



SOUTH EAST EUROPE 2020:
**2020 ANNUAL REPORT
ON IMPLEMENTATION**

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Trg Bosne i Hercegovine 1/V, 71000 Sarajevo

Bosnia and Herzegovina

Tel: +387 33 561 700; Fax: +387 33 561 701

E-mail: rcc@rcc.int

Website: www.rcc.int

Author: Regional Cooperation Council

Editor: Bojana Zoric, RCC

Consulting editor: Maja Handjiska-Trandafilova, RCC

Design: Samir Dedic

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Abbreviations and acronyms:

AEOS	Authorised Economic Operators' Programmes
ALMP	Active Labour Market Policies
ARI	Annual Report on Implementation of SEE 2020
CEFTA	Central European Free Trade Agreement
CERT	Computer Emergency Response Team
CET	Common External Tariff
CESEC	Central and South-Eastern European Gas Connectivity
EC	European Commission
EDIF	Enterprise Development and Innovation Facility
EE	Energy Efficiency
EIB	European Investment Bank
EIS	European Innovation Scoreboard
EnC	Energy Community
ERI SEE	Education Reform Initiative of South Eastern Europe
ERP	Economic Reform Programme
ESAP	Employment and Social Affairs Platform
ETF	European Training Foundation
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GWP-Med	Global Water Partnership Mediterranean
ICT	Information and Communication Technologies
IAs	International Investment Agreements
ITC	International Trade Centre
ITS	Intelligent Transport Systems
IWW	Inland Waterways
JRC	Joint Research Centre
JSPA	Joint Service Provision Area
JWG MRPQ	Joint Working Group on Mutual Recognition of Professional Qualifications
LFS	Labour Force Survey
MNE	Multinational enterprise
M&A	Mergers and Acquisitions
MRA	Mutual Recognition Agreement
MSC	Marie Skłodowska – Curie Programme
NALAS	Network of Associations of Local Authorities of South-East Europe
NEEAP	National Energy Efficiency Action Plan

NRA	National Regulatory Authority
NREAP	National Renewable Energy Action Plan
OECD	Organisation for Economic Cooperation and Development
PECI	Projects of Energy Community Interest
PEM	Pan Euro-Mediterranean Convention
PES	Public Employment Services
PPS	Purchasing Power Standard
R&D	Research and Innovation
RAI	Regional Anti-corruption Initiative
REC	Regional Environmental Centre
RES	Renewable Energy Sources
RESPA	Regional School for Public Administration
RHDC	Regional Development Health Centres
RIF	Regional Innovation Fund
RSPG	Radio Spectrum Policy Group
RWG Env	Regional Working Group on Environment
RWGJ	Regional Working Group on Justice
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SEE 2020	South East Europe 2020 Strategy
SEECCL	South East European Centre for Entrepreneurial Learning
SEEHN	South East Europe Health Network
SEEIC	South East Europe Investment Committee
SEE JTI	South East Europe Judicial Training Institutions Network
SEELS	South East Europe Schools of Law
SEETO	South East Europe Transport Observatory
SES	Single European Sky
SME	Small and Medium-sized Enterprise
SOE	State-Owned Enterprise
SWG RRD	Standing Working Group on Regional Rural Development
TAP	Trans Adriatic Pipeline
TCT	Transport Community Treaty
TEN-E	Trans-European Energy Networks
TEN-T	Trans-European Transport Networks
UNCTAD	United Nations Conference on Trade and Development
UNFCC	United Nations Framework Convention on Climate Change
VET	Vocational Education and Training
WB6	Western Balkans Six
WBIF	Western Balkans Investment Framework
WGI	Worldwide Governance Indicators
WGIP	Working Group on Industrial Policy
WISE	Regional R&D for Innovation Centre

PART I. OVERVIEW

1.1. Introduction and Purpose of the Report

Inspired by the Europe 2020 Strategy, the South East Europe (SEE) 2020 Strategy was adopted by the Ministers of Economy of seven SEE economies on 21 November 2013. With its main objective to boost prosperity and job creation but also to underline the importance of European perspective of Western Balkan economies, SEE 2020 Strategy became the main strategic and practical guiding document for policy-makers at both national and regional level in the Western Balkan region. Strategy's holistic pattern of development, which combines a different set of interlinked pillars, proved to be instrumental impetus and an important driver for triggering socio-economic development in the region and setting out a clear path towards the EU accession process.

From a regional perspective, complementary to the implementation of SEE2020 Strategy, the region has also committed to Multi-Annual Action Plan for a Regional Economic Area (MAP REA), endorsed by the Western Balkan leaders as part of Berlin Process Summit in Trieste in 2017. The obligations put forward in MAP REA aim to boost intra-regional trade, enhance competitiveness and promote investment, facilitate movement of professionals and skilled people, and integrate the region into advanced digitally-driven environment. The implementation of MAP REA measures across four pillars, namely Trade, Investment, Mobility and Digital integration will help integrate the markets into European and global value chains, promote digitisation of the region's economies and tap into vast opportunities of people-to-people potentials.

The importance of MAP REA is reflected in Stabilisation and Association process, where regional cooperation and good neighbourly relations play a crucial role in fulfilment of commitments made at the Western Balkans Summit in Sofia in 2018.

The achievements across MAP REA implementation pillars only strengthened the SEE2020 Strategy's mission and brought together all Western Balkan economies to work towards boosting competitiveness, fostering mobility of skilled people, while at the same time trying to reduce skills mismatch between the market needs and the required skills by increasing capacities to compete as a region, transform the region in an attractive destination for investors, work more closely on implementing the CEFTA agreement and excelling the cooperation in the digital agenda.

The SEE 2020 Strategy continues to be based on a set of interlinked development policy pillars that seek to stimulate long-term drivers of growth, articulated in a shared vision for region's development. The pillars are as follows:

- 1. Integrated Growth:** promotion of regional trade and investment linkages and policies that are non-discriminatory, transparent and predictable;
- 2. Smart Growth:** committing to innovate and compete on value-added rather than labour costs;
- 3. Sustainable Growth:** raising the level of competitiveness in the private sector, development of infrastructure and encouraging greener and more energy-efficient growth;

4. **Inclusive Growth:** placing greater emphasis on developing skills, creating employment, inclusive participation in the labour market and health and wellbeing;
5. **Governance for Growth:** enhancing the capacity of public administration to strengthen the rule of law and reduce corruption, the creation of a business-friendly environment and delivery of public services necessary for economic development.

This year's edition of Annual Report on Implementation (ARI) for 2020 is composed of two parts. Part I provides a summary and a comprehensive overview of the progress achieved throughout the implementation of SEE2020 Strategy. A set of conclusions and recommendations are provided at the end of Part I. Part II contains an analysis of the progress made towards reaching domestic and regional targets set for each of the SEE 2020 growth pillars.

New economic reality in the form of COVID-19 pandemic has set the stage of unprecedented proportions, impacting the economies around the globe. Unlike previously established practice of delivering the report in the first half of the year, ARI was delivered at the end of year 2020. The complexities and challenges which the pandemic crisis brought to national authorities, regional organisations and indispensable partners in the region which took the lead in reporting on the progress impacted the timeline for delivering the report. Due to the shock the pandemic caused, the economies of the Western Balkan region as well as other relevant stakeholders involved in the implementation of SEE 2020 Strategy needed to take immediate contingency measures related to COVID-19 and resuming of their activities for the remaining part of the year to respond to economic and healthcare crisis in their fields. To this end, the data collection across eleven SEE2020 Headline target was prolonged, along with the reporting of the

activities from regional co-ordinators. Finally, the drafting of the report necessitated pulling more efforts of the personnel involved in this process as is usually the case in the context of heightened economic and health difficulties. In light of this, ARI 2020 will reflect the progress in 2019 across 11 headline targets and report on the activities of regional dimension co-ordinators until mid-April 2020. Due to the ongoing situation and remaining challenges coronavirus keeps imposing on our societies, ARI shall also briefly inform on the most important regional dynamics from economic and political perspective on COVID-19 as well as regional achievements and successes which occurred during this increasingly challenging times. Without any doubt, the "new reality" will impact the overall analysis of SEE 2020 Strategy implementation upon the finalisation of the final year and will leave many questions as well as lessons learned which will need to be taken on board for the upcoming ten-year period. Drawing on the lessons learned will also be particularly important for the implementation of the upcoming Common Regional Market (CRM) 2021-2024 agenda as well as the SEE 2030 Strategy. The upcoming Strategy for the next decade will be a regional Strategy based on UN sustainable development goals (SDGs) through complementarity to the EU accession driven strategies, aiming to emphasise regionally sustainable economic growth in order to reduce poverty and inequalities, empower women, improve social inclusion, decelerate depopulation of the region through enhancing quality of life for its citizens, and make smooth transition to a carbon-neutral economy without disrupting competitiveness and private sector development through genuinely regionally owned political process.

1.2. Current status of SEE 2020 and Progress Towards Meeting its Targets

This year 2019 brought about several political and economic developments which influenced the delivery of concrete outputs stipulated in the SEE 2020 Strategy. The Berlin Process Poznan Summit once again served the purpose of presenting the progress achieved in the implementation of MAP REA across its four components, underlining the need to intensify efforts and political commitment in the upcoming period. The major achievement showcased in Poznan was the signing of Regional Roaming Agreement on the margins of the second Digital Summit in Belgrade, which provided for a significant reduction of roaming prices as the key step towards Roam Like at Home (RLAH) regime as of July 2021. Moreover, this significant milestone paved the way for launching of the roadmap for roaming price reduction between the EU and the region.

In all trade policy areas of MAP REA the progress has been achieved, most pronouncedly in the facilitation of free trade in services. The adoption and implementation of the Additional Protocol 6 on trade in services, including electronic commerce (AP6) was achieved. The Protocol has been adopted by all CEFTA Parties and awaits ratification by Western Balkan economies. The significance of the protocol lies in the fact that it entails commitments that support liberalisation of trade, including the guarantees for market access and national treatment. The way forward was also achieved in the field of electronic commerce with the CEFTA Roadmap for dialogue on regulatory issues in this field.

In Skills & Mobility, WB leaders endorsed the Declaration on Recognition of Academic Qualifications, which will advance regional

cooperation in the area of higher education by deepening collaboration in the area of qualifications recognition and quality assurance and supporting the alignment of quality assurance system with the European Standards and Guidelines. The regional activities in the investment component of MAP REA continued their positive trajectory with the adoption of individual-economy reform agenda plans to support the Regional Investment Reform Agenda and regionally accepted standards for negotiating International Investment Agreements (IIAs). Regional efforts were additionally strengthened by the inclusion of the private sector and international experts in the fields, laying common grounds for the continuation and intensifying efforts towards the creation of single investment space.

MAP REA foresees the implementation of deliverables across four key components until 2020 with some of the measures rolling out in 2021. Persistent challenges in form of COVID-19 added to the need of pulling regional efforts to collectively succeed in delivering a promising and realistic mid-term agenda for the region. In this respect, the regional appetite for an enhanced economic integration agenda as part of the EU recovery efforts has been widely discussed by Western Balkan leaders in the course of 2020. The necessity to continue deepening regional cooperation was underlined in the Zagreb Declaration (May 2020), strongly expressing EU support for inclusive regional cooperation and urging Western Balkan leaders to fully exploit the potential of regional cooperation for the sake of facilitating economic recovery process in the aftermath of the COVID-19 pandemic.

From a political viewpoint, Zagreb Summit marked the 20 year anniversary of the established relations between the EU and participants of the Stabilisation and Association Process (SAP) – a turning point when the regional cooperation principles were embedded in the European path of the Western Balkans. Held as a video conference amidst the pandemic crisis, the Zagreb Summit reaffirmed EU's support for the Western Balkans European path and pledged their financial and expert support for achieving regionally defined targets within regionally developed initiatives across a wide array of fields. At the beginning of 2020, European Commission showed their support for the EU perspective by presenting the new enlargement methodology organised in six thematic clusters: fundamentals; internal market; competitiveness and inclusive growth; green agenda and sustainable connectivity; resources, agriculture and cohesion; external relations. A merit-based principle is at the forefront of the new methodology, with the credibility of the accession process to be strengthened by a stronger focus on fundamental reforms, starting with the rule of law, the functioning of democratic institutions and public administration as well as the economy of the EU candidate countries.

Moreover, the Council of the EU agreed to open the negotiations process with Albania and the Republic of North Macedonia, thus giving an important impetus to these economies and a clear signal that the European perspective is very much alive in the Western Balkans. Such a message of hope is reflected in the Balkan Barometer survey, where 77% of respondents believe that the regional cooperation contributes to a better political and economic climate in their respective economies, whereas the support for EU membership is growing in comparison to the previous year. Encouraging signals are also reported from

the Western Balkans businesses with a growing proportion of respondents supporting the strengthening of commercial ties within the Western Balkan region. Nonetheless, some hesitations and reservations were noted in terms of resolving bilateral complexities which only add to the structural deficiencies that the economies are facing, resulting in discouragement on behalf of young and educated to stay in the region.

Economically speaking, changes of realities in the course of SEE2020 implementation in the face of pandemic outbreak shifted the immediate priorities to curtail negative socio-economic consequences of COVID-19 and combat far-reaching implications on region's economies. Economic stress caused by public health crisis will have a number of immediate and long-term impacts on sustainable development of all six Western Balkan economies. Long-term implications will be felt throughout all sectors due to vulnerable and complex value chains, health systems pressure, acceleration of education and socialisation into digital spheres, while the existing public infrastructure is already under pressure. International Labour Organisation predicts that in low- and middle-income economies, hard-hit sectors have a high proportion of workers in informal employment and workers with limited access to health services and social protection. Output in the Western Balkans is projected to fall by 5.1 per cent in 2020 due to a collapse in tourism in some economies, disruptions in global supply chains and lower industrial output, declines in foreign direct investment inflows and remittances. GDP growth could recover to 3.4 per cent in 2021¹. The pandemic will also indirectly drive down FDI via reduced economic activity, and these impacts will be concentrated in cyclical industries: demand for energy, basic materials, retail, garments, and entertainment.

¹ European Bank for Reconstruction and Development, *Regional Economic Prospects, COVID-19: Early Estimates of the Damage, Uncertain Prospects*, September 2020, available at <https://www.ebrd.com/news/2020/ebd-revises-down-economic-forecasts-amid-continuing-coronavirus-uncertainty.html>

Growth is expected to recover gradually to 3.5 percent in 2021, assuming that consumer and business confidence is restored as the impact of COVID-19 fades, and that political instability eases². In tourism-supported economies, the recovery might be more robust especially if the downturn in tourism is prolonged. The fiscal space will remain to be limited with weak business climate and the government budgets overstretched.

In a similar vein, the COVID-19 edition of the Balkan Barometer evidenced far-fetched consequences for the businesses in the region. Only one third (36%) of Western Balkan businesses are confident they can financially take the burden of the negative implications of COVID-19, whereas 21% either temporarily or completely closed their businesses in the immediate aftermath of the pandemic. The majority of businesses (57%) reported that their business was mostly faced with problems related to access to domestic customers, finances (42%), supply chain (38%) and staff availability (28%). Hence, the economic transformation of the region had to adjust to new political and economic realities to benefit both citizens and businesses and to reflect socio-economic recovery plan in line with EU recovery plans.

In this connection, intensive efforts have been invested since the beginning of the pandemic by Western Balkan economies and their line ministries, RCC and CEFTA as the coordinators and facilitators of the upcoming agenda, European Commission, regional and international partners as well as the private sector to devise a new enhanced regional economic integration plan for the region. The intensive work resulted in adopting the Common Regional Market (CRM) 2021-2024 Action Plan and the accompanying Political Declaration by Western Balkan leaders at the Berlin Process Sofia Summit in November 2020. This outstanding regional achievement in the

² World Bank Group, *COVID-19 and Human Health*, Europe and Central Asia Economic Update, Fall 2020, available at <https://openknowledge.worldbank.org/bitstream/handle/10986/34518/9781464816437.pdf>

framework of CRM agenda is set to become an essential regional transformational tool for achieving socio-economic convergence, enabling business and investment friendliness, strengthening regional economic integration towards the EU accession, enhancing intra-regional trade and attracting more investments, exploring full potential of innovation and digital transformation, boosting connectivity, and securing growth in the Western Balkans.

Having in mind that the EU facet is embedded in the CRM agenda, underlining European perspective of Western Balkans through enhanced regional economic integration was emphasised in the European Commission's Economic and Investment Plan. This Plan explicitly outlines a complementarity of Common Regional Market agenda with the EU integration process, as the implementation of sectoral agreements in the CRM regional framework will be taken into account for the assessment of preparedness of the Western Balkans partners for participation in the EU Single Market in the given sector. What is more, Economic and Investment Plan strongly backs the region's commitment to CRM agenda by proposing to mobilise up to EUR 9 billion of IPA III funding for the period of 2021-2027 to support economic convergence with the EU primarily through investments and support to competitiveness and inclusive growth, sustainable connectivity, and the twin green and digital transition. As stipulated in the document, CRM would leverage Western Balkans privileged relation with the EU and could bring an additional 6.7% GDP growth to the region.

The CRM agenda follows closely the **four freedoms approach**, principles which govern the EU's Single market and entails digital, innovation, trade and investment areas. It works towards eliminating barriers within WB and reducing the gaps with EU Single Market. The agenda is made of ambitious actions

in four targeted areas: i) regional trade area, aimed at enabling free movement of goods, services, capital and people, including cross-cutting measures, such as the Green Lanes, alignment with EU-compliant rules and standards and providing opportunities for companies and citizens; ii) regional investment area which seeks to align investment policies with the EU standards and best international practices and promote the region to foreign investors; iii) regional digital area, aiming to integrate the Western Balkans into the pan-European digital market; and iv) regional industrial and innovation area, having the objective to transform the industrial sectors (i.e. automotive, tourism, culture, green & circular economy), shape value chains they belong to, and prepare them for the realities of today and challenges of tomorrow.

The CRM agenda entails measures such as extending the Green Lanes beyond only emergency context and also with neighbouring EU Member States; joining the Single Euro Payment Area; agreement on Freedom of Movement and Stay; recognition of all academic qualifications in the WB; mutual recognition of licenses in selected sectors (i.e. tourism, etc.); joint investment actions to promote and attract FDI; improving access to e-services and facilitating cross-border interoperability of data and services; digital upskilling and reskilling; establishing cyber resilient region, fostering women's entrepreneurship and encouraging increased participation of women and girls in STEM; establishing roaming-free region and attaining the roaming costs reductions between EU and WB and so forth.

An all-inclusive approach is closely followed throughout the CRM agenda and foresees strong involvement of the private sector, namely WB6 Chamber Investment Forum (WB6 CIF) and other sectoral-oriented regional and international organisations. A mixed track record in MAP REA implementation served to set grounds for the development of a CRM, which is to pick up on the

lessons learned from MAP REA and build on the region's success in implementing thus far regional initiatives. RCC and its partners intend to continue improving monitoring of the results attained from the MAP REA and build on the invaluable experience from international partners with an aim of developing a tracking tool to allow all key stakeholders to provide input on the effectiveness of steps taken. The existing monitoring structures of SEE 2020 may also serve as an inspiration and valuable lesson learned for setting up the mechanism to track the future progress of regional initiatives in the context of CRM agenda.

On human capital development and addressing vulnerable groups, as of the beginning of 2020, RCC focused its work on gender-related aspects, including encouraging stronger women's engagement in the labour market, promoting women's leadership in social and economic development, creating conditions for women's employment and digital skills development as well as facilitating dialogue and fostering strategic partnerships with regional and international organisations to create a more enabling environment for women across the region. The COVID-19 pandemic has only highlighted existing pre-inequalities between women and men and underlined the vulnerable socio-economic position women find themselves in the aftermath of the pandemic. In light of this, RCC and UNDP joined forces to advance the role of women in STEM fields and develop an overarching Initiative on Women's Economic Empowerment: Areas for joint actions in the Western Balkans to advocate for actions on gender equality in the labour market, entrepreneurs and STEM careers and education fields.

The Roma Integration 2020 implemented by the RCC with the financial support from the European Union and the Open Society Foundations supported the initiative of the Prime Minister of the Republic of North Macedonia on adopting a regional document on the issue

of Roma Integration. As a result, the [Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process](#) (Poznan Declaration) was adopted at the Poznan Summit within the Berlin Process on 4 July 2019. For the first time the region has set exact targets that represent the minimum to be achieved before the economies join the European Union as Member States in the areas of employment, housing, education, health, civil registration and non-discrimination. Following on the Poznan Declaration, the Albanian Government, in cooperation with the RCC's Roma Integration Action Team, hosted a ministerial meeting on 27 October 2020. The [conclusions](#) include pledges to complete the mapping of the housing situation of Roma, to adopt and implement Roadmaps for ending statelessness, to introduce regular Roma specific statistical survey, to intensify the application of the Roma responsive budgeting standards and to review or adopt new National Roma Strategic Frameworks in line with the new [EU Roma Strategic Framework for Equality, Inclusion and Participation 2020-2030](#) and the Poznan Declaration. Although certain developments towards the implementation of the Poznan Declaration were evident in 2020, the crisis caused by the COVID-19 pandemic posed significant challenges and resulted in further deterioration of the situ-

ation of Roma. The Roma Integration Action Team responded by organising a series of on-line meetings with governments, civil society and international organisations in order to assess the burning needs and to coordinate the response by the different actors.

