

**Energy Policy in the Western Balkans:  
The Path to Reform and Integration.  
The Cases of Kosova, Albania, and Croatia**

By  
Shqipe Neziri

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Central European University  
Department of Public Policy

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Supervisor: Professor Andreas Goldthau

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## Abstract

Reform of public administration and public policy is not only an essential requirement for good governance and sustainable development but also one step forward in the route to join the European Union. This thesis examines the Europeanization capacity of the Western Balkan states and proves their Europeanization potential to absorb the imported EU rules and institutions in the energy sector. The core part of the thesis demonstrates that Europeanization can explain the variation in the reform of energy policies across this region. The reason why some countries have over performed, while some have under performed, are explained with the incentives states have received from EU bureaucrats. The first chapter emphasizes Europeanization as the theoretical framework to explain the transformation and integration of domestic energy institutions. An overview on the energy sector of the Western Balkans is provided in the second chapter, highlighting the extent of similarity in the institutional set-up, with a significant diversity in power generation, and the strong incentive for regional cooperation and trade. The third chapter focuses on three countries that represent a sample of the complexity of the region; respectively three various case studies: Kosova, Albania, and Croatia.

Keywords:

**Westen Balkans. Energy Policy Reform. Europeanization. Neo-functionalism.  
Post Social Legacy. EU Integration.**

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## Introduction

This thesis will answer the research question and provide evidence as to what extent the process of Europeanization can explicate variation in the reform of energy policies, while some countries have been reformed and some are still struggling and lagging behind. To explain the outcome of the reform of energy policies, as a dependent variable, two main independent variables will be utilized. The first one is Europeanization, the domestic impact of Europe, and the second one is the post social legacy, the path dependency that exists concerning the public administration set-up and policy development, in particular in the former Yugoslav Republics.

The Western Balkan region represents nowadays an indivisible part of the underdevelopment of the 'new' European space.<sup>1</sup> The European Union (EU) bureaucrats have already confirmed on the first meeting held at Thessaloniki, Greece (2003) that all countries of this region have a future towards joining the Union. Three out of the seven Western Balkan countries, Kosova, Albania, and Croatia have been (and still are) through the process of rigorous screening and evaluation from the EU on their path to reform of the public administration and towards sustainable regional integration. Variations in the terms of fulfillment of reforms are noticeable across the aforementioned countries. One of the areas in which the EU has been highly interested in to see a viable progress is the energy sector.

The Western Balkans, being the poorest region in Europe, still suffers from the damages caused by the conflicts and wars of the post disintegration of the former Yugoslav

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<sup>1</sup> Demetropoulou, L. (2002) *Europe and the Balkans: Membership Aspiration, EU Involvement and Europeanization Capacity in South Eastern Europe*. Southeast European Politics. V. 3: 2-3. Pp. 87 - 106.

Federation.<sup>2</sup> Today the six emerged new states have moderately small sized economies. In particular, power plants for energy provision have been poorly maintained and governments did not invest in the provision of the new technology. Lack of energy supply, severe pollution of the environment, and endangering citizens' health are amongst some of the consequences that the countries of Western Balkans are facing today.<sup>3</sup> Most of the public administrations of the Western Balkan countries lack the capacity, resources and skills to integrate and fully implement EU policy goals into national strategies in their domestic markets.

Taking into account the political, economic and social situation, and the high interest to have a secure energy market within the future of the Union's composition, the European Commission officials initiated a guiding idea to create the Energy Community. The Energy Community not only that corresponded with the EU's external energy policy and strategy, but also with the aim of the EU officials to build a sustainable and efficient regionally integrated energy community. This Treaty signed in 2005 on the creation of the Energy Community was the first legally binding treaty of the Western Balkans countries after the wars of 1990s. Therefore, the Energy Community is a product of the Union's officials, based on the establishment of a legal framework for an integrated and liberalized energy market in these countries; in addition, the regional integration coincides with Europeanization through

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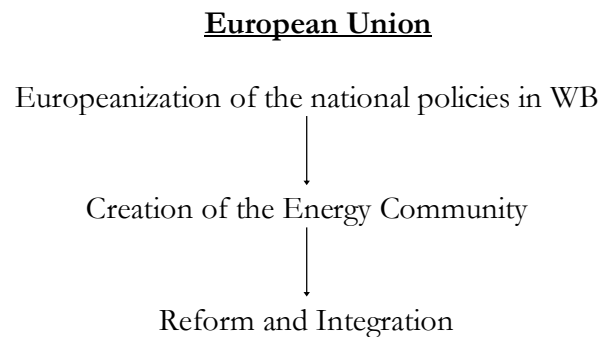
<sup>2</sup> Ibid

<sup>3</sup> CEE Bank Watch Network (2010) *Balkan Energy Future: Fossil fuel dependency vs. energy efficiency and renewable energy*. Available at [http://bankwatch.org/balkan\\_energy/](http://bankwatch.org/balkan_energy/) last accessed June 9, 2011

the transfer and implementation of the EU *acquis* on energy, environment, renewables and competition.<sup>4</sup>

Hence, this thesis considers three main levels: (1) the supranational level - Directorate General of the European Union Commission for Transport and Energy (DG TREN), (2) regional level - Energy Community, and (3) the national level - energy public administration in Western Balkan Countries. The graph below describes the stages that the EU has been following towards the Western Balkan (WB) states:

***Graph #1 EU towards Western Balkans***

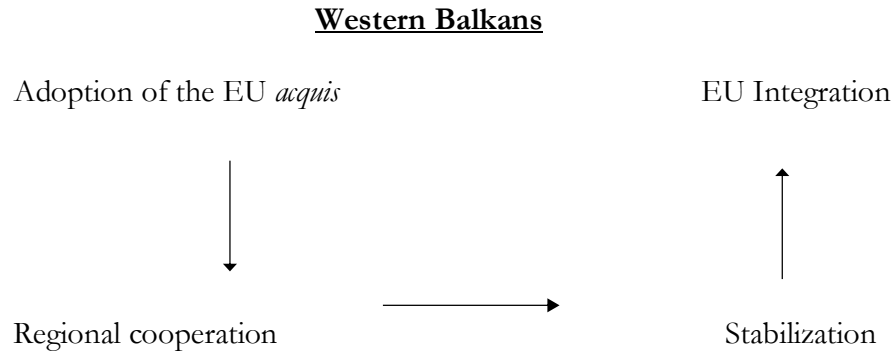


Consequently, the EU's primary goal is Europeanization; to first export the body of rules and foundations of the common institutional set-up to non-member states. Second, through Europeanization of the national governments, the EU seeks to strengthen regional cooperation and integration in the energy sector by establishing the Energy Community and by ensuring that countries are fulfilling their obligations in the process of acquiring EU membership. Furthermore, the EU's interest is threefold; through regional integration of the energy market the EU ensures the energy supply and become independent from Russia, which became recently the main supplier.

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<sup>4</sup> Renner, A. (2009) *The Energy Community of Southeast Europe: A neo-functionalist project of regional integration*. European Integration online Papers. V. 13. pp. 1 - 21. Available at [http://eiop.or.at/eiop/index.php/eiop/article/view/2009\\_001a](http://eiop.or.at/eiop/index.php/eiop/article/view/2009_001a) last accessed June 9, 2011

## **Graph #2 Western Balkans toward EU**



On the other side, the second graph shows the pathway that the Western Balkan countries have been following on the way to join the EU. It is noteworthy to point out that the foremost goal is the ultimate membership in the EU. However, before getting to that level, these countries have a long way to go. While transforming their domestic public institutions and policies, countries have to also integrate regionally. Fostering regional cooperation in the energy sector will be the one of the viable and lasting solution for stability in the Western Balkans<sup>5</sup>. For some countries this process has been easy, for the rest painful and long lasting.

