

EDITORIAL

# *Macroeconomic Policy Management in the context of EU integration* \_\_\_\_\_

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Managing a country's economy while trying to join the European Union is complicated. It's not easy even for countries that are already members, but it's even harder for those, like the Western Balkan countries, who want to join. Imagine having to make many people with different styles dance together: it's a bit like trying to make the economies of very different countries work under the same EU rules. This process fundamentally, is about harmonizing diverse economic landscapes under the overarching framework of EU regulations, a task that demands meticulous coordination of fiscal and monetary policies. The core dilemma lies in achieving economic convergence amidst inherent disparities, navigating the constraints of EU fiscal rules, and mitigating the impact of economic shocks within a unified economic sphere. The European Central Bank, while a linchpin in guiding Eurozone monetary policy, grapples with the complexities arising from the varied economic realities of its member states.

For the Western Balkan nations, including Albania, the aspiration of EU membership transcends mere administrative compliance; it necessitates tangible and sustainable real convergence. This process, the gradual alignment of income levels with those of more developed EU counterparts, serves as a critical barometer of their economic viability and integration potential. Recent research, employing beta and sigma convergence analysis, has shed light on the progress of Albania, Montenegro, North Macedonia, Bosnia and Herzegovina, and Serbia between 2010 and 2023. While the findings confirm a degree of convergence, the pace of adjustment remains insufficient to bridge the income gap within a reasonable timeframe. This

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revelation underscores the persistent obstacles hindering the region's economic ascent, demanding a rigorous examination of the underlying factors.

The existing body of literature provides a valuable backdrop for understanding these dynamics. Studies have consistently highlighted the varying degrees of convergence across European regions and periods, with the Western Balkans historically exhibiting slower convergence rates. The impact of external shocks, such as the global financial crisis, has further exacerbated income disparities, revealing the region's vulnerability. This analysis underscores the imperative for deep, structural reforms within the Western Balkan economies. Mere adherence to formal accession requirements is inadequate. A concerted effort to enhance productivity, foster innovation, and strengthen institutional frameworks is crucial for accelerating the convergence process.

Focusing specifically on Albania, the nation has embarked on a transformative economic journey with the explicit goal of EU accession. However, the path to real convergence has proven complex and protracted. Studies indicate that while Albania has achieved some progress, the speed of adjustment remains insufficient to close the income gap rapidly. This suggests that despite advancements, significant impediments continue to stifle economic growth. Key factors include the necessity for profound structural reforms to enhance competitiveness, attract foreign investment, and foster innovation. Furthermore, the quality of institutions, including the rule of law, the fight against corruption, and the assurance of legal certainty, are paramount for creating a conducive business environment. Investing in human capital through education and vocational training is essential for boosting productivity and innovation capacity. The development of modern infrastructure, particularly in transport and energy, is also crucial for sustaining economic growth. Albania's vulnerability to external economic shocks, such as the global financial crisis and the COVID-19 pandemic, further underscores the challenges it faces.

Looking ahead, EU accession offers Albania the opportunity to access structural funds, benefit from the single market, and strengthen its institutions. Economic integration with the EU can stimulate growth, create jobs, and improve living standards. However, Albania must accelerate the pace of reforms and address structural challenges to realize its growth potential. The ability to attract foreign investment and promote innovation will be decisive for the success of the convergence process. In conclusion, while Albania has made progress on its path to real convergence, it must confront significant challenges to close the income gap with the EU. A sustained commitment to reforms, institutional strengthening, and investment in human capital are essential to realize the country's growth potential and ensure a prosperous future within the European Union.

Sustained and focused efforts are mandatory to overcome the difficulties of economic development and ensure a prosperous future for the area. As the Western Balkans continue their path to EU membership, the resulting data acts as a valuable guide, steering them towards a more equitable and integrated European future