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Analysis of the Effects of the EU Official Development Assistance to the Western Balkans

Анализа ефеката званичне развојне помоћи Европске уније на Западном Балкану

Summary

Official development assistance (ODA) implies the movement of capital with a minimum of one quarter of grant. It was established in the second half of the previous century, with the aim of getting developed countries to set aside a part of their gross domestic product (GDP) as an aid intended for developing countries. In the European Union, development assistance implies a policy which was established at the very beginning of the integration process, but it was not until the Treaty on the European Union was signed that it obtained its legal basis. Today, the European Union is a key partner of developing countries, and together with member states it ensures more than a half of the ODA assets. The countries of the Western Balkans are categorized among the developing countries and receive aid via loans and grants from developed countries and international institutions. The European Union's support is divided into the aid intended for the countries that are in the process of accession and the aid which is meant for other, less-developed countries. The distinction between these two forms of assistance is very difficult, because the character of the support changes in the course of accession process. The scientific problem that this paper deals with pertains to identification of the intensity of the European Union Official Development Assistance and the level of development of the Western Bal-

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kans. The assets of the European Union's assistance to the region of the Western Balkans are necessary, yet not sufficient for achieving a higher level of development and the European standards in all directions.

Keywords: Official Development Assistance, the European Union, the Western Balkans, economic development.

Резиме

Званична помоћ за развој (ODA) подразумејева креирање капиталне са минимално четири процентом дефинисаних средстава. Настала је у другој половини прошлог вијека, са циљем да развијене земље издвајају дио бруто домаће производње (БДП) као помоћ, усмјерену земљама у развоју. У Европској унији, помоћ за развој подразумејева политику, која је успостављена од самог почетка интеграционог процеса, али је тек Уговором о Европској унији добила свој правни основ. Данас је Европска унија главни партнер земаља у развоју, а са државама чланицама заједно осигурава више од половине ODA средстава. Земље Западне Балкана се сврставају у земље у развоју и примају помоћ путем zajmova и грантова од развијених земаља и међународних институција. Подршка Европске уније се разликује на помоћ земаљама у процесу придруживања, и ону која иде другим мање развијеним земљама. Дистинкција између ова два облика помоћи је јако јасна, јер се мијења карактер поддршке током процеса придруживања. Научни проблем којим се бави овај рад се односи на идентификовање индустријелних везаности званичне развојне помоћи Европске уније и нивоа развоја Западне Балкана. Средства помоћи Европске уније региону Западне Балкана су потребна, али не и довољна за достизање вишег нивоа развоја и европских стандарда у свим правцима.

Кључне ријечи: Званична развојна помоћ, Европска унија, Западне Балкан, економски развој.

Introduction

Official Development Assistance - ODA implies an official movement of capital with a minimum of 25% of grant. It emerged in the second half of the 20th century, with the aim of getting the developed countries to set aside 0.7% of their annual GDP and to direct this amount as an aid to developing countries. Even though this programme has caught up, the countries that have achieved the set goal are rare. The assistance programme is administered by OECD. The OECD

Development Assistance Committee (DAC) defines the official development assistance as assets that are given to the countries and regions found on the list of the countries that are recipients of the development assistance (the DAC list). DAC has 29 members: Australia, Canada, Island, Japan, South Korea, New Zealand, Norway, Switzerland, USA, and 19 member states of the European Union and the EU. Two member states of the EU (Estonia and Hungary) are not members of the DAC, but they are members of the OECD, whereas seven members (Bulgaria, Croatia, Cyprus, Latvia, Lithuania, Malta and Romania) are members neither of the OECD nor of the DAC.

At the beginning of the ODA programme (1960), developed countries set aside about 36 billion dollars (according to prices from 2009), which comprised about 0.5% of the donor countries' GDP. The target value of the assistance is set at 0.7% of the DAC member states' GDP. The aim was not realized until 2015. The current average of the ODA aid amounts to 0.3% of the donor countries' GDP. The lowest relative amount of donations up to now was registered in 1997, when it amounted to 0.22% of the DAC member countries' GDP.

The total amount of aid from the European Union institutions pertains to donations from the budget and the European Development Fund. Also included in the structure of the EU assistance is the European Investment Bank, which is active in more than 150 countries outside the EU, and provides long-term financing with the aim of providing support to the goals of external cooperation and development.