### **Literature Review**

The aim of this thesis is to explain the outcome or the effect of Europeanization and the Post Social Legacy in the reform of energy policies in the chosen three states: Albania, Croatia and Kosova. In order to provide a general overview of the literature on energy policy and its implications a plethora of authors are consulted to provide a compact insight, such as Bamberger (2006), Stec (2006), Pollitt (2008), Belkin (2008), Goldthau (2008). In addition,

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<sup>5</sup> Bozhilova, D. (2009) *EU energy policy and regional co-operation in South-East Europe: managing energy security through diversification of supply?*. Hellenic Observatory papers on Greece and Southeast Europe, GreeSE Paper No. 24. Pp. 1 - 44. Available at [http://eprints.lse.ac.uk/24199/1/GreeSE\\_No24.pdf](http://eprints.lse.ac.uk/24199/1/GreeSE_No24.pdf) last accessed June 09, 2011



the focus on the proposal for the European common energy market and energy policies pursued by non member states in Europe, has received consideration from Matlary (1997), Janne Haaland (1997), Heritier (1998), Featherstone (1998), Börzel (1999), Ågh (1999), Dyson (2000), Cowles *et al.* (2001) Goetz (2001), Demetropoulou (2001), Featherstone and Radaelli (2003), Bozhilova (2009). The importance of energy and the transformation process in Western Balkan countries has received considerable contribution by Uvalic (1997), Muller (2000), Rohm-Malcotti (2005), Renner et al (2008). Furthermore, Nye (1970), Rohm-Malcotti (2005), Gould (2008), Krasniqi (2009), Renner (2009), and Armitage (2011) describe and argue for the importance of the role of integrated energy market for the economic, political, and social stability in the Western Balkans.

In addition, Renner (2007) considers the EU as an actor in the global energy that is advocating for a steady and transparent regulatory body of energy trade and production.<sup>6</sup> Regarding the cooperation between the energy regulators in the European Union, Vasconcelos (2001) and Renner (2007) describe the idea for the creation of the Energy Community as a neo-functionalist project.<sup>7</sup> Specifically, the idea of neo-functionalism as a positivist understanding of the theory was built during the year 1956 by Haas, Schmitter, Scheingold, and Nye. The latter wave of authors studying this theory explain the dynamics of EU integration and try to predict the future course of integration such as Howell (2002), Greener (2006), Rosamond (2005), Faber (2006), and Moravcsik (2005).

The reform of energy policies in the three states of Western Balkans, the dependent variable, will be explained through the theoretical framework of Europeanization - namely

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<sup>6</sup> See Renner (2009)

<sup>7</sup> Vasconcelos, J. (2001) *Cooperation between Energy Regulators in the European Union*. In: Claude Henry et al eds. Regulation of Network Utilities. The European Experience, Oxford.

the domestic impact of Europe<sup>8</sup>, which in this thesis is one of the two independent variables. Literature on the subject of Europeanization has been growing lately and various authors have been consulted to provide a thorough analysis of the process of Europeanizing the domestic public administration. The aspect of EU's transfer of rules and institutions to the candidate and potential states from the South Eastern Europe has received significant contribution from Borzel and Risse (2000), Radaelli (2000), Hix (2000), Goetz (2000), Demetropoulou (2000), Green et al (2001), Grabbe (2001, 2002), Olsen (2002), Featherstone and Radaelli (2003), Papadimitriou (2003), Schimmelfennig and Sedelmeier (2004, 2005), Schimmelfennig (2007), and Hofer (2007).

## **RESEARCH IDEA AND DESIGN**

### **I. Research Question and Hypothesis**

The research paper will be based on the following research question:

*To what extent can Europeanization explain variation in the reform of energy policies? Why some countries reformed and some not?*

For the study purposes in this thesis the dependent variable is (1) the reform of energy policies in the Western Balkans. There are numerous variables that influence the outcome of the reform of energy policies. Based on my research there are two independent variables that stand out: the first one is (1) Europeanization, the domestic impact of Europe, and the (2) post social legacy, the path dependency concerning the public administration set-up and policy development made in the past, which are still relevant and that vary across countries as a result of transformation.

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<sup>8</sup> Antonopoulos, E. (2008) *Pre-accession assistance as a mechanism of Europeanisation: the effects of CARDS/IPA on administrative capacity in Croatia*. Ppt presentation. Pp. 1 – 15.

**Hypothesis 1:** The EU membership aim creates significant transformations of energy policy and institutions in Balkan domestic prospects. Europeanization can be understood as the theoretical framework that links reform and integration by offering the opportunity to construct sustainable and efficient energy sectors in the Western Balkans.

**Hypothesis 2:** Public administrations of the countries in the Western Balkans share a commonality of the institutional path dependency related to the institutional set-up and policy development made in the past that makes them comparable to measure the effect of outcome.

## II. Methodology

In order to measure the effect on the reform of energy policies in the Western Balkans, the independent variable of this thesis, Europeanization, is used to explain the variation in the reform of energy policies across seven countries, by evaluating the adoption of the *acquis* in energy, competition and environment (number of laws passed, strategies and policies adopted, energy poverty rate). In addition, the second independent variable will be analyzed to prove the post-social legacy effect leading to varying adaptations or transformations (or non-adaptations nor transformations). It is the various common characteristics of public administrations that have either hindered or helped the reform and integration of the domestic energy markets into the regional level. Hence, the various domains of the states are provided to establish the level of variance (institutions, structures, policy-making processes).

The methodology will be based on the design type utilizing case studies of three countries of the Western Balkans: Kosova, Albania and Croatia. These three countries represent the model of most-similar cases; they all differ in outcome (level of reform of

energy policies), but have similar factors contributing to this outcome (Europeanization and post-social legacy). The effectiveness of the reform and integration of domestic institutions and policies, EU's process of exporting rules and policies towards non - EU countries, in these three states will be explained through the theory of Europeanization of the energy sector. Additionally, the regional integration idea in the course of the functioning of the Energy Community will be elucidated with the theory of neo-functionalism.

These three case studies have been chosen as a sample of the Western Balkan countries due to their similar institutional set-up and policy development. There are two main reasons why these countries have been selected: (1) First, Kosova being the poorest country in the region, with the weakest energy infrastructure, heavily reliant on energy import, represents the state that is lagging behind in showing progress in comparison with other Balkans states. The paradox here is that when EU *acquis* transfer is concerned, this state has reached a high level of approximation by law endorsement (more than 50%)<sup>9</sup>. Do to its political status Kosova has not yet signed the Stabilization and Association Act. (2) In contrast, the other former republic of Yugoslavia, Croatia, gets the merit for its performance on energy cooperation and trade, transformation of the energy public administration and the domestic policies. In comparison with other six states of the Balkan region, it has the highest living standard with a stable developing economy; according to EU officials, it will soon become a member of the Union. (3) The third case, Albania, stands somewhere in the middle. It has made significant advances in the re-structuring of the state owned energy

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<sup>9</sup> Government of Kosova (2008) *The Whole – of – government review*, FRIDOM (Functional Review & Institutional Design of Ministries), project funded by DFID. Pp. 7. Available at [www.fridomks.org](http://www.fridomks.org) last accessed June 01, 2011

companies, and it has enhanced the general energy sector performance<sup>10</sup>. Nevertheless, as a country located near the sea it is heavily dependent on hydropower; recently due to severe drought and the increased energy demand, the country has been faced with a high import from other countries.<sup>11</sup> To resolve this impeding issue, Albania has established collaboration with Kosova to exchange energy supply and signed agreements to strengthen the regional integration as foreseen in the Energy Community Treaty. Therefore, the three cases have similarities in essence; nevertheless, they each represent various levels of reform in the energy policies.

