



**ASSESSING AND STREAMLINING THE POTENTIAL OF
THE OPEN BALKAN INITIATIVE**

**EDITOR'S RESPONSE TO THE PEER REVIEWERS ON
THE:**

**TASK 2, VOL. 1 COUNTRY DISPARITY ANALYSIS: DESK
RESEARCH**

**TASK 2, VOL. 2 ANALYSIS OF THE TERRITORIAL
CHALLENGES, NEEDS AND POTENTIAL
OF THE SIX WESTERN BALKAN COUNTRIES:
AN ECONOMIC VIEW**

**TASK 2, VOL. 3 COUNTRY DISPARITY ANALYSES:
CLUSTER ANALYSIS**

Center for Economic Analyses– CEA

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Editor's response to the peer reviewers

Dear reader,

We want to thank the reviewers, Prof. Vancho Uzunov and Prof. Marjan Petreski for taking time and reviewing our Task 2 reports organized in three Volumes:

- Volume 1: Country disparity analysis: Desk research (reviewed by Prof. Vancho Uzunov)
- Volume 2: Analysis of territorial challenges, needs and potential of the six Western Balkan countries: An economic view (reviewed by Prof. Marjan Petreski) and
- Volume 3: Country disparity analysis: Cluster analysis (reviewed by Prof. Marjan Petreski)

The reviewers provided valuable feedback on the volumes and we are grateful for their insightful comments, reflections and recommendations. We provide a point-by-point response to the reviewers' comments, reflections and recommendations. The full reviewees are enclosed to this document.

Comment from Professor Vancho Uzunov

Comment 1: *[One area in which the study can be improved is the concluding part. In my opinion, the authors have actually not “siphoned” all conclusions made apparent with the research. In addition, the study will be improved by adding a recommendations part. The study is relevant and easy for understanding by professionals, but policy makers might find it not so uncomplicated for understanding the recommendations for future actions. By adding a section with straightforward policy recommendations the study will be made more useful for a wider audience.]*

Response: Thank you for pointing this out. We agree with this comment. Therefore, we will make our best to provide proper policy recommendations during the Task 4 of the project on the macroeconomic modelling and the scenarios we will develop there.

Comment from Professor Marjan Petreski

Comment 1: *[The study effectively establishes that the macroeconomic performance of WB-6 countries has improved recently but still lags behind the EU-27. Convergence is to be achieved in about 70 years assuming the current growth rates, but this was undermined earlier by the Global Economic Crisis 2008-2011 and the recent pandemic and the subsequent crisis induced by the war in Ukraine. I suggest that the study makes it clear that setbacks of this type, as well as political complexities in the Balkans may hamper the economic potentials for regional integration as well as for faster convergence towards the EU.]*

Response: Thank you for pointing this out. We agree with this comment to the point that *[political complexities in the Balkans may hamper the economic potentials for regional integration as well as for faster convergence towards the EU.]*. On the *[Global Economic Crisis 2008-2011 and the recent pandemic and the subsequent crisis induced by the war in Ukraine]* these are the same shocks to all countries and affect similarly all countries but we agree that the sensitivity to these crises is higher for the WB 6 countries given the initial endowment and that it might multiply the adverse effects as the WB 6 are more vulnerable as young democracies.

Comment 2: *[The study appropriately emphasizes the importance of policies that focus on promoting equality of potential across regions and municipalities. Incorporating specific policy recommendations or strategies that can be implemented to address such disparities effectively may be beyond the current study, but could be considered within the larger project CEA does on the topic. This would provide practical insights for policymakers and add depth to the discussion on OB initiative.]*

Response: Thank you for pointing this out. We agree with this comment that is somehow similar to the comment from Prof. Vancho Uzunov. Therefore, we will make our best to provide proper policy recommendations during the Task 4 of the project on the macroeconomic modelling and the scenarios we will develop there.

Comment 3: *[I agree with the identification of critical areas for reforms, including human development, R&D, unemployment structure, capital stock, and transport infrastructure. It would be valuable if specific examples of successful reforms implemented across the region are briefly presented (yet, I am also aware that it may be beyond the reach of the current study). Additionally, discussing potential challenges or barriers to implementing these reforms and suggesting ways to overcome them would enhance the practical relevance of points made in the study.]*

Response: Thank you for pointing this out. We agree with this comment but as much as we would have liked to include examples of successful reforms this would have taken us more resources that are beyond the project we implement. However, this valuable suggestion will be taken into account when the regional team of experts will apply for a follow up project and will be suggested as a separate module on identifying examples of successful reforms implemented across the region and draw lessons learned and examine determinants behind the success.