Furthermore, as per established practice, on 19 May 2020, the Western Balkans and Turkey came together for their annual multilateral economic and financial dialogue with the EU to discuss the most imminent socio-economic challenges faced by Western Balkans and Turkey. The basis for the economic and financial dialogue lies in Economic Reform Programmes (ERPs) as the main instrument to strengthen economic coordination and policy guidance of candidate and potential candidates in the Western Balkans with a view of preparing their future participation in the European Semester, once they become part of the EU. The conclusions of the financial and economic dialogue, therefore, represent an indispensable part of ongoing cooperation with the EU, especially given the exceptional circumstances caused by the COVID-19 outbreak. This year's policy guidance was focused on addressing immediate fiscal, social and economic policy response to mitigate the impact of COVID-19 as well as on transition from these immediate measures to more structural medium-term recovery efforts.

Box 1: Joint Conclusions on the Economic Reform Programmes 2020 -2022

The Joint Conclusions of the Western Balkans and Turkey with policy guidance based on the economies' Economic Reform Programmes 2020 – 2022 were adopted on 19 May 2020. The joint conclusions referred to the following:

- With a view of mitigating the economic consequences of the pandemic and in efforts to stimulate economic recovery, support to micro and small and medium-sized enterprises, private companies and their employees affected by the crisis as well as those self-employed is needed.
- There is a need to increase the institutional capacities or monitoring and containing fiscal risks stemming from public-private partnerships, concessions, and state-owned enterprises. Further restructuring of state-owned enterprises would be an important step towards medium-term policy credibility.
- Further efforts should be invested to support economic recovery and improve public investment management, including through cost-benefit analysis.
- Close monitoring of financial stability challenges arising as a result of the coronavirus pandemic and taking appropriate action, if necessary, are needed. Economies should resolve remaining legal impediments to NPL resolution in the realm of the government, ensure proper coordination of supervisory activities and work towards further implementation of NPL strategies.
- Continuous dialogue with business organisations, social partners and civil society should be maintained on all decisions taken in response to the COVID-19 pandemic. Joint and coordinated actions should be taken jointly by all levels of government and communicated to public at large.
- Measures should be taken to preserve employment by ensuring short-time work schemes and flexible working arrangements, increasing provision of effective active labour market policies to the unemployed (including through training, upskilling and reskilling) and providing adequate unemployment schemes for laid off workers.

[Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey](#)

When speaking about the overall progress across SEE 2020 headline targets, this year's ARI presents the results from the pre-final year of its implementation, showcasing the results achieved so far. Before going into a detailed analysis across five pillars, the following table depicts the overall progress towards meeting the SEE 2020 targets (see Table 1).

Table 1: Progress towards meeting SEE 2020 targets

SEE 2020 Headline Indicator	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	Progress from baseline towards target
Overall Strategic Goals												
1. GDP per capita relative to the EU average (in PPS), %	33.8	34.6	34.5	34.8	34.5	34.6	34.9	35.0	36.0	36.7	38.0	49%
2. Total trade in goods and services (EUR million)	54,409	62,750	63,414	66,856	69,947	73,088	78,594	88,452	98,169	95,470	129,500	55%
3. Trade balance, trade in goods (% of GDP)*	-22.9	-24.0	-24.6	-20.1	-20.5	-19.2	-18.6	-19.4	-19.6	-19.9	-20.8	96%
Integrated Growth												
4. Intra-regional trade in goods (% of GDP)*	8.1	8.4	8.0	7.7	7.7	7.5	7.5	7.9	8.1	8.0	14.3	-1%
5. Overall FDI Inflows (EUR million)	3,611	5,863	3,021	3,721	3,624	4,618	4,578	4,988	6,574	6,706	7,300	84%
Smart Growth												
6. GDP per person employed (EUR)	27,869	30,144	30,635	30,818	30,924	31,221	30,317	30,065	31,304	32,253	36,300	52%
7. No of highly qualified persons in the workforce (mil)	1,193,116	1,238,144	1,285,449	1,372,078	1,487,042	1,558,775	1,627,783	1,671,523	1,707,344	1,736,892	1,442,000	218%
Sustainable Growth												
8. Net enterprise creation (no. of companies)	27,568	41,977	39,339	37,996	42,854	83,449	58,473	51,632	49,686	n/a	26,790	185%
9. Share of Renewables in Gross Final Energy Consumption*	27.1	20.2	21.7	25.9	30.0	25.4	27.3	22.9	30.2	n/a	30.7	87%
Inclusive Growth												
10. Employment rate - age group 20-64, %*	50.3	50.4	49.5	49.8	51.6	52.9	55.2	55.9	57.1	59.1	57.9	116%
Governance for Growth												
11. Government's effectiveness, WGI (scale 0-5)	2.20	2.23	2.28	2.30	2.47	2.42	2.42	2.45	2.50	n/a	2.65	66%

- The progress in reaching the growth and convergence target (Target 1 - GDP per capita relative to the EU average (PPS)) has seen a modest increase, with the 2019 result standing at 36.7% of EU average. Real GDP growth was limited by modest investment rates and net exports, with the contribution of investment being around 47 percent in 2019. Productivity, including growth of advanced manufacturing and services was lagging behind what is necessary for the region to catch up with incomes in advanced EU MS³. Kosovo* and Serbia are the closest to reaching their set targets, although their baseline 2010 target was relatively modest (in-

crease of 3 and 2.1 percentage points, respectively). Montenegro, on the other hand, has set the most ambitious 2010 baseline target, depicting a necessary convergence of 10 percentage points and currently stands at 75% of achieving this target. The Republic of North Macedonia has achieved 38% of the set target and stands at 37.5%. Albania has improved its convergence speed in comparison with the last year, although still at a slow pace, representing 28% of the achieved target. Bosnia and Herzegovina closely follows with 33% of the achieved target and amounts to 32% of EU average.

Table 2: Target 1 - GDP per capita relative to the EU average (in PPS) % of EU 28 average

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	targeted value	achieved so far	achieved/targetted
Albania	29.0	29.4	30.0	29.1	29.9	30.2	29.3	30.2	30.9	31.5	38.0	9.0	2.5	28%
Bosnia and Herzegovina	29.0	30.0	30.0	30.0	30.0	30.0	31.0	31.0	31.9	32.0	38.0	9.0	3.0	33%
Kosovo*	23.1	23.7	24.0	24.2	24.5	25.4	25.6	25.6	26.1	26.1	27.0	3.9	3.0	77%
Montenegro	40.8	41.6	39.4	40.6	40.8	42.2	44.4	45.5	47.7	48.4	51.0	10.2	7.6	75%
Serbia	38.4	39.5	39.5	40.0	39.0	38.5	38.6	38.4	39.4	40.5	41.0	2.6	2.1	81%
Republic of North Macedonia	34.1	33.6	33.7	34.6	35.7	35.7	36.8	36.2	37.1	37.5	43.0	8.9	3.4	38%
SEE6	33.8	34.6	34.5	34.8	34.5	34.6	34.9	35.0	36.0	36.7	39.7	5.9	2.9	49%

Source: Eurostat, Statistical offices; SEE6 averages based on RCC calculation

Note: Progress indicates the level of 2020 target attainment in 2019 compared to 2010 baseline.

³ World Bank Group (2020), *The Economic and Social Impact of COVID-19*, setting the stage, Western Balkans Regular Economic Report, No.17, Spring 2020

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

Table 3: Target 2 - Total trade in goods and services (EUR million)

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	targeted value	achieved so far	achieved/targetted
Albania	6,893	7,528	7,337	7,285	7,519	7,373	8,025	9,049	9,878	10,479	17,500	10,607.0	3,586.0	34%
Bosnia and Herzegovina	10,501	11,780	11,818	12,039	12,667	13,057	13,649	15,701	16,967	17,158	24,500	13,999.0	6,657.0	48%
Kosovo*	3,313	3,925	3,903	3,809	4,104	4,200	4,529	5,079	5,511	6,047	6,000	2,687.0	2,733.8	102%
Montenegro	3,085	3,457	3,448	3,456	3,462	3,764	4,099	4,538	5,112	5,372	6,000	2,915.0	2,287.0	78%
Serbia	23,759	27,632	28,461	31,719	32,547	34,371	36,982	41,655	46,423	51,364	60,000	36,241.0	27,605.0	76%
Republic of North Macedonia	6,858	8,428	8,447	8,548	9,648	10,323	11,310	12,430	14,278	15,529	15,500	8,642.4	8,671.4	100%
SEE6	54,409	62,750	63,414	66,856	69,947	73,088	78,594	88,452	98,169	95,470	129,500	75,091.4	41,061.2	55%

Source: Central banks of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, Republic of Serbia;

SEE6 aggregates based on RCC calculation

Note: Progress indicates the level of 2020 target attainment in 2019, compared to 2010 baseline.

- The progress in expanding trade (Headline Target 2 - Total trade in goods and services (EUR million)) has noted a declining trend in comparison with the last year. In 2019 the region reached 55% of the set target, which represents a decrease by 3 percentage points compared to 2018. With this moderate pace and as long as certain setbacks observed this year persist, the region will not be able to achieve the set target. Kosovo* and the Republic of North Macedonia have already surpassed their targets, while Montenegro and Serbia reached 78% and 76% of the set target, respectively. Albania and Bosnia and Herzegovina still need to step up the efforts in this regard as only 34% and 48% of the set target has been reached, respectively.
- The trade balance target (Headline Target 3 - Trade balance, trade in goods, % of GDP) has seen a slight increase and now stands at 96% of 2020 target. This has reversed a negative trend observed in 2018. Bosnia and Herzegovina, Kosovo* and Serbia have reached their targets, whereas Albania, Montenegro and the Republic of North Macedonia remain close to achieve it by the end of 2020.

Table 4: Target 3 – Trade balance, trade in goods (% of GDP)

Economy	2010 (base- line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (fore- cast)	achi- eved/ tar- getted
Albania	-25.50	-27.10	-23.20	-20.60	-22.20	-22.40	-24.30	-24.40	-22.40	-23.00	-25.50	90%
Bosnia and Herzegovina	-28.30	-29.80	-29.70	-26.50	-28.80	-25.20	-23.70	-23.60	-22.40	-22.90	-20.20	113%
Kosovo*	-42.30	-45.10	-44.10	-40.50	-39.80	-39.80	-40.90	-42.30	-45.50	-44.44	-28.80	154%
Montenegro	-40.71	-39.90	-43.51	-39.51	-39.80	-40.10	-41.90	-43.30	-43.90	-41.70	-46.30	90%
Serbia	-15.85	-16.44	-17.78	-12.14	-11.59	-10.20	-8.49	-10.20	-11.87	-12.23	-11.10	110%
Republic of North Mace- donia	-21.55	-25.25	-26.47	-22.86	-21.76	-20.09	-18.77	-17.85	-16.18	-17.30	-17.90	97%
SEE6	-22.94	-24.02	-24.58	-20.09	-20.53	-19.24	-18.56	-19.39	-19.64	-19.85	-20.80	95%

Source: Central banks of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, Republic of Serbia;

SEE6 aggregates based on RCC calculation

Note: Progress indicates the level of 2020 target attainment in 2019 compared to 2010 baseline.

- The intra-regional trade as a share of GDP is still stagnating, as this was the case in the previous years. This year's value of intraregional trade was even lower comparing to the last year's data, which is far below the needed volume if we were about to reach the 2020 target for this indicator.
- Target 5 – increasing FDI inflows from EUR 3.6 billion in 2010 to EUR 7.3 billion in 2020 - FDI inflows to the WB have been steadily increasing, with record investment in 2019 – almost €8 billion, which is beyond the averages for the past 5 years. Despite this, the current investment inflows are still too low to sustain growth in the long run and their structure remains largely unresponsive of stronger export growth, given that

a considerable share of FDI has gone into non-tradable sectors. The effects of the COVID-19 pandemic remained widespread for multinational enterprise (MNE) affiliates in developing economies. 97% of respondents experienced adverse effects, including reduced demand, supply chain disruptions, or reduced revenue and profits. The outlook for foreign investment in developing economies remains negative. Almost 40% of MNE affiliates expect their parent company to invest less in their host economy—primarily due to reductions in parents' total global investments—and very few expect local investments to increase. In total, 85% expect investment in the host economy to remain the same or decline.⁴

⁴ The Impact of COVID-19 on Foreign Investors, World Bank Group, December 2020

- In Target 6 – GDP per person employed, more than half of the target was fulfilled (52%). During 2019, employment in the region increased by 2.3% compared to a year earlier. On the other hand, GDP in PPP has outperformed the increase in employment. Average GDP growth in the region was 5.4% in 2019. This solid economic growth has contributed to the increase of the target GDP per person employed, pointing to increased labour productivity, but at the same time highlights the issue that growth in the region is associated with a relatively low intensity of employment creation.
- Target 7 (Number of highly educated persons in the workforce) has already been achieved, with the region adding to the workforce more than 540,000 highly qualified persons since 2010. Generally speaking, the labour force since 2010 has increased modestly by only 1.8%. The number of highly qualified persons has grown at a much higher pace, by more than 45%. While these trends are an indication of positive trends in higher education, concerns remain with regard to the quality of the education and its alignment with demands in the labour market. Another existing challenge concerns skills mismatch, particularly over-qualification type where worker's level of qualification and education exceeds the required level for the job.⁵
- The progress on Target 8 (Net enterprise creation) – is not measured due to data consistency challenges, given that some economies are unable to produce net enterprise creation data and have submitted data on overall new enterprise registration instead. Even with

⁵ European Training Foundation (2019), *Skills mismatch measurement in ETF partner countries*

⁶ World Bank Group, IFC (2020), *Business Process Mapping for Entry and Establishment Procedures in the Western Balkans Six Economies*, Western Balkans Regional Investment Policy and Promotion Project

these limitations, however, it is safe to observe that the stimulation and environment for entrepreneurial activity in the region is only growing. Albania, Kosovo*, and Serbia are the frontrunners in the region when it comes to the number of procedures and time required to start a business. For the number of days needed to start a business, most of the WB economies fluctuate around 9 days. Establishing a business in WB6 economies became easier and faster, with the average number of procedures reduced to six and the number of days on average reduced from 56 in 2003 to 21 in 2018. In Serbia, Albania and Kosovo* it takes only five days, in Republic of North Macedonia it takes fourteen days to establish a business despite a low number of procedures, whereas in Bosnia and Herzegovina the number is 81 days.⁶ Such a combination of developments in technology, financing and corporate culture will allow micro, small and medium-sized enterprises (SMEs) to leverage their power and instigate long needed economic growth.

- Regarding the Target 9 – share of renewables in gross final energy consumption indicates that the Western Balkan region is progressing steadily towards its 2020 objective, which cannot be observed for individual economies as the progress varies. This is due to high volatility of renewable sources whose contribution to energy mix depends on many factors including hydro-meteorological potentials over the year, micro climate factors but also energy demand and market conditions on the demand side.

- With respect to the employment Target 10 – Western Balkan economies have further exceeded the target by 16% in 2019. In the Republic of North Macedonia, and Kosovo*, employment has shown significantly positive signs of growth with increases of 5.3% and 4.2% annual increase in the 20-64 employment rates, respectively. While Kosovo* is the only economy that has not yet met its 2020 employment creation targets, it has already achieved 79% of its target at the end of 2019. The region is, however, yet to observe to which extent COVID-19 rolls back on these gains in the next implementation year.
- The performance on the governance target (Target 11) shows that the region has made some progress towards meeting the SEE 2020 target (54% in 2017 compared to 66% in 2018), which speaks of a slight and positive improvement of how Western Balkan economies taken altogether approach to this policy area. At the level of each Western Balkan economy, the progress is achieved sporadically with some Western Balkan economies performing better than their regional counterparts.

PART 2. REVIEW OF SEE 2020 GROWTH PILLARS

2.1. Integrated Growth

Integrated growth pillar's main objective is to contribute to the regional economic integration making the SEE more competitive in the global market. This is intended mainly by synergising trade and investment, so as to promote transparent, predictable and non-discriminatory policies that enable free flow of goods, services, investments, financial and human capital throughout the region, and pave the way for its business to better integrate with the global economy. This pillar comprises three interlinked dimensions: A) Free Trade Area, with emphasis on trade facilitation and trade liberalisation; B) Competitive Economic Environment that strengthens synergies between trade and related areas, such as competition rules, public procurement and intellectual property rights; and C) Integration into the Global Economy, which seeks to improve regional market integration and market access through a number of initiatives, implementing priority reforms to improve the business environment and promoting the region as an unique investment area, and ultimately integrating regional businesses into the global market.

Pillar overview

The Integrated Growth pillar activities continued focusing on actions that lead to an enhanced competitiveness of the SEE region, with a more emergent need for continued structural reforms due to the structural weaknesses further exacerbated in 2020 by

the COVID-19 pandemic. The SEE economies were confronted with unprecedented economic challenges due to the outbreak of COVID-19. Tighter restrictions on trade and investments have emerged around the world, including main trade partners and investment sources of the SEE economies.

As per last year's ARI, the year 2018 was a good year for the region, the economic growth and falling unemployment. However, economic growth in the Western Balkans slowed during 2019, mainly due to the lower contribution of investments and exports in most of the economies of the region. According to WB Regular Economic Report, economic growth in the WB for 2019 was projected at 3.2% (down from 3.9 % in the year 2018)⁷. The medium-term growth prospects were predicted to be rather positive, but following the pandemic, the economic predictions have changed. According to IMF WEO⁸, the Real GDP for 2019 in Emerging and Developing Europe (including SEE economies) was 2.1%, whereas projections for 2020 and 2021 are -5.2% and 4.2%, respectively. In 2019, the real GDP of Serbia was 4.2%, while projections for 2020 and 2021 are -3% and 7.5%, respectively. The region will have to double its efforts in further improving the business environment and competitiveness. The challenges faced due to the COVID-19 pandemic add further to the necessary efforts, requiring in particular boosting of the business environment and support to the private sector.

⁷ Western Balkans Regular Economic Report No. 16, World Bank Group, Fall 2019.

⁸ IMF, World Economic Outlook: The Great Lockdown. April 2020.

According to EBRD (September 2020 Regional Economic Prospects), **growth in the region is expected to fall by 5.1% in 2020** (compared to 2019 growth rate of 3.5%), whereas **it is expected to recover to 3.4% in 2021**.

The lowest GDP growth in 2020 is forecasted in Albania and Montenegro (both, -9%), followed by Bosnia and Herzegovina, Kosovo and Republic of North Macedonia (-5%), whereas Serbia's GDP growth is estimated at -3.5%.*

As stated in the latest Joint Conclusions of the Economic and Financial Dialogue between the EU and the WB and Turkey⁹, specific structural reforms need to be undertaken with a particular focus on sectors most sensitive to the effects of the pandemic, including the support for the private sector, and boosting of the business environment and trade.

Following submission by the WB6 of the Economic Reform Programmes 2020-2022, during January-February 2020, it was stated that the policy guidance set out in the conclusions of the Economic and Financial Dialogue in May 2019 has been partially implemented in most of the economies, whereas it showed a limited implementation in Bosnia and Herzegovina and Kosovo*. Despite partial implementation of the policy guidance, slight progress can be noted from economy to economy in terms of economic growth and investments.

Positive trends in SEE economies related to FDI increase and GDP growth are also highlighted in the OECD Competitiveness Outlook for Southeast Europe (2018). Despite these positive trends, the OECD CO states that overall economic development of the WB6 is less positive than in neighbouring transition economies (with GDP per capita levels being at 34.3% of the EU average, compared to

68.5% in Central Europe and the Baltic states, based on 2017 World Bank data).

Based on the OECD Competitiveness Outlook assessments, FDI flows have increased over the past decade, favoured by more business-friendly environments for foreign investors and streamlined procedures for starting a business; whereas, more effort is required to strengthen the linkages between foreign and domestic companies. The importance of FDIs for the region is further supported in the OECD report¹⁰ presented at the Poznan Summit in 2019, whereby they are considered as a cornerstone for technological upgrading and a higher value added production base in the region.

Regarding trade, the Competitiveness Outlook states that the economies of the region perform best on non-tariff measures and export promotion, including the removal of technical barriers to trade. However, it suggests that more needs to be done on the ex post monitoring of FTAs and on limiting regulatory restrictions on services, such as easing barriers on the free movement of people.

The Albanian economy is mainly affected through its negative impact on tourism (EBRD, 2020). According to INSTAT, the total number of tourist arrivals to Albania in August 2020 was 846,973, representing a decrease of 62.5% compared to August 2019.

In Bosnia and Herzegovina, the manufacturing sector has been hit seriously by the Covid-19 pandemic and saw its output falling by 12% y-o-y in the first 7 months of the year. *Certain industries, such as base metals and manufacturing of furniture, decreased their output by more than 30% y-o-y in the same 7-month period.*

In Kosovo*, the slowdown came primarily on the back of falling investments (down 9 per cent year-on-year) and construction (down 12 per cent).

In Montenegro, the pandemic has badly hit tourism. *According to preliminary data, estimated tourism revenues declined for 86.8% in 2020 (Statistical Office of Montenegro, 2021).*

Republic of North Macedonia's GDP declined by 6.3% year-on-year in the first half of 2020, with sharp contractions in industry, trade, transport and tourism.

Manufacturing output declined by 2% (OECD, oct 2020).

The impact of Covid-19 is less severe in Serbia than in some peer economies, partly because of the high contribution of manufacturing of basic products to the overall output. FDI and workers' remittances both fell by about one-quarter year-on-year in the first half of the year. According to the SORS, in April, overall industrial production dropped by 16.6% and manufacturing by 19.9% (OECD, 2020).