The method of data collection will consist of analysis of available policy and academic reports. Due to the lack of the updated statistical data for the countries and the weak systems of public administrations, primary source of reference will be the reports published by the international development agencies such as the World Bank, US Agency for International Development, UN Development Programme, afterwards information published by the International Energy Agency, Energy Community, states' government laws and regulations, and in particular the relevant Ministries of Energy established principally for the energy policy making (European Commission publications (2000, 2005, 2006, 2007, 2008, 2009, 2010), IEA publications (2008, 2008b), World Bank Reports (2008, 2009, 2010, 2011), and Ministry of Energy and Mining, Government of Kosova strategies and policy (2010)).

### III. Case Selection Method

Kosova and Croatia, the former states of Yugoslav Federation, together with Albania share similar political and economic background. The public administration today although

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<sup>10</sup> International Energy Agency (2008) *Energy in the Western Balkans: the Path to Reform and Reconstruction*. This publication was developed in collaboration with the UNDP. Pp. 1 – 418.

<sup>11</sup> See IEA (2008)

varies across these countries, although in essence they are a product of the same system. From the seven states, Croatia has over-performed. It is the only country that has fulfilled almost all the criteria required to get a status of the EU member. Its public institutions and public policy have been approximated with the EU *acquis*. On the other side, stands the state of Kosova, which most notably has under-performed. To provide diversity in the causes that lead to the same effect, Albania is also presented to show the typical case study.

The eventual membership in the EU is the main reason for embracing Europeanization for reform and integration of the Western Balkan countries. Croatia is already a candidate country, whereas Kosova and Albania remain in the list of other potential candidates. The EU's pre-accession strategy encompasses frameworks and mechanism, as described below:

**Table 1 EU pre-accession levels**

EU pre-accession levels	Country location	
	Kosova	Lowest
Europe Agreements/ Association Agreements/ Stabilization and Association Agreements	Albania	
Application for accession		
Candidate country status		
Opening of accession negotiations		
Closing of accession negotiations		Highest
National Programme for the adoption of the <i>acquis</i>	Croatia	
<i>Referendum on accession in acceding countries</i>		
Signing Accession Treaty		
Accession		

Source: DG for Enlargement of European Union (2011)<sup>12</sup>

Due to their particular characteristics, based on Mill's (1843) methods of identifying the causes, the three cases of Kosova, Croatia and Albania are explained through the Method of Agreement<sup>13</sup>.

<sup>12</sup> European Union (2011) DG for Enlargement. Available at [http://ec.europa.eu/enlargement/enlargement\\_process/accession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/index\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/index_en.htm) last accessed June 01, 2011

**Table 2 Method of Agreement applied in three states**

<b>State</b>	<b>Europeanization (X)</b>	<b>Reformed energy policy and institutions (Y)</b>
Kosova	To some extent	No
Albania	Yes	To some extent
Croatia	Yes	Yes

- If Albania and Croatia have been Europeanized (X), then they have also reformed their energy policy and institutions (Y).
- If Kosova is not Europeanized (X), then lacks (Y) energy policy and institutional reform

Therefore, the reform of policies and institutions (Y) is the outcome of Europeanization (X) that is the cause (or an indispensable part of the cause).

### **The structure of the thesis**

The thesis begins with an introduction to the content of the research, provides a short guide as to what questions will be addressed and answered while testing the validity of hypothesis. In addition, the research design and literature review are part of the prelude section. The first chapter provides the theoretical framework on Europeanization; moreover, through this framework an overview is presented on the Union's attitude towards non-member states and their intentions to create a regional market, namely the Energy Community and its functioning. The second chapter is focused on energy the market design of the Western Balkan countries, by provision of statistical data on the economic, social and political area. Furthermore, the second chapter focuses on energy cooperation and trade in this region, describing the energy market design which is almost similar in every country,

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<sup>13</sup> Sion, A. (2005) *J. S. Mill's Methods: A Critical Analysis*. Available at [http://www.thelogician.net/4\\_logic\\_of\\_causation/4\\_mills\\_methods.htm](http://www.thelogician.net/4_logic_of_causation/4_mills_methods.htm) last accessed June 03, 2011

emphasizing energy capacity and energy poverty. A comparative analysis of case studies of three selected countries, Kosova, Albania and Croatia is presented to describe to what extent Europeanization can explain variation in the reform of domestic energy policies, and why has Croatia reformed significantly, Albania to a certain point, and Kosova being the poorest in reform and integration. The energy snapshots of the three states are subject of comparisons.



# CHAPTER I

## Theoretical Framework

This chapter explains the outcome or the effect of Europeanization, the first independent variable, by providing insight on scholars' definitions and then explains the process of Europeanization translated into one of the causes for the dependent variable, the ultimate reform of energy policies. In addition, the first part of the chapter provides background information and reflects on the progress of the Western Balkan states on the process of approximation of national legislation with the EU *acquis*. The second independent variable, the post-social legacy will be also discussed and presented how it has affected the final outcome of reforms in the energy sector. Second part of the chapter focuses on the regional integration theory, namely neo-functionalism, and explains the idea behind the creation of the Energy Community.

### ***1.1. Defining and Rethinking Europeanization***

In order to provide a general overview of the literature on energy policy and its implications plethora of authors are consulted to provide a compact insight, such as Pollitt (2008), Bamberger (2006), Belkin (2008), Goldthau (2008), Stec (2006); in addition, the focus on the proposal for the European common energy market and energy policies pursued by non – member states in Europe, has received consideration from Heritier (1998), Featherstone (1998), Börzel (1999), Ågh (1999), Dyson (2000), Cowles *et al.* (2001) Goetz (2001), Demetropoulou (2001) and Featherstone and Radaelli (2003), Matlary (1997), Bozhilova (2009), Janne Haaland (1997), etc. The importance of energy and the transformation process in Western Balkan countries is studied by Muller (2000), Renner et al (2008), Rohm-Malcotti (2005), Uvalic (1997). Furthermore, Nye (1970), Rohm-Malcotti

(2005), Renner (2009), Armitage (2011), Gould (2008), Krasniqi (2009) describe the role of integrated energy market for the economic, political, and social stability in the Western Balkans.

Europeanization, therefore, is the process of downloading EU *aquis* from top to bottom. There are two approaches to the Europeanization. The first one is *bottom up* approach that describes how the EU member states and other actors shape policies, politics, or a particular form of a government. The information thus is being provided from the bottom to the upper level of the EU bureaucracy. In contrast, the second approach is the *top down* describing how the EU encourages and realizes the domestic alteration in member states and the non member states.<sup>14</sup> For this study purposes, only the top-down approach will be utilized and used for research. The thesis is concerned with the change associated in the Western Balkan countries while downloading EU *aquis* and the approximation of their national legislation.

**Top-down:** how the European Union induces domestic change in member states or other countries.<sup>15</sup>

European Union → *downloading* → Member States → Candidate/Applicant States

Radaelli defines Europeanization as "processes of (a) construction (b) diffusion and (c) implementation of formal and informal rules, procedures, policy paradigms, styles, ways of doing things, and shared beliefs and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic

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<sup>14</sup> Neziri, S. (2010) *The effect of Europeanization in the Reform of Public Administration in Kosova*. University of York. Pp. 1 - 72.