The countries of the Western Balkans are categorized among developing countries and receive aid in the form of loans and grants from developed countries and international institutions. Given the European aspirations of these countries, the subject of this paper is to evaluate the effect of the European Union's aid on the Western Balkans. The European aid depends on each country's capacity to use it. The paper focuses on the connection of the official development assistance of the EU and the development of the Western Balkans, with the aim of achieving greater level of economic development. The principal scientific problem of the paper is identification of connection of the European Union Official Development Assistance and the level of development of the Western Balkans.

1. Official Development Assistance in the European Union

In the European Union, the development assistance implies a policy established at the beginning of the integration process, but it was not until the Treaty on the European Union was signed (1992/1993) that it obtained its legal basis. The policy is implemented via bilateral and regional agreements, as well as through programmes for certain sectors (Baldwin, R., Wyplosz, Ch., 2012). The first ben-

eficiaries of the development assistance were overseas countries and remote territories of member states. Along with expansion, the cooperation was extended onto other countries too, such as African, Caribbean and Pacific countries, as well as the countries of Latin America and Asia (Bjelić, P., 2003). The development assistance includes cooperation with international institutions, as well as participation of the EU and member states. Today, the EU is a key partner to developing countries, and together with member states it ensures 55% of international development assistance.

The official development assistance of the EU institutions comes from the following: the EU budget (about 70%) and the European Development Fund (EDF – around 30%). The EU has a limited number of financial instruments that cover various geographic and thematic budgetary lines, adjusted to each geographical area and policies (Popović, G., 2016). The budgetary framework is complex, with instruments that are managed by general directorates dealing with external aid (EuropeAid, ELARGE and ECHO).

The EU institutions manage a significant scope of the total official development assistance (ODA). The level of the official development assistance that is directed by the EU institutions is determined by the perennial financial framework. In the period from 2007 to 2013, the ODA framework was defined in the budget under the name *The EU as a global partner*, and it participated with 5.7% in the total financial framework. The commission actualized the perennial financial framework for the period 2014-2020. The budget for these intents and purposes pertains to nine geographical and thematic instruments, which is accompanied by the common Provision on Implementation. The total amount for the stated nine instruments is 96.25 billion Euros for the whole programme period. The planned amount makes an increase of around 25% and participates in the EU budget with about 6.8% (excluding EDF).

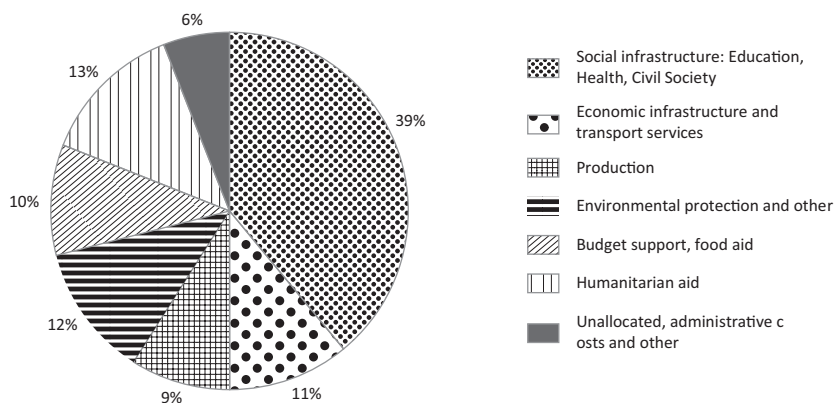
The EU institutions are significant donors to a huge number of countries (among 5 greatest donors in 121 countries, and among 3 greatest donors in 75 countries). This is a significantly wider coverage than the programmes of development assistance of the member states have, respectively.

In 2013 the EU institutions granted 15.9 billion dollars of the official development assistance, which is a fall of 13.1% in relation to 2012. In the period of 2002-2012, the assistance grew continuously, in order to reach even 17.5 billion dollars in 2012.

Data of the Committee for Development Assistance (OECD/DAC) show that the official development assistance of the EU increased in 2014 by 2.4%, to 58.2 billion Euros. The total aid of 28 EU member states rose from 54 billion Euros in 2013 to 56.1 billion in 2014 (which represents the participation of 0.41% of the GDP). The amount of 58.2 billion Euros is calculated by adding the official as-

sistance of the EIB. Share of the development assistance in the EU GDP is greater than in other members of OECD, where the average is 0.28% of the GDP. Despite almost twofold increase of the development assistance of the EU since 2002, the Union did not fulfil the envisaged plan (0.7% of the GDP) until the end of 2015. Four members of the EU exceed the targeted share of the development assistance in GDP: Sweden (1.10%), Luxemburg (1.07%), Denmark (0.85%) and Great Britain (0.71%).

