

ALBANIA



HIGHLIGHTS

- **Albania entered 2026 with solid growth momentum but persistent structural constraints.** Growth remained strong in the first half of 2026, supported by domestic demand, tourism and favourable financing conditions, while the current account deficit narrowed to a record low and public debt continued to decline. Inflation hovered around the central bank's 3 per cent target despite the oil price shock, and the 2026 budget envisages a wider deficit to support higher investment and social spending.
- **Reform momentum continued and alignment with the European Union (EU) deepened.** Following confirmation in May 2026 that Albania had met the interim rule-of-law benchmarks, it provisionally closed its first three negotiating chapters in July 2026, followed by a fourth in October. Progress was made in the business environment, innovation, access to finance, and support for green and digital firms. New laws and digital procedures are making the economy more predictable, market oriented and aligned with EU standards. However, implementation remains uneven and further delivery will depend on stronger administrative capacity and closer monitoring.

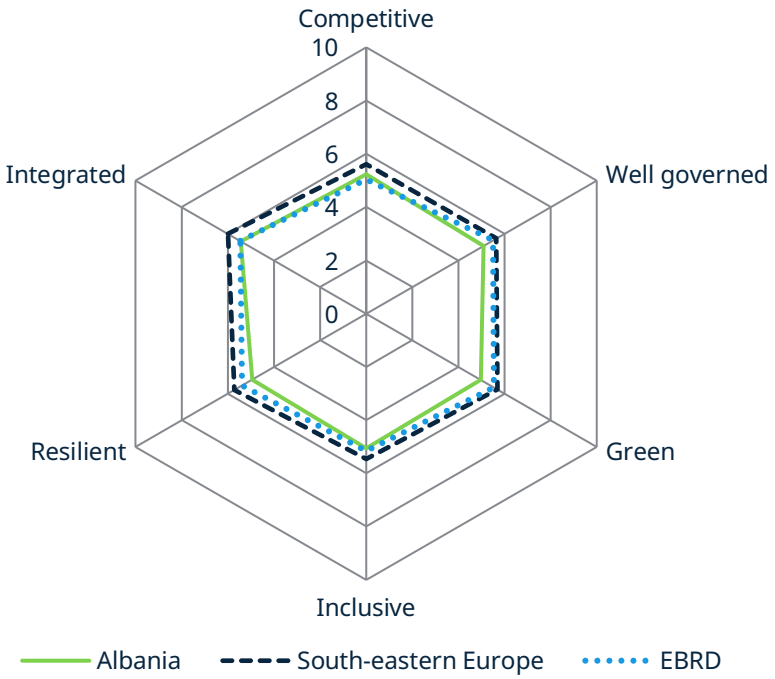
- **Fiscal oversight has been strengthened.** Fiscal and governance reforms moved forward, with continued revenue mobilisation through better tax administration, customs efficiency and formalisation, alongside preparatory work on a fiscal council. The new Concessions and Public-Private Partnerships (PPP) Law strengthens fiscal oversight, transparency and EU alignment by removing unsolicited bids, requiring prior feasibility studies and expanding publication requirements.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Shift reform implementation from formal milestones to measurable delivery.** Priority should be given to measures that unlock further EU Growth Plan disbursements, including stronger investment legislation, improved business regulation, and better coordination across ministries and agencies.
- **Strengthen fiscal governance and public investment management**. Establishing an independent fiscal council, publishing comprehensive fiscal-risk statements, improving oversight of state-owned enterprises (SOEs) and PPPs, reducing tax exemptions, and ensuring mature, high-quality projects enter the medium-term budget framework would all help protect fiscal sustainability and raise investment efficiency.
- **Accelerate the green transition while protecting inclusion.** Priorities include renewable-energy auctions and permitting, grid flexibility, energy efficiency in buildings, electricity market integration with neighbouring countries, skills development in energy and tourism, women's economic participation, and targeted support for small and medium-sized enterprises (SMEs) preparing for EU single-market requirements.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

The EU accession and Growth Plan, and the Reform Agenda

- The EU accession process gained further momentum in 2026. Following the fulfilment of rule-of-law benchmarks in May 2026, Albania has started to close its first negotiating chapters. Three chapters were provisionally closed in July 2026, followed by one more in October.
- Implementation of the National Reform Agenda 2024-27 advanced, and recent EU assessments recognised progress on the business environment, innovation, access to finance and support for green and digital firms. As of May 2026, €212.8 million had been released by the European Commission under the Reform and Growth Facility of the EU Growth Plan for the Western Balkans.
- An external assessment by the European Commission noted the need for stronger administrative capacity and monitoring, and faster implementation of delayed governance, investment and energy measures.
- In September 2026, at the Interparliamentary Conference on EU Enlargement held in Tirana, Albania reaffirmed its goal to conclude EU accession negotiations by 2027 and join the bloc in this decade. Representatives of Albanian institutions and the European Parliament noted the progress made, but also the need for concrete results on implementing reforms.

1 From the fourth quarter of 2025 to October 2026.

Fiscal governance and revenue mobilisation

- The Medium-Term Revenue Strategy continued to support revenue gains through improved tax administration, customs efficiency and formalisation, particularly in tourism and construction. The 2026 fiscal package introduced additional measures, while the government aims to raise the revenue-to-GDP ratio through better collection rather than higher headline tax rates.
- In October 2026 the parliament adopted the law establishing a fiscal council, fulfilling an important requirement under the Reform and Growth Facility of the EU Growth Plan for the Western Balkans.

New law on concessions and PPPs

- The law, approved in December 2025, removes unsolicited bids, requires prior feasibility studies approved by the Ministry of Finance, and strengthens fiscal oversight, transparency and EU alignment.
- It also gives the Ministry of Finance and public procurement and concession agencies stronger roles in monitoring contracts, while requiring the publication of bid prices, selection criteria and related procurement information.

Green transition and energy-market reform

- The new Electricity Sector Law adopted in June 2026 is aligning the sector more closely with EU Clean Energy Package rules.
- It broadens regulation to cover storage, aggregation, active clients, energy communities and electric vehicle charging, while introducing stronger consumer protections and market flexibility.

New law on digital identity

- The law, effective from June 2026, is aligned with EU e-identity rules. It introduces a free Digital Identity Wallet to enable secure electronic identification, signatures and access to digital public and private services.
- The reform strengthens data protection, trust services and regulatory oversight, while supporting easier service delivery, digital economy development and Albania's EU integration agenda.