<sup>15</sup> See Neziri (2010)

discourse, identities, political structures and public policies".<sup>16</sup> Cowles et al. (2001) defined this process as the method how the 'national' and the 'European' level interconnect and collaborate.<sup>17</sup> Ladrech (1994) refers to Europeanization as a fundamental process to redefine 'the direction and shape of politics to the degree that Union's political and economic dynamics become part of the organizational logic of national politics and policy-making'.<sup>18</sup>

Mainly, scholars of Europeanization have detached into two groups: the first group that merely considered this process as the alteration of the Member States once they join the EU, and the second group argues that Europeanization can be exported outside the Union geographical borders.<sup>19</sup> On the authors focused on the latter part is Papadimitriou (2004); he comments that besides the fact that Europeanization can be seen and analyzed only as a process that concerns the internal issues of the governments of member states and the Union, it can also be considered as a process affecting applicant and candidate states.<sup>20</sup> In simple terms, Europeanization is an equivalent with European integration.<sup>21</sup> The process of Europeanizing the non member states goes through different levels (as explained in table #1). Everything begins with Europe Agreements/ Association Agreements/ Stabilization and Association Agreements (SAA). Kosova as a state has not signed yet the SAA therefore for the moment is located in the level zero. Albania has signed the SAA but due to the recent turmoil in the political arena lost their chance to move on to the next level. Once the

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<sup>16</sup> Radaelli, C. (2000) *Whither Europeanization? Concept stretching and substantive change*. European Integration online Papers (EIoP). Vol. 4:8. Pp. 3. Available at: <http://eiop.or.at/eiop/texte/2000-008a.htm> last accessed June 09, 2010

<sup>17</sup> Cowles, MG., Caporaso, J. and Risse, T. (eds) (2001), *Transforming Europe: Europeanization and Domestic Change*. Cornell University Press. Pp. 1 – 304.

<sup>18</sup> Ladrech, R. (1994) *Europeanization of Domestic Politics and Institutions: the case of France*. Journal of Common Market Studies. Vol. 32:1, Pp. 69-88.

<sup>19</sup> See Neziri, S. (2010)

<sup>20</sup> Papadimitriou, D. (2002) *Exporting Europeanization: EU enlargement, the twinning exercise and administrative reform in Eastern Europe*. University of Bradford.

<sup>21</sup> See Neziri, S. (2010)

agreement is signed, a country goes to level two: Application for Accession. Here countries have to go through a long and rigorous screening process to accomplish the approximation of domestic policies and institutions with EU *acquis*. If a satisfactory progress is shown, then the country will be granted with the Candidate status. This is where Croatia is located for the moment. Afterwards the opening of accession negotiations and closing of accession negotiations follow. Once accomplish, the state has to establish a national Programme for the adoption of the *acquis*. Based on the fact that EU is a democratic supranational institution, it also required each candidate country to have a referendum on accession, where citizens will vote whether to join the EU or not. If voted pro, then the very final stages comprise of signing Accession Treaty and accession to the EU.

The commencement of negotiations is followed by the benchmarking with the standards of the EU Member States as well as the customary monitoring of the implementation of *acquis*. At this point the Europeanization of the public administration and public policy is a crucial factor. Requirements include legislative and institutional unified patterns that the EU candidate countries should utilize; though they will be provided with aid and technical assistance through different projects with grants/loans implemented by the international development organization operating in particular countries; and the last one included capacity building or technical assistance to the public administration bureaucrats and twinning exercise, where civil servant practices from the member states are being transferred into the non member states in order to speed up the process of the adoption of EU body of legislation and setting up institutions that will ensure the continuous implementation of these laws.<sup>22</sup>

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<sup>22</sup> See Papadimitriou, D. (2002). Also in Neziri, S. (2010)

As it is explained in the next section, functional reviews horizontally and vertically have been carried out in Kosovo, Albania and Croatia from various international organizations to assess the level of absorption of Europeanization.

### ***1.2. Europeanization of Balkanization: Balkans EU Perspective***

Countries in the Western Balkans (former Republics of Yugoslavia plus Albania) in general face lack of the financial and human capacities; financial due to not considering the energy as a priority and as a result allocating only small funds for the relevant Ministries of Energy, and human because the public sector is weak, with very low salaries and not providing incentives for the experts in the field to work for the government. In addition, most of them share a commonality of the institutional path dependency, in this case former states of Yugoslavia. The paper will provide evidence whether there is a strong variance by testing it through the information's gathered by the interviews. Furthermore, the paper will also look at the policy orientation of the various donors present in the area; how their programmes reflect their ideologies and trying to vest them into the governmental system, and how coordinated the donors are with their programmes resulting most of the time in overlapping of projects and policies that lack harmonization.

During the break up of the former Socialist Federal Republic of Yugoslavia in the 1990s the energy industry was heavily affected. Wars between countries have destroyed the infrastructure, and the road to recuperation has been long and difficult. Some of these countries are still trying to recover even today. The need for reform was pushed more as a result of the countries aspirations to become members of the EU. Besides the weak public

administration, countries are facing with weak energy systems, low efficiency of power plants that have exceeded their limits of usage according to the international standards, high rate of environmental pollution, and not a reliable and unaffordable energy supply across the region.

Various donors present in the region have been investing in the energy infrastructure. The rebuilding and modernization of the infrastructure will take years. Based on the fact that these states are aiming to become part of the European Union, approximation with the energy legislation and with the energy production and infrastructure standards is a necessity. The EU has called for the closure of the polluting power plants that are very old and not maintained properly; In addition, in some states the production capacity of the plants does not meet actual needs for the citizens; in this case states import energy from outside. Nevertheless, if the power plants are closed, the shortcoming is that there will be energy shortages.

The World Bank and the European Commission offices have conducted regular feasibility studies for the region, emphasizing the risk that soon the energy shortage will grow dramatically. It is in the states' interest to establish as soon as possible a cooperative and a unified regional policy on energy. Once a unified policy and strategy on energy is being established, the Western Balkans can set up a competitive edge for the region in this area. In addition, economies of respective states will revive and will create possibilities to enhance economic growth and sustainable development, "through improved energy efficiency, lower environmental impacts of energy use, and reduced energy poverty".<sup>23</sup>

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<sup>23</sup> Forum 2015 (2010) *Kosova C: A Modern Tale*. Kosova Institute for Open Society. Pp. 1 – 72.

**Table 3 Effect of Europeanization in Transformation of Policies and Institutions**

<b>Europeanization: Downloading</b>	<b>Factors mediating the impact of Europeanization</b>	<b>Outcome</b>
Economic	Economic Vulnerability	Inertia
Institutional	Political Institutional Capacity	Absorption
Ideational	Policy Legacies	Transformation
	Policy Preferences	
	Discourse	

Source: EOzP (2011)<sup>24</sup>

The process of EU approximation affects all aspects starting from economic, institutional and ideational. There are various factors that either help or impede the proper downloading of EU policies and institutions. Two of these factors are part of the independent variable of this policy study: the post-social legacy encompassing political institutional capacity and policy legacies, which are explained in the following part of the thesis.

Taking into consideration these factors, it is easy to understand why some countries reformed and some not have; why Croatia has been transformed, Albania is in the stage of absorption, and Kosova absorbing but still no signs of actual transformation. In this regard, "time matters". At the very end, Kosova is a newly established state and is officially implementing EU policies but for three years now after the declaration of independence it did not have the sufficient time to accomplish all the required tasks from the EU. Croatia, by contrast, has had eleven years after the end of the Balkan wars and worked in this direction. Albania has not been involved in wars and conflicts of Balkans, but possessed a communist past experiencing years of isolation and economic development stagnation. Yet, Albania,

<sup>24</sup> European Integration online portal (2011). *The Europeanization Flow-Chart*. Available at <http://eiop.or.at/eiop/texte/2001-006t.htm> last accessed June 03, 2011

after the fall of communism had as well eleven years but lagged behind from the very beginning due to a very slow move on the reform front - in all sectors basically.