When it comes to the division of the assistance of the EU institutions across sectors, the greatest share is taken by the social infrastructure and services sector (39% in 2013) and it absolutely amounts to 3.521 million Euros. The most important subsector is the government and the civil society. The economic infrastructure and transport services make up for 20% (around 1.700 million Euros) and the humanitarian aid for 15%. The EU gives around 10% directly to governments as the budgetary support.

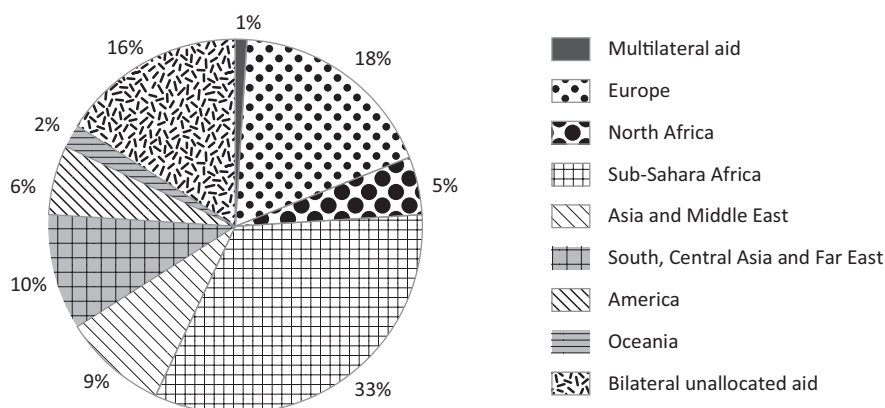


Graph 1. Sector division of the official assistance of the EU institutions (2013).

Source: OECD, 2014.

Graph 2 shows regional division of aid from the EU institutions for 2013, of which more than a half is directed to Eastern Europe and Sub-Sahara Africa. In 2012, 5.6 billion dollars was set aside for Eastern Europe and 5 billion dollars for Sub-Sahara Africa. Around 49% of bilateral aid by ODA was given to the first ten recipients. The European Commission has special agreements and instruments with Africa, Caribbean and Pacific countries, as well as with European countries in the accession phase. Official development assistance awarded to the countries with mean income has increased significantly in the last several years (6.8 billion dollars in 2012) as a part of the bilateral ODA too (38% in 2012). This is mainly due to instruments for the pre-accession aid with European countries. Three

countries in the accession process (Turkey, BiH, Serbia) are among 10 greatest recipients of the EU institution aid in 2014.



Graph 2. Regional division of the official development assistance of the EU institutions, 2013. Source: OECD, 2014.

2. Official development assistance to the Western Balkan countries

The Western Balkans countries receive aid via loans and grants from developed countries and international institutions. However, one should differentiate the support in the accession process and the one coming from other regions of the world. The distinction between these aspects is complex, because the character of the support changes in the process of accession: from the first stages (partnership), over the first contractual relationship (the Agreement on Stabilization and Accession), to the status of a candidate and negotiations on membership. This process is initially accompanied by the goals of the development assistance for less developed countries, so they could blend with the cohesive policy of the EU upon accession through several stages. Thus, if some of the pre-accession countries received aid in the previous years, which was led by the development needs, in the following stages the European aid would be more strongly bound to the accession process. The EU aid to the countries that find themselves in the accession process is divided into two periods:

- The period in which the country has the status of a potential candidate for accessing the EU. In that period, the aim of the aid is to support the process of transition of the economic and social development;
- The period covers negotiations on accession, when the country officially becomes a candidate. In this period, the EU's aid to the economic and social development is directed more to the preparation for the implementation of

cohesive policy. The aim of pre-accession financial aid is an easier integration of the candidate country to the EU;

The content and manner of providing aid depends on the status of the country in the accession process. Priorities stem from the accession process. The aid is directed by the principles of greater decentralization and responsibility of the future member states. Decentralization of management implies the transfer of responsibility from the European institutions to the candidate country.

What follows is a presentation of the total ODA of these countries, as well as the aggregate aid for the complete region in the period 2005-2014. What will be presented thereby is the total development assistance, as well as the participation of the European Union in ODA (the institutions and member states collectively).