Sincerely,
Marjan Nikolov, Editor
12th of June 2023

Peer review of Vol. 1 Country Disparity Analyses: Desk Research

PEER REVIEW of the Study
“Assessing and Streamlining the Potential of the Open Balkan Initiative”,
Volume 1, “Country Disparity Analyses: Desk Research”
Prepared by the Centre for Economic Analyses – CEA

Review prepared by: Vancho Uzunov, professor
and “Sherpa” for the Berlin Process for North Macedonia

Introduction

I was asked by the Centre for Economic Analyses – CEA to prepare a Peer Review Analysis of the Study entitled “Country Disparity Analyses: Desk Research”. The study was prepared by CEA in May 2023, and is supported by the Open Society Foundation, within a project entitled “Assessing and Streamlining the Potential of the Open Balkan Initiative”.

I am a professor of applied economics, international economics, and law and economics at the School of Law, University Sts. “Kiril and Metodij” in Skopje, North Macedonia. I also serve as “Sherpa” (coordinator) for the Berlin Process for North Macedonia, in the Cabinet of the President of the Government of the Republic of North Macedonia. Apart from that, I have professional experience of over 30 years as economic analyst.

General remarks

The study “Country Disparity Analyses: Desk Research” is part of a project entitled “Assessing and Streamlining the Potential of the Open Balkan Initiative” implemented by the Centre for Economic Analyses – CEA. The general idea for this study is to offer insights for setting of the priorities for accelerated growth and convergence of the countries members of the Open Balkan Initiative. In other words, this study is intended to fill the gap due to the lack of proper analyses for assessing the existing challenges of the OBI, through evidence-based policy research on the bottlenecks in cooperation and potential of the countries of the Open Balkan Initiative.

Having that in mind, the finding of study “Country Disparity Analyses: Desk Research” show and clarify the disparities and similarities within and among the Western Balkan (WB) countries. The disparities and similarities are assessed on EU’s NUTS 2 and NUTS 3 regions. The starting proposition is that the NUTS regions within or among OBI countries which converge towards a certain cluster (have similarities in some demographic attributes and/or some socio-economic attributes) might serve a platform for efficient implementation of the EU’s freedom of movement and the objectives of the OBI MoUs and OBI Agreements. In addition, the general stance is that regions with larger disparities can also participate in the process, but they will need greater resources to reach convergence and tackle the inequalities.

Methodology used in the study

The analysis is based on data on the regional organisation of each WB country (NUTS 2 and NUTS 3 levels), as well as on the regional initiatives in which each country is participating. First, the collected data, which depended on its availability, is well presented. Then follows presentation of the disparities and similarities on the NUTS 3 level revealed by the data. Finally, the results of cluster analysis of the collected data are also presented.

Observed from methodological point of view, the study is performed satisfactorily and correctly. Being a desk research, the study could not utilize a wider pool of data (i.e., data not available from official statistical records), but it is useful to have all the data gathered in a single study. The data display the existing disparities among WB countries adequately, whereas the disparities themselves are huge, especially having in mind that WB countries are small and have rather similar recent past. Overall, assessed from methodological point of view, the study is accurate, precise, facts-based and explicit.

Importance of the topic and of the findings

Regional economic integration is a very important, actually a vital topic for WB countries, especially having in mind their efforts for EU accession. On the other hand, various initiatives for enhanced regional integration of the region have been devised and implemented in the last two decades, yet, the results achieved are far from satisfactory. Despite the fact that this is primarily due to “political issues” which hinder the entire region, there are specific economic issues which have not been properly assessed, even less satisfactorily tackled. This study fills parts of that knowledge gap.

Having that in mind, the general topic of the study “Country Disparity Analyses” is a very important one. The general (theoretical) notion that “all countries, and all parts of all countries, benefit from regional integration” is insufficient as policy advise, since WB countries do have huge disparities both within and among themselves. On the other hand, there is an apparent lack of evidence-based policy research on the bottlenecks in cooperation and potential of the WB countries, and this study fills at least a part of that insufficiency. Hence, its importance for policy makers in the region is well justified.