Another factor contribution the fast or slow transformation of the public administrations and public policies of these countries is that the EU's attitude toward the non member states has not been constant. In 2010 Croatia was included in the white schengen area, whereas Kosova and Albania were left aside. The more incentives countries received, the faster and stronger was the transformation of the domestic policy institutions.

### ***1.3. Post Social Legacy***

In order to analyze the trends of the policy changes and institutional set-up of the Western Balkan countries through years, emphasis will be placed upon the description of the political, social and economic background of Kosova, Albania, and Croatia. For more than a decade now, each state has evolved and strived to follow independent policies, even though in essence they were product of the same governing system. Therefore, this independent variable varies across states.

Reason why I selected the Kosova as one of the study cases is that based on the statistical data provided in the following chapter, it shows that it's the country mostly lagging behind not only in political and economic development, but also in the reform of the public administration. Facing issues regarding the final status as a state, this small country in South Eastern Europe is preparing and working hard to fulfil the European Union *acquis communautaire* and hoping to get the status of a candidate country. Comparison regarding the



institutional set-up, policy development and implementation, and elements of national strategy for energy are made with the Albania and Croatia. Rationale behind this selection for comparison is the historical background, respectively the similarity of the past social legacy. Kosova as a vilayet<sup>25</sup> until the year 1878 was a part of the territory of Albania. Afterwards, subsequent to 1918, Kosova was a part of the same institutional set-up with Croatia in the Formed Federation of the Yugoslav Republic. Therefore, there is a clear hint on the similar background, but with significant changes associated in the very last years. The post social legacy hence varies across states and is explained in details in the second chapter.

#### **1.4. Energy Community: a Neo-functionalist Project**

Today, from the seven countries of the Western Balkans, two have been already considered as candidate states for the EU accession, one of them being Croatia, and the rest four are potential candidates including Albania, and the disputed case of Kosova between the EU member states regarding its status. To facilitate the process of EU integration and reform of national legislation, Energy Community was launched as a neo-functionalist project. The theory of neo-functionalism is introduced not to generate the independent variables; but to explain means of approaches introduced from the EU bureaucrats to ensure that there is stability in the Western Balkan states and that there will be a progress towards collaboration amongst the countries which used to be in wars with each other. Regional integration helps countries reform their energy policies and public energy sector.

#### **Theory of Neo-functionalism**

Concerning the cooperation between the energy regulators in the European Union, Vasconcelos (2001) and Hofer (2007) describe the idea for creation of the Energy

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<sup>25</sup> Note: The *Vilayets* of the Ottoman Empire were introduced in 1864; Kosova and Albania were ruled by the Ottoman Empire for almost 500 years.

Community as a neo-functionalist project. Specifically the idea of neo-functionalism as a positivist understanding of theory was built during the year 1956 from Haas, Schmitter, Scheingold, and Nye. The latter wave of authors studying this theory in explaining the dynamics of EU integration and the prediction of the future course of integration varies from Howell (2002), Greener (2006), Rosamond (2005), Faber (2006), and Moravcsik (2005).

### **Energy Community Treaty**

In October 2005 the Council of the European Union adopted a decision to approve the Energy Community Treaty, which will serve as a guideline for the settlement of the integrated market in natural gas and electricity in South-East Europe.<sup>26</sup> The signatory parties with the EU were nine states of the South-East Europe: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia (FYROM), Montenegro, Romania, Serbia, and Kosova (UNMIK on behalf of Kosova)<sup>27</sup>. The Energy Community also referred as Energy Community of South East Europe (ECSEE) have to abide to the Treaty that will be concluded for a period of 10 years from the date of entry into force, that aims to “create a stable regulatory and market framework capable of attracting investment in gas networks, power generation and transmission networks, so that all Parties have access to the stable and continuous gas and electricity supply that is essential for economic development and social stability.” Furthermore, the reason behind its creation was the enabling of a regulatory framework that will ensure the expansion of the *acquis communautaire* for the aspirant countries.

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<sup>26</sup> Energy Community (2005) *Energy Community Treaty*. Available at [www.energy-community.org](http://www.energy-community.org) last accessed June 09, 2011

<sup>27</sup> Note: In 2005 the state of Kosova was administered by the United Nations Interim Administration Mission in Kosova, and the international agreements for Kosova were signed by UNMIK.

The Treaty covers not only the energy sector, but pays a particular attention to the environment area, and the timetable for fulfilling various standards have been agreed not to exceed the year 2017. Main agreements include implementation of the EU directives, harmonization of the domestic law with the *acquis*, liberalization of the market, and reduction of the environment polluters.

To date, 5 years after the entry into force of the Energy Community, according to the United Nations Development Programme the results have been “patchy and uneven”.<sup>28</sup> The reason why there has not been a significant progress is not just the willingness of the states to adapt reforms it is the weak administrations inherited either from previous regimes or the lack of the resources to strengthen the public institutions. Current public energy administrations do not have the satisfactory financial and human capacity to develop and implement the policies and strategies concerning clear separation of the responsibility in the policy - making, regulation of the energy market, dealing with energy poverty and the foremost the impact of the usage of non-renewables in the environment.<sup>29</sup>

On May 2011 the two states have signed the most important agreement in field of energy so far. According to the agreement signed the two states will exchange surplus electrical energy: during the winter Kosova will transmit energy to Albania since it is lignite based, whereas during the summer Albania will do the same based on their plentiful water

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<sup>28</sup> International Energy Agency (2008) *Energy in the Western Balkans: the Path to Reform and Reconstruction*. This publication was developed in collaboration with the UNDP. Pp. 1 – 418.

<sup>29</sup> See International Energy Agency (2008)

resources. This project is being funded by German Bank KfW in the amount of 80 million euros.<sup>30</sup>

### **Regional Collaboration: Kosova and Albania**

One of the sectors considered of a high national interest for these countries is the energy sector. Aiming to expand from their national markets and be actively part of the regional economic cooperation, in the time frame of two years, Albania has signed with Kosova about 50 economic cooperation agreements and memoranda, information which represents the largest number of agreements compared with other countries in the Western Balkan region for the same period of time. Energy, tourism and agriculture remain the priority areas of mutual interest. Kosova is the first country in the region, with which Albania signed in October 2003 the Free Trade Agreement and removed the double taxation. The philosophy of this step was then beyond bilateral relations: "Kosova is not only seen from Albania as a new market but as a market joining the regional common market," says Edit Harxhi, Vice Foreign Minister, as an expert on relations between the two countries.<sup>31</sup>

Government officials claim that combining complementary sources of electricity in both countries, together with rising demand for energy in the region have led to cooperation in the energy sector in the area of bilateral projects. Kosova's power plants utilize mostly coal or lignite, being one of the richest countries in Europe with this resource. On the other hand, Albania derives the energy from hydro sources, since geographically is located near the

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<sup>30</sup> Ministry of Economy, Trade and Energy, Government of Albania (2010). News. Available online at <http://www.mete.gov.al/index.php?l=e> last accessed June 1, 2011.

<sup>31</sup> Deutsche Welle (2010) *Albania collaborates with Kosova in the field of energy*. Available at <http://www.dw-world.de/dw/article/0,,5262300,00.html> last accessed June 1, 2011.

sea. Combining these two resources would bring a better functioning of the energy not only in Albania and Kosova but at the regional level, the aim of strengthening the regional energy market.