When looking at the public and business perceptions from the Balkan Barometer (BB) 2020, the results show either continued or steady progress. Indeed, the BB 2020 has recorded the highest positive sentiments by both public and businesses compared to all BBs presented so far. According to BB 2020, economic growth was mainly driven by consumption, with 45% of businesses reporting an increase in the demand for their products. There is an increase in the region's trade with the rest of the world by 5.7% in 2019 (compared to 2018). Kosovo* and Montenegro reported 2019 as a much better business year compared to 2018, whereas Albania reported a shrink in the satisfied business owners. However, the results of the BB 2020 coincide with the health and consequent economic crisis of the COVID-19 pandemic, which has harmed the economy and put pressure on business, particularly small and medium enterprises (SMEs).

Due to COVID-19, output in the Western Balkans is expected to fall by 5.1 per cent in 2020 due to a collapse in tourism (affecting, in particular Albania and Montenegro), disruptions in global supply chains and declines in foreign direct investment inflows and remittances (EBRD, 2020).

Despite the progress noted by different international sources, the region still needs to work on strengthening the institutions, market diversification, fighting the informal sector and improving business environment. Governments need to foster the business environment for the private sector to thrive, especially SMEs. As such, they should undertake and promote business climate reforms. A reform agenda that aims to create a business-friendly environment leads to increased competitiveness of an economy. During the past decade, many governments have start-

⁹ 8101/20. Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, 19 May 2020, Brussels.

¹⁰ OECD (2019). Unleashing the transformation potential for growth in the Western Balkans. OECD Global Southeast Europe. Western Balkans Summit, Poznań.

ed using Doing Business indicators in order to feed their policy reforms and have come to realise the importance of business regulation as a driving factor of competitiveness. Many of these governments have also set up business reform committees, using the Doing Business indicators as inputs for reforming the business environment. Among the governments in Europe that have done so are Albania, Croatia, Kosovo*, Montenegro, the Republic of North Macedonia and Turkey. In the World Bank's Doing Business (DB) Report (2019), the Republic of North Macedonia continues to hold the leading position among the SEE economies, being ranked 10th. Other SEE economies rank between 44th and 48th, respectively for Kosovo* and Serbia, and 89th for Bosnia and Herzegovina. The pertaining difficult business environment is observed in the DB Report (2020) where most of the region's economies have seen their rankings deteriorate (except Montenegro that kept the same ranking and Serbia that has recorded some improvement). Even though falling to the 17th place in 2020, the Republic of North Macedonia remains a top performer compared to the other economies of the SEE region.

The SEE economies continued regional economic cooperation to jointly tackle economic challenges. The implementation of the MAP REA between 2017 and 2020 has played an essential role for the deepening of regional

cooperation and integration in the areas of trade, investment, mobility and digitalisation. The Integrated Growth pillar has two pillar-specific targets agreed between the SEE economies: (i) increase SEE intra-regional trade in goods, and (ii) increase overall annual FDI inflows to the region.

In spite of the evident efforts of governments and many legal instruments in place when talking about trade, the intra-regional trade as a share of GDP is still stagnating, as this was the case in the previous years as well (see Table 5). This year value of intraregional trade was even lower comparing to the last year's data, which is far below the needed volume if we were about to reach the 2020 target for this indicator. With this trend the region has made almost no progress from the baseline. The EU is still the region's most important trading partner with 2/3 of the region's exports. Even though there were some movements of intra-regional trade, it did not lead to higher trade integration as compared to some other regions. Although the region has progressed in terms of regional cooperation in 2019, downturn due to non-tariff barriers is evident. The WB6 economies still trade mainly goods, while more efforts is lately given to integration of labour markets and increased labour mobility which will be additional impulse to the expansion of intra-regional trade.

Table 5: Target 4 - Intra-regional Trade in Goods % of GDP

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (forecast)	Progress against baseline
Albania	2.00	1.90	2.00	2.20	2.50	2.30	2.70	2.60	3.10	3.10	4.90	55%
Bosnia and Herzegovina	5.80	6.40	5.00	5.00	5.00	4.70	4.60	5.70	5.80	5.40	11.50	-7%
Kosovo*	1.59	1.75	2.02	2.00	2.36	2.13	2.39	2.89	4.78	4.85	12.80	205%
Montenegro	25.60	30.70	32.70	30.60	27.80	25.90	22.40	20.23	19.06	18.91	25.30	-26%
Serbia	8.37	7.84	7.77	7.58	7.80	8.03	8.37	8.76	8.72	8.50	9.60	2%
Republic of North Macedonia	15.00	16.80	15.40	13.10	12.70	11.90	11.50	12.36	12.39	13.31	19.70	-11%
SEE6	8.08	8.36	7.99	7.65	7.65	7.51	7.53	7.93	8.08	8.01	14.30	-1%

Source: Central banks and Statistical offices (Montenegro)

Note: Progress indicates the level of 2020 target attainment in 2019 compared to 2010 baseline.

One of the key objectives of Integrated Growth pillar is increasing FDI inflows in the WB region, leading to positive spill-over effects on domestic businesses and the creation of new jobs, rebalancing employment generation towards the private sector. FDI inflows to the WB have been steadily increasing, with record investment in 2019 - almost €8 billion, which is beyond the averages for the past 5 years. Despite this, the current investment inflows are still too low to sustain growth in the long run and their structure remains largely unresponsive of stronger export growth, given that a considerable share of FDI has gone into non-tradable sectors.

FDI inflows increased in Bosnia and Herzegovina and Serbia, while decreases were registered in Montenegro and the Republic of North Macedonia. Serbia is the second largest recipient of FDI among the economies in transition, with an increase of 4% in 2019. It is

also the top 5 host economy for FDIs, among transition economies¹¹.

According to the BB 2020, FDI inflows were at a similar level as in 2018 and also had a similar structure as the previous year. Serbia contributed to the majority of the FDI inflows to the region. RCC continues the coordination and monitoring of implementation of the MAP REA, with "Investment" being one of its four core components. Upon the successful endorsement of the Regional Investment Reform Agenda (RIRA), the RCC continued its work with the region in order to implement RIRA, collaborated with the private sector in order to promote the region as a unique investment destination with ultimate goal of increasing the FDI and opening new jobs. Investment agenda is on good track which can be evidenced in the Table 6 presented below, even though the region has not yet reached targeted goal, 84% of target is achieved.

11 UNCTAD (2020). World Investment Report 2020 - International production beyond the pandemic.

The targeted values were differently set for each economy, therefore, the different level of achieved progress can be observed. Serbia and the Republic of North Macedonia succeeded in achieving their targets in 2017 (2548 million) and 2018 (603.71 million) respectively. With relatively modest baseline target in 2010, Montenegro was set to achieve 47.6 million until 2020 and stands at 778.47 million in 2019. With similar baseline target Bosnia and Herzegovina and Kosovo* are progressing towards the targets, with Kosovo* having set a higher target of 800 million. Albania has made a substantial progress since

2010 and now stands at 1080 million, with the set target until the end of decade being 2200 million. The current economic crisis following the COVID-19 pandemic could be turned into an opportunity for the region by promoting it as a potential nearshoring destination and further boosting investments. In absolute terms, the progress in the majority of Western Balkan economies is evident since 2010, where the Republic of North Macedonia and Serbia have increased their FDI inflows since 2010 by almost four times, while in Albania, Bosnia and Herzegovina and Montenegro the value has risen by almost half of 2010 value.

Table 6: Target 5 - FDI Inflows (in EUR million)

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	targeted value	achieved so far	achieved/targeted
Albania	824.00	755.00	713.00	945.00	869.00	890.00	943.00	900.00	1020.00	1080.00	2200.00	1376.00	256.00	19%
Bosnia and Herzegovina	331.01	340.42	305.21	239.08	408.28	345.31	283.89	413.41	414.85	459.56	500.00	168.99	128.55	76%
Kosovo*	368.50	384.40	229.10	280.20	151.20	308.80	220.00	287.80	213.70	272.00	800.00	431.50	-96.50	-22%
Montenegro	652.84	494.74	633.69	479.19	498.08	757.44	687.15	659.23	858.11	778.47	700.00	47.16	125.63	266%
Serbia	1278.00	3544.00	1009.00	1548.00	1500.00	2114.00	2127.00	2548.00	3464.00	3825.00	2500.00	1222.00	2547.00	208%
Republic of North Macedonia	156.90	344.60	131.10	229.40	197.40	202.80	316.90	180.00	603.71	290.60	600.00	443.10	133.70	30%
SEE6	3611.25	5863.16	3021.10	3720.87	3623.96	4618.35	4577.94	4988.44	6574.37	6705.63	7300.00	3688.75	3094.38	84%

Source: Central banks of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Serbia and the Republic of North Macedonia; SEE6 aggregates based on RCC calculation

Note: Baseline figures for Bosnia and Herzegovina, Montenegro, Serbia and the Republic of North Macedonia revised by national authorities

SEE aggregates based on RCC calculation; Progress indicates the level of 2020 target attainment

The region needs to prioritise and reform investment-related policies in line with EU standards and international best practices, complementing sustainable and quality invest-

ments with sound industrial development policy. This would lead to a changed perception of WB as a favourable investment destination, with transparency practice put in place, finan-

cial markets deepened and access to finance diversified. In the reporting period SEE economies made progress in terms of policy reforms, modernising existing investment policy framework in line with the EU standards parallel to intensified investment promotion and financial market diversification activities. More specifically, the region was dedicated to development of Regionally accepted standards for negotiations of International Investment Agreement (IIA). Furthermore the region has selected priority sectors and markets planned to be reached out to in a consolidated investor outreach campaign (with a focus on automotive, light manufacturing and wood industry). Investor outreach campaigns were planned to start early in 2020, however due to COVID-19 pandemic the campaigns are postponed to the next year.

All implemented activities within this pillar were supported by an overall improved investment climate in the region. In addition, technical assistance provided to the economies of the region in close cooperation with the World Bank and CEFTA enabled the economies to better integrate into global value chains, at least in 2019, while in 2020 WB region economies were dedicated to exploring how the regional value chains could be revived in order to keep economic systems resilient to external shocks such as pandemic.

Free Trade Area

The Free Trade Area dimension was focused on trade facilitation, addressing non-tariff barriers, on the liberalisation of trade in services and on the free movement of professionals and skilled labour. Important progress in enhancing trade in goods and services within the region has been achieved. The Additional Protocol 6 (AP6) has been adopted in December 2019 and entered into force in January 2021. In addition, CEFTA Parties have established the negotiating teams for the Additional Protocol 7 (AP7) on Dispute Settle-

ment, with the official launch of negotiations having taken place in October 2020. The implementation of AP5 and the adoption of AP6 will further strengthen the legal framework and measures undertaken to facilitate and promote trade in goods and services among the CEFTA Parties; whereas further progress on AP7 negotiations will add to the efforts through more efficient dispute settlement procedures.

The CEFTA Joint Committee has made some ground breaking decisions by adopting the Decision on Facilitating Trade in Fruit and Vegetables, the Decision establishing the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes with regard to the Safety and Security (AEOS) and the CEFTA Strategy on Customs Risk Management (2020-2024). With these frameworks in place, citizens and businesses in the CEFTA region will benefit from a tangible trade promotion mechanism which will make export and import more efficient in terms of both time and financial resources, but also less bureaucratic. They also serve as precursor for other important developments in trade, which will bring CEFTA markets not only closer to each other, but also to the EU Single Market. The beginning of 2020 was marked by an outstanding crisis of trade caused by the COVID-19 pandemic. All CEFTA Parties have been hit severely as measures restricting the movement of people and goods were taken. CEFTA has reacted swiftly by establishing a CEFTA coordination body made of ministries in charge of trade and customs to exchange information, coordinate actions and propose solutions for enabling a safe and effective trade in the new context. In addition, in cooperation with Transport Community Treaty Secretariat and Regional Cooperation Council, CEFTA has launched work on facilitation of trade and transport based on the EU practice on the Green Corridors.

Table 7: Implementation of Free Trade Area actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension A: Free Trade Area		
A.1. Addressing and eliminating non-tariff measures	<ul style="list-style-type: none"> ○ The CEFTA Market Access Barriers Database updated ○ The Decision on Facilitating Trade in Fruit and vegetables adopted The Decision on facilitating trade in fruit and vegetables was adopted by the Special Joint Committee in February 2020. The activities enabling full implementation of the Decision are ongoing, including drafting the Action Plan on the implementation. ○ CEFTA Parties established negotiating teams on Additional Protocol 7 (AP7) on dispute settlement. The negotiations were officially launched in October 2020. 	<ul style="list-style-type: none"> ○ Continuous activity ○ The Decision enters into force ○ Secretariat of CEFTA is to provide an overall template for the Multi-Annual Control Plan (MACP) for Fruit and Vegetables, Annual MACP Report and additional Reporting Obligations ○ Parties to set up the initial Action Plan for the implementation of the Decision
A.2. Facilitation of trade	<ul style="list-style-type: none"> ○ The Decision establishing the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes with regard to the Safety and Security (AEOS) adopted The Decision was adopted by the Joint Committee during the meeting in Tirana, in December 2019. It entered into force on 1st of April 2020. The parties are expected to initiate the procedures of validation of the relevant AEO programmes. Additionally, a pilot validation mission was held in Montenegro in November 2019. ○ The CEFTA Strategy on Customs Risk management (2020-2024) adopted 	<ul style="list-style-type: none"> ○ At least the programme of one Party on AEO to be recognised within CEFTA ○ Three missions are expected to take place.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
A.2. Facilitation of trade	<p>The Strategy on Customs Risk Management was adopted by the Joint Committee at the meeting in Tirana, in December 2019.</p> <ul style="list-style-type: none"> ○ CEFTA BTI database developed The CEFTA BTI (binding tariff information) database has been developed with the support from the DG TAXUD and the GIZ. The database is very similar to the EU EBTI database in terms of format, functionality and appearance. ○ The SEED+ Action Grant Contract was signed on the 21 December 2018 and the implementing period is foreseen for 4 years; it will enable electronic exchange of trade documents. 	<p>The second mission is to analyse challenges, opportunities and costs of ICT+ use for CEFTA Parties in control of risks and to analyse the possibilities of sharing best practices and common technical criteria in procurement. The Workshop should result in developing the instruments for systematically monitoring, evaluating and improving implementation of risk management by parties and measuring the performance to ensure harmonised effective and efficient implementation.</p> <ul style="list-style-type: none"> ○ The database is expected to be officially published in September
A.3. Liberalisation of trade in services	<ul style="list-style-type: none"> ○ Ratification and implementation of the Additional Protocol 6 on Trade in Services Additional Protocol 6 (AP6) was adopted on 18 December 2019 in Tirana. Following the completion of ratification process, it entered into force in January 2021. Preparations for the compliance analysis are ongoing with a view of identifying potential gaps in regulation of CEFTA Parties vis-à-vis commitment in AP6. ○ Enhanced cooperation on domestic regulation Identification of pilot sector has progressed with shortlisting 3 sectors: tourism, construction, and postal services. Consultations with regulators in each sector have been conducted and CEFTA Secretariat prepared analysis on potential impact of intraregional regulatory cooperation 	<ul style="list-style-type: none"> ○ AP6 enters into force ○ Gap analysis to identify incompliance in Parties' regulation with AP6 and expert recommendation to ensure full compliance ○ CEFTA Services Regulation Database fully populated and operational as of December 2020 ○ Adopted procedure for notification of new regulation, as set out in the Article 9 of the AP6, in such a way to facilitate updating of the database

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
A.3. Liberalisation of trade in services	<p>to be presented to the Parties in the meeting of the Subcommittee on Trade in Services in June 2020. Subsequently, tourism was selected as a pilot sector.</p> <ul style="list-style-type: none"> ○ Development of electronic commerce Roadmap for dialogue on regulatory issues on electronic commerce has been drafted based on the expert findings and recommendations and extensive consultation with business community (e-commerce associations from the region, WB6 Chamber Investment Forum and GIZ led business survey). Four key packages of activities have been proposed: regulatory harmonisation, recognition of electronic signatures, addressing high transaction costs in payments and parcel delivery and facilitation of customs clearance. ○ Improvement of quality and uniformity of trade in services, FATS and FDI statistics Statistics is regularly exchanged between the Parties. Statistical Portal is regularly updated. Extension of scope of cooperation to electronic commerce is under consideration. 	<ul style="list-style-type: none"> ○ Selection of the pilot sector and launching intraregional regulatory cooperation (IRC) ○ Identification of key IRC output ○ Commence work on disciplines on domestic regulation as set out in the Article 10 of the AP6 ○ Roadmap for dialogue on regulatory issues on electronic commerce endorsed and implementation commenced ○ Regular exchange of statistics ○ Increased cooperation on statistics to improve quality of data exchanged
A.4. Liberalisation of free movement of experts, professionals and skilled labour	<ul style="list-style-type: none"> ○ Recognition of professional qualifications Following the suspension of the negotiations between WB6 on Mutual Recognition Agreement of professional qualifications for doctors of medicine, dentists, architects and civil engineers in June 2019, WB6 PM Sherpas have instructed CEFTA and RCC in December 2019 to propose the way forward. In this view, CEFTA Secretariat has engaged in consultation with RCC with a view of developing this proposal. 	<ul style="list-style-type: none"> ○ Negotiations resumed based on the joint way forward

Competitive Economic Environment

The area of Competitive Economic Environment aims for cooperation in the areas of state aid, competition and public procurement in order to achieve a deeper regional integration. According to the EU Reports 2019, further alignment with the 2014 Directives on EU Public Procurement is required from most

of the WB6 economies, as well as improving enforcement of State Aid rules, while ensuring transparency of State Aid decisions. The region still needs to invest significant efforts in conducting public tenders in an efficient and competitive matter. Independent competition authorities, transparent state aid decisions and competitive public tenders further strengthen the competitiveness of the region.

Table 8: Implementation of Competitive Economic Area actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension B: Competitive Economic Environment		
B.1. Implementation of provisions on competition, state aid and public procurement	<ul style="list-style-type: none"> ○ During 2019, the 2nd exploratory talks have been held in the area of competition and state aid where the positions have been reiterated related to the establishment of the CEFTA body on competition and state aid. ○ The conclusion of the Joint Committee from Tirana in December 2019 related to the public procurement has been adopted urging the Parties to assess the implementation of the public procurement bylaws related to the obligations arising from the CEFTA. 	<ul style="list-style-type: none"> ○ The work performed during the 2019 has provided for the continuation of the discussions in the areas of Competition, State Aid and Public Procurement, providing for the introduction of both activities to the Common Regional Market Action Plan, and further cooperation in both areas. Due to COVID-19 pandemic, the activities have been on hold for the first half of 2020, while they are expected to continue in the next period.

Integration into the Global Economy

Integration into the Global Economy dimension activities were coordinated and supported by the SEE Investment Committee. This dimension was concentrated on investment which is also one of the priority areas of MAP REA. Economic growth of the region is still spurred with the FDI inflow, coming mainly from the EU countries. These investments are mainly motivated by the intention to trail new

markets and cost efficiency, which will over time restrict the exports sector in favour of products that are more technology-intensive. The WB economies made progress in upgrading their investment policy framework mainly through the adoption of modernised investment-related laws and establishment of mechanisms for arbitration and intellectual property rights. Having in mind continuous capacity building on International Investment Agreements (IIAs) and investor-state dispute

settlement (ISDS) reforms, the WB region has decreased the number of initiated arbitration cases in 2019.¹²

Common Regionally Accepted Standards for Negotiating IIAs were endorsed at the Berlin Process Sofia Summit which will contribute to finding a common position on protecting foreign investment and provide a stronger negotiation position vis-à-vis third (non-EU) countries to impose certain standards when (re) negotiating IIAs. The WB economies have traditionally been rule-takers, but being able to refer to a common set of standards that are in line with those of the EU puts a negotiator in a stronger position to impose standards that are in the interest of the respective WB economy. Regionally Accepted Investment Standards for Negotiating IIAs have the aim of bringing regional IIAs and BITs in line with the EU standards and latest investment policy frameworks. Standards will help the region not only modernise the current agreements but also protect the economies' right to regulate and foster sustainable development.

Strengthening investor confidence, including the efforts to streamline business establishment procedures to enable seamless invest-

ment flows, was another priority action for the reported period. This has resulted from an assessment of policies pertinent to investment entry, with identified gaps and needs for reform in the respective areas. A comprehensive investment incentive inventory for some of the economies was discussed and some preparatory activities done in terms of possible future action, on regional level, which will help to boost transparency and streamline investment incentives.

WB investment outreach initiative has commenced, with target markets and priority sectors selected in close cooperation with the Investment Promotion Agencies. A series of extended capacity building sessions for Western Balkans Investment Promotion Agencies was undertaken to improve services to investments throughout the cycle, including promotion, facilitation and after-care services. Investment leads have already been generated as a result of this effort, which is a significant outcome having in mind that the campaign started only recently and that COVID-19 pandemic reshaped these activities.