BOSNIA AND HERZEGOVINA



HIGHLIGHTS

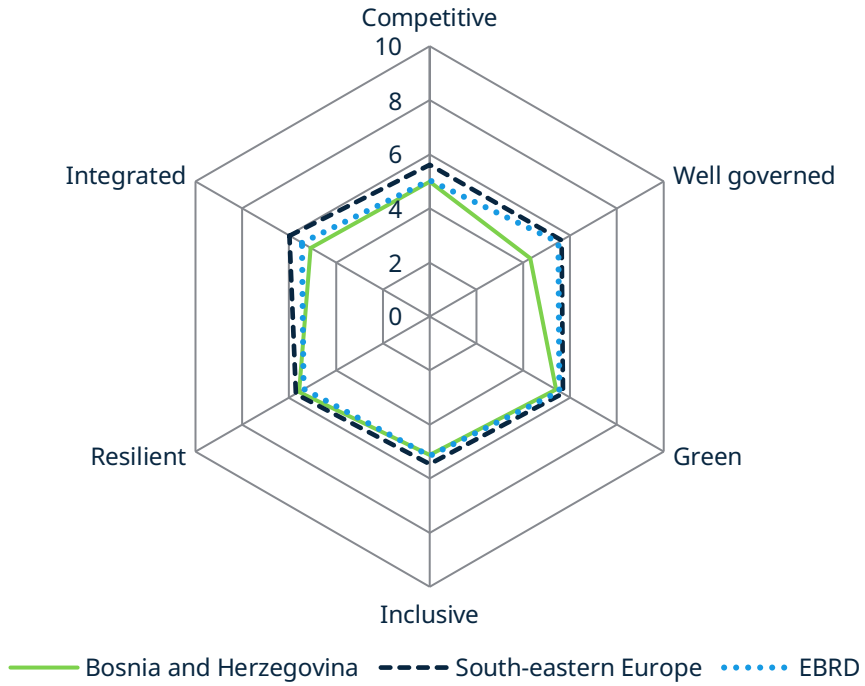
- **Economic growth slowed to 2.1 per cent in 2025, then accelerated slightly in the first half of 2026.** Growth continued to rely on household consumption, bolstered by rising wages and remittances, and on gross fixed capital formation. Services, particularly trade and hospitality, drove economic expansion, while industrial production declined for a third consecutive year.
- **The European Union (EU) Reform Agenda is approved.** In December 2025, following more than a year of delay, the European Commission approved Bosnia and Herzegovina's Reform Agenda under the EU Reform and Growth Facility for the Western Balkans. However, by October 2026, no reform steps had been completed or funds disbursed.
- **Federation Parliament adopts the Southern Gas Interconnection Law.** In April 2026, the Federation Parliament removed legal obstacles to the construction of a new gas pipeline linking the country to Croatia, aimed at strengthening energy security and supply diversification. The EU has flagged concerns over the project's direct agreement with the investor, stressing that implementation must align with Energy Community obligations and competition rules.

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KEY PRIORITIES FOR 2027

- **Accelerate implementation of the Reform Agenda and unlock Reform and Growth Facility funding.** The implementation of the Reform Agenda is one of the key opportunities to improve the business environment, raise investment and increase long-term growth.
- **Advance energy sector reforms and mitigate the impact of the EU Carbon Border Adjustment Mechanism (CBAM).** Priority actions include adopting the state-level electricity law, accelerating electricity market integration with the EU, implementing energy market liberalisation and introducing carbon-pricing mechanisms to mitigate the impact of the CBAM.
- **Address labour shortages and skills mismatches.** Priorities include strengthening vocational education and training, improving labour-market activation policies, expanding childcare, implementing the Youth Guarantee and better aligning education outcomes with labour-market needs.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU Reform Agenda

- After more than a year of delay, in December 2025 the European Commission approved Bosnia and Herzegovina's Reform Agenda under the EU Reform and Growth Facility. The delay cut the original allocation by 10 per cent to €976.6 million in grants and concessional loans.

1 From the fourth quarter of 2025 to October 2026.

- Implementation has remained limited: by October 2026, no funding had been disbursed, key preconditions for disbursement – including the required institutional arrangements and agreement ratifications – remained incomplete, and none of the 113 reform steps had been fully delivered. EU officials have warned that Bosnia and Herzegovina risks losing an additional €373.9 million by the end of 2026 if it fails to implement its Reform Agenda commitments and related reform milestones.

Amendments to the Southern Gas Interconnection Law

- The Federation Parliament adopted amendments to the Southern Gas Interconnection Law in April 2026, removing long-standing legal and institutional obstacles to a new gas pipeline linking Bosnia and Herzegovina with Croatia and alternative European gas supply routes.
- The revised framework expands planned pipeline routes, includes gasification of additional industrial areas and strengthens long-term energy security, though continued alignment with EU procurement, competition and state-aid rules will remain important as implementation proceeds.

Financial Action Task Force grey-listing

- In June 2026 Bosnia and Herzegovina was formally placed on the Financial Action Task Force "grey list" due to weaknesses in its anti-money laundering and countering the financing of terrorism (AML/CFT) framework. Key deficiencies included the absence of a beneficial ownership registry, gaps in preventive measures outside the banking sector and delays in legislation on targeted financial sanctions, asset recovery and confiscation.
- In late 2025 Bosnia and Herzegovina established a permanent state-level AML/CFT coordination body and adopted an AML/CFT rulebook in response to recommendations by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). However, these measures did not address the remaining deficiencies in time to prevent the country's grey-listing.

Payment system modernisation

- In July 2026 the Central Bank of Bosnia and Herzegovina launched a TARGET Instant Payment Settlement (TIPS)-based instant payment platform and continued payment system modernisation in line with ISO 20022 standards.
- The project supports integration with European payment infrastructure, facilitates future Single Euro Payments Area (SEPA) accession, and reduces transaction costs and processing times for firms and households.