### **Regional Collaboration: Albania and Croatia**

For years now, the Albanian government has been making plans to build a nuclear power plant. In 2009, Croatia supported this initiative by stating that their government is also willing to invest and collaborate in this joint project.<sup>32</sup> Government of Albania in their speech delivered to the International Atomic Energy Agency (IAEA) last year emphasized their high interest in generating energy from potential nuclear power plant that might be built in the Lake of Shkodra. For this purpose last year, in 2010, Albania has established the National Nuclear Energy Agency, to promote the nuclear energy as a priority of the state.<sup>33</sup>

This will be the first collaboration of Croatia with Albania in the field of nuclear energy; for the moment it is unclear whether how will Government of Croatia invest in the power plant since their problem with the Krsko nuclear plant is not clarified yet.<sup>34</sup>

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<sup>32</sup> B92 (2009) Croatia, Albania to build nuclear power plant. Available at [http://www.b92.net/eng/news/region-article.php?yyyy=2009&mm=02&dd=11&nav\\_id=57086](http://www.b92.net/eng/news/region-article.php?yyyy=2009&mm=02&dd=11&nav_id=57086) last accessed June 1, 2011.

<sup>33</sup> International Atomic Energy Agency (2010) Statement from the state of Albania. Available at <http://www.iaea.org/About/Policy/GC/GC54/Statements/albania.pdf> last accessed June 1, 2011.

<sup>34</sup> Note: Krsko was built together by Slovenia and Croatia, but the location is within the territory of Slovenia. Now there is an ongoing dispute about the ownership status.

## Chapter II

### The Case Studies: Kosova, Albania, and Croatia

This chapter will provide sample case studies of three countries of the Western Balkans: Kosova, Albania and Croatia. The effectiveness of the reform and integration of domestic institutions and policies, EUs process of exporting rules and policies towards non EU countries, in these three states is explained through the theory of Europeanization of energy sector.

These three case studies have been chosen as a sample of the Western Balkan countries, due to their similar institutional set-up and policy development in the past, an independent variable that today varies across countries as a result of transformation. Reasons why these countries have been selected are as follows: (1) Kosova being the poorest country in the region, with the weakest energy infrastructure, heavily reliant on energy import, represents the state that is performing the poorer in comparison with other Balkans states. (2) On the contrary, the other former republic of Yugoslavia, Croatia, gets the best credit for their performance achieved on energy cooperation and trade, transformation of the energy public administration and the domestic policies. In comparison with other six states of the Balkan region, it has the highest living standard with a solid developing economy, and according to the EU officials it will soon become a member of the Union. Albania, being the third case, stands in the middle. Even though it has made significant advances in the restructuring of the state owned energy companies, and to enhance the energy sector institutions and policies (IEA, 2008), recently due to unfavorable environmental conditions and the increased energy demand, the country has been in a need of a high import of energy from other surrounding countries (IEA, 2008).

Cases are compared across countries, and not across time. The process of Europeanization did not begin at each country at the same time and would not yield to expected results. The past social legacy, which is a similarity for the foundation of public institutions and public policies, today varies across countries basically as a result of the 'time'. Kosova is a three year old state nevertheless is officially implementing EU policies. Apparently the country did not have the sufficient time to accomplish all the EU *acquis* approximation with national legislation. Croatia, by contrast, has had eleven years after the break - up from Yugoslavia and had the time to work in this direction with commitment and received the status of candidate. Albania, experiencing eleven years after the fall of communism and regime transition into democracy, had as well eleven years to transform and embrace EU *acquis* but lagged behind from the very beginning due to a very slow move on the reform front - in all sectors basically.

As it is explained in the following section, functional reviews horizontally and vertically have been carried out in Kosova, Albania and Croatia from various international organizations to assess the level of absorption of Europeanization.

## **2.1. Kosova**

### **Introduction**

The newest country in the European continent, with the newest public administration, is still facing problems inherited from the past administration of the former Yugoslav Federation towards the path of taking over the institutional framework from the

UN Mission in Kosovo. Despite considerable subsidies, the country possesses one of the poorest economies in the Europe.

**Table 4 Main economic data**

Country	Population mill	GDP billion USD	GDP PPP billion USD	GDP per Capita USD	Rate growth of GDP %	Unemployment %
<b>Kosova</b>	2.0	2.0	4.8	1600	-1	40

\*Source: UNDP, IMF, IEA, OECD, Government of Kosovo.

Due to the failure to reach concrete results in the field of energy, the Ministry of Energy of Mining no longer exists after January 2011. Now there is a particular sector for the energy policy within the newly created Ministry for Economic Development. Another related institution that participates in the decision making in energy policies is the Ministry of Environment and Spatial Planning, in particular when needed to be consulted regarding the Environmental Impact Assessment of the projects for establishing new power generating plants. For the purpose of licensing, authorizing new investment or setting tariffs (IEA, 2008), the Energy Regulatory Office was created with the members being appointed from the Parliament. It is the Parliaments responsibility to decide and pass primary legislation on energy. In 2005 the Independent Commission for Mines and Minerals<sup>35</sup> was established to regulate mining activities in accordance with the present Law on Mines and Minerals.

The country generates power from two main power plants called *Kosova A* and *Kosova B*. The two old power plants, built in 1962 and respectively in 1984, contribute largely to the

<sup>35</sup> Kosovo's Independent Commission for Mines and Minerals (2011). Mining. Available at <http://www.kosovo-mining.org/> last accessed June 3, 2011.



environmental pollution.<sup>36</sup> The EU officials have called for the closure of the polluting plants and to build a new power plant that will be in line with EU standards.

## Energy sector snapshot

**Table 5 Main energy data**

Country	TPES	Domestic production	Imports	Exports	Import dependency %	Total final consumption
<b>Kosova</b>	2	1.2	0.9	0.1	40	1

\*Source: UNDP, IMF, IEA, OECD, Government of Kosova.

According to the former Minister of Energy and Mining, Justina Pula, the Energy Sector goals consisted of the first and foremost the integration in the EU' energy systems (MEM, 2010).<sup>37</sup> Other goals enclose the development of least cost energy and renewable energy, establishment of environmentally friendly technologies, energy efficiency etc. According to IEA (2008) publication Kosova has many obstacles starting from lack of human qualified capacity and financial aptitude that will hinder the effective implementation of the Energy Strategy, law enforcement to prevent the grey market and tariff non uniformity, the ever increasing import dependence, and the highly polluted living habitat from dust emissions and sewage system from lignite based mines and power plants.

In 2005, the UN Mission in Kosova officials have signed the Energy Charter Treaty on behalf of the state. Due to the unresolved political status, the state is not able to sign the Aarhus Convention. Principles of this Convention have been included in the Law for the Protection of the Environment. In addition, the country as such is not able to sign the

<sup>36</sup> Krasniqi, I. (2009) *Modern Technologies in New Lignite Power Plants in Kosova And Their Impact on Energy and Environmental Security*. NATO Science for Peace and Security Series C: Environmental Security. Part 5. Pp. 261-279.

<sup>37</sup> Pula, J. (2010) *Opportunities for Investment in the Kosovo Energy Sector*. Ppt presentation. Pp. 1 - 21.

Kyoto Protocol. The following table demonstrates the current progress of legislation approximation with the EU acquis:

**Table 6 Approximation level with EU legislation**

Kosova	No progress	Under development	Being implemented
National Environmental Plan			X
Air quality		X	
Solid waste and waste water management		X	
Nature protection		X	
Industrial pollution/ risk management		X	
Water quality		X	
Soil quality		X	

Source: KIPRED and Freedom House European Standards Series SEE Energy Community at Work<sup>38</sup>

Key issue for the Europeanization of the energy public administration and public policy remains the lack of capacity of the human resources. In contrary to Albania, number of ministries went from 17 last year to 19 this year. This in turn has led to impeding the effective and durable implementation of the national Energy Strategy.<sup>39</sup> Opposite from what the approximation of the EU *acquis* requires, during the last years the government has significantly increased the number of ministries and the number of staffing.