Table 9: Implementation of Integration into the Global Economy actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension C: Integration into the Global Economy		
C.1. Facilitation of free flow of investment	<ul style="list-style-type: none"> ○ Synthesis report - Comparative review and benchmark of the WB's International Investment Agreements (IIAs) with new generation IIAs and EU standards prepared ○ Regional Investment Instrument for deepening RIRA actions developed in a form of Regionally Accepted Standards for Negotiating IIAs 	<ul style="list-style-type: none"> ○ Regionally accepted standards for negotiating IIAs endorsed at Sofia Summit ○ RIRA monitoring and evaluation report completed ○ Investment Promotion Agencies' staff trained and skilled for regional investment promotion

¹² UNCTAD, Investment Dispute Settlement Navigator, Available at <https://investmentpolicy.unctad.org/investment-dispute-settlement>

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
C.1. Facilitation of free flow of investment	<ul style="list-style-type: none"> ○ RIRA monitoring and evaluation cycle started ○ Investment Promotion Agencies selected sectors for future cooperation which will be part of the Joint Investor Outreach Campaign. ○ Series of capacity building for investment experts provided on topics of investment arbitration and investment promotion 	<ul style="list-style-type: none"> ○ Joint Investment Outreach campaign commenced in a updated form due to COVID-19 pandemic
C.2. Integration of regional supply chains into the global market (for selected priority sectors, currently food and beverage processing and tourism)	<ul style="list-style-type: none"> ○ The Decision on facilitating trade in fruit and vegetables adopted ○ The Decision on facilitating trade in fruit and vegetables was adopted by the Special Joint Committee in February 2020. The activities enabling full implementation of the Decision are ongoing, including drafting the Action Plan on the implementation. ○ Enhanced cooperation on domestic regulation ○ Identification of pilot sector has progressed with shortlisting 3 sectors: tourism, construction, and postal services. Consultations with regulators in each sector have been conducted and CEFTA Secretariat prepared analysis on potential impact of intraregional regulatory cooperation to be presented to the Parties in the meeting of the Subcommittee on Trade in Services in June 2020. Subsequently tourism was selected as a priority sector. 	<ul style="list-style-type: none"> ○ The Decision enters into force ○ Secretariat of CEFTA is to provide an overall template for the Multi-Annual Control Plan (MACP) for Fruit and Vegetables, Annual MACP Report and additional Reporting Obligations ○ Parties to set up the initial Action Plan for the implementation of the Decision ○ Selection of the pilot sector and launching intraregional regulatory cooperation (IRC) ○ Identification of key IRC output ○ Commence work on disciplines on domestic regulation as set out in Article 10 of the AP6
C.3. Introduction of full cumulation and duty drawback in CEFTA and application of diagonal cumulation under the Pan Euro Mediterranean Rules of Origin (PEM) Convention	<ul style="list-style-type: none"> ○ Implementation of full cumulation and duty drawback started in July 2019 ○ Additionally, the Parties agreed on the implementation guidelines. The document provides principles supporting the Parties in implementation. 	<ul style="list-style-type: none"> ○ The Pan Euro Mediterranean Rules of Origin (PEM) Convention is under the process of revision. Parties to the PEM Convention are currently working on Decision which will provide application of revised Convention on transitional basis by CEFTA Parties as of 1 September 2021.

Key findings

SEE region is still facing challenges in intra-regional trade which was evidenced with the dispute raised in 2018 among the CEFTA parties; however we have to acknowledge that there has been an increase in trade in goods of 25%, mainly due to increase of COVID-19 pandemic transport in particular goods (food, medicines, etc.). Foreign direct investments are slightly fostering the pace even though the emphasis in attraction of investments should be on efficiency seeking and sustainable investments with positive spill-over on domestic SMEs. The region is joining forces in the Joint Investor Outreach Campaign mainly through existing value chains emerging them into to regional ones with the ultimate goal of moving up the value chain with the higher value added, high tech products and joining the global value chain. Trade facilitation activities should be intensified in policy coordination and harmonisation with deepening dialogue with private sector and strengthening the border/common crossing points institutions which will at the end lead to regional trade integration.

An enabling business environment reflects the efforts to promote business climate reforms, which in turn aim to support competitiveness of SEE economies. The Global Competitiveness Index 2019 shows overall positive trends in enabling business environment, especially evident in the case of Bosnia and Herzegovina, Montenegro and the Republic of North Macedonia, with Montenegro taking the lead. In the case of Albania, despite a decrease in scoring compared to the previous year, some pillars of the enabling business environment, such as ICT adoption and infrastructure, show an increasing performance compared to the previous year.

Some of the SEE economies continued to make progress in establishing an investment policy framework. According to UNCTAD, Serbia is among the top economies that have taken important steps to facilitate investments by reducing administrative burdens and removing bureaucratic obstacles, including during the 2020 pandemic. The Republic of North Macedonia introduced a new Law on Strategic Investments in January 2020 with the aim of providing more favourable conditions for investments in strategic sectors, whereas Albania continues to implement the Law on Strategic Investments introduced since 2016, which aims to facilitate investment in strategic sector defined by the law.

With the entry into force of regional economic integration agenda - CRM agenda - the region's efforts to intensify activities in terms of economic integration for the sake of creating a unique investment destination and put in place liberalised trade regime, should be done more easily. The region has the opportunity to promote itself as a unique investment destination and would certainly benefit from a dynamic regional investment space as it would allow attracting foreign trade and more investment flows in general. It will be, therefore, necessary to intensify efforts to devise a comprehensive regional strategy for the facilitation of investment entry, attraction and retention of new FDI, with the provision of adequate protections and having policies which would allow for more linkages.

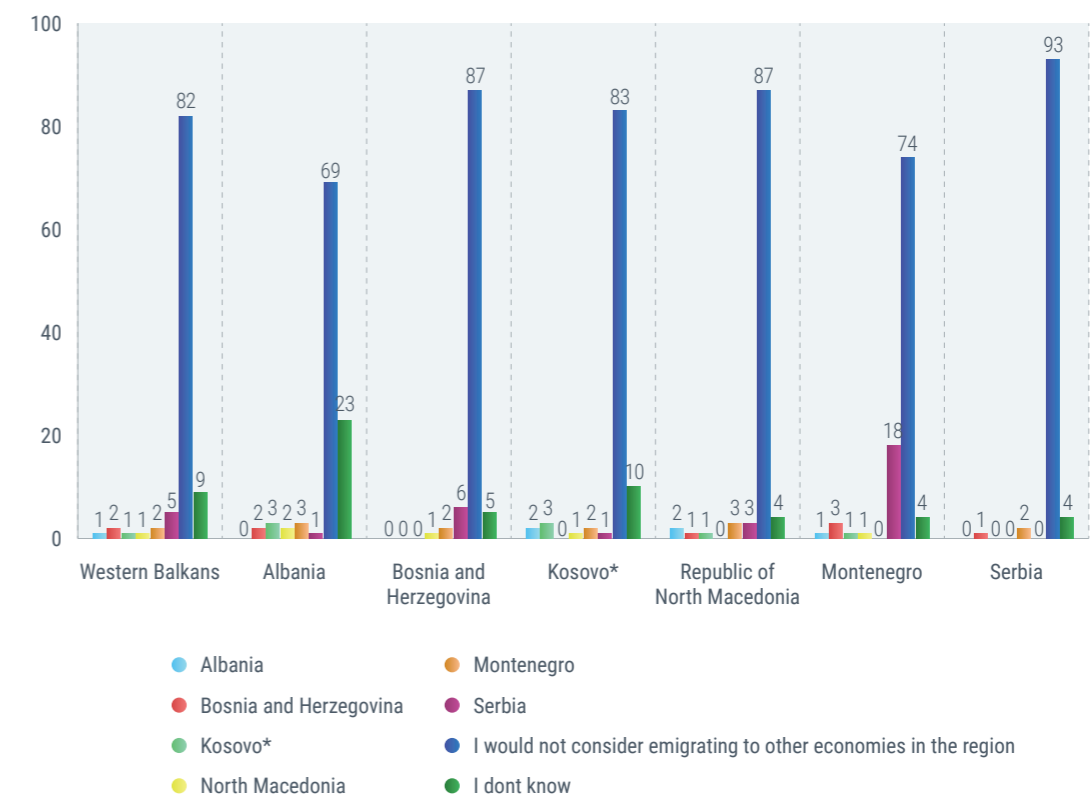
2.2. Smart Growth

Promoting innovation and fostering knowledge-driven growth is the central objective of the Smart Growth pillar as the regional economies seek to move away from low-cost labour to other more sustainable forms of competitiveness. This pillar combines the following dimensions: D) Education and Competence aimed at creating a competitive skills base in the region; E) Research & Development and Innovation anchored in the Regional Research and Development Strategy adopted by the Western Balkan economies in 2013, seeking to promote more and better investment in research and innovation as a precondition for building a more competitive model of growth; F) Digital Society aimed at supporting the economies in reaping the full potential of information and communication technologies (ICT) to spur innovation, economic growth and regional competitiveness;

and G) Culture and Creative Sectors aimed at strengthening the position of the cultural and creative sectors as drivers of socio-economic development.

As equally important pillar of SEE 2020 Strategy, Smart Growth pillar includes human capital dimension element which is by itself a fundamental source of economic growth. Within SEE 2020 Strategy, Smart Growth pillar aims to tackle several important elements and span research, innovation, digital society and other elements important for achieving long-term objectives - stirring the progress in the region so as to increase GDP per person employed by 33% and add around 300,000 highly skilled qualified people to the region's workforce. While the latter objective has been successful accomplished, the former still needs to be achieved, pointing out to the

Figure 1: Would you consider leaving and working in another place in the Western Balkan region? If yes, where?



need for all Western Balkan economies to invest more efficiently and rigorously in the human capital development.

Investing in the human capital development across the region is also important from the perspective of addressing the brain drain – a major impediment to the socio-economic growth in the region and an increasingly important element to bear in mind. There has been a 49% increase of first work permits obtained by Western Balkans citizens in the EU between 2018 and 2019, the lowest being 19% increase of legal migration in case of Albania, to 92% in the case of Montenegro and 99% increase in the case of Kosovo*¹³.

Balkan Barometer 2020 Public Opinion¹⁴ notes that when asked Would you consider

leaving and working abroad 43% of Western Balkan citizens confirm their intentions, whereas almost half of the respondents (49%) still do not consider leaving the region. Albania is home to most respondents who are considering leaving their economy, although the numbers are quite close in other economies as well. This, in turn, points out to the common problem Western Balkan economies have in terms of expanding emigration.¹⁵ As long as the Western Balkan economies struggle and their democratic deficit persists, the brain drain will continue to pose a significant challenge to region's governments.

Table 10: Target 6 - GDP per person employed (in GPS)

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	targeted value	achieved so far	achieved/targeted
Albania	18,465.65	19,276.56	20,240.00	21,955.00	23,122.62	23,222.00	21,463.00	21,953.00	22,356.23	22,777.60	24,000.00	5,534.4	4,311.9	78%
Bosnia and Herzegovina	31,075	33,386	33,873	34,365	35,173	35,950	38,573	38,647	41,255	42,424	40,200.00	9,125.3	11,349.0	124%
Kosovo*	33,642.00	39,778.00	38,776.00	36,040.00	39,165.00	44,565.32	40,184.83	37,272.56	42,176.44	42,593.61	45,416.70	11,774.7	8,951.6	76%
Montenegro	30,321.00	34,025.00	32,271.00	33,181.00	31,091.00	34,517.62	36,083.58	37,184.95	38,789.22	39,735.44	37,000.00	6,679.0	9,414.4	141%
Serbia	28,157.00	31,456.00	32,053.00	31,388.00	28,266.00	29,067.00	27,496.00	29,141.83	30,070.34	31,144.43	34,000.00	5,843.0	2,987.4	51%
Republic of North Macedonia	25,709.40	25,732.58	25,716.53	25,440.43	26,852.00	26,611.02	27,616.27	27,305.71	29,663.67	31,590.82	35,000.00	9,290.6	5,881.4	63%
SEE6	27,868.95	30,143.65	30,635.39	30,818.10	30,923.62	31,221.16	30,317.32	30,064.95	31,304.12	32,252.65	36,300.00	8,431.1	4,383.7	52%

¹³ RCC internal document within the Employment and Social Affairs (ESAP) Platform II

¹⁴ Regional Cooperation Council, Balkan Barometer 2020 Public Opinion Survey, available at [Balkan Barometer | Welcome \(rcc.int\)](https://www.balkanbarometer.com/)

¹⁵ Western Balkans Regular Economic Report (2020), An Uncertain Recovery, No. 18, p.40, available at <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

The SEE has continued to make some progress on Target 6 – GDP per person employed – with more than half of the target fulfilled (52%). However, given the composition of the indicator (where employment is in the denominator), caution should be applied when interpreting the result. During 2019, employment in the region increased by 2.3% compared to a year earlier. On the other hand,

GDP in PPP has outperformed the increase in employment. Average GDP growth in the region was 5.4% in 2019. This solid economic growth has contributed to the increase of the target GDP per person employed, pointing to increased labour productivity, but at the same time highlighting the issue of growth in the region being associated with a relatively low intensity of employment creation.

Table 11: Target 7 - Number of highly qualified persons in the workforce

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (target)	targeted value	achieved so far	achieved/targeted
Albania	168,989	162,500	171,520	200,694	215,517	243,197	245,536	260,385	277,408	300,559	260,000	91,011	131,570	145%
Bosnia and Herzegovina	154,000	168,000	164,000	185,000	191,000	177,000	179,000	162,000	164,000	146,000	255,000	101,000	-8,000	-8%
Kosovo*	82,000	87,000	92,000	99,000	104,000	101,000	104,200	125,700	121,000	132,100	n/a	n/a	50,100	n/a
Montenegro	55,200	58,200	62,400	69,200	74,800	75,400	80,500	77,900	77,500	83,200	68,000	12,800	28,000	219%
Serbia	568,446	579,591	604,316	634,684	717,851	757,226	783,004	807,651	833,660	834,207	655,000	86,554	265,761	307%
Republic of North Macedonia	164,481	182,853	191,213	183,500	183,874	204,952	235,543	237,887	233,776	240,826	204,000	39,519	76,345	193%
SEE6	1,193,116	1,238,144	1,285,449	1,372,078	1,487,042	1,558,775	1,627,783	1,671,523	1,707,344	1,736,892	1,442,000	248,884	543,776	218%

On the other hand, Target 7 (Number of highly educated persons in the workforce) has already been achieved, with the region adding to the workforce more than 540,000 highly qualified persons since 2010. Overall, labour force since 2010 has increased modestly by only 1.8%. The number of highly qualified persons has grown at a much higher pace, by more than 45%. While these trends are an indication of positive trends in higher education, concerns remain with regard to the quality of the education and its alignment with demands in the labour market.

Education and Competences

There is a continuous growth of tertiary education attainment in the region since 2010, although it keeps being below the EU average in all economies in the region. While the expectation is that the EU will reach and exceed their objective of having 40% of 30-34 population with tertiary education, economies of the region are still lagging behind. As in previous years, in 2018 Montenegro, Serbia and the Republic of North Macedonia were in a better position with a range of 29-34% of population

aged 30-34 with tertiary education attainment compared to the range of 21-24% for Albania, Bosnia and Herzegovina and Kosovo*.¹⁶ A recent study (presented in December 2020) “The Digital Leap: How Covid-19 Transformed the Digital Future for the WB” showed that the use of digital tools for education has increased dramatically and 44.5% of citizens were satisfied with digital delivery and would prefer to continue using digital education as much or even more. This shows the positive pressure on digitalisation needs as part of the policies to enhance education and competence. The pandemic constraints contributed to such acceleration and acceptance of digital education. However growing concerns are related to adequacy, inclusiveness and learning outcomes particularly for VET streams, and the online modality cannot fit all needs and contexts.

Early leavers from education and training keep remaining at a higher risk of unemployment, social exclusion and poverty compared to young people who have obtained a formal education. In the region the percentage of early leavers from education and training has been steadily decreasing throughout the last decade in all economies.

The Western Balkan education systems continue to face challenges regarding the skills-labour market needs. A review of PISA 2018 scores in the Western Balkans show that approximately 53% of students do not acquire the basic skills necessary to function effectively in a modern labour force, compared to 23 percent in OECD countries¹⁷. For example, 78% of 15-year-olds in Kosovo*, and over 50% in Albania, the Republic of North Macedonia, and Montenegro are functionally illiterate, with 38% of functional illiteracy among

students in Serbia, the top performer in the Western Balkans¹⁸. This very high lack of proficiency in basic cognitive skills undermines the ability to acquire the necessary skills demanded by the rapidly changing labour market and economy.¹⁹ However, Western Balkan economies continue to make ongoing efforts to introduce or expand dual education and link businesses with schools and the progress has been noted in comparison to previous years. The negotiations on mutual recognition agreements of professional qualifications for Doctors of Medicine, Dentists, Architects and Civil Engineers, launched in 2018, were discontinued in June 2019, due to a lack of regional consensus. In December 2019, WB6 PM Sherpas requested from RCC and CEFTA to provide a joint way forward on mutual recognition of professional qualifications to resume the process. The potential agreement is expected to remove barriers and facilitate mobility of individuals exercising these professions in all of the WB6 economies on temporary and occasional basis.

A Declaration on Mutual Recognition of Academic Qualifications has been endorsed in the form of Chair Conclusion at the Poznan Summit in 2019. RCC is facilitating the final phase of implementation of this agreement to put in place standards and procedure for automatic recognition in line with the commitments made within the Bologna process. A beta version of Joint Information System is developed, to be fully functional and open to public in May 2020. An operational and implementation plan on reporting the recognition of qualifications has been established and endorsed. To enable the region to understand their internal procedures and placing of qualifications within individual qualifications

frameworks, thus facilitate a common regional procedure, RCC is analysing the comparative study of National Qualifications Frameworks in the region. This will serve the region to develop a solid and verified reference point for recognition processes and enable fast-track recognition of qualifications.

Moreover, a regional network of ENIC/NARIC offices was established to enhance the practical cooperation between the bodies involved in the recognition of academic qualifications process. Number of requests received from ENIC/NARIC offices for recognition of degrees obtained in SEE region has significantly increased annually since 2010 throughout the WB6, accentuating the practical need for facilitated recognition of academic qualifications.²⁰ The WB6 economies have adopted new Laws on higher education, in line with the acquis, proceeding thus with the reforms in the education system to meet the European Standards and Guidelines (ESG) in Quality Assurance. The target of the region is to meet the ESG by 2024. To facilitate, assist and coordinate this process, RCC has provided a technical assistance for a mock review of the quality assurance systems against the ESG in the Western Balkans, the results of which will serve as guidance for relevant reforms in education in the region. It will also enable the region to understand the current state of play in quality assurance, provide specific economy based guidelines and a common regional guideline to achieving the standards.

Education Reform Initiative of South Eastern Europe (ERI SEE) has been implementing actions corresponding to a number of SEE 2020 Strategy priorities: development of the knowledge-based economy that uses knowledge and information for moving from low-cost labour to other sources of competitiveness.

The priority action of strengthening links between education systems and the labour market, and contributing to the labour-market rel-

evant skills development has been tackled by a regional project “Towards regionally-based occupational standards”, funded by the Austrian Development Agency. The project is managed by the ERI SEE and partners, the VET agencies and Chambers of Commerce from the 6 Western Balkan economies. The project is dealing with 2 sectors – tourism and catering industry, and construction industry, and development of modernised occupational and qualification standards that rely heavily and are developed in close collaboration with the relevant business representatives from the region. These actions also address the standardisation of qualifications, which is one of the priorities of the SEE 2020 Strategy. In terms of the priority action **Removing obstacles for the recognition of qualifications**, ERI SEE has been developing the central regional portal containing information on 2 most relevant aspects regarding regional qualifications: 1) their recognition across the region, and 2) their quality assurance. Thus, the portal contains information regarding recognition procedures, bodies and contacts in one place, as well as the register of all accredited higher education institutions and their study programmes in the region. The information about the accredited higher education institutions and their study programmes is of most significance in the recognition procedure. The portal is further being developed to contain the database of qualifications that have been submitted for recognition, as well as the related statistical data, currently being prepared on www.wb-qualifications.org.

In terms of education of teachers and provision of skills needed for life and work, ERI SEE was implementing a study on the existing systems of needs analysis for teachers’ education and trainings. The results will be further used to identify the best practices and challenges in the way the needs of teachers for their professional development are analysed and met,

¹⁶ SEEDS - Regional Cooperation Council - <https://www.rcc.int/seeds/results/1/see2020-progress-tracker> (data collected from SEE2020 NCs)

¹⁷ <http://documents1.worldbank.org/curated/en/590751590682058272/pdf/The-Economic-and-Social-Impact-of-COVID-19-Education.pdf>

¹⁸ Ibid.

¹⁹ Ibid

²⁰ Ibid

to improve the systems and to provide further actions in this respect.

In terms of enhancing quality of education in general, a study on the external evaluation of schools, as part of the quality assurance systems, was implemented, with the goal of identifying areas of improvements in the region and areas of best practice exchange. This measure is important so that, among others, inclusiveness, prevention of early school leaving and education of teachers can be tackled further.

When it comes to actual mobility within the region, the regional migration follows the trend from previous years and remains a significantly less enticing prospect with the vast majority of the region's residents – 82% of all respondents, presently having no interest in moving to another regional economy for work.²¹ But unlike in the previous years, there is a positive trend in increase of support for intra-regional mobility. The region continues to grow steadily more open to arrivals from within the Western Balkans community with

a 12-point increase in respondents supportive of inward migration from another regional economy recorded since 2016.²² The region continues to become increasingly open to arrivals from within the Western Balkans community with 40% of all respondents now supportive of inward migration from another regional economy (+4 compared to 2018).²³ This year's survey also sees a four-point drop in the ranks of respondents' hostile to the idea (15%). Overall, since 2016, the number of survey participants supportive of regional arrivals has grown by 12 points and represents a promising development in regional relations.²⁴ As in previous reports, Serbia has the fewest prospective emigrants (93% would not consider moving to another SEE economy) in the Western Balkans while it also, interestingly, represents the single most attractive destination for other economies in the region.