Serbia is the greatest recipient of the development assistance on the Western Balkans and among the ten greatest recipients in the last ten years in the world. The total official development assistance in the form of grants and loans by developed countries and international institutions, which was allocated to Serbia, amounts to 9.95 billion Euros. More than three quarters of these assets were allocated from the EU (7.73 billion Euros). Serbia is followed by Bosnia and Herzegovina, which absorbed 5.1 billion Euros in the observed period. Comparing the initial and final year, what can be noticed is an increase of the official development assistance by 97% (471 million Euros). The assistance in 2014 is significantly greater due to the remediation of the consequences of the catastrophic floods. The EU participated with 3.5 billion Euros of development assistance in the observed period, which is around 68% of the total aid for Bosnia and Herzegovina. Croatia is the smallest recipient of the official development assistance. For the whole period in question, only 1.21 billion Euros was allocated to this country. By far the greatest donor in Croatia is the EU with 89% of the total ODA assets. It should be pointed out that his country has not received the official development assistance from developed countries and international assistance since 2011, because it has been classified as a developed country according to the development parameters (having been an EU member from the middle of 2013).

It can be seen from the data that the total allocated assistance for a ten-year period is over 22 billion Euros, as well as that the EU's participation in the aid for this region is 75%. This significant participation of the Union in the total aid shows the interest of member states, but also common institutions, to develop this region and achieve the level of the world's developed countries.

Table 1.*Official development assistance, 2005-2014 (millions of Euros)*

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Albania	EU aid*	217	299	151	202	159	319	230	185	158	186	2.105
	Total**	357	409	230	391	208	382	339	221	254	253	3.044
BiH	EU aid	325	289	219	263	247	306	321	429	433	637	3.468
	Total	483	442	342	397	392	489	462	559	583	954	5.104
Croatia	EU aid	143	156	179	251	173	179	-	-	-	-	1.080
	Total	188	193	196	263	180	190	-	-	-	-	1.211
Macedonia	EU aid	111	107	92	105	120	145	167	336	137	220	1.540
	Total	185	188	135	149	154	214	216	375	189	291	2.094
Montenegro	EU aid	0	56	52	63	77	48	52	68	181	121	719
	Total	5	78	80	79	89	83	65	82	192	131	884
Serbia	EU aid	922	1.149	495	844	292	427	1.264	1.077	826	437	7.733
	Total	1.435	1.503	714	1.178	366	530	1.578	1.164	891	588	9.946
WB	EU aid	1.717	2.056	1.188	1.727	1.068	1.424	2.035	2.095	1.734	1.601	16.644
	Total	2.653	2.813	1.698	2.456	1.389	1.888	2.660	2.401	2.110	2.216	22.283

Source: OECD, 2016. Taken from and adjusted on 8 March 2016, from: <http://stats.oecd.org/Index.aspx?DataSetCode=CRS1#>

** Total development assistance * Total assistance received from the European Union

3. Analysis of the selected indicators of development for the Western Balkan countries

The Western Balkan countries have been facing structural problems, especially after the crisis in 2008 (Bartlett, W., Prica, I., 2012). After a long period of time, the accumulated problems have become unsustainable. Some of them are the following: greater domestic consumption from production (consumption financed by foreign savings and investments), increase in the current account deficit, high unemployment rate, insufficiently restructured companies and inadequate structural changes. The model of development was based on fast financial and commercial opening of countries, credit expansion and dependence on foreign capital (Krugman, P., 2012). The development of the Western Balkans was less successful than that of Central and Eastern Europe a decade earlier (Estrin, S., Uvalic, M., 2013). Apart from the integration of the Balkan countries into the EU and the global economy, and the growth of foreign trade, these countries had growing trade deficits due to insufficient competitiveness on the world market (Sanfey, P., Zeh, S., 2012). The situation on the labour market is unsatisfactory. Most countries have extremely high rates of unemployment and non-formal economy, the greatest ones in Europe being Bosnia and Herzegovina (28%), Kosovo (45%), Macedonia (31%) and Serbia (23%).

3.1. Analysis of gross domestic product

The Western Balkan countries in the period of 2005-2014 had an average growth rate of about 2.5%. This indicator was the worst in 2009, when GDP in the region was reduced by 2.8%. The countries of this region are facing the deepest economic recession after the disintegration of the SFR Yugoslavia. The crisis was felt even in 2010, 2011 and 2012. The most pronounced fall of GDP was recorded in Croatia (6.9%). It was only Albania that did not have negative growth rates (average growth of 3.9%), while the average growth of the region of 2.5% was mainly the consequence of a low level of economic development of the Western Balkan countries.