### **3.2. Albania**

#### **Introduction**

The institutional and regulatory framework for energy has shown progress from the transition period in 1990 (the end of communism) from a centrally-planned to a market-based economy.<sup>40</sup> Nevertheless, the problems rooted from the former administration system are

<sup>38</sup> Kosovar Institute for Policy Research and Development (2008). *See Energy Community at Work*. European Standards Series. Pp. 1 - 78. Available at [http://www.kipred.net/web/upload/SEE\\_Energy\\_Community\\_at\\_Work.pdf](http://www.kipred.net/web/upload/SEE_Energy_Community_at_Work.pdf) last accessed June 03, 2011.

<sup>39</sup> See IEA (2008).

<sup>40</sup> See IEA (2008). Also in the World Bank (2011) *Energy on Albania*. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/ALBANIAEXTN/0,,content>

still apparent and the country will be reliant on foreign investments for a considerable period of time in the future.<sup>41</sup>

**Table 7 Main economic data**

Country	Population million	GDP billion USD	GDP PPP billion USD	GDP per Capita USD	Rate growth of GDP %	Unemployment %
Albania	3.13	4.79	14.8	4700	4.5	13

*\*Source: UNDP, IMF, IEA, OECD, Government of Albania.*

The main central government institution, the same as in Kosova, is the Ministry of Economy, Trade responsible for the preparation of the national energy plans, implementation of EU *aquis* and drafting laws related to the energy sector.<sup>42</sup> Following the same institutional set – up as in Kosova, we have the Ministry of Environment, Water and Forest Administration responsible for the design and implementation of state policy on environmental protection and utilization of the renewable resources that the state possesses.

<sup>43</sup> The Electricity Regulatory Authority is (once more same with their neighbouring state) in charge for the purpose of licensing, authorizing new investment or setting tariffs; and the members are appointed by the Parliament. What is different concerning the post-social legacy in Albania is the establishment of other centres that are missing in Kosova: the National Resource Energy (that includes Petroleum, Gas, and Oil Institute)<sup>44</sup> and the Energy Efficiency Centre.

The country generates the power mainly from the hydro plants; the three plants from Drini River (Fierza, Vau i Dejes, Komani) represent 80 % of the country's installed

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<sup>41</sup> See the World Bank (2011)

<sup>42</sup> See the IEA (2008)

<sup>43</sup> Ministry of Energy and Mining, Government of Albania (2011) . Available at <http://www.moe.gov.al/> last accessed June 03, 2011.

<sup>44</sup> Ibid

capacity.<sup>45</sup> The average age of two first plants is over 35 years, and the last one, Komani, was built in 1985.<sup>46</sup>

## Energy sector snapshot

**Table 8 Main energy data**

Country	TPES	Domestic production	Imports	Exports	Import dependency %	Total final consumption
Albania	2.4	1.2	1.2	0	51	2.1

\*Source: UNDP, IMF, IEA, OECD, Government of Albania.

Government goals for the reform and integration of the energy sector are vested in the program for European Integration. Deputy Prime Minister Edmond Haxhinasto on the International Energy Forum (2011) confirmed Albania's main goal to integrate the energy system with the regional and European system, as states in the Treaty of the Energy Community.<sup>47</sup> According to IEA (2008) publication Albania, unlike Kosova, not only that suffers from administrative understaffing but also lack the quality. Similarities from the past administration are the same for both countries, obstacles that hinder the effective implementation of the Energy Strategy. Albania is also highly energy dependent; due to the unfavorable season conditions, lately with severe drought, the state had to seek energy from abroad. In comparison with Kosova, where the pollution has been increasing dramatically, in Albania since the year 1990 the pollution rate has declined for 26%.<sup>48</sup>

<sup>45</sup> Austrian Energy Agency (2006) *Sector Review Energy Albania*. pp. 1 - 87. Available at [http://www.aidharmonisation.org.al/skedaret/1151910449-Sector\\_Review\\_Energy\\_Albania\\_2006.pdf](http://www.aidharmonisation.org.al/skedaret/1151910449-Sector_Review_Energy_Albania_2006.pdf) last accessed June 03, 2011.

<sup>46</sup> Ibid

<sup>47</sup> Ministry of Foreign Affairs, Government of Albania (2011). Available at [http://www.mfa.gov.al/index.php?option=com\\_content&view=article&id=7626%3Azhvokryeministri-dhe-ministri-i-puneve-te-jashtme-z-edmond-haxhinasto-mori-pjese-ne-forumin-nderkombetar-te-energjise&catid=112%3Alajme&lang=en](http://www.mfa.gov.al/index.php?option=com_content&view=article&id=7626%3Azhvokryeministri-dhe-ministri-i-puneve-te-jashtme-z-edmond-haxhinasto-mori-pjese-ne-forumin-nderkombetar-te-energjise&catid=112%3Alajme&lang=en) last accessed June 09, 2009

<sup>48</sup> See IEA (2008)

Albania has also signed the Treaty on the Energy Community (2005). In addition, in 2001, signed and ratified the Aarhus Convention.<sup>49</sup> Unlike Kosovo, Albania has ratified and accepted its obligations under the Kyoto Protocol.<sup>50</sup> The following table demonstrates the current progress of legislation approximation with the EU *acquis*:

**Table 9 Approximation level with EU legislation**

Albania	No progress	Under development	Being implemented
National Environmental Plan			X
Air quality		X	
Solid waste and waste water management		X	
Nature protection		X	
Industrial pollution/ risk management		X	
Water quality		X	
Soil quality		X	

Source: Government of Albania (2010) Implementation of the National Plan for EU *acquis* approximation<sup>51</sup>

One of the key issues remaining in the process of Europeanizing the public energy administration and energy policy administration understaffing.<sup>52</sup> From the functional reviews horizontally and vertically conducted in Albania in 2006 included the process of downsizing the public administration from 17 ministries to 14.<sup>53</sup> The downsizing has not been completed properly, leaving some sectors with few or unqualified staff. This as a result has created

<sup>49</sup> Regional Environmental Center for Central and Eastern Europe (2006) *The transposition of the Aarhus Convention in the legislation of Kosovo*. Pp. 1 - 37. Available at <http://kos.rec.org/english/pdf/ReportEng.pdf> last accessed June 09, 2009

<sup>50</sup> Food and Agriculture Organization of the UN (2011) *Country Profile Albania*. Available at <http://www.fao.org/docrep/014/k9589e/k9589e03.pdf> last accessed June 09, 2009

<sup>51</sup> Government of Albania (2010) Implementation of the National Plan for EU *acquis* approximation. Available at <http://www.moe.gov.al/en/ftp%20upload/legislation/public/Draft%20Law%20on%20Water%20Management.pdf> last accessed June 09, 2011.

<sup>52</sup> See IEA (2008)

<sup>53</sup> Selenica, B. (2006) *Aspects of Reforming Public Administration in Albania*. Ministry of Public Administration of Albania. Pp. 1 - 8. Available at [http://www.kpolykentro.gr/export/sites/polykentro/en/events/conferences/Documents/Paper\\_Albania.pdf](http://www.kpolykentro.gr/export/sites/polykentro/en/events/conferences/Documents/Paper_Albania.pdf) last accessed June 03, 2011.

obstacles for the government to effectively and durably implement the national Energy Strategy and manage regulation.<sup>54</sup>

### 3.3. CROATIA

#### Introduction

Even though it belonged to the same administrative system with former republics of Yugoslavia, Croatia is the country that has showed the most significant progress in energy sector. Throughout the years it has showed serious devotion to fulfill the Energy Community Treaty requirements, by adopting regularly energy policies and particularly by founding a solid market-based regulatory framework that is largely in line with EU *acquis*.<sup>55</sup>

**Table 10 Main economic data**

Country	Population million	GDP billion USD	GDP PPP billion USD	GDP per Capita USD	Rate growth of GDP %	Unemployment %
Croatia	4.44	23.16	51.55	11600	4.3	13

\*Source: UNDP, IMF, IEA, OECD, Government of Croatia.