Table 12: Implementation of Education and Competence actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension D: Education and Competences		
D.1. Strengthen institutional capacity of ERI SEE	<ul style="list-style-type: none"> ○ Increased no. of employees ○ Increased capacities in various areas: ○ Project management ○ Procurement ○ Auditing ○ Internal organisation and procedures ○ Increase in the budget 	<ul style="list-style-type: none"> ○ Same number of employees ○ Development of new project proposals ○ New project proposals submitted to donors ○ Budget increased (for 300.000,00 EUR)

²¹ Balkan Barometer Survey 2020

²² Ibid

²³ Ibid

²⁴ Ibid

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
D.2. Introduce policies to improve access to and quality of education Identify and agree on programmes of specific measures to be undertaken at regional level to: i. Improve access to education ii. Increase quality of education through teacher training iii. prevent drop-out from education system	<ul style="list-style-type: none"> ○ Regional SEE Teacher Education and Training (SEE TET) Network established and coordinated ○ Cooperation with European Training Foundation (ETF) ○ Training for the SEE TET Network on teachers' needs analysis systems organised ○ A study on needs analysis systems in place in the region launched, for better quality of investments in teachers education and trainings 	<ul style="list-style-type: none"> ○ Regional recommendations on the teacher's professional development needs analysis systems ○ Recommendations for quality standards in organising teacher education and training courses ○ Exchanges of best practices
D.3. Identify measures to assist SEE economies in removing obstacles to recognition of qualifications	<ul style="list-style-type: none"> ○ Portal with all information on recognition of qualifications in one place developed ○ Portal with all information on accredited higher education institutions and study programmes developed ○ Cooperation with RCC on developing an administrative tool assisting recognition processes and statistical analysis in the region 	<ul style="list-style-type: none"> ○ Portal on recognition and accredited institutions publicly launched ○ Administrative tool assisting recognition processes in the region developed in its testing version ○ Statistical data on recognition easily available
D.4. Ensure education better meets economic and labour market needs	<ul style="list-style-type: none"> ○ Implementation of the project for development of regionally-based occupational standards in cooperation with VET agencies, Chambers of Commerce and business representatives ○ Occupational standard and qualification standard for the hotel-restaurant technician developed in close cooperation between education and business sector 	<ul style="list-style-type: none"> ○ Continuing the project implementation ○ Occupational standard and qualification standard for painter, dry-construction worker, tile setter and floor layer (construction industry) developed in close cooperation between education and business sector
D.5. Ensure development of entrepreneurship competence at all stages of education	<ul style="list-style-type: none"> ○ This measure was under the competences of SEECCEL ○ ERI SEE is tackling this issue through the activities related to the teachers education and training needs (needs for upskilling) 	<ul style="list-style-type: none"> ○ Recommendations for quality standards in organising teacher education and training courses

Research and Development and Innovation

Portraying a detailed Research and Development (R&D) landscape of the Western Balkans remains a difficult exercise. While reliable and comprehensive statistics on research, development and innovation (R&D&I) are available in Montenegro, the Republic of North Macedonia and Serbia, the remaining three WB economies should work towards achieving such a progress in this field.²⁵ In some cases, statistical data on key R&D indicators such as the gross domestic expenditure on R&D are still unavailable. Similarly, only three out of six WB economies participate fully in the European Innovation Scoreboard.

According to the 2020 Progress Reports prepared by the European Commission as part of the accession process, Montenegro, the Republic of North Macedonia and Serbia are at a satisfactory level of preparation in the area of science and research, Bosnia and Herzegovina is prepared to some extent, while Albania and Kosovo* are at early stages.

Overall, both public and private spending on R&D&I in the region continued to be low according to the Eurostat data, rendering the research and innovation capacity very limited. It can be estimated that the region's average domestic expenditures on R&D are below 0.4%, five times less than the EU average. Although Albania, Montenegro, and Serbia modestly increased R&D investments, the region as a whole needs to step up investments to reinforce its R&I capacities, in particular the private sector.

Table 13: Gross domestic expenditure on R&D relative to GDP in the Western Balkans compared to the EU average

	2013	2014	2015	2016	2017	2018
EU	2.03	2.03	2.04	2.03	2.07	2.19
Albania	n/a	n/a	n/a	n/a	n/a	n/a
Bosnia & Herzegovina	0.35	0.24	0.22	0.24	0.2	0.2
Kosovo*²⁶	0,14	0,13	0,13	0,15	0,16	0,18
Montenegro	0.37	0.36	0.37	0.32	0.35	0.35
Republic of North Macedonia	0.44	0.52	0.44	0.43	0.35	0.37
Serbia	0.68	0.72	0.81	0.84	0.87	0.92

Source: Eurostat²⁷

²⁵ Commission Staff Working Document 2020 for each Western Balkan economy

²⁶ Data for Kosovo* was provided by the Kosovo* Statistical Office to illustrate developments in this field, although it is not a part of the Eurostat's official annual report.

²⁷ Eurostat 2020, Enlargement countries – statistics on research and development, available at https://ec.europa.eu/eurostat/statistics-explained/index.php/Enlargement_countries_-_statistics_on_research_and_development#Research_and_development_expenditure

Compared to the Framework Programme 7 (FP7), participation of WB6 in Horizon 2020, as the most important EU programme funding research in excellence, has significantly improved on all indicators. The total number of WB6 participations, for example, has jumped from 554 in FP7, to 845 in Horizon 2020, while the total EU contribution to WB6 participants nearly doubled from 84.1 Million EUR in FP7, to 146.9 Million EUR in Horizon 2020. The final data is likely to be even better since the current report is based on incomplete data for signed grants.

Montenegro and Serbia have adopted their Smart Specialisation Strategies (S3). Montenegro's Government adopted the S3 in June 2019 prioritising the areas of agriculture, energy, health, tourism and ICT, and received a conditionally positive assessment by the European Commission at the end of 2019. Serbia's S3 was adopted in February 2020 while the complementing Action Plan remains to be developed. Serbia's S3 priority areas include food for the future, ICT, future machines and manufacturing processes, and creative industries. With the EU support, Albania and the Republic of North Macedonia have completed the first phases of their S3 preparations. S3 is at an early drafting stage in Kosovo*, while Bosnia and Herzegovina has not seen progress in this respect. The RCC closely cooperated with the DG Joint Research Centre of the EC with regards to promoting the importance of smart specialisation strategies for the Western Balkans.

A MAP REA action on removal of obstacles to mobility of researchers includes mapping of existing research infrastructure and development of new centres of scientific excellence in the region. The purpose of the former is to ensure transparent and available information to researchers interested in cooperating with their peers in the Western Balkans.

²⁸ Breakthrough for SEEIIST: Memorandum of Cooperation Signed by Six Prime Ministers of the Region, Poznan Summit 2019, available at <https://seeiist.eu/3-breakthrough-for-seeiist-memorandum-of-cooperation-signed-by-six-prime-ministers-of-the-region/>

Three WB economies have seen progress with regards to developing RI roadmaps. After Serbia's adoption of its first RI Roadmap at the end of 2018, the Montenegrin Government went a step further by adopting its revised RI roadmap in mid-2019. By the end of 2019, one entity in Bosnia and Herzegovina (Republika Srpska) developed and adopted its RI roadmap. The Republic of North Macedonia has established a Working Group tasked to develop RI roadmap, but steps towards gathering data on RIs have not been taken. The remaining WB economies made no visible progress. Following consultations with the representatives of the Working Group on Research & Innovation in the Western Balkans, the RCC launched "Technical Assistance to Creating Roadmaps of Research Infrastructures in the Western Balkans" as a part of the RCC's efforts to support mobility of researchers and boost research cooperation. The technical assistance also aims at empowering line ministries to complete the mapping of research infrastructures exercise in Albania, Bosnia and Herzegovina, Kosovo*, and the Republic of North Macedonia. After the exercise is complete, the existing roadmaps at the WB economy levels will be used to create a single regional roadmap of research infrastructures.

The region also coordinated efforts towards the creation of the South East European International Institute for Sustainable Technologies (SEEIIST), as a new regional centre of research excellence. The RCC supported the activities of SEEIIST initiative, following the SEEIIST Memorandum of Cooperation signing by six WB Prime Ministers in Poznan in 2019.²⁸ The SEEIIST is conceived as a state-of-the-art large-scale competitive research facility for tumour therapy and biomedical research with protons and heavier ions. The SEEIIST has received 1 million EUR funding

support from Horizon 2020 for the first phase of a design study.

The Working Group on Open Science (WGOS) aims to promote the adoption of Open Science policies and associated measures in the Western Balkans since 2017. For the third time, the Working Group members supported by RCC participated in a meeting of the European Commission expert group on National Points of Reference on Access to and Preservation of Scientific Information, and reported on developments in WB economies. At the level of individual WB economies, major positive developments have been registered in Montenegro that adopted a national Programme for implementation of open science principles, following Serbia's adoption of a national open science policy (Open Science Platform) in 2018.

In addition, the RCC has been instrumental in promoting Open Science principles in the region through several interconnected activities. In early 2020 the RCC initiated activities aimed at preparing the Protocol on Open Access to Research Infrastructures in the Western Balkans. The Protocol has been endorsed by the region's leaders at the Sofia Summit in November 2020. In parallel, RCC has launched "Open Access Research Infrastructure in the Western Balkans Support Programme" to assist development of research infrastructures in the region. Its purpose is to guide the preparation of Open Access policies for

selected RIs in the region, and to train management, administrative and research staff to introduce principles of Open Access to their RIs. Alongside contributing to the development of the Open Science practices in the region, the Support Programme intends to lay the foundation for the establishment of the Network of Open Research Infrastructures in the Western Balkans. The Network is intended to support the mobility of researchers and encourage cooperation between academia and industry. As part of the Support Programme an intense training for research performing organisations in the Western Balkans "Open Access to Research Infrastructure: Principals and Policy Development" was organised at the end of June 2020.

According to the Balkan Barometer, only one out of ten companies in the region cooperates with research organisations on developing new products or services. Similarly, the region's authorities supported only one in twenty companies to develop innovative solutions. Unsurprisingly, the Western Balkans ranks low to very low for innovation capability indicator (59th to 110th of 141) in the Global Competitiveness Index of the World Economic Forum. The only constant positive developments in this area are the increasing numbers of publications in scientific journals and, in some cases, number of registered patents.

Three WB economies are covered by the European Innovation Scoreboard (EIS). After the Republic of North Macedonia and Serbia, Montenegro was also included in May 2020. Serbia is a moderate innovator, with a significant increase in performance of 13.3%. While the Republic of North Macedonia performed even better with an increase of 14.8%, it is still a modest innovator, same as Montenegro with a 5.0% increase. The other half of the WB economies are not included in the EIS, though we are safe to say they are also modest innovators.

RCC has worked closely with the EU4Tech project implemented in the Western Balkans by the end of 2019. EU4Tech's aim was to support and strengthen the technology transfer and innovation ecosystem in the economies of the Western Balkans by adopting a holistic capacity building strategy that covered all actors operating in the technology transfer and innovation ecosystem, ranging from academic institutions to early stage investors to science parks to spin-out companies to policy makers. Apart from participating as the project's Steering Committee Member, the RCC assisted in establishing the informal regional network of technology transfer offices that held three meetings. This network should be formalised during 2021. As a follow-up to EU4Tech, the RCC also supported the Western Balkans Proof of Concept Scheme project (IPA 2019) to be implemented by the end

of 2021. The project was launched in January 2020 with the key objective of providing hands-on support in taking promising inventions in the Western Balkans to market. RCC partnered with the World Economic Forum to launch the Western Balkans Competitiveness and Innovation Accelerator as part of a global network of similar initiatives that facilitates exchange of insights and experience. The Accelerator is a public-private leadership collaboration platform aimed at supporting the region to improve its competitiveness and ensure long-term growth. The Accelerator was supported by the Leadership Group consisting of six ministers and six prominent CEOs from each WB economy at the first Leadership Group Meeting in February 2020 in Tirana. The Accelerator has focused its efforts in three separate actions: developing the Regional Innovation Fund (RIF) initiative, introducing foresight approach to the region, and identifying and designing innovative policies aimed at increasing regional competitiveness. The RIF has been supported by both the region's policy makers and businesses active in the Accelerator as a coordinated regional scheme targeting to support primarily early stage innovation initiatives. In this sense, the RIF is set to work as a complementary scheme to the WB EDIF that targets mature innovation initiatives. The RIF has been also reinforced through the CRM and the Leaders' Declaration in Sofia.

Table 14: Global Competitiveness Report 2019

WB Economy	Interaction and diversity (1-100) ²⁹	R&D (1-100)	Innovation Capability (rank)	Competitiveness rank
Albania	32.5	17.2	110	81
Bosnia & Herzegovina	29.4	20.2	117	92
Montenegro	43.5	23.8	69	73
Republic of North Macedonia	30.7	21.5	97	82
Serbia	41.8	33.8	59	72
Average	35.58	23.3	90.4	80

²⁹ Scores are on a 0 to 100 scale, where 100 represents the optimal situation or 'frontier'.

Table 15: Implementation of R&D and Innovation actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension E: R&D and Innovation		
<p>Strengthen research capabilities and promote research excellence</p> <p>Assess options for regional actions to promote technology transfer and develop potential measures/instruments</p>	<ul style="list-style-type: none"> ○ Working Group on Open Science is stepped up its efforts towards implementing the agreed action plan including: <ol style="list-style-type: none"> 1. Preparation of the Protocol on Open Access to Research Infrastructures in the Western Balkans, 2. Encouraging the introduction of Open Science policies, 3. Promoting mobility of researchers through the prospective creation of the Network of Open Access Research Infrastructures. 	<ul style="list-style-type: none"> ○ Launch of the Network of Open Access Research Infrastructures in the Western Balkans ○ Technical Assistance aimed at mapping research infrastructures in four WB economies continued ○ Mapping of Women in STEM regional initiatives completed ○ The Western Balkans Proof of Concept Scheme project continued ○ Activities of the Western Balkans Competitiveness and Innovation Accelerator continued
<p>Design regional programme to develop 'networks of excellence' in selected research areas</p> <p>Stimulate collaboration between industry and science</p> <p>Support introduction of a viable innovation finance market</p>	<ul style="list-style-type: none"> ○ The SEEIST received 1 million EUR funding support from Horizon 2020 for the first phase of a design study ○ EU4Tech project successfully completed to support and strengthen the technology transfer and innovation ecosystem in the WB6 ○ The Western Balkans Proof of Concept Scheme project launched in January 2020 with the key objective of providing hands-on support in taking promising inventions in the Western Balkans to market 	

Digital Society

Digital transformation is an unavoidable process for further development of digital economy and society in the region and beyond, and important part of the Smart Growth pil-

lar. In the process of digitisation, WB region is actively working on improvement of digital transformation process, marking significant progress and the gap is narrowing year by year. Despite progress and results in digital transformation and its transformative role in

the overall economic reform agenda, digital infrastructure in the Western Balkan region is still underdeveloped, especially in rural areas. The alignment of the national legislation with the EU acquis is an ongoing process with continuous progress, where economies face different challenges.

The COVID-19 pandemic strengthened the importance ICT and digital transformation have in digital policy reform agenda as well as highlighted the most urgent needs of digital connectivity and use of digital solutions. Different digital solutions have emerged in all Western Balkan economies, helping citizens and businesses stay connected and fight against Covid-19 using: new eGovernment services, digital learning platforms for school children, web portals offering free services by digital community and educational and cultural institutions, 3D printers producing protective equipment for health professionals, etc.

European Commission is implementing a three-year project on Digital Economy and Society Index (DESI) for Western Balkan economies, aimed at measuring progress in the field of digital transformation, summarising indicators on digital performance and digital competitiveness. So far, data has been collected for WB DESI for 2018 and 2019 and data from DESI 2019 show an overall improved digital performance in 5 economies compared to DESI 2018. However, not all data related to DESI is collected comprehensively, hence full DESI coverage of all Western Balkan economies is yet to be achieved and there is a need for substantial scaling up of efforts in this regard.

RCC co-organised three WB Digital Summits (WBDS) so far, and played a leading role in drafting and coordinating the preparation of the conclusions. Digital Summit(s) are organised yearly as a government-industry collaborative platform to support broad discussion on the challenges of digital transformation and priority actions to reap benefits of a

shared regional digital space. The third Digital Summit was held online in Tirana from 26 to 28 October 2020. The Summit was followed by Digital Ministerial meeting held on 2 November 2020. The Digital Summit discussed on the challenges posed by the pandemic and the crucial role digital transformation plays, highlighting the necessity to embark on new regional initiatives while keeping the momentum in the implementation of the ongoing regional initiatives. The 3rd Digital Summit concluded with the signing of the Memorandum of Understanding (MoU) on 5G Roadmap for Digital Transformation in WB region and MoU on Regional Interoperability and Trust Services in WB region. By endorsing MoU on 5G, WB economies are fully committed to provide timely access to 5G pioneer bands, deploy 5G networks, and ensure cybersecurity of 5G networks by implementing EU toolbox on 5G cybersecurity. On the other hand, through activities defined in the MoU on interoperability, the region will further advance in the area of trust services as well as regional interoperability to facilitate free movement of services and reduce costs for businesses in cross-border transactions. The Digital Summit is not a one-time event but rather a permanent process and dialogue on digital transformation challenges in Western Balkans and therefore follow-up activities are planned. To this end, a study "The Digital Leap: How Covid-19 Transformed the Digital Future for the WB" was prepared by the members of the Digital Summit Steering Committee from the industry and presented on 17 December 2020.

The signing of the Regional Roaming Agreement (RRA) during the 2nd WBDS in Belgrade in April 2019 brought significant reduction of roaming costs to all WB mobile end-users. Roaming charges have been substantially reduced as of 1 July 2019, enabling citizens and businesses to speak more and pay less. The signing of the RRA signalled the maturity of WB to overcome political sensitivities for the

benefit of its citizens. The implementation of the agreement shows positive results, in particular a marked increase of data traffic while in roaming in WB economies. The roaming charges have been reduced from 83% to 96%. Western Balkans will be a roaming-free region from 1 July 2021.

Western Balkan economies together with the EC and RCC have started the discussion on the reduction of roaming charges between the Western Balkans and the EU. First steps in this regard were done through the non-paper “Considerations regarding the objective to lower the wholesale and retail prices for roaming services between the Western Balkans and the EU - Elements for the Roadmap on WB-EU roaming charges reduction”, accepted by all economies. The paper has been discussed extensively with WB economies and the elements of the roadmap have been already agreed.

Progress in high-speed connectivity is noted as all the economies are progressing in the development and deployment of broadband networks. Increasing broadband access helps develop a digital ecosystem and provides access to e-commerce, e-government, and e-health applications. Half of WB economies perform above EU28 average in 4G coverage (according to the EC study on DESI 2019). As for 5G connectivity, according to the National Broadband Plan of Albania, until 2025 5G should be deployed in the biggest cities as well as along the main transport routes. Kosovo* will, through Digital Economy (KODE) Project, support mobile operators to connect their towers with fibre optics in order to be prepared for the 5G networks development; in Montenegro, the study on the introduction of 5G is being prepared, the spectrum auction is planned for the end of 2021, and first commercial 5G networks by the end of 2022; in the Republic of North Macedonia, the first 5G auction is planned by the end of 2020; in

Serbia, all three 5G pioneer bands are allocated for mobile services in new Radio Frequency Band Allocation Plan.

Strategic frameworks to expedite broadband deployment are in place in all WB economies. Alignment with EU acquis is progressing well, yet with uneven pace and speed in across WB economies. Networking and regional dialogue on broadband development and high-speed connectivity have improved. The network of existing WB Broadband Competence Offices (BCOs) and contact points in the economies in the process of establishment of BCOs has been established and this network will be further strengthened through regular regional meetings.

Utilisation of funds earmarked for digital infrastructure projects under the Western Balkans Investment Framework (WBIF) has improved. In 2018, there was only one WBIF project, and €0.5 million of TA was mobilised. The number in 2019 increased to 6 new projects and almost €4.6 million for TA, while there were 4 additional projects approved in 2020. At this moment, there are 10 WBIF projects active in the region: 9 national and 1 regional. Total investment cost estimated for digital infrastructure projects within the WBIF framework until December 2020 amounts to €309 million.

All WB economies have already established portals for eGovernment services, as well as put a lot of effort in developing and improving eGovernment services and other e-services in general, especially after Covid-19 pandemic started. In order to better understand the progress in this area beyond the EU, eGovernment benchmark report for 2020³⁰, prepared by the EC, includes data for four WB economies. The economies have best results in user centricity priority, while the region is lagging behind EU28+ average in the key enabler’s priority. Some activities on eGovernment are also part of efforts to

improve public services, implemented with the support of Regional School of Public Administration (ReSPA) as part of public administration reforms (PAR) in the Western Balkan economies.

Until now, three bilateral agreements on mutual recognition of qualified trust services are signed in the region. These agreements will enable recognition of e-signature and other trust services, facilitate cross-border/boundary trade and boost further e-commerce. Although all economies are progressing well with e-services and digitalisation of public services, the citizens are yet to start using them more broadly.