Table 2.
Real Growth of GDP (%)

Year	Albania	BiH	Croatia	Macedonia	Montenegro	Serbia	Average
2005	5,5	5	4,3	4,4	4,2	5,4	4,8
2006	5,0	6,2	4,9	5	8,6	3,6	5,6
2007	5,9	6,8	5,1	6,1	10,7	5,4	6,7
2008	7,7	5,4	2,1	5	6,9	3,8	5,2
2009	3,3	-2,9	-6,9	-0,9	-5,7	-3,5	-2,8
2010	3,5	0,7	-1,4	2,9	2,5	1	1,5
2011	3,0	1,3	-0,9	2,8	3,2	1,6	1,8
2012	1,6	-0,7	-2	-0,3	-0,5	-1,7	-0,6
2013	1,1	0,8	-1,1	2,7	3,5	2,6	1,6
2014	2,2	2,5	-0,4	3,8	1,8	-1,8	1,4
Average	3,9	2,5	0,4	3,2	3,5	1,6	2,5

Source: World economic outlook, World development indicators, 2015. Taken over and adjusted on 8 January 2016, from: <http://www.imf.org/external/datamapper/index.php> and <http://data.world-bank.org/indicator/NE.TRD.GNFS.ZS>

GDP per capita for the countries of the Western Balkans (on the basis of the parity of buying powers) amounts to 38% of the European Union average. Bosnia and Herzegovina has the lowest GDP per capita with 27% of the EU average, then Albania with 31%, Serbia and Macedonia with 36.3%, and Montenegro with 41% of the average (for 2014). Croatian GDP per capita amounts to 57% of the EU 28 average.

Table 3.
GDP per capita, 2005-2014, PPP, (Euro)

Year	Albania	BiH	Croatia	Macedonia	Montenegro	Serbia	WB Average	EU Average	WB/ EU %
2005	5.446	5.848	14.995	7.397	8.386	8.013	8.347	25.011	33%
2006	5.331	5.695	14.471	7.148	8.389	7.776	8.135	23.802	34%
2007	5.252	5.569	14.034	7.005	8.558	7.621	8.006	22.577	35%
2008	6.060	6.259	15.231	7.841	9.707	8.572	8.945	24.079	37%
2009	6.241	6.018	13.940	7.693	9.012	8.227	8.522	22.649	38%
2010	7.108	6.613	14.951	8.630	10.026	9.037	9.394	25.087	37%
2011	7.780	7.069	15.792	9.324	10.920	9.764	10.108	26.970	37%
2012	7.908	6.931	15.350	9.184	10.523	9.622	9.920	26.555	37%
2013	7.933	6.967	14.917	9.220	10.631	9.714	9.897	26.014	38%
2014	9.337	8.108	17.170	10.982	12.381	10.966	11.491	30.220	38%

Source: World economic outlook, World development indicators, 2015. Taken over and adjusted on 8 January 2016, from: <http://www.imf.org/external/datamapper/index.php> and <http://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

3.1.1. Regressive analysis of the connection between official development assistance and GDP per capita in the Western Balkans

What follows is the analysis of the impact of the official assistance development from the EU (ODA EU) on GDP per capita in the Western Balkans. A simple linear regressive analysis, in which the dependent variable is the average GDP per capita in the countries of the Western Balkans and the explanatory variable is the value of the official development assistance from the European Union in the Western Balkans in the period from 2005-2014, was used for the purpose of the evaluation. The official development assistance from the EU was obtained as the sum of the aid from EU institutions and direct aid of EU member states. For the purposes of the regressive analysis, add-ons in the programmes Excel, Data analysis, as well as the specially installed NUM XL, were used.

Results of the regressive analysis are presented in the following table and the graph. In the first section of the lower table there are the summed data on the connection between the dependent and predictor variable, and they show an extremely weak mutual alignment (the correlation coefficient of 0.28). The determination coefficient ($R^2 = 0,08$) shows that only 8% of the variation in the GDP per capita is explained by the changes of the official development assistance variable, which, in the sense of the quality of the model, cannot be assessed as statistically acceptable.