Apart from the general topic, the specific findings of the study are also highly relevant. The authors have assessed the territorial organisation of the WB countries, their regional development experiences, and their demographic and general economic characteristics. All three issues point out the need for specific policy actions, in order to achieve enhanced regional economic cooperation. In this context, the study provides additional arguments for the thesis that, unless they experience vast structural changes, WB countries actually do not have a lot to trade among themselves. Similar overall economic (industrial) structures, coupled with rather vast non-economic characteristics, are not an “easy ground” for rapid economic cooperation. Vast policy measures and activities are needed, and this study provides certain evidence-based ground for that.

Other issues and recommendations

The study “Country Disparity Analyses” is a facts-based, accurate, precise and explicit analysis of the disparities within and among the WB countries. Its a very important and useful study prepared for guiding policy makers in their efforts for achieving enhanced regional economic cooperation.

One area in which the study can be improved is the concluding part. In my opinion, the authors have actually not “siphoned” all conclusions made apparent with the research. In addition, the study will be improved by adding a recommendations part. The study is relevant and easy for understanding by professionals, but policy makers might find it not so uncomplicated for understanding the recommendations for future actions. By adding a section with straightforward policy recommendations the study will be made more useful for a wider audience.

Peer review of Vol. 2 Analysis of The Territorial Challenges, Needs and Potential of The Six Western Balkan Countries: An Economic View

Referee Report

Title: Volume 2: Analysis of The Territorial Challenges, Needs and Potential of The Six Western Balkan Countries: An Economic View

Reviewer: Prof. Marjan Petreski, University American College Skopje, marjan.petreski@uacs.edu.mk

Introduction

A regional economic integration initiative as the Open Balkan Initiative is holds immense importance in today's globalized world. The Open Balkan Initiative was officially presented to the public in 2021 by the Serbian president Vucic, Macedonian PM Zaev and Albanian PM Rama, after its introduction in 2019 under the provisional name 'mini Schengen'. Such an initiative aims to foster closer economic cooperation and integration among Western-Balkan neighboring countries and their respective regions. The primary goal is to promote trade (also something fostered by the existence of CEFTA-2006), investment, and harmonization of policies to unleash the potential benefits of regional collaboration.

Research, analysis, and evidence-based approaches are crucial in supporting and guiding the design and implementation of regional economic integration initiatives. Firstly, research and analysis – as is the current report/study - provide a comprehensive understanding of the economic dynamics, opportunities, and challenges within the region. By examining various factors such as market size, comparative advantages, and sectoral complementarities, research can identify the potential gains from regional integration. Secondly, research enables the assessment of potential economic, social, and environmental impacts of regional integration. Rigorous analysis can identify the winners and losers, potential risks, and mitigating measures associated with integration efforts. Moreover, research and analysis can inform the design of effective institutional frameworks and policy mechanisms for regional integration, a process that has started within the OB initiative. Furthermore, research-based evidence can help build trust and consensus among participating countries or regions. It provides a common knowledge base and objective information that fosters dialogue, understanding, and collaboration.

Importance for policymakers

Findings from understanding the potential of the OB initiative are highly relevant for the policymakers, for a couple of reasons. First, evidence-based approach helps policymakers make informed decisions about the most suitable strategies and policies to pursue, particularly in the context when OB is parallel to other initiatives (Berlin Process) and EU integration itself (e.g. some of the EB countries are already negotiating), while in the economic context to existing for a like CEFTA-2006. Second, understanding the potential consequences from OB helps policymakers devise appropriate measures to address any negative impacts and maximize the benefits for all stakeholders. It ensures that the initiative is well-grounded and takes into account the diverse interests and concerns of different groups within the WB-6 region. Third, the evidence-based approach strengthens the credibility and legitimacy of the initiative and the relevant policymakers, paving the way for sustainable and inclusive dialogue and cooperation.

Summary of the study

The study provides a comprehensive analysis of the macroeconomic performance of Western Balkan (WB-6) countries in comparison to the European Union-27 (EU-27) and highlights the need for structural reforms to accelerate growth and achieve faster convergence. The reviewer acknowledges the significance of the study, which goes beyond the country-level analysis and explores regional and

municipal disparities within the WB-6 countries (or a subset of them where data was limited). The study proposes prioritizing the regional potential and equality of regions and municipalities as an efficient policy choice for enhancing overall growth and development with respect to the Open Balkan Initiative. Additionally, the reviewer notes the importance of critical reforms in areas such as human development, research and development (R&D), unemployment structure, capital stock, and transport infrastructure to achieve sustained growth. Overall, the study presents valuable insights into the macroeconomic performance and regional disparities in WB-6 countries and suggests pertinent policy recommendations.