Furthermore, in the field of interoperability, in 2019 in Albania, the government interoperability platform (allowing interaction between 53 electronic systems owned by public institutions) registered a 35% increase in activity. In Kosovo*, an interoperability platform exists and is functional but the quality of registered data needs to be improved for the platform to be useful. Montenegro adopted a national interoperability framework in line with the European Interoperability Framework (EIF). The use of the interoperability system slightly increased in the Republic of North Macedonia, although many institutions do not use it despite having installed equipment and software. Despite the progress, many challenges still persist in WB economies. There is still considerable work to be done on harmonising and aligning the WB Interoperability Framework(s) with the EIF. First meeting of the Regional Working Group on Interoperability and Trust Services was held in February 2020.

Participation in EU Interoperability Programme (ISA2) is improving (Montenegro was the first economy to become a member whilst the Republic of North Macedonia joined in April 2020, and Albania has shown the initiative to also join), offering best expertise on IT solutions for business and citizens and interoperability upgrade for WB. Partic-

ipation in EU digital programmes and frameworks helped WB in peer-to-peer learning, sharing best practices with EU peers, getting expertise and concrete support based on needs, support for EU acquis alignment, etc. Participation in other programmes such as European Artificial Intelligence Alliance, EU Block Chain Observatory & Forum, and High-Performance Computing is at a planning phase. Despite the progress made, participation in the EU programmes and frameworks in general needs to be increased and strengthened.

In order to tackle eHealth, a webinar “European mHealth Hub Support – share experience with Western Balkan Economies on digital solutions developed by the Hub” organised by RCC in cooperation with European mHealth Innovation and Knowledge Hub and South-eastern Europe Health Network (SEEHN) was held in September 2020. This webinar was an opportunity for introducing and supporting digital connectivity in health-related aspects, discussing needs in the area of e-services and using digital tools and applications to facilitate access to health services.

In July 2020, RCC organised the first ever regional online competition, Balkathon – “Smarten up for the future”, with the idea to help the region to recover from effects of the COVID-19 pandemic outbreak that has hit businesses and citizens, as well as to boost resilience to such global challenges. Balkathon brought together young innovative people, start-ups, digital innovation centres, science parks, universities, small and medium enterprises, etc. from the Western Balkan region to work in the following areas: smart tourism, digital learning platform and online payments solutions. Three winners, one in each area, are obliged to further develop their digital solutions, in order to be applicable in all WB economies.

As regards digital skills, permanent regional dialogue in the field of digital skills was es-

³⁰ <https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2020-egovernment-works-people>

established in April 2020, when Regional Multi Stakeholders Working Group met for the first time, with representatives from WB economies and international organisations active in the area of digital skills. In this way, regional dialogue on preparing digital skills strategy(ies) in WB economies has been launched. The study mapping best practices in addressing digital skills in EU has been prepared to support development of digital skills strategies in WB economies. Although only Serbia has a dedicated digital skills strategy the pandemic has increased the necessity for the whole region to address digital skills in a holistic approach and positive concrete efforts are noted in some of the economies. RCC has also commissioned a study aiming to define the scope and details for a fully-fledged assessment of digital skills gaps and needs, focusing on key target groups per each economy while factoring respective developments and strategic objectives of each economy which will support a fully-fledged assessment of digital skills gaps and needs in 2021. In the cybersecurity area, the WB region continued its development although at an uneven pace. Legal harmonisation continues to be an important driver for strengthening cybersecurity framework in the region, and general progress has been recorder. Capacities of rel-

evant authorities remain underdeveloped and there is a need for constant improvement in this regard. The process of identifying critical infrastructure is ongoing, but achieving the desired level of its protection, including an operational network of Cyber Security Incidents Response Teams (CSIRTs), still looks far on the horizon. While most of the WB economies are on a good way in transposition of NIS directive and its proper enforcement through the implementation of cybersecurity strategies and keeping CSIRTs functional, Bosnia and Herzegovina is still lagging significantly behind. Cybersecurity strategy has not been developed yet, while the establishment of national CSIRT continues to be an unsurmountable difficulty due to lack of political agreement. This stalemate prevents this economy to finally start with the development of national cyber resilience infrastructure but also slows down the overall regional processes. In the reporting period, RCC continued its work on regional cooperation through regular regional meetings, capacity building events and prioritising and planning future activities. Establishing cooperation with ENISA, other relevant organisations including strengthening cooperation with EU CSIRTs will be RCC's main priorities in the upcoming period.

Table 16: Implementation of Digital Society actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension F: Digital Society		
Connectivity and infrastructure development	<ul style="list-style-type: none"> ○ Implementation of RRA2 started on 1 July 2019. ○ Mechanism for coordination and monitoring of the implementation of RRA2 established. ○ The process of broadband mapping in the WB region is ongoing, visible progress is noted in all economies. ○ WB6 took part for the first time in the EU BCOs network meeting in June 2019. ○ Increased uptake in WBIF with 6 approved projects by WBIF for broadband infrastructure through TA and 4 mature proposals in the process of review/approval. 	<ul style="list-style-type: none"> ○ Complete legislative changes in WB6 in line with RRA to allow smooth introduction of RLAH. ○ Finalise the elements of the roadmap on EU-WB roaming charges reduction. ○ Maximise the use of WBIF for broadband infrastructure through the technical assistance for digital infrastructure development projects, as well as expending WBIF support for investing in digital projects. ○ Support establishing Broadband Competence Offices (BCOs) in WB (where they do not exist) and strengthen capacities of the existing ones. ○ Signing of Memorandum of Understanding on 5G Roadmap for Digital Transformation in WB Region during the third WB DS.
Cybersecurity	<ul style="list-style-type: none"> ○ Cyber Drill for CSIRTs is organised in June 2019 by ITU in Bucharest; ○ Regional Cybersecurity conference organised in Ohrid in June 2019; ○ ITU Regional Cybersecurity Forum for Europe and CIS was held in Sofia in February 2020, including a WB meeting on Cybersecurity cooperation in WB; 	<ul style="list-style-type: none"> ○ Cooperation with EU CSIRTs network, ENISA and other relevant organisations to be strengthened.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Digital transformation of WB	<ul style="list-style-type: none"> ○ The first EU-WB ICT Dialog was held in July 2019. ○ Three bilateral agreements for recognition of trust services have been signed, two are initiated, visible progress has been made. ○ Regional coordination framework established and regular dialogue maintained. ○ Regional dialogue and coordination platform in the field of digital skills was established in April 2020. 	<ul style="list-style-type: none"> ○ Organise third WB Digital Summit in the second part of 2020. ○ Signing of Memorandum of Understanding on regional interoperability and trust services in Western Balkan region during the third WB DS. ○ Supporting WB region in creating innovative digital solutions as response to Covid-19. ○ Advancing in digital skills needs assessment to support digital upskilling in WB region.

Cultural and Creative Sectors

The importance of culture and creative industry lies in its possibility to boost competitiveness, productivity, employment and sustainable economic growth. It is also being used for the promotion of social integration, values and cultural promotion. The strong connection of this sector with the human capital development dimension has the potential to bring about knowledge-based and inclusive sustainable growth. The European Commission strategy “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans” reconfirms the EU’s strong commitment to the European future of the Western Balkans through, among other things, cultural heritage, culture and creative industries as an important step in fostering European values and strengthening the social cohesion.

The EU continued to commit to safeguarding and promoting cultural heritage and strengthening cultural policy in general after the Euro-

pean Year of Cultural Heritage (EYCH) 2018. The priorities were defined for the period 2019-2024 and are highly relevant for policy making in the field of culture at the EU level and for the key themes of European cultural cooperation. Given their important role for economies and societies, cultural and creative sectors can significantly contribute to each of the priorities, especially green transition, digital transformation and an economy that works for people.

All Western Balkan economies participate in the EU Creative Europe programme. In December 2019, within the framework of IPA II with EUR 5 million, European Commission published a call for applications in the domain of cultural cooperation between the EU and the Western Balkans. With the record number of applications, 13 projects were selected, involving 90 cultural organisations, out of which 54 are from the Western Balkans: 15 from Serbia, 12 from the Republic of North Macedonia, 6 from Bosnia and Herzegovina, 7 from each Albania, Montenegro and Kosovo³¹. All

the selected projects address cross-cutting priorities, including cultural policies, gender equality, minority and vulnerable groups, environmental issues and span publishing, architecture, music, painting, photography, graphic and digital arts and so forth.

The ever growing cooperation between the Western Balkans and the EU can be observed in the forward looking *Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport*, expected to set out a new narrative for the region providing a positive and forward-looking vision.³² The importance of the agenda lies in its efforts to circumvent post-COVID-19 consequences the pandemic induced on the region and help stimulate sustainable economic growth. As part of the Agenda, Creative Europe features strongly and is one of its constitutive parts. The aim is to associate the Western Balkan region over time with the new Creative Europe, through increasing the participation and success rate of the region in the actions of Creative Europe programmes, improving the capacity of cultural operators, increasing and enabling a stronger cooperation on cultural heritage by inviting Western Balkans to participate in the Commission Expert Group on Cultural Heritage and explore the possibilities of inviting Western Balkan partners to the European Heritage Label programme, and encouraging and supporting the Western Balkans in the EU action European Capitals of Culture. Western Balkans should, through various platforms, commit to working on stronger cooperation in the cultural policy making with the priorities of securing sustainability in cultural heritage, cohesion and well-being, reconciliation, international cultural relations and culture as a driver of sustainable development. Implementation of the *New European Agenda for Culture* adopted in 2019 should be a priority in all of the three strategic objectives, social, economic and external

dimensions through strengthening international cultural relations. Promotion of creative industries and use of the possibilities of the programmes such as Creative Europe must be a paramount.

Fostering cultural cooperation contributes to the development of cultural and creative industries, which is a huge potential for socio-economic development that should be unlocked. The Western Balkans is a region rich in diverse cultural heritage and creative potential that are often marginalised yet often not utilised in a proper and sustainable way, offering extremely valid strategy for the overall development of the region. In order to work on the regional cultural and creative sectors in light of new developments there should be a platform, an authority in place at the policy level that would induce the processes. Council of Ministers of Culture of the South East Europe (CoMoCoSEE) was an active platform that could become more efficient with new objectives for cultural cooperation on regional and international level.

Furthermore, culture component is reflected in the Triple P Regional Tourism Project predominantly focused on the valorisation of diverse natural and cultural heritage and creation of new regional tourism products. The objective is development of new regional cultural routes promoting heritage to include: i) archaeological sites from the Roman period creating the Illyricum Trail as a new segment of the Roman Emperors and Danube Wine Route (Council of Europe Certified European Cultural Route) which has already been introduced to the market; ii) Balkan Monumental Trail dedicated to art and design of the WWII monuments, and iii) Western Balkans Crossroads of Civilisations as regional umbrella identity integrating the rich heritage to effectively communicate the diversity of legacies present across the region. For the new routes the business models have been proposed, marketing

³¹ Creative Europe programme (2020), 13 projects selected for cultural cooperation with Western Balkan countries, available at https://ec.europa.eu/programmes/creative-europe/content/13-projects-selected-cultural-cooperation-western-balkan-countries_en

³² *Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport*, available at https://wbc-rti.info/object/document/21163/attach/WB_Agenda_02122020_clean-1.pdf

strategies, visual systems and brand manuals developed. The business models aim to lead towards sustainability of the regional routes as tourism products, while marketing frameworks provide road map for their successful promotion and market intake. This created foundations for a more intensive presence in the market, leading to higher business activity and consequently employment in the sector with positive spill-overs to the horizontally linked industries, SME sector and others.

Through the three cycles of the grant schemes, there were total of 17 cultural projects in all six economies in the amount of €785,000 focusing on creating itineraries to be incorporated into the regional routes, using digital technology for higher market intake of cultural assets, and focusing intensely on promotion of cultural heritage using immensely digital and video tools for the purpose of sustainable development of communities the heritage are located in.

2.3. Sustainable Growth

The actions under the Sustainable Growth pillar seek to improve efficiencies in the use of resources, upgrade infrastructure and promote sustainable development, circular economy, decarbonisation and climate neutrality as well as to boost entrepreneurship and competitiveness of companies. The overall aim is to provide the necessary underpinning for a strong, diversified and competitive economic base in the region ensuring its long-term perspective through climate neutrality and environmental protection.

able Growth pillar aims at achieving net-zero emissions by mid-century through minimising GHG discharge and deploying available technological solutions to neutralise the inevitable ones (such as carbon storage technologies). The Energy dimension supports the WB economies in transforming their energy sectors in line with the framework determined by the Energy Community Treaty, facilitates the smooth energy transition of the region and its full integration in the European energy market. This dimension aims at ensuring security of supply as the supreme objective, but also decarbonisation of production and use of energy, promotion and higher integration of intermittent renewable sources and improving energy efficiency. These are also the key elements of the forward-looking EU 2030 Energy and Climate Policy Framework, which is firmly embedded in the WB policies and presently in the process of defining measurable and comparable goals. Diversification of energy sources, decreasing reliance on import, improving self-dependence and stability of supply are also key elements of this dimension. Through the proper implementation and the initiatives under the Energy dimension, the WB region is expected to mitigate its dependence on coal and other dirty technologies that are still heavily represented in the production sphere. By decreasing the carbon content in various products the WB industry should become more competitive while goods and services will find their way to be represented under affordable and competitive prices at the markets outside the region. One of the priorities in the energy sector is decarbonisation which should be achieved through abolishing governments' subsidies and introducing effective carbon pricing mechanisms.

Pillar overview

The four sectors crucial for economic activities, for long-term human development and existence, and necessary for expansion anchored in the principles of sustainability are Energy, Transport, Environmental protection and Competitiveness. These four sectors constitute the Sustainable Growth pillar aimed at improving connectivity in the region and spurring socio-economic development. The Sustainable Growth pillar is designed to promote green development which firmly integrates sustainability principles and ensures mainstreaming high environmental standards and requirements into other policies and sectoral initiatives. This pillar promotes efficient use of resources needed for economic activity, energy and transport operations, infrastructure development and other purposes, and endeavours to optimise interdependencies between these dimensions and support a vigorous yet assertive transformation of our societies and economic growth. This growth also has to have a less harmful climate impact with a view of achieving higher climate standards and neutrality in the upcoming decades, as one of the key prerequisites for human survival at the Planet Earth. Therefore the Sustain-

Table 17: Implementation of Cultural and Creative Sectors actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension G: Cultural and Creative Sectors		
<p>Strengthen institutional capacities and implement an integrated heritage rehabilitation management tool to ensure rehabilitation of selected cultural heritage sites (Ljubljana Process)</p> <p>Encourage active cooperation between film policy bodies, public broadcasters, production and distribution companies</p> <p>Implement a regional Design Incubator based on a design network composed of relevant actors from the region</p>	<ul style="list-style-type: none"> ○ The Triple P regional tourism project implemented activities on further development of three cultural tourism routes in the WB as a way of promoting rich regional cultural heritage and their sustainable tourism valorisation. BMT promoted at the international Fair in Belgrade in February 2020. ○ The product development efforts are ongoing for all three cultural routes to include business models and marketing strategies, visual system and branding for Western Balkans Crossroads of Civilisations and Balkan Monumental Trail. The archaeological sites of the Illyricum Trail include one more site, so it is total of nine. Extensive promotional material was produced for the higher market intake, videos and VR for the digital promotion. ○ The second and third Calls for Proposals: "Support to the implementation of the RCC Triple-P Tourism in SEE: Promotion, Policy, and Pilots Grants Work Programme" included a component on Cultural Tourism, with more than 780,000EUR distributed to the region through 17 cultural projects. 	<ul style="list-style-type: none"> ○ Further development of cultural tourism through joint regional tourism offers along regional tourism routes; digital promotion of the vast potential of the region's cultural heritage through three priority areas. ○ Development of follow-up project activity in innovative solution for tourism development, including cultural tourism. ○ Increased promotion of three cultural routes through digital tools at world tourism fairs. ○ Development of sustainability and marketing portfolio for the cultural routes involving creative sector, to include predominantly areas of immersive storytelling through video and design for the new promotional requirements induced by COVID-19.

Table 18: Target 9 – Share of Energy from Renewable Energy Sources in Gross Final Energy Consumption

Economy	2010 (base- line)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (tar- get)	tar- getted value	achi- eved so far	achi- eved/ targetted
Albania	32.00	31.40	35.20	33.20	32.00	34.90	34.20	34.50	34.90	38.00	6.0	2.9	48%
Bosnia and Hercegovina	33.14	22.49	23.88	34.17	31.76	30.14	28.22	36.49	35.97	40.00	6.9	2.8	41%
Kosovo*	18.30	17.65	18.66	18.84	19.54	18.48	24.38	22.94	24.90	25.00	6.7	6.6	99%
Montenegro	40.66	40.67	41.53	43.74	44.11	43.09	41.56	39.71	38.81	33.00	-7.7	-1.8	24%
Serbia	20.90	17.50	20.30	19.10	22.70	21.00	20.98	20.60	20.32	27.00	6.1	-0.6	-10%
Republic of North Mace- donia	16.81	16.52	18.11	18.54	19.64	19.49	18.00	19.60	18.03	28.00	11.2	1.2	11%
SEE6	27.10	20.20	21.70	25.90	30.00	25.40	27.30	22.90	30.20	30.7	3.6	3.1	87%

Source: Energy Community Secretariat for Albania, Kosovo*, Montenegro, and Statistical Office for Republic of North Macedonia;

Source: Agency for Statistics of Bosnia and Herzegovina, Ministry of Mining and Energy of Republic of Serbia

Share of renewables in gross final energy consumption is an indicator devised to present progress in this rather very complex Energy Dimension of the Sustainable Growth pillar which includes many sub-sectors. Although this indicator monitors only one segment of the sector, it is one of the main representors of energy transformation and the important constitutive element of 2009 Climate and Energy Policy Package and 2016 Clean Energy for All Package which pursue further transformation of the energy sector. Renewables are also one of the main parts of the 2030 energy and climate policy objectives and as such represent an important indicator of the energy transformation process. The selected indicator monitors the share of energy produced from renewable, non-fossil sources in the overall consumption of energy for energy purposes without losses and consumption of energy branch, as in line with the Renewable

Energy Directive. The table above shows that the WB region is progressing well towards its 2020 objective, while developments per economies vary a lot. This is also due to high volatility of renewable sources whose contribution to energy mix depends on many factors including hydro-meteorological potentials over the year, micro climate factors but also energy demand and market conditions on the demand side.

The Environment dimension is created to support prudent use of limited natural resources whose demand is rapidly growing in the modern world and to facilitate the integration of high environmental standards into various initiatives aimed at preserving the environment. Besides, the Environment dimension promotes emission reduction and decarbonisation and clean technologies with the ultimate goal of mitigating and even reversing climate change. Where this is not possible in the short

run, this dimension aims to enhance capacity for adaptation to inevitable changes and to quickly and efficiently transform and adjust economic sectors to new circumstances in case they cannot be avoided. This dimension takes into account the main international commitments and frameworks such as the Paris Agreement on climate change, the UN Sustainable Development Goals (SDG), other key sectoral initiatives, but also the EU framework for 2020. Through permanent regional dialogue, the Environment dimension is also designed to adequately adapt to and address the most recent 2030 framework objectives with an increased level of ambition. When initiated, this dimension intended to find a balance between water-food-energy-and-ecosystem needs through regionally owned and coordinated Nexus approach, to integrate climate-proofing into road transport infrastructure development and to increase the level of legal harmonisation and enforcement through regional cooperation.

Over the years of implementation, these objectives were effectively addressed, however, the dimension evolved during the past several years through the operational regional dialogue and identified priorities and extended the focus as to put more emphasis on and integrate more firmly nature protection through the regional initiative for sustainable use of biodiversity and adequate level of its protection. Evolution also included a more focused action on climate change sparked by the signing of Paris initiative in 2015 and Agreement's entering into force in 2016. All these objectives are achieved through supporting harmonisation of the environmental policy aimed at protection of ecosphere in the region of Western Balkans and reaching climate-neutrality as the overarching goal of the Environment dimension.

The Transport dimension seeks to facilitate the progressive integration of transport markets of the WB region into the European one in line with the objectives of the Transport

Community Treaty (TCT). The transformation of transport sectors and market integration is based on the relevant acquis including technical standards and following requirements for safety, security, interoperability and traffic management, and on incorporating principles of social policy, public procurement and highest environmental standards. The Transport dimension strives to support the development of core and comprehensive networks in the WB region that will enable the unobstructed, quick and secure movement of people, goods, services and capital as a necessary precondition for economic development. The transformation of the transport sector in WB is anchored in strong cross-sectoral cooperation where high environmental standards and digitalisation play an important role. This facilitates the development of less polluting and decarbonised transport system with diversified transport modes, but also autonomous traffic and interconnected elements able to exchange information between each other and make decisions, building the transport system which is more secure, reliable, faster and offered under affordable prices for WB citizens.

Energy

The activities designed to foster energy transformation of the WB region towards the sustainable production and use of energy, diversification of energy sources and suppliers, and ensuring the security of energy supply continued successfully in the reporting period through actions foreseen by the Energy dimension, although with some challenges caused by the Coronavirus pandemic. The overall process of energy transformation took three main directions, focusing on developing a regional electricity market including the implementation of agreed soft measures, improving the sustainable use of energy through increased efficiency and contribution of renewables, and creating a favourable envi-

ronment for investments into energy sector through identification of priority projects and increasing predictability and transparency.