Republika Srpska public enterprise governance reform

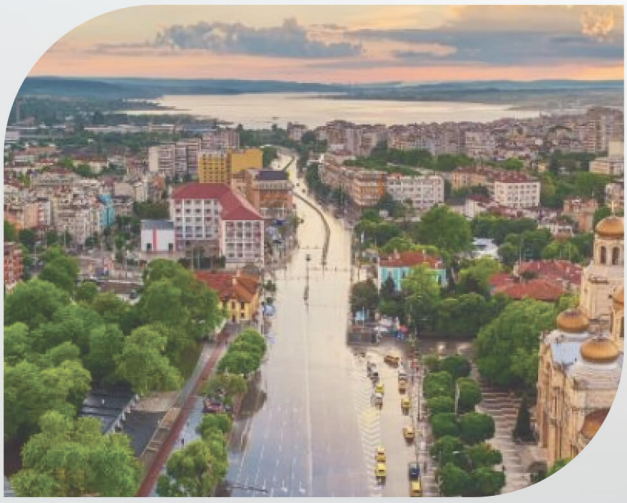
- Republika Srpska has amended its Law on Public Enterprises to improve transparency, efficiency, cost-effectiveness and supervisory arrangements in state-owned enterprises, and has launched a public enterprise oversight unit, which has published its first monitoring report.
- The reform aims to strengthen governance and financial oversight in a sector long characterised by political influence, weak accountability and low productivity.

Asset declaration system for judges and prosecutors

- The state authorities established a new asset declaration framework for judges and prosecutors – one of the main rule-of-law reforms highlighted by the latest International Monetary Fund (IMF) Article IV consultation – introducing systematic disclosure requirements to strengthen judicial accountability.
- The reform is part of wider governance and judicial integrity efforts linked to EU accession, aimed at improving transparency and public confidence in judicial institutions.



BULGARIA



HIGHLIGHTS

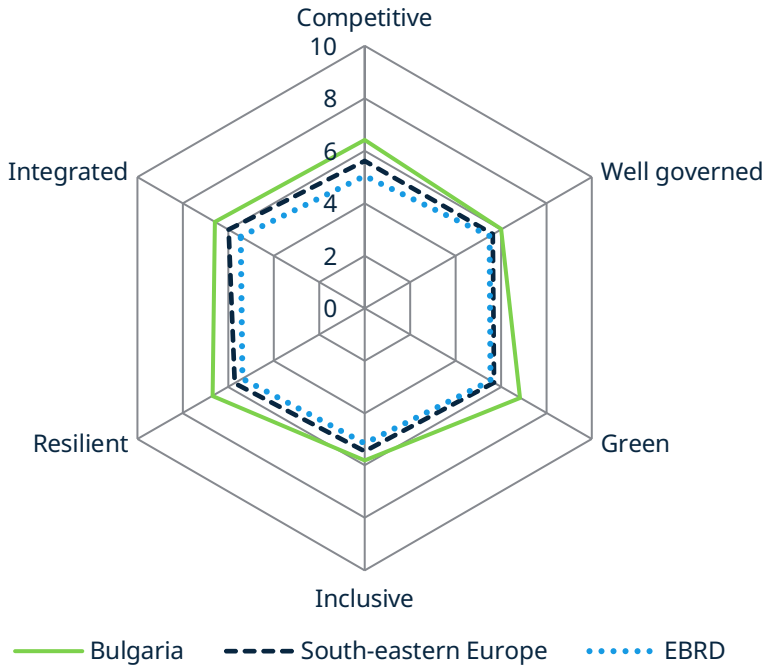
- **Economic growth remained robust in the first half of 2026.** Following real gross domestic product (GDP) growth of 3.1 per cent in 2025, growth in the first half of 2026 was supported by investment and still-resilient household consumption, despite a slowdown in wage growth by mid-year.
- **The new government presented its programme up to 2030.** Marking a move towards greater political stability, the new governing majority will prioritise gradual fiscal consolidation, and anti-corruption, judicial and energy-sector reforms, alongside the expansion of gas and nuclear capacity and higher defence spending.
- **Progress was made on Recovery and Resilience Plan (RRP) requirements.** By the end of August 2026 Bulgaria had fulfilled 71 per cent of its RRP milestones and targets, and received €4.3 billion of the €6.17 billion available in Recovery and Resilience Facility (RRF) funding from the European Commission. Recent reforms include separating out coal assets from Bulgarian Energy Holding (BEH) into a new entity, adopting public transport legislation and amending water-sector legislation.

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KEY PRIORITIES FOR 2027

- **Implement fiscal consolidation.** After the European Union (EU) made Bulgaria subject to an Excessive Deficit Procedure in July 2026, the country met its deadline to present corrective measures by 15 October 2026, aiming to bring the budget deficit below 3.0 per cent of GDP by 2029. The government plans to reduce the deficit to 4.3 per cent of GDP in 2027.
- **Promote more private-sector participation in public investment.** Because of its more constrained fiscal space, the government should explore and prepare projects under public-private partnership structures.
- **Advance state-owned enterprise governance, especially in the energy sector.** Following the separation of coal assets from BEH into a separate entity, the government should ensure that the new companies are operationally viable and can be decarbonised.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Fiscal consolidation under the EU Excessive Deficit Procedure

- Adopted in July 2026, the state budget targets a cash deficit of 5.7 per cent of GDP in 2026, compared with an estimated no-policy-change deficit of 7.4 per cent.

1 From the fourth quarter of 2025 to October 2026.

- Consolidation measures include a 10 per cent reduction in administrative expenditure, the suspension of automatic public-sector salary increases, a freeze on the minimum wage and selected social benefits, higher tobacco excise duties and gambling taxation, and a 30 per cent increase in road vignette charges. In 2027, a 33 per cent windfall tax will be applied to profits in sectors including banking, insurance, retail and telecoms, and is expected to yield around 0.7 per cent of GDP.

Anti-corruption and judicial accountability reform

- Adopted in May 2026, the reform re-establishes an independent five-member Anti-Corruption Commission responsible for asset verification, conflict-of-interest checks and corruption investigations involving public officials.
- Complementary judicial reforms adopted in June 2026 strengthen the transparency and integrity of appointments to the Supreme Judicial Council and its Inspectorate, while enhancing oversight of corruption investigations and taking steps to clarify the Prosecutor General's accountability framework.

National Decarbonisation Fund

- The National Decarbonisation Fund was created through amendments to the Energy Efficiency Act in November 2025. It replaces the Energy Efficiency and Renewable Energy Sources Fund and serves as the main financing mechanism for improving energy efficiency and supporting renewable energy investment in Bulgaria's building stock.
- The fund may combine funding from public, EU, international financial institution and private sources in the form of loans, guarantees and grant components, while providing project preparation and technical assistance through a one-stop-shop model aimed at mobilising investment beyond one-off subsidy programmes.