Methodological approach

The study is based on descriptive analysis of existing data at the country and regional level. By means of visualization, the study brings to the front the critical issues that policymakers need to have in mind when advocating for the OB initiative, particularly with respect to the other related processes, namely the Berlin Process (a German Initiative for regional integration inaugurated in 2014) and the EU integration itself.

Some further comments on the study

1. The study effectively establishes that the macroeconomic performance of WB-6 countries has improved recently but still lags behind the EU-27. Convergence is to be achieved in about 70 years assuming the current growth rates, but this was undermined earlier by the Global Economic Crisis 2008-2011 and the recent pandemic and the subsequent crisis induced by the war in Ukraine. I suggest that the study makes it clear that setbacks of this type, as well as political complexities in the Balkans may hamper the economic potentials for regional integration as well as for faster convergence towards the EU.
2. The study successfully highlights the significance of examining regional and municipal disparities within WB-6 countries. The presented differences between the capital cities, inner cities, and other/rural areas within countries may shed important light on understanding economic disparities. To my knowledge, this is rarely done in economic analysis in the region (partly driven by lack of data), and this is a genuine characteristic of the study. This would help readers better understand the magnitude and implications of these disparities.
3. The suggestion to prioritize the regional potential and equality of regions and municipalities as an efficient policy choice is intriguing. I would think a more detailed/critical observation/elaboration for why this approach would be more effective in creating opportunities for the regional integration compared to focusing solely on convergence with the EU at the country level may be handy, but I also recognize it is beyond the scope of the current study.
4. The study appropriately emphasizes the importance of policies that focus on promoting equality of potential across regions and municipalities. Incorporating specific policy recommendations or strategies that can be implemented to address such disparities effectively may be beyond the current study, but could be considered within the larger project CEA does on the topic. This would provide practical insights for policymakers and add depth to the discussion on OB initiative.
5. I agree with the identification of critical areas for reforms, including human development, R&D, unemployment structure, capital stock, and transport infrastructure. It would be valuable if specific examples of successful reforms implemented across the region are briefly presented (yet, I am also aware that it may be beyond the reach of the current study). Additionally, discussing potential challenges or barriers to implementing these reforms and suggesting ways to overcome them would enhance the practical relevance of points made in the study.

General conclusion

Overall, the study provides valuable insights into the macroeconomic performance of WB-6 countries, regional disparities, and the necessary reforms, all in the context of the OB initiative. Particularly, observing regional differences within countries, and regional differences between countries (particularly those on the borderlines), is a key contribution of the current study to the sparse of knowledge about the OB initiative.

Peer review of Vol. 2 Country Disparity Analyses: Cluster Analysis

Referee Report

Title: Volume 3: Country Disparity Analyses: Cluster Analysis

Reviewer: Prof. Marjan Petreski, University American College Skopje, marjan.petreski@uacs.edu.mk

Introduction

A regional economic integration initiative as the Open Balkan Initiative is holds immense importance in today's globalized world. The Open Balkan Initiative was officially presented to the public in 2021 by the Serbian president Vucic, Macedonian PM Zaev and Albanian PM Rama, after its introduction in 2019 under the provisional name 'mini Schengen'. Such an initiative aims to foster closer economic cooperation and integration among Western-Balkan neighboring countries and their respective regions. The primary goal is to promote trade (also something fostered by the existence of CEFTA-2006), investment, and harmonization of policies to unleash the potential benefits of regional collaboration.

Research, analysis, and evidence-based approaches are crucial in supporting and guiding the design and implementation of regional economic integration initiatives. Firstly, research and analysis – as is the current report/study - provide a comprehensive understanding of the economic dynamics, opportunities, and challenges within the region. By examining various factors such as market size, comparative advantages, and sectoral complementarities, research can identify the potential gains from regional integration. Secondly, research enables the assessment of potential economic, social, and environmental impacts of regional integration. Rigorous analysis can identify the winners and losers, potential risks, and mitigating measures associated with integration efforts. Moreover, research and analysis can inform the design of effective institutional frameworks and policy mechanisms for regional integration, a process that has started within the OB initiative. Furthermore, research-based evidence can help build trust and consensus among participating countries or regions. It provides a common knowledge base and objective information that fosters dialogue, understanding, and collaboration.