In the second section of the lower table the analysis of variance (ANOVA) is presented, in which the values of regression and statistical significance of sum-

mative regressive result are presented by means of F test. The test result shows the assessed significance of 42.62%, which is markedly above the cut-off 5% of acceptability. It can be concluded that the official development assistance is not significant for the movement of GDP per capita for the Western Balkans. The same conclusion can also be made on the basis of *t* statistics and the calculated probability in the third section of the observed table, whereby it can be noticed that the direction of connection is positive (Graph 3). The assessed regressive equation, which is also presented in the graph, runs as follows:

$$y = 0,8801 x + 7811.7$$

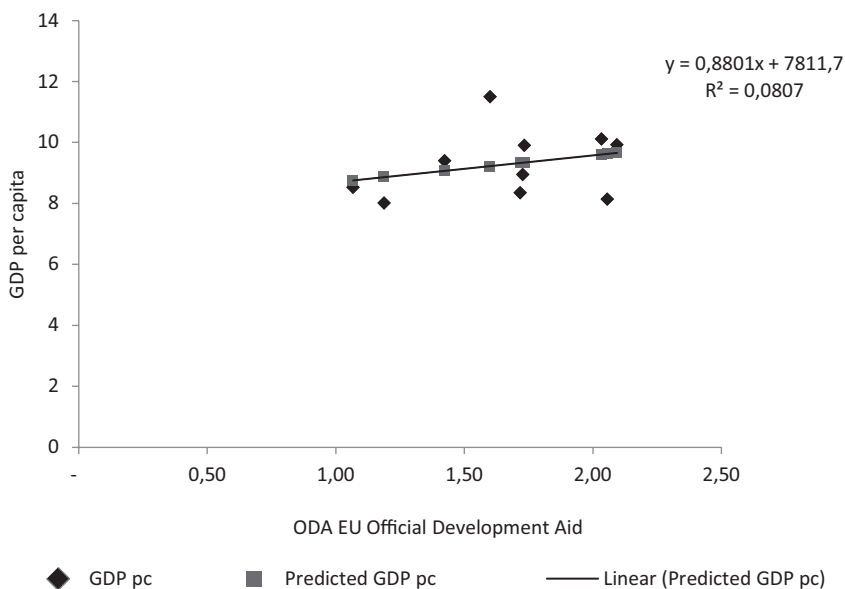
which means that an increase of the official development assistance for 1 unit has an impact on GDP per capita of around 0.88 units, though with an insignificant impact of the predictor variable.

Results of a simple linear regression indicate that the official development assistance from the EU has positive, yet statistically insignificant impact on the movement of GDP per capita in the Western Balkans (for the period 2005-2014). This conclusion is also indicated by the analysis from the graph, in which the real data of GDP per capita are significantly dispersed and diverge from the estimated (regressive values) at the impact of the explanatory variable (ODA EU).

Table 4.

Results of the regressive analysis of GDP per capita (dependent variable), ODA EU (explanatory variable)

Summative regressive result					
<i>Regressive statistics</i>					
Correlation (R)		0.28			
R ² - Determination Coefficient		0.08			
Corrected R ²		-0.03			
Standard mistake		1118			
Number of observations		10			
ANOVA- Variance analysis					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	876951	876951.1	0.702144	0.426388498
Residual	8	9991695	1248962		
Total	9	10868647			
Statistical significance and the value of parameters in the model					
	<i>Parameter</i>	<i>Standard error</i>	<i>t Stat</i>	<i>P-value</i>	
Constant	7811.66161	1783.506505	4.379946	0.002349	
ODA EU	0.88008847	1.050299696	0.83794	0.426388	



Graph 3. Ratio of GDP per capita (thousands of euros) and ODA EU (billions of euros)

3.2. Analysis of employment

Conditions on the labour markets of the six Western Balkan countries are similar and unfavourable. The employment rate (the relation of the average number of the employed in relation to the total work-capable population) in these countries amounted to 46% in 2012, in comparison with 64% in the euro zone and 63% among new EU member states. This indicator reflects low rates of activity² and high rates of unemployment (Table no. 5). There are certain differences between these countries in the movement trend and the level of unemployment. Only in Macedonia there is a noticeable reduction of unemployment, from 37.3% to 27.9%. Unemployment is a socio-economic problem of all the countries of the Western Balkans. It is significantly higher than the average unemployment rate in the EU. The problem is even more expressed if it is compared with the developed members of the Union or with the developed countries of the world.

² The activity rate is defined as the share of the employed or those who are searching for job in the total work-capable population.