Framework to target energy poverty

- An ordinance adopted in April 2026 sets out how energy-poor households and vulnerable electricity consumers will be identified. Some will qualify automatically for energy-poor status, while other eligible households will be able to apply for support.
- The ordinance enables data to be shared among the responsible public institutions. It also creates the administrative basis for replacing universal price subsidies with more targeted protection for vulnerable consumers ahead of the liberalisation of the household electricity market, which currently has no approved timeline.

Supplementary pension multi-fund model

- Adopted in March 2026 and effective from January 2027, the reform replaces the uniform investment portfolio used by second-pillar pension funds with dynamic, balanced and conservative sub-funds, allowing investment risk to be differentiated according to contributors' age and proximity to retirement.
- It also strengthens the capital, governance, staffing and supervisory requirements applied to pension companies.

Public procurement planning reform

- Reforms adopted in July 2026 require every contracting authority to prepare and publish on Bulgaria's central electronic procurement platform, by 30 November each year, an indicative timetable of contracts and framework agreements planned for the following year and to disclose subsequent changes.
- The reforms aim to improve procurement planning and increase bidder participation, thereby reducing reliance on negotiated procedures and single-bid contracts. Non-compliant contracting authorities are subject to financial penalties.

KOSOVO



COUNTRY ASSESSMENTS

HIGHLIGHTS

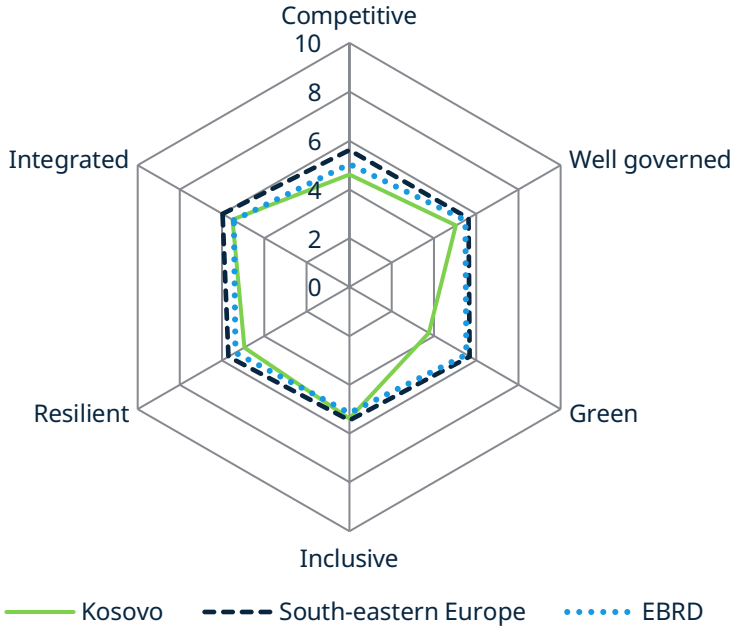
- **Kosovo's macroeconomic performance remains solid.** Growth strengthened markedly in early 2026, supported by broad-based activity, but inflation remained elevated. Fiscal buffers are adequate, with low public debt, although weaker spending discipline and a rise in recurrent pressures pose medium-term risks.
- **Implementation of the European Union (EU) Growth Plan resumed in 2026 following parliamentary ratification of the Facility and Loan Agreements.** The reform agenda provides an important framework for policy delivery, although the timetable remains demanding and continued access to EU financing will depend on the timely completion of agreed reform steps.
- **Progress was also recorded on green energy and digitalisation.** Construction began on Kosovo's first contracts for difference (CfD)-backed utility-scale solar plant and the country launched its first wind auction. The E-Kosova 2.0 platform upgrade is expected to expand digital public services, with implementation capacity remaining an important factor for delivery.

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KEY PRIORITIES FOR 2027

- **Restore predictable reform execution under the EU Growth Plan.** Kosovo needs to strengthen central coordination, rapidly establish and operate monitoring arrangements, and ensure the timely delivery of legislative and institutional benchmarks in governance, rule of law, digitalisation, human capital and private-sector development to avoid losing access to conditional EU financing.
- **Ensure fiscal policy supports investment without adding to inflationary pressures.** Kosovo should preserve its low-debt advantage by improving public investment management, prioritising externally financed infrastructure and reform-linked spending, and avoiding recurrent measures that weaken buffers. Strengthening tax administration, fiscal-risk monitoring and public-enterprise oversight would help sustain stability.
- **Accelerate the green and inclusive transition to advance convergence.** Priorities include moving renewable energy auctions from award to implementation, rehabilitating and modernising transmission networks, advancing energy efficiency, expanding vocational education and active labour-market measures, and improving the labour-market participation of women and young people. These reforms would reduce energy vulnerability while broadening the base of productivity-led growth.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU Growth Plan

- Kosovo's February 2026 ratification of the EU Facility and Loan Agreements unlocked its €882.6 million Reform and Growth Facility allocation, with €61.8 million in pre-financing starting to flow in April 2026 through the budget and the Western Balkans Investment Framework.

1 From the fourth quarter of 2025 to October 2026.

- Following ratification, Kosovo's focus has shifted to implementing 111 reform steps, with 13 actions due by June 2026 and 27 more by the end of the year.

Administrative Court

- The court, which began operating in May 2026, functions as a specialised court of first instance, handling administrative disputes nationwide, including public-sector labour cases and disputes involving public authorities.
- This reform is expected to strengthen legal certainty, judicial oversight and investor confidence, although the court starts with a sizeable backlog of transferred cases.

Open Government Partnership (OGP) Action Plan

- This cross-cutting executive milestone, adopted in April 2026, aims to improve governance, transparency and digitalisation through five key commitments: the E-Komuna platform upgrade, financial disclosures, anti-corruption efforts, data integration and service standardisation.
- Kosovo's OGP commitments aim to increase transparency, accountability and citizen engagement by upgrading municipal portals, strengthening the publication of public financial data, and making anti-corruption information available in open, machine-readable formats.

Spatial planning framework assessment

- Kosovo is reviewing its outdated territorial management legislation to inform the drafting of a new law on spatial planning.
- The reform aims to bring planning governance closer to European standards while supporting more climate-sensitive urban development.

Renewable energy projects

- In July 2026 Kosovo started construction of the 105 MW Lindja solar plant, its first 15-year CfD-backed renewable project, securing solar power at €48.88/MWh under a turnkey contract with a foreign investor.
- The first 100 MW wind auction progressed to the "request for proposals" phase, with final bids accepted through May 2026 and three international groups shortlisted for a long-term power purchase agreement-backed project.