Following the institutional set-up, responsibility for the energy sector lies on the Ministry of Economy, Labour, and Entrepreneurship; the Ministry of Environmental Protection, Physical Planning and Construction is being consulted on environmental matters and renewable energy utilization; the Parliaments responsibility being the same as in two former countries to pass primary legislation on energy. Another similar institution is the Energy Regulatory Agency. Croatia and Albania, apart from Kosova, possess their Energy Efficiency Fund; nevertheless difference exists because Croatia not only that has a particular fund for the energy efficiency but also for environmental protection as well as the Energy Research and Environmental Protection Institute. Furthermore, it has a particular institute only for energy policy known as Energy Institute Hrvoje Pozvar.

<sup>54</sup> See IEA (2008)

<sup>55</sup> See IEA (2008)

Croatia gets its energy primarily from the operational hydro power plants located in the coastal areas of Dubrovnik, Senj, Vidonol and Zakucac; whereas the rest of the power is generated from two thermal powers in Plomin and Rjeka based mainly on fuel oil and extra light oil.<sup>56</sup>

Key issue for the Europeanization of the energy public administration and public policy remains the lack of human resources in the governmental bodies, same as in Albania. This in turn has created obstacles to effective and durable implementation of the national Energy Strategy and regulations.<sup>57</sup>

### Energy sector snapshot

**Table 11 Main energy data**

Country	TPES	Domestic production	Imports	Exports	Import dependency %	Total final consumption
Croatia	8.9	3.8	7.8	2.6	58	7.1

\*Source: UNDP, IMF, IEA, OECD, Government of Croatia.

Refer to the progress report of the EU on energy legislation approximation with EU *acquis*, there is a green light showing the fulfillment of the conditions. Hence Croatia is soon closing the chapter of negotiations with the EU and expecting the near future membership. Croatia should serve as a role model for other countries in completion of the Europeanization process successfully. According to the Ministry of Labor, Economy and Entrepreneurship there are further obligations that the country must fulfill in the future,

<sup>56</sup> Croatian transmission system operator company HEP (2011) *Croatian Power System*. Available at <http://www.hep.hr/ops/en/hees/present.aspx> last accessed June 09, 2011

<sup>57</sup> See IEA (2008).

such as implementation of third legislative package on EU electricity and gas markets in domestic legislation, etc.<sup>58</sup>

Croatia, same as the two previous countries, has signed the Energy Community Treaty. Similar to Albania, it has ratified the Aarhus Convention and has also ratified the Kyoto Protocol. The following table demonstrates the current progress of legislation approximation with the EU acquis:

**Table 12 Approximation level with EU legislation**

Croatia	No progress	Under development	Being implemented
National Environmental Plan			X
Air quality			X
Solid waste and waste water management			X
Nature protection			X
Industrial pollution/ risk management			X
Water quality			X
Soil quality			X

Source: Government of Croatia (2010) *Croatia's energy sector preparation for the EU*<sup>59</sup>

<sup>58</sup> Celic, K (2009) *Croatia's Energy Sector preparation for the EU*. [http://www.mas.bg.ac.rs/kalendar/kongresi/Energy\\_articles/Kristina\\_Celic\\_Ministry\\_of\\_Economy\\_Labour\\_and\\_Entrepreneurship\\_Croatia.pdf](http://www.mas.bg.ac.rs/kalendar/kongresi/Energy_articles/Kristina_Celic_Ministry_of_Economy_Labour_and_Entrepreneurship_Croatia.pdf) last accessed June 09, 2011

<sup>59</sup> See Celic, K (2009)



## CONCLUSION

Reforming the energy public administration and public policy requires the transposition of the *acquis communautaire* into the domestic paradigm. This process affects all domestic sectors including economic, institutional and ideational. There are various factors that either help or impede the proper downloading of EU policies and institutions. Europeanization has affected the reforms of the energy policy significantly.

This thesis answered the research question and provided evidence as to what extent the process of Europeanization can elucidate variation in the reform of energy policies, while some countries have been reformed and some are still struggling and lagging behind. To explain the outcome of the reform of energy policies, as a dependent variable, two main independent variables have been utilized. The first one is Europeanization, the domestic impact of Europe, and the second one is the post social legacy, the path dependency that exists concerning the public administration set-up and policy development, in particular in the former Yugoslav Republics.

The two hypothesis of the thesis have been confirmed. The EU membership aim has creates significant transformations of energy policy and institutions in Balkan domestic prospects. Europeanization has served as a link between the reform and integration by offering the opportunity to construct sustainable and efficient energy sectors in the Western Balkans. Simultaneously, the public administrations of the countries in the Western Balkans share a commonality of the institutional path dependency related to the institutional set-up and policy development made in the past that makes them comparable to measure the effect of outcome.

Depending on the level of transformation, in order to understand why some countries reformed and some not have of the energy policies, time factor is described to have an important role. Croatia has been almost completely transformed for eleven years now and gained the status of the candidate country, and Albania is in the stage of absorption and waiting to receive the application for accession. Whereas the last one Kosova is still absorbing Europeanization but has reached no significant signs of actual transformation due to the newly established public administration. Besides Europeanization, the other independent variable of this policy study is the post-social legacy encompassing political institutional capacity and policy legacies, which were similar in essence a decade ago but have transformed during the recent years.

In addition, this policy oriented study aiming to provide an insight on the energy policies across these seven states of the Western Balkans, proved that Europeanization has affected in various manners the reform of the energy policies. First of all, the EU bureaucrats have confirmed the Balkan's EU perspective and at the same time have promoted this approach by keeping it outside the institutional nucleus of the EU. There have been different treatments for countries that have led to unequal results. The EU's attitude toward the non member states has not been constant. In 2010 Croatia was included in the white schengen area, whereas Kosova and Albania were left aside. The more incentives countries received, the faster and stronger was the transformation of the domestic policy institutions.

Furthermore, this thesis based on the information gathered and analyzed, has the potential to make a meaningful contribution to the gap in the body of literature on the

impact of the Europeanization in the reform and integration of energy domestic policies and public institutions of the Western Balkans. For methodology purposes, three countries have been selected that represent the model of most - similar cases. Kosova, Albania, and Croatia differ in outcome (reform of energy policies), but that possess similar factors contributing to this outcome (Europeanization and post-social legacy). Countries have proved that have the Europeanization capacity and demonstrated the ultimate aspiration to join the EU. However, the Europeanization of Kosova and Albania will require longer time and constant support from the EU. Reason for that is the post social legacy that varies through countries.

Finally, the Balkans in the EU is a win - win situation for both Western Balkans countries and for the EU Member States. EU's primary goal is Europeanization, to export the body of rules and foundations of the common institutional set-up to non-member states. Second, through Europeanization of the national governments, the EU seeks to strengthen regional cooperation and integration in the energy sector by establishing the Energy Community and by ensuring that countries are fulfilling their obligations in the process of acquiring EU membership. Furthermore, as explained the EU's interest is threefold; through regional integration of the energy market the EU ensures the energy supply.

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