Table 5
Unemployment rate in the WB countries, 2005-2014

Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania	12.50	12.40	13.50	13.00	13.80	14.20	14.00	13.90	16.00	16.10
BiH	26.00	31.80	29.70	23.90	24.10	27.20	27.60	28.10	27.40	27.90
Croatia	12.60	11.10	9.60	8.40	9.10	11.80	13.40	15.80	17.30	16.70
Macedonia	37.30	36.00	34.90	33.80	32.20	32.00	31.40	31.00	29.00	27.90
Montenegro	19.50	18.20	19.40	16.80	19.10	19.70	19.70	19.60	19.50	19.10
Serbia	20.80	20.80	18.10	13.60	16.60	19.20	23.00	23.90	22.10	22.20
WB Average	21.45	21.72	20.87	18.25	19.15	20.68	21.52	22.05	21.88	21.65

Source: World Bank, 2015. Taken over and adjusted on 12 January 2016, from: <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS/countries?display=default>

The following table presents the number of employed people in the period 2005-2014. The number of the employed is reduced by more than 200,000. In Albania, the number of the employed increased by about 100,000, in Macedonia by about 140,000, in Bosnia and Herzegovina by about 12,000, and in Montenegro by around 40,000. Two biggest countries, Serbia and Croatia, record a rapid fall in the number of the employed. In 2005, Serbia had about 370,000 more employed people in relation to 2014, and in Croatia, the number of the employed is reduced by about 150,000 (in comparison with 2005). Even though the causes of reduction in the total number of the employed on the Western Balkans are not directly analyzed, it is assumed that the extinction of big companies in the process of transition and privatization resulted in dismissal of a large number of workers.

Table 6.
Total number of the employed, 2005-2014 (thousands)

me	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania	932	935	1,160	1,123	1,198	1,167	1,116	1,117	1,024	1,037
BiH	800	811	850	890	859	843	817	814	822	812
Croatia	1,450	1,426	1,480	1,518	1,457	1,381	1,368	1,337	1,320	1,303
Macedonia	545	570	590	609	630	637	645	650	679	690
Montenegro	173	178	212	221	213	209	196	201	202	216
Serbia	2,069	2,025	2,002	1,999	1,890	1,796	1,746	1,727	1,715	1,697
WB	5,969	5,945	6,294	6,360	6,247	6,033	5,888	5,846	5,762	5,755

Source: Author's calculation on the basis of the data obtained from the national statistical agencies, 2016

3.2.1. Regressive analysis of the connection of the official development assistance and the number of the employed in the Western Balkans

For the purposes of the analysis of the impact of the EU official development assistance on the number of employed people in the Western Balkans, a simple linear regressive analysis was used, in which the dependent variable is the sum of the number of the employed in the Western Balkans by ages, and the explanatory variable is the value of the official development assistance from the EU in the period from 2005 to 2014. The aid from the EU was obtained as the sum of the aid from EU institutions and direct aid from the member states. For the purposes of regressive analysis, add-ons in Excel, Data analysis and specially installed Num XL, were used.

The summative data on the connection between the variables in the first section show weak mutual alignment (the correlation coefficient is 0.58). The determination coefficient ($R^2 = 0.33$) shows that 33% of the variations of the number of the employed is explained by changes in the official development assistance, which in the sense of the model quality cannot be assessed as acceptable.

The second section analyzes the variances (ANOVA), that is, the values of regression and statistical significance of summative regression result by means of the F test. The result is that the assessed significance of 8.1% is above the cut-off 5% acceptability, which is why the development assistance is not significant for the move in the number of the employed in the region of the Western Balkans. The same conclusion can also be made on the basis of t statistics and the calculated probability in the third section of the observed table, whereby the direction of the connection can be noticed as negative. Regressive formula, which is also presented in the graph, runs as follows:

$$y = -357.48 x + 7E+06$$

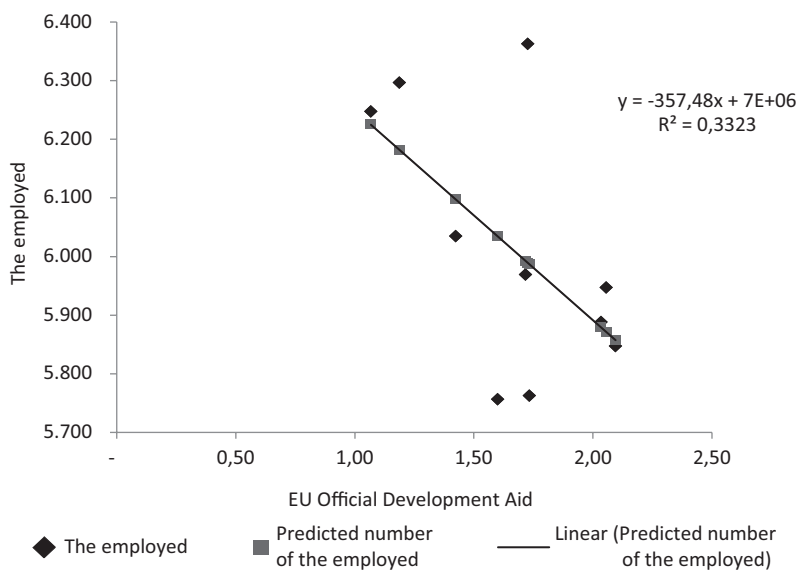
meaning that the increase of the official development assistance by 1 unit would lead to the reduction of about 357 employed people, yet with statistically insignificant effect.