E-governance overhaul

- The E-Kosova 2.0 platform project, initiated in May 2026, will add 400 new administrative e-services, artificial intelligence (AI)-based functions and stronger platform security, making public services faster, more accessible and easier to use for citizens and businesses.
- The broader government platform should support the integration of public administration systems, thereby improving coordination, reducing the administrative burden and enabling more data-driven planning and policymaking.

MONTENEGRO



COUNTRY ASSESSMENTS

HIGHLIGHTS

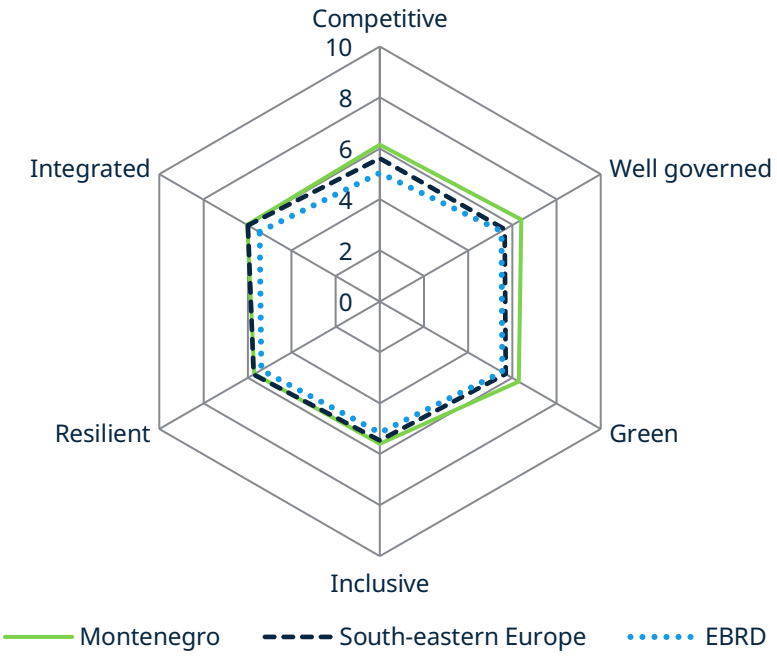
- **Real gross domestic product growth remained stable in the first half of 2026.** The 3.2 per cent year-on-year growth rate was driven by highway construction, higher electricity exports following the reconstruction of the Pljevlja plant, and tourism growth, while private consumption was held back by falling real wages.
- **The European Union (EU) accession process gained further momentum in 2026.** Since January, Montenegro has provisionally closed 9 new accession negotiation chapters, bringing the total number of provisionally closed chapters to 21. The drafting of the EU Accession Treaty officially began in May 2026. The European Commission also approved a third Reform and Growth Facility disbursement of €44.2 million.
- **The government strengthened the framework for public investment and infrastructure development.** In May 2026, Montenegro adopted the Infrastructure Investment Master Plan 2026-30, setting out around €5.7 billion of investments in transport, energy, healthcare, education, environmental protection and local infrastructure aimed at improving project prioritisation and public investment management.

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KEY PRIORITIES FOR 2027

- **Strengthen the fiscal framework and operationalise the Fiscal Council.** Montenegro still faces significant fiscal vulnerabilities, including high non-discretionary spending, large debt repayments and repeated breaches of fiscal rules. Medium-term budget planning should align with EU standards, rebuild fiscal buffers, comply with fiscal rules and create greater room for productive public investment while maintaining debt sustainability.
- **Accelerate the implementation of the Education Reform Strategy 2025-35.** Key measures include expanding work-based learning, strengthening higher-education links with employers and rolling out labour-market activation measures.
- **Advance state-owned enterprise (SOE) reforms** by professionalising management and closely monitoring fiscal risks, thus removing barriers to doing business, improving the investment climate, supporting private sector-led growth and enhancing competitiveness.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU accession and Reform and Growth Facility implementation

- Since the beginning of 2026 Montenegro has provisionally closed 9 new accession negotiation chapters, bringing the total to 21 provisionally closed chapters to date. Drafting of the country's EU Accession Treaty officially began in May 2026, marking a new phase in the accession process.

1 From the fourth quarter of 2025 to October 2026.

- Momentum was reinforced in May 2026, when the European Commission approved Montenegro's third Reform and Growth Facility disbursement, making €44.2 million available following a positive assessment of progress on business-climate reforms, digitalisation, innovation, energy efficiency, social policy and rule-of-law reforms.

Green and sustainable bonds law

- Montenegro adopted a dedicated legal framework for green and sustainable bonds in February 2026, establishing the regulatory basis for issuing debt instruments linked to environmental and sustainability objectives.
- The reform is intended to mobilise financing for climate-related investments, environmental projects and sustainable infrastructure, aligning Montenegro with emerging EU sustainable-finance standards and supporting the country's green transition ambitions.

Progress on SOE governance reform

- In June 2026 Montenegro adopted the Law on the Governance of State-Owned Enterprises, aiming to strengthen corporate governance, improve financial performance, reduce political influence over management decisions and establish a system for continuous monitoring of SOE performance and fiscal risks.
- The reform addresses longstanding systemic weaknesses and is intended to increase transparency, accountability and efficiency. The Ministry of Finance has also strengthened monitoring through regular fiscal risk assessments and reporting.

Public financial control and audit reform

- The provisional closure of EU negotiating Chapter 32 reflected the successful implementation of reforms in the areas of public internal financial control, auditing systems and the protection of national and EU financial interests.
- The reforms strengthen transparency and accountability across the public sector by improving internal audits, managerial accountability and external oversight.

Constitutional amendments to strengthen judicial independence

- In July 2026 parliament agreed draft amendments to the constitution to strengthen the independence of the Judicial and Prosecutorial Councils, after the government had previously approved the proposed changes. The initiative emerged from extensive discussions between the governing majority, opposition parties and EU representatives.
- The amendments are intended to reduce political influence over judicial governance and are viewed as some of the most important rule-of-law measures required for progress in Montenegro's EU accession negotiations.

Infrastructure investment planning

- The government adopted the Infrastructure Development Master Plan 2026-30, covering about €5.7 billion of investments in transport, energy, education, health, environmental protection and local infrastructure.
- The plan aims to improve project prioritisation and strengthen public investment management.