Importance for policymakers

Findings from understanding the potential of the OB initiative are highly relevant for the policymakers, for a couple of reasons. First, evidence-based approach helps policymakers make informed decisions about the most suitable strategies and policies to pursue, particularly in the context when OB is parallel to other initiatives (Berlin Process) and EU integration itself (e.g. some of the EB countries are already negotiating), while in the economic context to existing for a like CEFTA-2006. Second, understanding the potential consequences from OB helps policymakers devise appropriate measures to address any negative impacts and maximize the benefits for all stakeholders. It ensures that the initiative is well-grounded and takes into account the diverse interests and concerns of different groups within the WB-6 region. Third, the evidence-based approach strengthens the credibility and legitimacy of the initiative and the relevant policymakers, paving the way for sustainable and inclusive dialogue and cooperation.

Summary of the study

The study presents an analysis of demographic and economic indicators in the region, focusing on clusters formed based on these indicators, to judge the extent to which grouping may be justified and may aid policymakers in tailoring regional policy approaches. I acknowledge the significance of the study, which provides valuable insights into the regional variations and patterns within the analyzed indicators for the WB-6 and the three participants in OB initiative. The study highlights the identification of clusters with distinct characteristics, such as natural increase rates, population density, economic activity, and GDP per capita. Additionally, the analysis reveals important information related to tourism, infrastructure, and the diverse nature of countries in the region.

Methodological approach

The analysis begins by outlining the regional organization of each country, specifically at the NUTS 2 and NUTS 3 levels. The regional initiatives in which each country participates are described, along with their relevant characteristics, through the usage of descriptive statistics and visualizations. The key method the analysis relies on is cluster analysis. Cluster analysis is a statistical technique used to analyze data by grouping subjects based on their degree of association with specific indicators or segments of the economy. Its primary objective is to identify and organize subjects, such as NUTS 3 level entities in the context of this study, into clusters where subjects within each cluster are more similar to each other than to those outside the cluster. This method helps in identifying similar groups of subjects and facilitates the understanding of patterns and relationships within the data. It is critical to recognize that the study elaborates the data limitations and the consequences it may have for the conclusions.

Some further comments on the study

1. The study effectively identifies clusters based on demographic indicators, distinguishing a cluster with a high negative natural increase rate and low population density from a cluster exhibiting positive natural increase rates and above-average population density. A subsequent research may delve into quantitative (census?) data or statistics that illustrate the differences in natural increase rates and population density among the identified clusters or, even better, try to explain them through a set of characteristics of the regions.
2. The analysis of economic activity indicators successfully identifies a cluster characterized by a significant share of agriculture in the economy, low GDP per capita levels, and limited participation of other analyzed sectors in GDP. In my view, understanding economic differences and clustering based on them is the key in understanding if the OB initiative has a clear potential or not. Without doubt, OB countries are at the similar level of development, face similar challenge, which may be at the same time an advantage and disadvantage for the OB. For example, in the labor market area, all countries face labor shortages presently and OB could be considered viable way to ameliorate the situation. However, on the other hand, similar development levels imply similar wages, which may be insufficient to attract workers from one OB country into another.
3. The study appropriately identifies entities with the highest GDP per capita levels, particularly in the capital cities of Serbia, North Macedonia, Albania, and Montenegro as a whole. The association of these entities with trade, transportation, and tourism's high participation in GDP is a significant finding. I am convinced some case studies, e.g. in Montenegro, can further demonstrate the link between these sectors and the observed GDP per capita levels, but this is surely beyond the scope of the current study and may be used as a venue for further research.
4. The identification of clusters dominated by industrial and construction activity, which generally exhibit above-average levels of GDP per capita, is an important observation. Highlighting successful industrial and construction sectors (again, notable examples may be Montenegro as a whole, or Belgrade alone) within the identified clusters may be advantageous for future research and provide practical insights into the factors contributing to the higher GDP per capita levels and stimulate further discussion.
5. The study effectively identifies a specific cluster, including the capital cities of Serbia, North Macedonia, and Bosnia and Herzegovina, characterized by a large number of foreign tourists with relatively shorter stays. This finding holds significance for tourism development with important implications or policy considerations. Exploring strategies for extending tourists' stays or diversifying tourism offerings would enhance the study's practical relevance or serve basis for deeper research further.