This shows that the official development assistance from the EU does not have multiplicative effect on the growth of the number of the employed in the Western Balkans. It is obvious that EU aid is directed towards the development of the social infrastructure, budgets, aid in food as well as the protection of the environment and combat against the natural disasters, and not on the growth of the employment rate. The conclusion is also the result of the analysis of the graph, in which the number of the employed is significantly dispersed from the estimated (regressive, expected) data at the impact of the explanatory variable (ODA EU).

Table 7.

The results of the regressive analysis (the number of the employed – dependent variable; ODA EU - explanatory variable)

Summative regressive result					
Regression statistics					
Correlation (R)	0.58				
R ² Determination coefficient	0.33				
Corrected R ²	0.25				
Standard error	190615				
Number of observations	10				
ANOVA- Analysis of variances					
	Df	SS	MS	F	Significance F
Regression	1	144688656905	144688656905	3.98	0.081
Residual	8	290673986475	36334248309		
Total	9	435362643380			
Statistical significance and the value of parameter in the model					
	Parameter	Standard error	t Stat	P-value	
Constant	6606106	304199	21.72	0.00000	
ODA EU	-357	179	-2.00	0.08108	



Graph 4. Ratio of the number of employed people (thousands) and ODA EU (billions of euros)

Conclusion

The Western Balkan countries are categorized as developing countries, and receive aid in the form of loans and grants from developed countries, as well as from international institutions. Given the European aspirations of the Western Balkan countries, the paper focuses on the assessment of effects of the EU aid in this region. European aid is available for the countries of the Western Balkans and depends on the capacity of each country to use it. The content and manner of providing aid also depend on the status in the accession process.

The official development assistance in the observed period amounts to over 22 billion Euros, whereby the participation of the EU in the total development assistance in the Western Balkans is 75%. This significant participation of the Union in the total aid to the Western Balkans shows the interest of the member states, but also of the common institutions, for this region to develop. The Western Balkan countries are facing structural and development problems, especially after the emergence of the economic crisis in 2008. Some of those problems are the following: excessive domestic consumption, current account deficits, high unemployment rates, un-restructured companies and inadequate structural changes. The development model was based on financial and commercial opening of the region, credit expansion and dependence on foreign capital. The situation on the labour market is not satisfactory either. Most of the countries have extremely high unemployment rates. Therefore, the primary goal and the aim of political decisions makers in the countries of the region should be to increase the employment rates.

Assessment of the impact of the development assistance on the region of the Western Balkans was made by means of simple regressive analysis. Results of the first part of the regressive analysis show that only 8% changes of the GDP per capita is explained by the official development assistance changes, which cannot be assessed as statistically significant. The conclusion is that the official development assistance is insignificant for the movement of GDP per capita. Therefore, the impact of the official development assistance on the changes of GDP per capita has positive direction, but it is of an extremely weak intensity.

The results in the second part show moderately weak alignment of the total number of the employed in the Western Balkans and the official development assistance from the EU (the correlation coefficient is 0.58). Thereby, only 33% of the variations in the number of the employed is explained by changes in the official development assistance, which cannot be assessed as significant. That means that the official development assistance from the EU does not have an effect on the growth of the employment rate. Even more so, changes in the official development assistance in the analysis show a change in the movement of the number of the employed in the opposite direction. A possible reason for this is the fact that

the official development assistance from the EU is solely directed towards social infrastructure, budgets, aid in food, environment protection, and not towards the sectors that can increase employment.

On the basis of the stated results of the research, it can be concluded that the official development assistance of the European Union is necessary for the region of the Western Balkans, but it is insufficient for a higher level of the economic development. Therefore, mobilisation of own resources and development factors are necessary for faster economic development. What is also recommended is the promotion of regional economic cooperation in all areas, and joint performance on other markets, aimed at achieving better economic results and a higher level of the economic development of the region.

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