Human capital and education reform

- The government continued to implement the Education Reform Strategy 2025-35 and, in February 2026, launched the flagship “Better Schools for All” initiative. The reform programme targets weaknesses in educational quality, skills development and labour-market relevance.
- In addition, reforms of higher education strengthened opportunities for practical training and work-based learning to reduce skills mismatches and support productivity growth, thereby enhancing Montenegro's capacity to compete within the EU single market.

NORTH MACEDONIA



COUNTRY ASSESSMENTS

HIGHLIGHTS

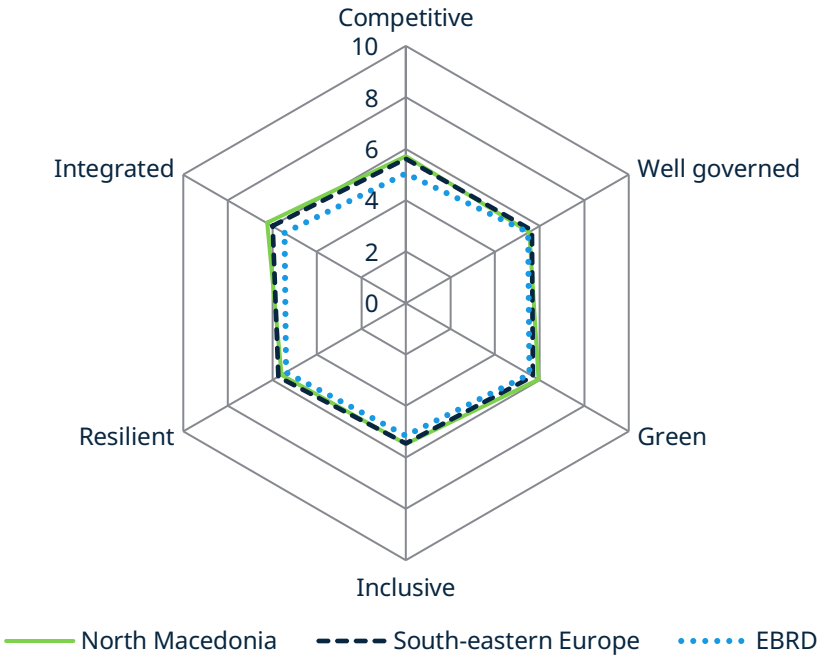
- **The economy remains on a moderate growth path.** The outlook is broadly stable, supported by public investment and resilient consumption and services, while industrial activity is exposed to external demand weakness and European automotive-sector restructuring. Inflation has eased but remains vulnerable to energy price shocks. Fiscal consolidation continues to be constrained by elevated deficits, refinancing needs and limited fiscal space.
- **Reforms under the European Union (EU) Growth Plan for the Western Balkans remain the main anchor for structural change.** The 2024-27 Reform Agenda has continued to guide reforms in public administration, public finance, governance, energy, digitalisation, connectivity and human capital. Implementation has advanced in the past year but remains uneven.
- **Green transition reforms have gained momentum.** The revised National Energy and Climate Plan (NECP), a new Renewable Energy Law, renewable auctions, grid planning and green finance initiatives have all strengthened the framework for decarbonisation and a gradual phase-out of coal. The key challenge now is turning this stronger policy framework into investment, infrastructure upgrades and inclusive transition measures.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Step up delivery of the Reform Agenda from formal compliance to delivery.** The authorities should prioritise reforms that unlock further EU Growth Plan funding disbursements, strengthen public administration, improve public finance oversight and raise the quality of public investment management. Stronger coordination and transparent monitoring will be essential to reducing delays and preserving reform credibility.
- **Accelerate governance and rule-of-law reforms.** Judicial independence, anti-corruption enforcement, merit-based appointments, public procurement transparency and state-owned enterprise governance remain central to EU accession and investor confidence, requiring stronger oversight and improved implementation.
- **Expand institutions' capacity to deliver the green transition, with safeguards for affected workers and communities.** Priority should be given to renewable energy auctions, grid investments, energy efficiency, coal-region transition planning, green finance and environmental infrastructure, designed to protect affected workers and communities, support the labour-market participation of women and young people, and improve air quality through measures to reduce waste, heating and pollution.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU Growth Plan and Reform Agenda implementation

- The Reform Agenda for 2024-27 remains the central reform framework, spanning public finance management, public administration, the judiciary, anti-corruption efforts, energy and the digital transition, human capital, private-sector development and the business environment.
- Delivery so far has been uneven: formal legal and digitalisation-related steps have advanced more visibly, while rule-of-law, anti-corruption, energy-efficiency and business-environment reforms continue to face coordination and implementation capacity constraints.

New anti-corruption and fraud prevention strategies

- A draft national anti-corruption strategy for 2026-30 has been submitted to parliament and is expected to be considered for adoption in the second half of 2026. It shifts focus away from new legislation and towards putting existing laws into practice, with greater institutional accountability and enforcement.
- The Strategy for Combating Fraud and Protecting the Financial Interests of the European Union 2026-30 was adopted in July 2026, supporting accession obligations under negotiation Chapter 32 on financial control through prevention, detection, investigation and prosecution, recovery of misused funds and dissuasive sanctions.

NECP revision and new Renewable Energy Law

- The revised NECP 2025-30 was adopted in April 2026, with 61 measures covering decarbonisation, renewables, energy efficiency, storage, infrastructure and a full transition away from coal-fired power by 2030.
- The new Renewable Energy Law, adopted in June 2026, creates a standalone and EU-aligned framework for renewables, consolidating fragmented rules and introducing clearer routes for investment through competitive auctions, market premiums structured as two-way contracts for difference, renewable power purchase agreements, guarantees of origin, self-generation and renewable energy communities.

Digitalisation of tax administration

- The e-Faktura reform entered pilot testing in January 2026, with the Public Revenue Office testing digitally signed e-invoices and real-time validation through a centralised platform to improve value-added tax (VAT) reporting, transparency and compliance.
- Testing has continued through 2026, with expanded application programming interface (API) functions and a web application for invoice creation, sending, acceptance, rejection and cancellation. The challenge now is moving to mandatory rollout while ensuring business readiness, interoperability with existing accounting systems and sufficient administrative capacity.

1 From the fourth quarter of 2025 to October 2026.

Progress on railway infrastructure

- In November 2025 North Macedonia and Bulgaria signed an agreement on the preparation, construction and operation of the Corridor VIII cross-border railway tunnel, a key Trans-European Transport Network (TEN-T) and Global Gateway link intended to improve regional connectivity and support EU integration.
- In December 2025 the EBRD approved a €20.9 million loan to Macedonian Railways Transport to procure new electric locomotives and introduce a modern enterprise resource planning system, alongside a corporate development plan to improve operational efficiency, tariff methodology, public service obligation methodology and financial sustainability.