6. The study appropriately highlights the concern regarding infrastructure, particularly the below-average level of asphalt roads observed in the most diverse country-wise cluster. I know specific data or statistics on the infrastructure gap compared to the regional or international average may be scarce or even deserves a separate study, but this is a venue the authors may consider as part of the overall project.

General conclusion

Overall, the study provides valuable insights into the regional variations in demographic and economic indicators within the analyzed clusters. This study, along the other knowledge products within the overall CEA project, brings the issue of the OB initiative at the levels of regions, which is the right approach for such an initiative, given countries' similar level of development, which for certain domains may be a trigger for regional cooperation (e.g. mutual trade, diploma recognition etc.), but for other domains may be an inhibitor (e.g. similar wages would not encourage workers to move). However, reducing the analysis at the regional level may provide insights into the way in which regional cooperation may be more valuable for (borderline) regions more than for the whole country. In my view, this is the key contribution of the analysis.

Extracts from the Reviews

Prof. Vancho Uzunov: *“Having that in mind, the finding of study “Country Disparity Analyses: Desk Research” show and clarify the disparities and similarities within and among the Western Balkan (WB) countries. The disparities and similarities are assessed on EU’s NUTS 2 and NUTS 3 regions. The starting proposition is that the NUTS regions within or among OBI countries which converge towards a certain cluster (have similarities in some demographic attributes and/or some socio-economic attributes) might serve a platform for efficient implementation of the EU’s freedom of movement and the objectives of the OBI MoUs and OBI Agreements. In addition, the general stance is that regions with larger disparities can also participate in the process, but they will need greater resources to reach convergence and tackle the inequalities.”*

Prof. Vancho Uzunov: *“[...] the general topic of the study “Country Disparity Analyses” is a very important one. The general (theoretical) notion that “all countries, and all parts of all countries, benefit from regional integration” is insufficient as policy advice, since WB countries do have huge disparities both within and among themselves. On the other hand, there is an apparent lack of evidence-based policy research on the bottlenecks in cooperation and potential of the WB countries, and this study fills at least a part of that insufficiency. Hence, its importance for policy makers in the region is well justified.”*

Prof. Marjan Petreski: *“The study provides a comprehensive analysis of the macroeconomic performance of Western Balkan (WB-6) countries in comparison to the European Union-27 (EU-27) and highlights the need for structural reforms to accelerate growth and achieve faster convergence. The reviewer acknowledges the significance of the study, which goes beyond the country-level analysis and explores regional and municipal disparities within the WB-6 countries (or a subset of them where data was limited). The study proposes prioritizing the regional potential and equality of regions and municipalities as an efficient policy choice for enhancing overall growth and development with respect to the Open Balkan Initiative. Additionally, the reviewer notes the importance of critical reforms in areas such as human development, research and development (R&D), unemployment structure, capital stock, and transport infrastructure to achieve sustained growth. Overall, the study presents valuable insights into the macroeconomic performance and regional disparities in WB-6 countries and suggests pertinent policy recommendations.”*

Prof. Marjan Petreski: *“The study successfully highlights the significance of examining regional and municipal disparities within WB-6 countries. The presented differences between the capital cities, inner cities, and other/rural areas within countries may shed important light on understanding economic disparities. To my knowledge, this is rarely done in economic analysis in the region (partly driven by lack of data), and this is a genuine characteristic of the study. This would help readers better understand the magnitude and implications of these disparities.”*

Prof. Marjan Petreski: *“Overall, the study provides valuable insights into the regional variations in demographic and economic indicators within the analyzed clusters. This study, along the other knowledge products within the overall CEA project, brings the issue of the OB initiative at the levels of regions, which is the right approach for such an initiative, given countries’ similar level of development, which for certain domains may be a trigger for regional cooperation (e.g. mutual trade, diploma recognition etc.), but for other domains may be an inhibitor (e.g. similar wages would not encourage workers to move). However, reducing the analysis at the regional level may provide insights into the way in which regional cooperation may be more valuable for (borderline) regions more than for the whole country. In my view, this is the key contribution of the analysis.”*