The European Clean Energy Package brings a new level of ambition and requires additional efforts in transforming the energy sector. Eight legal acts adopted in 2018 and 2019 endeavour to decarbonise energy production, improve the contribution of clean energy sources, improve electricity market, reinforce regulatory environment, increase preparedness to risks, and reinforce governance of the Energy Union. The Western Balkan economies have already started the harmonisation with the new requirements following a similar level of ambitions in strategic goals. The process of defining 2030 energy and climate targets is ongoing while quantitative targets will be determined in line with the General Policy Guidelines adopted by the 2018 EnC Ministerial Council and are expected to be agreed in 2021.

The region continued its efforts towards the joint objectives and strengthening cross-sectoral and regional cooperation in the development of National Integrated Energy and Climate Plans (NECPs) in line with the Energy Union objectives, as agreed at the Ministerial Meeting on Clean Energy Transition held at the beginning of 2019 in Podgorica. Furthermore, the regional cooperation in the area of energy, including environment protection, was intensified based on the Joint Statement signed at this occasion and endorsed later at the Berlin Process Summit in Poznań. The endorsement confirmed the readiness of Ministers of energy and Ministers of environment to align with the relevant EU policies as swiftly as possible and with the objectives of the Paris Agreement on climate change, contributing to the well-being of citizens and sustainable development of the WB region.

The Poznań Summit represented an important event for the energy sector transformation in the WB region. The Leaders from WB economies committed to enhancing energy

infrastructure connectivity as a prerequisite for political stability and socio-economic development. Out of the eight new connectivity investment projects, two are dedicated to the energy sector development. Their total investment value is € 113 million, out of which EU grants represent € 25 million, while EIB loans amount to € 79 million. The total connectivity investment value for 2019 was almost € 730 million, making the total investments in the connectivity area for 39 projects approved so far higher than € 3.2 billion. The Poznań Summit also resulted in an agreement to establishing the organised and coupled electricity market in the region through the urgent completion of the Connectivity Reform Measures as well as in a need to undertake efforts to decarbonise energy system by 2050.

In line with the Regulation 347/2013/EU on guidelines for trans-European energy infrastructure, adopted by the Energy Community Ministerial Council in 2015, the region continued the activities on energy infrastructure development. The third round of selection of PECO/PMI projects is initiated and its finalisation is expected by the end of 2020, while selected projects will benefit from streamlined permitting procedures as well as cross-border cost allocation. To ensure transparency and provide up-to-date information on the implementation of selected projects, the PLI-MA platform has been updated by the EnC Secretariat and project promoters.

In the area of clean energy, the region successfully continued its work towards achieving the 2020 energy efficiency targets. Regular reporting under the second and preparation of third National Energy Efficiency Plans also continued as planned. In the reporting period, the focus has been put on building renovation and increased use of Monitoring and Verification Platform developed by the GIZ ORF Energy Efficiency Project. Since all WB economies have adopted National Renewable Energy Action Plans, the implementation and reporting process continued as planned, with Alba-

nia and the Republic of North Macedonia being frontrunners in organising market-based auctions. The entire WB region continued progress towards achieving renewable energy sources (RES) 2020 targets defined in line with the Renewable Energy Directive (RED) requirements (please see Table 14).

Activities on development of a regional electricity market also continued successfully in the region with Albania, Montenegro and the Republic of North Macedonia progressing well with the activities on the establishment of day-ahead markets. It is expected that a regional market coupling and cross-border balancing will be implemented by the end of 2020 including the full compliance with the 3rd Energy Package requirements in all WB economies.

To spur sustainable development of the energy sector, ensure its long-term decarbonisation in line with the Paris Agreement ob-

jectives and reduce the negative impact on the environment, during the Poznań Summit, the WB Leaders expressed readiness to work together to launch the Green Agenda for the Western Balkans as one of the 47 key measures foreseen by the European Green Deal. As announced by the new European Commission, the European Green Deal, which represents a European economic growth strategy, was adopted in December 2019. This comprehensive strategy foresees a systematic transformation of the energy sector, focusing on clean energy development which includes improving energy efficiency, increasing the deployment of renewable energy sources, transformation of the energy market and building renovation strategies. The new strategy introduces the obligation for developing a more stringent legal framework that should contribute to climate-neutrality by mid-century as the overarching EU goal.

Table 19: Implementation of Energy actions

Measures/Action	Actual activities and achievements in the period June 2019 - 15 April 2020	Expected Results by end of 2020
Dimension H: Energy		
H.1. Implementation of national plans for energy efficiency (NEEAPs), contributing to attaining EE savings targets	<ul style="list-style-type: none"> ○ New National Energy Efficiency Action Plans required by Energy Efficiency Directive 2012/27/EU are finalised by Montenegro (June 2019) and Kosovo* (October 2019), while in other WB economies the finalisation and approval are still pending. ○ All economies submitted third Annual Reports on the progress achieved towards national energy efficiency targets, and all of them are on the way to achieve 2020 energy efficiency cap consumption targets. 	<ul style="list-style-type: none"> ○ Adoption of the rest of NEEAPs in Albania, Bosnia and Herzegovina, the Republic of North Macedonia and Serbia. ○ Submission of fourth Annual Reports on the progress achieved towards national energy efficiency targets. ○ Increased use of Monitoring and Verification Platform for reporting. ○ Finalisation of regional Energy Community report with reporting on energy efficiency targets and building renovation programmes.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> Regional Energy Community Energy Efficiency Coordination Group held meetings in June 2019, November 2019 and March 2020 continuing to coordinate activities on NEEAPs development and reporting and with focus on building renovation programmes. GIZ ORF-Energy Efficiency in the second half of 2019 continued support and capacity building through Monitoring and Verification Platform (MVP) Plus Project. Developed MVP is an important web-based tool to capture all energy efficiency projects and energy savings contributing to the achievement of the energy efficiency targets. 	
H.2. Support adoption of National Renewable Energy Action Plans (NREAP) and increase incentive for renewable energy	<ul style="list-style-type: none"> All WB economies have adopted NREAPs. All WB economies are using feed-in tariffs to support production of electricity from renewable energy sources, while some of them (Albania, Republic of North Macedonia) have conducted their first market-based auctions. Bosnia and Herzegovina, Kosovo*, Montenegro and Serbia are still lacking legislation for auctions. 	<ul style="list-style-type: none"> Fourth Progress Report on promotion and use of energy from renewable energy source for 2018-2019 should be submitted to the EnC Secretariat.
H.3. Support implementation of key energy infrastructure projects (Projects of Energy Community Interest – PEI)	<ul style="list-style-type: none"> The EnC Secretariat has updated its Transparency Platform – PLIMA, presenting the up-to-date status of the Projects of Energy Community Interest (PEI) and Projects of Mutual Interest (PMI) implementation. The EnC Secretariat Reported on the implementation status of the PEI/PMI projects to the Ministerial Council.³³ The EnC Secretariat started the third round of PEI/PMI selection procedure as defined by the Regulation 347/2013. 	<ul style="list-style-type: none"> The third round of PEI/PMI selection will be concluded by the end of 2020. The Cost-Benefit Analysis and Environment and Social Impact Assessment documentation will be finalised for the Republic of North Macedonia – Greece Interconnector and the project development will move ahead.

³³ <https://www.energy-community.org/regionalinitiatives/infrastructure/selection.html>

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> In June 2019, the Western Balkan Investment Framework Grant was approved for the Macedonian section of the Republic of North Macedonia – Greece gas interconnector. In parallel, technical assistance is ongoing to prepare an updated Cost-Benefit Analysis document and an Environmental and Social Impact Assessment document. Several projects from the PEI/PMI list are advancing in terms of permit granting and project development. The details are to be found in the above-mentioned reports and the PLIMA Platform.³⁴ 	
H.4. Create a functioning regional energy market	<ul style="list-style-type: none"> Activities on the establishment of day-ahead markets in Albania, Montenegro and the Republic of North Macedonia advanced in the reporting period. National barriers to cross-border balancing were removed following the adoption of new balancing rules in the Republic of North Macedonia where market-based procurement of balancing services and non-discriminatory imbalance settlement was implemented, allowing for cross-border balancing cooperation to develop. In the Republic of North Macedonia, market development requirements were put in place: the transmission system operator was certified, the retail market was fully liberalised and the Macedonian Electricity Market Operator (MEMO) became operational. 	<ul style="list-style-type: none"> Power exchanges are expected to be established in Albania, Montenegro and the Republic of North Macedonia and service providers of a day-ahead trading platform selected. A framework (legal/contractual) for EU/non-EU Market Coupling shall be established and nominated electricity market operators designated in WB economies. A regional market coupling and cross-border balancing should be implemented in line with the roadmaps for day-ahead market integration and cross-border balancing developed under the technical assistance to regional energy market connectivity in the Western Balkans. Full compliance with the 3rd Energy package requirements at national level should be completed in all WB, in particular in Bosnia and Herzegovina where 3rd Energy package compliant primary legislation is still to be adopted.

³⁴ The EnC Secretariat started the third round of PEI/PMI selection procedure as defined by the Regulation 347/2013.

Transport

During the reporting period, the Permanent Secretariat of the Transport Community, which has been established as a new institution based on the Transport Community Treaty, started with the implementation of the Treaty and continued with creating its operational structure and building up its technical capacity.

In terms of overall achievements, the Transport Community set up three main policy priorities and areas of enhanced supervision of the agreed set of activities (action plans), aiming to change the way transport operations are carried out in the Western Balkans and to offer greater, smarter and safer mobility, as well as the efficiency of logistical chains and cost-effectiveness of the transport operations to business sectors:

- Enhanced road safety policy, including removal of road safety “black spots”;
- Improvement of border/common crossing points operations through the promotion and implementation of border/common crossing points agreements and small infrastructure interventions on the border/common crossing points (BCPs), as well as the use of traffic technology and equipment;
- Comprehensive rail strategy reforms to make the railway transport competitive alternative to road transport and to be part of a more CO2 neutral transport offer.

Transport Community Ministerial Council held in October 2019 unanimously endorsed four Action Plans (on roads, on road safety, on rail and on transport facilitation) which represent a guide on how to achieve common political priorities in the WB economies. Since the adoption of the Green Corridors/Lanes to facilitate transport and trade of essential goods within the Western Balkans, efforts have been

invested to extend this successful initiative to include neighbouring EU Member States.

Also, the Permanent Secretariat started working on the following aspects which will continue to be prioritised in the coming years:

- Improving definition of the key infrastructure priorities in the Western Balkans. This will be done in close cooperation with the European Commission through the TEN-T planning exercise and should reflect the needs for smarter and greener transport (economy);
- Fostering the transport resilience to climate changes and environmental hazards, as well as improving the management of infrastructure assets;
- Contributing to improving the project life cycle and reducing project cost (in close cooperation with IFIs) by identifying unnecessary administrative burden or overlapping procedures during the preparation stage;
- The Permanent Secretariat prepared priority measures for removing black spots and improving operations and infrastructure at BCPs which were endorsed at the Western Balkans summit in Poznań in July 2019 and consequently, two technical assistance projects have set off through CONNECTA. The investments are expected to be secured through WBIF and national co-financing;
- During the Poznań Summit, which represents an important event also for the transport sector transformation, the WB Leaders committed to enhancing transport infrastructure connectivity as a prerequisite for political stability and socio-economic development. Out of eight new connectivity investment projects, six are for the transport sector development. Their total investment value is € 614 million, out of which EU grants represent € 151 million while IFIs loans

amount to € 416 million. The total connectivity investment value for 2019 was almost € 730 million for both energy and transport areas. The Poznań Summit also resulted in identifying trans-

port priorities such as implementing a regional rail strategy, the promotion of safer roads as well as transport facilitation.

Table 20: Implementation of Transport actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension I: Transport		
I.1. Increase use of the transport network I.2. Remove physical and non-physical barriers to the development of the TEN-T extended network in the Western Balkans	<ul style="list-style-type: none"> ○ Action Plans for road safety, transport facilitation and rail were prepared and endorsed by Technical Committees. ○ Technical assistance identified in all areas – ongoing discussion with EC and IFIs for securing funds. ○ The CONNECTA project on the removal of black spots kicked off in January 2020. ○ The CONNECTA project on establishing electronic queuing management system (eQMS) on Corridor X kicked off in March 2020. ○ The CONNECTA project fiche is prepared for the design of one-stop-shop facilities for selected BCPs. 	<ul style="list-style-type: none"> ○ Joint agreements for one-stop-shop and joint border/common crossing points controls signed and operational. ○ Projects completed and technical documentation ready for purchasing and installation of the eQMS system and for the equipment on the joint BCPs. ○ Draft design documentation for improvement of road safety measures for each of the 10 road sections, approximately 300 km, with a high number of fatalities. ○ Adoption of Multiannual Road and Rail Maintenance Plans. ○ Adoption of a strategic framework for ITS deployment in Western Balkans.
I.3. Harmonise with EU regulatory framework for transport I.3. Track progress in transport policy areas	<ul style="list-style-type: none"> ○ Established Technical Committees on Road, Rails, Transport Facilitation and Road Safety, each having its mandate to follow the implementation of the EU regulatory framework in the respective area. ○ Action Plans endorsed with measures for adoption and implementation of the acquis and the EU best practices. 	<ul style="list-style-type: none"> ○ Monitoring mechanism for tracking the progress of alignment with the acquis and EU transport policy fully in place. ○ Assistance for legal and institutional alignment provided where necessary.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
<p>I.3. Improve quality and expand the dissemination of research and analysis on key transport issues</p> <p>I.3. Implement Single European Sky (SES) in SEE 2020 region (JSPA initiative)</p>	<ul style="list-style-type: none"> ○ Connectivity agenda measures further assessed and reported on the progress. 	<ul style="list-style-type: none"> ○ Reports and qualitative analysis in all transport areas widely disseminated.
<p>I.4. Measures to improve the ratio of railway and waterborne transport</p> <p>I.5. Promote further liberalisation of rail services/railway reform</p>	<ul style="list-style-type: none"> ○ Signing and implementation of the rail border/common crossing points agreements (one-stop-shop approach). ○ Establishing of 5-year maintenance plan. ○ Implementation of the interoperability directives. ○ Removing breaches of the national legislation regarding the rail market opening at the local level. ○ Mutual recognition of the main transport documents (licence, certificate, vehicle permits, driver licences). 	<ul style="list-style-type: none"> ○ Reduction of waiting time on borders/common crossing points. ○ Securing better sustainability of the rail system. ○ All regional partners should open rail market at the local level. ○ Changing national legislation to fulfil these preconditions for the rail market opening at the regional level.
<p>I.6. Development of co-modal solutions</p> <p>I.7. Promote energy-efficient and environmentally friendly transport system</p>	<ul style="list-style-type: none"> ○ ADRIPASS project continued with its implementation under the Adriatic programme. ○ The Action Plan on transport facilitation covers also some measures on multimodality and port facilitation. 	<ul style="list-style-type: none"> ○ The ADRIPASS Project should provide a strategy for better connection of the Adriatic ports with the hinterland and ITS solutions for the ports. ○ TC Secretariat will deepen its involvement in the promotion of multimodal solutions and assist the regional partners in developing/implementing multimodal projects.

Environment

During the reporting period, the Environment dimension recorded important developments triggered particularly by the launching of the European Green Deal (EGD) and readiness of the WB Leaders, expressed at the occasion of the Poznan Summit, to work jointly on the preparation of the Green Agenda for the Western Balkans (GAWB). Although the regular Ministerial Meeting on Environment and Climate Action planned to be held in November in Tirana was cancelled due to a devastating earthquake that hit the host-WB economy, regional activities in the environment area in the reporting period were numerous and dynamic resulting in many achievements and building on the last Ministerial declaration adopted in Skopje in 2018. The declaration established a framework for strengthening regional cooperation towards mitigating the negative impact on climate and increasing capacities to adapt to inevitable change, as well as to improve protection and integrate the environment into other sectoral policies. Another relevant document that marked the implementation in the Environment dimension is the Joint Statement on Clean Energy Transition signed in February 2019 in Podgorica by the Ministers in charge of energy and Ministers in charge of environment with the primary goal of strengthening cooperation between the two sectors and regional response to the EU 2030 energy and climate policy framework in line with the Clean Energy Package. The Statement is endorsed at the occasion of the Poznan Summit and represents a constitutive part of the Declaration by the Chair. In parallel with the regional coordination of important environmental projects, the region intensified its efforts and turned a spotlight on the other two important areas: climate change mitigation and protection of biodi-

versity. These efforts are in line with global trends and endeavours of the EU to properly address these two important policy areas for future economic and social development. Namely, biodiversity has been recognised globally as one of the priority areas with 1 million species threatened with extinction, while the EU is determined to develop an adequate post-2020 policy framework and agree its position for the next Conference of the Parties (COP15) under the Convention on Biological Diversity, planned to take place in Kunming, China in October 2020³⁵. Therefore, as one of 47 measures, on 20th May the EC launched the new EU Biodiversity Strategy. Prioritisation of climate change is a result of the most recent European efforts to achieve net-zero emissions by 2050 and decarbonise its economy. Keeping this ambitious goal in view, it turned out that previously defined 2030 emission saving target of 40% will not be sufficient, and that Europe has to increase its ambitions and act swiftly turning its economy to intensified decarbonisation that will enable 50% - 55% of saving by the end of 2030. To make this target feasible, the Commission prepared a new European Climate Law that proposes increased EU's ambitions. The new Climate Law, once adopted, will represent the first step towards full decarbonisation of the continent by mid-century. The Regional Working Group on Environment (RWG Env) continued to play an important role in streamlining regional activities and coordinating projects of regional relevance. Although not being able to meet in person at the planned Ministerial meeting in Tirana, and forced to continue cooperation during 2020 through online video conferencing tools due to Covid-19 pandemic, the RWG Env was fully mobilised and participated in shaping the GAWB during the previous months. Coronavirus pandemic caused many other important events in the area of

³⁵ COP15 under CBD is postponed for 2021 due to the situation with Coronavirus pandemic.

environmental protection to be cancelled or postponed, aggravating and slowing down cooperation in the region. Among the others, the 26th session of the Conference of the Parties (COP26) to the UNFCCC, originally scheduled to take place in November 2020 in Glasgow, UK, is also postponed for one year.

The status of the environmental protection in the region is uneven among WB economies; however, generally speaking, there is an ample room for improvement in all areas in WB. Waste management, water quality, air quality, nature protection and climate change are characterised by certain challenges which should be adequately addressed in the near future. Waste remains one of the most significant problems in the WB region. Separation of waste at the source, as well as recycling and recovery of waste streams obligations should help considerably decreasing the long-term environmental risks. Being part of the EGD, the new European Circular Economy Action Plan, published in February 2020, could play an important role in guiding the transformation of the region as well. WB also needs to close down non-compliant landfills more quickly, while municipalities across the region need to remedy illegal waste disposal sites. In the area of water quality, systems for quality monitoring of surface and ground-water still need to be significantly improved while the general level of alignment with the acquis, enforcement and inter-institutional coordination generally remains weak. In the area of air quality, the region needs to invest additional efforts in harmonisation with the acquis, enforcement of legal obligations and establishment of air quality monitoring practice. Uncontrolled pollution primarily from the energy sector (power plants heavily dependent on coal), from household heating, industrial complexes, road traffic, incineration of waste and other toxic materials, re-

mains a serious problem which continues to impact people's livelihoods and health, particularly in urban areas.

The protection of nature also needs significant improvements. Effective protection of designated protected areas still needs to be strengthened as well as illegal construction to be combatted effectively. The new EU Biodiversity Strategy endorsed on 20th May 2020 offers a refreshed framework with increased ambitions to protect 30% of terrestrial and marine areas of the continent and to put 1/3 of this part (10% of territory and sea) under requirements for strict protection. Concerning climate change, after launching of the EGD it is clear that climate will be the central element of the European growth strategy influencing higher ambitions to decrease emissions in the upcoming decades. The New European Climate Law will, therefore, represent a new challenge and requirement for the WB region, which will need to develop and adjust its growth strategy and try to maximise effects using all available instruments in all economic sectors, mirroring the structure of the EGD.

Two regional projects designed to support the implementation of the SEE 2020 Strategy and funded by Austrian Development Agency (ADA) continued with the successful implementation and reporting to the RWG Env on activities in the area of sustainable management of natural resources through Water-Food-Energy-Ecosystem Nexus approach, and enhancing environmental performance and climate proofing of road transport infrastructure investments. The regional Biodiversity Task Force (BD TF) established in cooperation with GIZ ORF BDU Project and IUCN ECARO³⁶ which administers the role of its Secretariat continued to be an active advisory body in the region. Besides the two regular meetings held in the previous year, the representatives of the BD TF were also

involved in the implementation of the European Partnership Programme for Accession (EPPA) project. BDTF's role in the future will also include consultation on the biodiversity elements of the Green Agenda for Western Balkans, defining a post-2020 biodiversity framework and a joint regional position for the Biodiversity COP15. In November 2019, the Strategic Project to Increase the Detection and Disruption of Environmental Crime in the Western Balkans ("SPIDER WEB"), co-funded by GIZ and the European Union and implemented by IMPEL (European Union Network for the Implementation and Enforcement of Environmental Law), was successfully closed by the high-level event held in Zagreb.