ROMANIA



HIGHLIGHTS

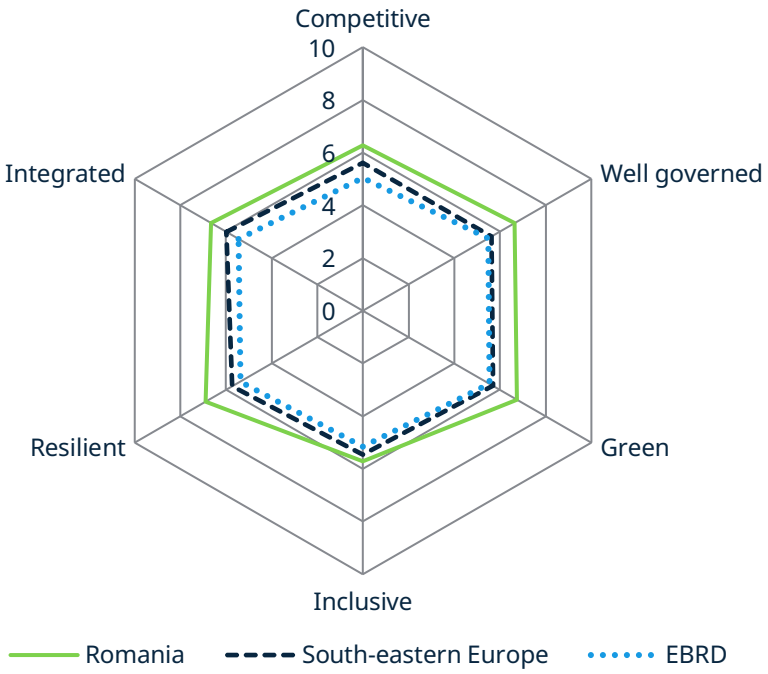
- **The economy contracted in the first half of 2026.** Real gross domestic product (GDP) shrank 0.7 per cent, driven by a 3.7 per cent fall in household consumption, even as European Union (EU)-funded investment expanded 9.3 per cent.
- **The fiscal deficit is moderating.** After declining to 7.8 per cent of GDP in 2025, the fiscal deficit is projected to shrink further towards 6 per cent of GDP in 2026 amid higher revenues and some restraint on spending.
- **Recovery and Resilience Facility implementation has accelerated this year.** Ahead of the end of August 2026 deadline, the government renegotiated its project pipeline with the European Commission and accelerated ongoing works to maximise absorption of the remaining €7.6 billion allocation.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Continue the fiscal consolidation process.** With the fiscal deficit projected at around 6 per cent of GDP in 2026, the government needs to commit to and potentially adopt further measures that would more strongly align the deficit path with the EU's Excessive Deficit Procedure requirements.
- **Strengthen state-owned enterprise (SOE) governance.** Following measures taken under the country's Recovery and Resilience Plan, the government should strengthen the implementation and monitoring of SOE performance and corporate governance.
- **Develop a pipeline of bankable public-private partnerships and concession projects.** Given its limited fiscal space and substantial infrastructural needs, Romania should strengthen its project preparation capacity and develop a transparent pipeline of commercially viable projects capable of attracting private investment.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the EBRD Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

Productive Investment and Competitiveness Package

- The package, adopted in February 2026, introduces state aid, guarantees and financing instruments for greenfield investment, manufacturing, research and development, strategic technologies, critical minerals, export activities and projects in less-developed regions.
- It also expands the roles of the Investment and Development Bank and Exim Banca Românească in mobilising private and institutional capital.

1 From the fourth quarter of 2025 to October 2026.

SOE corporate governance reform

- Adopted in November 2025, the reform strengthens the selection, remuneration and performance evaluation of SOE boards and managers, also requiring financial indicators to account for 50-75 per cent of the key performance indicators attached to management mandates.
- The reform also expands the oversight and enforcement powers of the Agency for Monitoring and Evaluating the Performance of Public Enterprises, including its ability to order remedial measures or cancel non-compliant board-selection procedures.

Corporate capitalisation and insolvency reform

- The reform, which entered into force in December 2025, introduced minimum share-capital requirements for limited liability companies, restricted dividend distribution and shareholder loan repayments by undercapitalised firms, and enabled the dissolution of persistently inactive companies.
- It strengthens creditor protection by increasing the disclosure and oversight of transactions with connected parties and expanding the liability of directors and controlling persons who contribute to insolvency.

Public administration expenditure reform

- Adopted in February 2026, the reform requires a 10 per cent reduction in central government personnel expenditure. It also lowers local government staffing ceilings, aiming to reduce filled posts by 10 per cent, with deeper cuts in overstaffed administrations.
- It links staffing and remuneration more closely to local revenue capacity and introduces competency-based performance evaluation for civil servants.

Renewable energy support and Energy Communities Framework

- Adopted in July 2026, the Modernisation Fund scheme provides competitively awarded state aid for new standalone battery storage facilities connected to electricity transmission or distribution networks, regardless of the network's voltage level. The scheme has a budget of €150 million and applies until the end of 2030.
- The Energy Communities Framework, adopted in November 2025, transposes key provisions of the revised EU Renewable Energy Directive and establishes a clearer legal basis for energy communities. Secondary rules for energy sharing and grid access have yet to be completed.

Private pension investment diversification

- Adopted in February 2026, the reform allows mandatory private pension funds (Pillar II) to invest up to 1 per cent of their assets in private capital, either directly in unlisted companies or through private equity (PE) or venture capital (VC) funds. The ceiling rises to 5 per cent where the Romanian state holds a stake in the investee entity or where the underlying PE or VC fund is financed through Romania's Recovery and Resilience Plan. A separate allocation of up to 5 per cent of pension-fund assets is permitted where the state or the country's Investment and Development Bank holds a direct or indirect stake.
- Complementary rules adopted in July 2026 adjust the valuation and risk treatment of pension fund assets.

Research and innovation system reform

- Adopted in July 2026, the reform introduced common rules and multi-year budget planning for publicly funded research and innovation programmes, while establishing a central observatory to monitor performance and evaluate the impact of public research and development spending.
- It established the central RoInovare unit to coordinate policies supporting private innovation, mobilise private and VC investment, and strengthen cooperation between firms and research organisations.



