3	5.8	5.0	5.0
Bosnia and Herzegovina	3.0	3.1	2.4	-3.0	2.5	3.1	3.4
Kosovo	4.2	3.8	4.9	-6.7	5.2	4.1	4.2
Unemployment rate (% , LFS)							
Albania	14.1	12.8	12.0	12.0	11.1	10.3	9.4
North Macedonia	22.4	20.7	17.3	16.6	15.8	15.0	14.1
Montenegro	16.4	15.5	15.1	17.2	15.6	14.3	13.8
Serbia	13.5	12.7	10.9	10.2	10.1	9.2	8.5
Turkey	11.1	11.2	13.7	13.8	12.9	11.8	10.9
Bosnia and Herzegovina	20.5	18.4	15.7	16.3	15.7	15.1	14.2
Kosovo	30.5	29.6	25.6	25.5	:	:	:
Current account balance (% of GDP)							
Albania	-7.5	-6.8	-8.0	-9.2	-7.1	-7.2	-7.1
North Macedonia	-1.1	-0.1	-3.3	-3.7	-2.6	-1.6	-1.5
Montenegro	-16.1	-17.0	-15.0	-26.0	-18.7	-15.1	-11.6
Serbia	-5.2	-4.8	-6.9	-5.0	-5.5	-5.1	-4.6
Turkey	-4.8	-2.8	0.9	-3.5	-1.9	-0.7	0.1
Bosnia and Herzegovina	-4.7	-3.3	-3.0	-4.0	-4.6	-4.7	-5.1
Kosovo	-5.4	-7.6	-5.6	-4.5	-6.3	-6.1	-4.7
Inflation (CPI, annual % change)							
Albania	2.0	2.0	1.4	1.7	2.4	2.8	3.0
North Macedonia	1.4	1.5	0.8	1.1	1.5	2.0	2.0
Montenegro	2.8	2.9	0.4	-0.3	1.2	1.4	1.2
Serbia	3.1	2.0	1.9	1.6	1.9	2.3	2.5
Turkey	11.1	16.3	15.2	11.6	9.9	6.2	5.4
Bosnia and Herzegovina	1.3	1.4	0.6	-0.8	1.2	1.3	1.4
Kosovo	1.5	1.1	2.7	0.2	1.8	1.0	1.0

Sources: Economic Reform Programme (ERP) 2021 for 2019-2023, CCEQ for 2017 and 2018.

Note: CCEQ: DG ECFIN publication 'EU Candidate and Potential Candidate Countries' Economic Quarterly'

Table II:

Economic Reform Programmes 2021 - Fiscal indicators

	2017	2018	2019	2020e	2021	2022	2023
Total revenue* (% of GDP)							
Albania	27.8	27.5	27.4	27.0	28.8	28.7	28.9
North Macedonia	31.0	30.4	31.5	32.1	32.6	32.0	31.8
Montenegro	41.5	42.2	44.7	44.6	45.8	43.5	42.8
Serbia	41.5	41.5	42.1	40.3	40.4	40.5	39.7
Turkey	31.2	31.9	33.1	32.5	31.7	31.2	31.0
Bosnia and Herzegovina	43.0	43.0	40.1	38.5	37.2	36.9	36.5
Kosovo	26.3	26.3	26.5	25.7	26.5	26.7	26.5
Total expenditure* (% of GDP)							
Albania	29.8	29.1	29.3	33.7	35.2	31.6	31.1
North Macedonia	33.8	31.5	33.7	40.5	37.6	35.8	35.0
Montenegro	46.8	46.2	46.7	55.6	48.7	43.7	41.3
Serbia	40.4	40.9	42.3	49.2	43.4	42.1	40.7
Turkey	34.0	34.7	36.1	38.6	36.3	35.2	34.6
Bosnia and Herzegovina	40.4	40.8	37.9	42.5	39.8	38.3	37.2
Kosovo	27.5	29.1	29.5	33.5	34.4	31.7	30.7
General government balance (% of GDP)							
Albania	-2.0	-1.6	-1.9	-6.7	-6.5	-2.9	-2.3
North Macedonia	-2.7	-1.1	-2.2	-8.4	-4.9	-3.8	-3.2
Montenegro	-5.3	-3.9	-2.0	-11.0	-2.9	-0.2	1.5
Serbia	1.1	0.6	-0.2	-8.9	-3.0	-1.6	-1.0
Turkey	-2.8	-2.8	-3.0	-6.1	-4.5	-4.0	-3.6
Bosnia and Herzegovina	2.5	2.1	2.2	-4.0	-2.5	-1.4	-0.6
Kosovo	-1.3	-2.9	-2.9	-7.8	-7.9	-5.0	-4.2
General government debt (% of GDP)							
Albania	70.2	67.7	66.3	79.9	78.6	77.7	75.6
North Macedonia	39.4	40.6	40.6	51.2	53.2	53.3	53.7
Montenegro	63.3	70.1	75.6	104.3	88.4	77.4	69.9
Serbia	57.9	53.7	52.9	59.0	58.7	57.9	56.0
Turkey	28.0	30.2	32.5	41.1	40.8	41.6	41.8
Bosnia and Herzegovina	34.7	33.3	31.1	35.2	37.1	36.1	34.9
Kosovo	16.6	16.9	17.5	23.1	28.6	32.1	34.8

Sources: Economic Reform Programmes (ERP) 2021 for 2019-2023, CCEQ for 2017 and 2018.

*2017 and 2018 data from Ministry of Finance.

Note: CCEQ: DG ECFIN publication 'EU Candidate and Potential Candidate Countries' Economic Quarterly'

Table III:

Gender employment gap (percentage points)

The gender employment gap is defined as the difference between the employment rates of men and women aged 20-64. The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey.

	2017	2018	2019
EU-27	11.7	11.8	11.7
Albania	16.5	16.5	15
North Macedonia	21.9	21.4	21.3
Montenegro	13.8	13.8	13.3
Serbia	14	14.7	13.9
Turkey	41.6	40.8	38.8
Bosnia and Herzegovina	23	23.7	23.6
Kosovo	39.4	38.5	37.4

Sources: Eurostat for Montenegro, North Macedonia, Serbia and Turkey; for Albania, Bosnia and Herzegovina and Kosovo national Labour Force Surveys.