SERBIA



COUNTRY ASSESSMENTS

HIGHLIGHTS

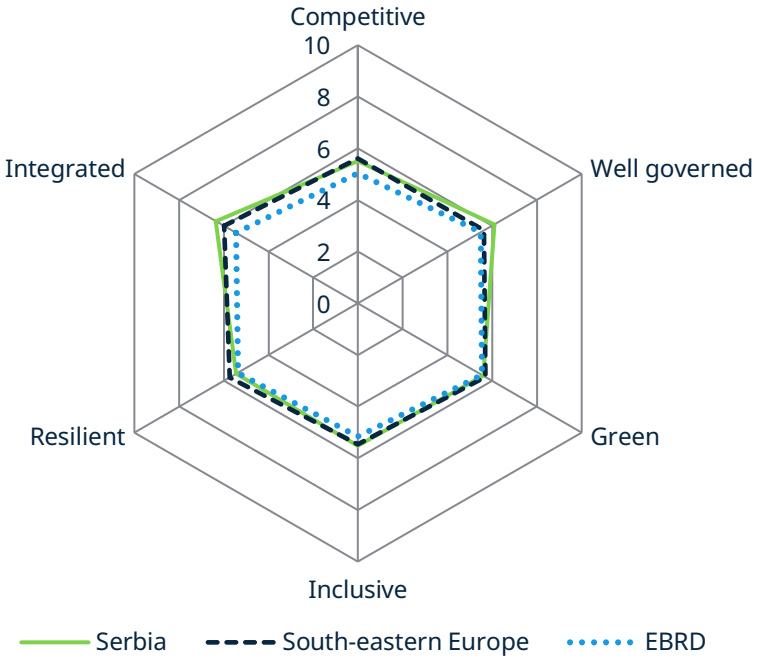
- **Economic growth accelerated in the first half of 2026.** Real gross domestic product (GDP) grew 3.5 per cent year on year in the first half of the year, up from 2.0 per cent in 2025. Growth relied on strong services and continued robust consumption, boosted by rising real wages and pensions, amid decelerating inflation as a result of government policies to absorb the fuel price shock.
- **The International Monetary Fund (IMF) completed its third review of Serbia's Policy Coordination Instrument in June 2026.** The review confirmed compliance with programme targets and progress on fiscal risk management, public financial management, energy sector reforms and macroeconomic governance, while flagging the need for further state-owned enterprise (SOE) reforms, stronger public investment management and enhanced fiscal transparency.
- **Energy market and renewable-energy reforms have advanced in 2026.** Revised electricity market rules entered into force in December 2025, further liberalising the balancing and ancillary services markets and enabling the more active participation of consumers, producers and storage operators. The government also prepared draft amendments to the country's renewable energy law aimed at streamlining permitting, creating accelerated development zones and aligning Serbia's framework with European Union (EU) requirements.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Accelerate the implementation of structural reforms under the Reform Agenda,** particularly in public investment management, public-sector governance, SOE reform and the business environment, to support productivity growth and convergence with the EU.
- **Strengthen energy security and advance the green transition,** including further electricity market development, renewable energy deployment, storage investment and diversification of energy supply sources.
- **Address skills gaps and improve human capital.** Labour shortages, skills mismatches and relatively low education and research and development (R&D) spending continue to constrain productivity growth and convergence with the EU.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

EU Growth Plan and Reform Agenda implementation

- Serbia has continued to implement its Reform Agenda under the EU Growth Plan for the Western Balkans, which covers the business environment, the green transition, digitalisation and institutional governance.
- Progress on implementation remained uneven, and discussions continued with EU institutions on reform commitments and broader accession priorities. Consequently, the disbursement of the next tranche of Growth Plan funding remains under consideration.

1 From the fourth quarter of 2025 to October 2026.

Single Euro Payments Area (SEPA) integration

- Following Serbia's accession to SEPA in 2025, implementation continued into 2026, aligning the country's payment infrastructure and regulations with European standards. Serbia formally joined the SEPA payment scheme in 2026.
- Serbia's participation in SEPA is expected to reduce the cost and duration of cross-border euro transactions, strengthen financial integration with the EU and improve the business environment for trade and investment.

Electricity market and renewable energy reform

- Revised electricity market rules entered into force in December 2025, updating balancing market arrangements, liberalising ancillary services and introducing an "active buyer" concept that lets consumers and companies generating or storing electricity participate more directly in electricity markets.
- The government proposed draft amendments to the Law on the Use of Renewable Energy Sources, aligned with EU Renewable Energy Directive (RED II/RED III) requirements, to streamline permitting, establish accelerated development zones and create a dedicated investor contact point. The draft was out for public consultation from June to July 2026 and remained unadopted as of the end of October 2026.

Judicial and institutional governance reforms

- In January 2026 Serbia adopted amendments to several laws governing courts, judges and prosecutorial institutions, aimed at improving the efficiency and organisation of the judicial system.
- The reforms became an important element of discussions between Serbia and EU institutions regarding rule-of-law benchmarks and accession-related reforms, with further alignment with EU recommendations remaining part of ongoing reform dialogue.

IMF programme review

- In June 2026 the IMF completed its third review of Serbia's Policy Coordination Instrument (PCI), confirming continued macroeconomic stability and compliance with programme targets. Progress was made on public financial management, fiscal risk monitoring, pension sustainability analysis, tax expenditure reviews, energy-sector reforms and measures to promote the greater use of the dinar.
- The IMF nevertheless flagged vulnerabilities linked to SOEs, especially in the energy sector, large infrastructure investment management and contingent fiscal liabilities, calling for stronger SOE governance, public investment management, fiscal transparency and public spending efficiency.

E-government law amendments

- In May 2026 the government adopted amendments to the Law on e-Government to further modernise public administration, strengthen digital public services and enable more efficient data exchange between state institutions.
- The changes are expected to reduce administrative burdens for firms and citizens, improve interoperability across government systems and support wider digitalisation of public services.

Insurance and pension reform

- The National Bank of Serbia is amending its insurance and pension supervision framework. In May and June 2026 it published a draft law overhauling the Law on Voluntary Pension Funds and Pension Plans, and a draft amendment to the Law on Compulsory Traffic Insurance with the Ministry of Finance, both undergoing short public consultations.
- The central bank also updated several insurance-sector bylaws in 2025-26 that covered supervisory reporting, fund investment and anti-money-laundering rules, aligning Serbia's insurance and pension regulation more closely with EU standards ahead of accession.