The WB region also benefited from the continued successful implementation of the EPPA project in the reporting period. The € 2 million worth project developed and financed by the European Commission with the key goal of addressing environmental challenges is building upon the achievements of the successfully implemented ECRAN.³⁷

Standing Working Group for Regional Rural Development (SWG RRD) in cooperation with GIZ is implementing the project "Regional cooperation for evidence-based and EU compliant policy development for economic diversification of rural areas in South-East Europe". Established Regional Expert Advisory Working Group is working on rural tourism development and policy framework for economic diversification through rural tourism in line with the EU policy. The Guidelines on the steps and procedures for registration of quality products with geographical indications and traditional specialities were finalised in the reporting period including feedback from the Quality Policy Unit of DG AGRI. Besides this, and in respect to the competitiveness of SMEs in rural areas, a grant scheme was implemented by SWG in close

cooperation with GIZ which is implementing the project "Diversification of economic activities in rural areas of Southeast Europe through values chain development", which focuses on developing sustainable business models in structurally weak border regions. Support is provided through different capacity-building measures, facilitation of the cooperation and networking processes along the value chains and targeted investment support to relevant key stakeholders.

However, despite the obvious progress and political will, the Western Balkan economies are still facing immense environmental and climate challenges. The region has fragmented legal and institutional frameworks, lacks capacities for enforcement of environmental law, and often lacks financial resources limiting investments in concrete environmental and climate protection projects. Consequently vulnerability of the region to climate change is still particularly high, while the process of alignment with the EU legislation is ongoing, but with a certain delay. Therefore, the new EGD will represent an additional challenge for Western Balkans, but on the other hand, a new opportunity to embark vigorously on the process of transforming European economy and decarbonising it using a variety of comprehensive measures of this European growth strategy centred on green development.

³⁶ International Union for Conservation of Nature, Regional Office for Eastern Europe and Central Asia

³⁷ Environment and Climate Regional Accession Network

As the result of all activities mentioned above, particularly those in the area of energy, transport and environmental protection, the WB Leaders signed the Declaration on the Green Agenda for the Western Balkans at the last Berlin Process Summit held on 10th November in Sofia. The process of drafting the Declaration was coordinated by RCC and involved consultations with all WB Governments (through RWG Env, BDTF and other relevant authorities), various regional organisations, IFIs and NGO sector. The Declaration was also prepared in close consultations with the EC and is aligned with the Guidelines on the Implementation of the Green Agenda for the Western Balkans, published by the EC at the beginning of October as part of the Economic and Investment Plan for the Western Balkans (E&IP). With this Plan, the Commission committed to support the region in a comprehensive ecological transformation pledging to provide € 9 billion in grants to support projects in energy, transport, green and digital transition.

The Declaration covers 5 key sectors with identified high potential for achieving carbon-neutrality by mid-century. These sectors are i) decarbonisation (climate policy, clean energy and smart and sustainable transport); ii) circular economy; iii) depollution; iv) sustainable agriculture; and v) nature and biodiversity protection. In order to provide smooth and effective implementation RCC will work on developing an action plan with roadmaps, as well as on an user-friendly and efficient monitoring system to track the progress and design corrective measures in case of delays or difficulties in the implementation phase.

The RWG Env and the entire work in the Environment dimension will continue to support the transposition of EU environmental and climate policies, and address the lack of national enforcement capacities and financial resources

for concrete interventions, including challenges brought by the new EU 2030 energy and climate framework targets and those associated with the implementation of the Paris Agreement on climate change.

Table 21: Implementation of Environment actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension J: Environment		
J.1. Strengthen the capacity of REC, GWP-Med and SWG to provide appropriate support to regional actions under the Environment dimension	<ul style="list-style-type: none"> Regular RWG Env operational meeting held in July 2019 in Tirana enabling coordination of relevant regional initiatives. 	<ul style="list-style-type: none"> Regional consultations on the Green Agenda for the Western Balkans with RWG Env, other relevant ministries from the region, international organisations and socio-economic partners and NGOs in the areas covered by the EGD.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
J.2. Awareness raising and education on environment and climate change adaptation	<ul style="list-style-type: none"> The Annual Drin Stakeholders conference in Tirana in January 2020, in the Framework of Drin CORDA and GEF Drin project on drought management; The Project brochure, Information Note (electronic form and hard copies), illustrated poster and Act-4Drin brochures, the Drin Corda website and Facebook page has been updated with news items and photos from key events; The production of four films was concluded; <ul style="list-style-type: none"> https://www.youtube.com/watch?v=-XbITJyH2uM&feature=youtu.be https://www.youtube.com/watch?v=INsPpyemPqO&feature=youtu.be https://youtu.be/Sqse29Wa1nw https://www.youtube.com/watch?v=2I5o7NSkFyQ&feature=youtu.be Redesign of Drin CORDA logo to celebrate 10th anniversary of Drin CORDA process. 	<ul style="list-style-type: none"> Drin Day 2020 to be organised during July The Annual Drin Stakeholders conference will take place by the end of 2020 or early beginning of 2021; Communications activities will be continued.
J.3. Determine the feasibility of introducing the Water, Energy and Food Nexus management approach at national and transboundary levels.	<ul style="list-style-type: none"> The organisation of the 3rd Regional Nexus Roundtable in SEE; Preparation of outline of a Regional Nexus Roadmap for SEE; Preparation of Thematic Report on the Nexus for the Drin basin; Initiation of the development of the Phase II Nexus Assessment for the Drin basin. 	<ul style="list-style-type: none"> Draft Regional Nexus Roadmap for SEE prepared in consultation with the RWG Env; Phase II Nexus Assessment for the Drin basin finalised. Advanced drafts of Nexus Assessments for the Drin basin and Albania prepared. Workshop on Capacity building on the Nexus held in Drin basin

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
J.4. Assess status of Trans-boundary Water Resources Management in the Western Balkans in terms of cooperation among economies and related challenges and indicate possible means and tools to assist in addressing these	<ul style="list-style-type: none"> ○ The Drin Transboundary Diagnostic Analysis (TDA) was prepared; ○ The process for the development of Environmental Quality Indicators (EQI), and Stress Reduction Indicators (SRI), was initiated; ○ Development of the Strategic Action Programme (SAP); ○ Two face-to-face regular meetings, one face-to-face ad-hoc meeting, and two virtual DCG meetings were organised; ○ Five capacity building activities were organised: 1) a training workshop on Strengthening the Basis for Exchange of Data and Information on Priority Themes; 2) training of journalists of selected media from the Drin Riparians; 3) a Study Visit at the Secretariat of the Mekong River Commission (MRC), and National Mekong Committees; 4) on-the-job training on surface water sampling methods; 5) training on Integrated Drought Management; ○ Ongoing activities on implementation of the pilot (demonstration) projects: 1. Development of Lake Ohrid Management Plan; 2. Preparation of a wastewater management decision support tool- Wastewater treatment in Shkodra city area; 3. Reduction of nutrient load and forest preservation through biomass collection and production of fuel briquettes in Montenegrin part of Skadar Lake; 4. Establishment and testing of Transboundary Monitoring in Skadar/Shkoder and Buna/Bojana; 5. Cooperation on Flood Risk Management in the Drin basin. 	<ul style="list-style-type: none"> ○ Study of Environmental Quality Indicators and Stress Reduction Indicators for the Drin Basin is prepared; ○ The Drin Information Management System is developed; ○ A study for the enhancement of the institutional setting for the trans-boundary management of the Drin is prepared; ○ A draft international agreement text for the management of the Drin Basin is developed; ○ The Drin Strategic Action Programme is endorsed; ○ The five Drin pilot activities are implemented.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
J.5. Measures for sustainable forest management that foster economic growth, environmental protection and rural development in the Western Balkan economies	<ul style="list-style-type: none"> ○ Facilitation of the Regional Expert Advisory Working Group on Quality Policy (Protected Designation of Origin (PDO), Protected Geographic Indication (PGI), Traditional Speciality Guaranteed (TSG)) to provide policy assessment and recommendations; ○ Facilitation of the Regional Expert Advisory Working Group on Economic Diversification in Rural Areas through Rural Tourism in SEE economies to provide policy assessment and recommendations; ○ Facilitation of the Regional Expert Advisory Working Group on LEADER as a follow-up to the LEADER study (LEIWW) to provide an action plan on implementation of the LEADER approach in the SEE economies and to facilitate the progress in setting up the required structures and procedures in SEE economies; ○ The organisation of policy recommendation dissemination events on a national and regional level; ○ Contribution to and follow-up on the endorsement of the recommendations by legislative and administrative measures, based on demand; ○ Support to small and medium rural enterprises to improve their competitiveness in the value chains via ABDA grant scheme; ○ Support of local rural entrepreneurs and SMEs to business development and competitiveness via capacity-building measures. 	<ul style="list-style-type: none"> ○ Assessment report has been developed on economic diversification via rural tourism; ○ Assessment report on the improvement of quality policy; ○ Assessment report on LEADER approach; ○ Assessment of synergies with existing additional financial support, i.e. IPARD II, national rural development programmes and for concerted value chain support of multiple development partners; ○ Provision of financial support (grants) for the development and strengthening of the selected value chains in all 7 cross-border/common crossing points regions; ○ Support to capacity building measures for stakeholders on access to finance (preparation of applications for IPARD II, CBC, national agriculture and rural development programmes), taking into account also the particular needs of rural women and young people; ○ Implementation of capacity building measures on improvement of digital skills in light of being able to apply for programmes.

Competitiveness

Exports in the Western Balkans have been shifting from basic to medium-technology products, as observed in the export basket compositions throughout the years, which have switched from iron, steel, textiles to machinery, electrical equipment and transport vehicles (OECD, 2019)³⁸. Even though not evenly distributed across all economies of the region, according to the OECD, this shift shows that these products are mainly FDI-driven, requiring more advanced processing and technology; and the latter led to enhanced competitiveness. Advanced technology-products are traded mainly with the EU and across FDI-driven supply chains, which allows the region's economies to increase the value added and know-how.

The OECD findings stress the importance of FDIs in order for the region to continue products and technology upgrading. Therefore, policies and initiatives that increase investment opportunities are crucial. Indeed, an important objective of the MAP REA is to deepen regional economic integration and make the region attractive to investors by increasing its competitiveness. The economic competitiveness of the region has seen some progress due to investment climate reforms and trade liberalisation measures undertaken in the past years.

According to Doing Business 2020, Serbia registered improvements in the “paying taxes” indicator by introducing internal deadlines for VAT credits that make it easier to pay taxes. In addition, Serbia and Kosovo* are listed among 42 economies that made it easier to do business in 2020 due to reforms undertaken in 2018-19 in at least 3 indicators. According to Balkan Barometer 2020, a vast majority of export-oriented companies ex-

pressed a high level of confidence when it comes to competitiveness of their goods. Almost half of the Western Balkan businesses (49%) are confident their company's products, goods and services can compete well with the products, goods and services from the Western Balkans, whereas 33% of Western Balkan businesses see their companies being threatened by global competition.³⁹ However, businesses from Albania are most concerned about the competitiveness of their products abroad (40%). Having in mind BB findings, Competitiveness dimension activities were directed towards continuation of already commenced work on development of industrial base of SEE region and diversification of financial markets. Service sector is still dominating the market and it is thus important to strengthen the production and generate real value on the market, especially through the activation of small and medium enterprises.

All the economies of the WB6 (except for Bosnia and Herzegovina, which is at an early stage of preparations) are viewed as moderately prepared in enterprise and industrial policy. However, in the case of Albania, some progress has been made in stimulating investments in the tourism sector; Republic of North Macedonia has shown some progress in linking FDIs to domestic SMEs; Montenegro has shown some progress in strengthening overall support to SMEs, whereas Serbia placed an emphasis on competitive, investment-active, educated, innovative and digitally transformed industry through its Industrial Policy Strategy adopted in March 2020. The adoption of the Common Regional Market (CRM) at Sofia Summit in November 2020 will contribute to industrial development through a Regional Industrial and Innovation Area by supporting sustainable

regional supply chains and integrating them into European and global networks, leading to enhanced competitiveness of the private sector. In addition to sustainable tourism, the CRM will focus on industrial sectors with potential for development – automotive, metal processing, agro-food, creative industries – and seize untapped potential across green value chains, based on EU standards and coherent policies throughout the supply chain. Activities under the Competitiveness dimension focused on SME development, on increasing access to finance for the private sector and continuation of the efforts for a regional industrial development strategy. According to the World Bank Doing Business (2020), Montenegro is the only economy among the WB6 that indicated the best regulatory performance in the “getting credit” indicator. According to EU Report (2019), Republic of North Macedonia has made some progress in implementing measures that facilitate access to finance for SMEs. However, participation in the access to finance pillar of the EU COSME Programme remains low for the Republic of North Macedonia and Albania. Serbia has set up some favourable loan and guarantee schemes for SMEs as a joint collaboration between the Ministry of Economy and Development Fund, commercial banks and IPA and COSME funds.

The lack of business finance remains an issue in the economies of the region and inhibits economic growth. According to the SME Policy Index 2019⁴⁰, Serbia and the Republic of North Macedonia have the highest scores in the WB6 in the “access to finance” pillar. The legal and regulatory frameworks are in place in all the economies of the WB6, but bank lending continues to hold the largest share of sources of financing. Non-bank lending instruments are still limited, though microcredit institutions have offered an alternative to traditional financing for SMEs.

The venture capital ecosystem is mostly in-existent and financial literacy levels remain low. Only Serbia and the Republic of North Macedonia showed little progress in venture capital through some pioneer venture capital fund investments. There still seems to be a lack of SME-specific data on areas such as access to finance, SME greening and public procurement.

Aiming to tackle the above-mentioned, a detailed regional programme on capital markets development has been designed in order to expand the scope of action towards non-bank financial institutions and relevant instruments while working towards financial market development and deepening. Work in this area was conducted through the Working Group on Financial Markets, supported by the World Bank Group. Diversification of financial systems is another MAP REA priority intended to boost investment and widen access to finance. WB financial sectors continue to be bank-centric, the banking sector remains shallow, with high cost of credit for WB firms, low level of financial intermediation, and low credit-to-GDP ratios driven by consumer lending.

Tourism was already identified as a strategic sector for Industrial Development. RCC continues support in this sector through the Triple P Tourism project whose main activities are dedicated to the development of the four regional tourism routes in the niche areas of adventure and culture tourism introducing policy measures and implementation of pilot projects. The development activities mobilised and further solidified the offer across the region and continued to build and strengthen the network for regional cooperation. Four regional tourism products are under development (3 cultural and 1 adventure). The development of the strategic outlook continued and has brought to completion the marketing strategies with marketing

³⁸ OECD (2019). Unleashing the transformation potential for growth in the Western Balkans. OECD Global Southeast Europe. Western Balkans Summit, Poznań.

³⁹ Regional Cooperation Council (2020), Balkan Barometer 2020 Business Opinion, available at https://www.rcc.int/download/docs/BB_business_2020-lr2.pdf/2953e3a32654e8beace617232b9b865e.pdf

⁴⁰ OECD (2019). SME Policy Index Western Balkans and Turkey 2019 – Assessing the Implementation of the Small Business Act for Europe.

plans and branding strategies with full visual systems for Western Balkans Crossroads of Civilisations, Balkan Monumental Trail and Via Dinarica Mega Trail. The outlook of the Illyricum Trail is managed within the scope of the Roman Emperors and Danube Wine Route. In the travel industry policy segment recommendations for immediate, mid-term and long-term interventions have been defined and currently the focus is on developing common policy proposals for the regional green border/common crossing points and common health and safety protocols. Within the small grants facility a total of 36 small grants were awarded through three grant cycles in the amount of EUR 1.68 mil. The grants will lead to development of new regional cultural and adventure tourism products including regional gastro routes, improvement of infrastructure and quality of services, including development of mobile apps and construction of two new via ferratas on Via Dinarica, creating cultural tourism itineraries to be included in regional ones, training of service providers, and inclusion of women and youth in tourism industry in the Western Balkans. Implementation of the familiarisation tours was interrupted by the travel restrictions due to COVID-19, than re-activated

and is currently in the final phase of development for delivery in late autumn 2020. The outbreak of the COVID-19 pandemic in the first quarter of 2020 has had a tremendous negative impact on the industry of tourism globally and in the Western Balkans. The travel and safety restrictions imposed locally and internationally have brought tourism industry to a complete halt. Over 2020 the tourism industry in the Western Balkans was very much dependent on government support to assist the industry survival. The pace of government aid specific for tourism industry was slow, partial or non-existent. In April 2020, Triple P Tourism conducted a survey with the aim to measure the impact of COVID-19 among the regional tourism operators and travel agencies. Even this early into the pandemics information from the survey showed high impact on tourism industry: 78% of respondents reported high impact on income projected for 2020, over 70% of respondents reported that between 50% and 100% of planned trips had already been cancelled, and the industry had already started introducing measures to minimise costs that included reducing salaries to minimum wages, but also, unfortunately, cutting the number of employees (42%).

Table 22: Implementation of Competitiveness actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension K: Competitiveness		
<p>Develop regional value chains</p> <p>Support SME development</p> <p>Establish expert working groups in selected sectors (food and beverages and tourism) under the auspices of the SEE IC providing advice and guidance on policy actions</p>	<ul style="list-style-type: none"> ○ Policy Industry assessment completed with proposals for development. Survey on Covid-19 focused on private sector conducted, with the assessment on its impact initiated. ○ 36 Pilot projects supporting regional tourism products through small grants implemented. ○ WB6 presented within the joint regional stand at international tourism Fair in Belgrade, IFT. 	<ul style="list-style-type: none"> ○ Regional value chain strengthened in tourism industry through joint regional culture and adventure tourism offers developed and promoted internationally. ○ Policy barriers and challenges to regional tourism development addressed through targeted interventions on green borders/boundaries for adventure tourism, safe travel stamp with protocols adopted, and essential recommendations for new start of travel industry provided.
<p>Undertake joint regional activities to support greater access to finance and capital market integration; facilitate regional events for early stage ventures; initiate regional investment readiness actions; regional capital market integration; develop regional cooperation, networking and good practice exchange.</p>	<ul style="list-style-type: none"> ○ Report on diversification and integration of the financial sector in Western Balkans undertaken and presented 	<ul style="list-style-type: none"> ○ Further development in the area through specific areas of free flow of services and free flow of capital within Common Regional Market Action Plan

Key findings

The resulting approach is intended to enhance the role of financial markets in WB through: (i) development of regional value chains in selected sectors of crucial importance for revival of the WB economy and support to

competitiveness on the global markets; (ii) implementation of programmes that foster linkages between domestic suppliers and international value chains in priority industries, building resilience and safeguarding against future disruptions; (iii) support to further reforms and investments which will strength-

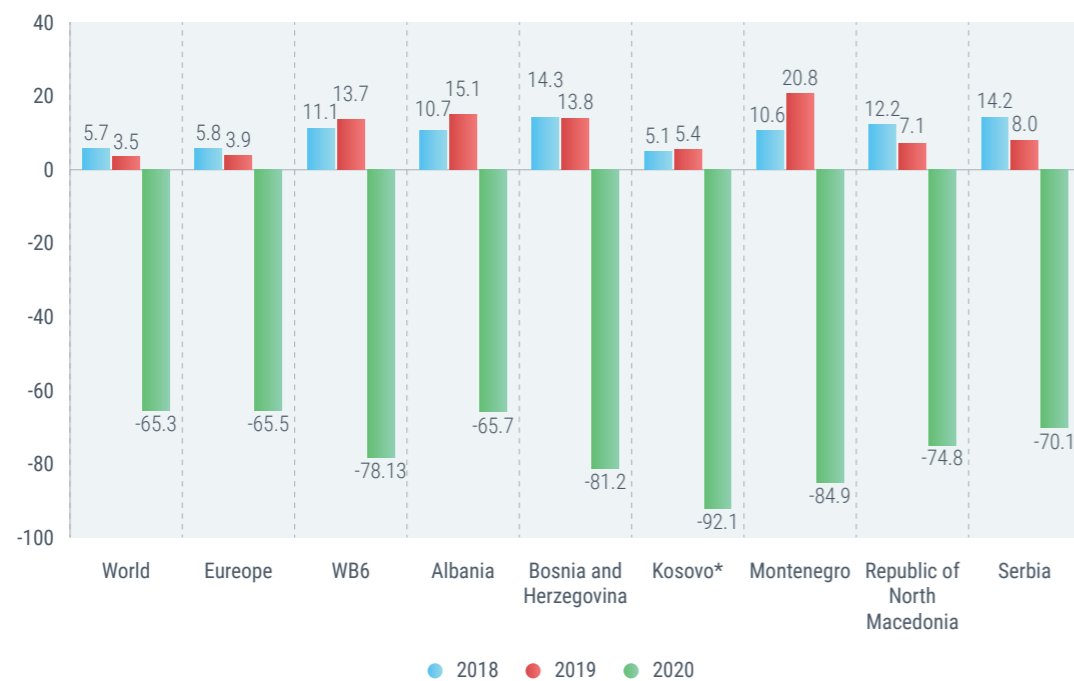
en external competitiveness; (iv) continuing working on diversification of financial markets and development of alternative financing instruments in all WB economies with bigger supportive role to the real economy; (v) cooperation among WB economies – exchanging information, sharing lessons learned, and addressing common challenges – to aid convergence of WB to EU income levels; (vi) integrating select segments of the financial markets within WB economies and with the EU to benefit from increased market scale and larger potential investee and investor base; and (vii) support to growth and internationalisation of SMEs through regional networking, clustering and promotion of priority industries’ potentials in the region.

RCC Triple P Tourism project team carried out an industry assessment *Western Balkans Covid-19 Diagnostic and Future Perspective*

which revealed worrisome data but also provided significant recommendations for the road ahead in revival of tourism industry in this region.

- 75% decrease in international visitors recorded in the first half of 2020 compared to 2019, and a return to pre-COVID 2019 growth levels is expected to take between 3-4 years. Each economy experienced drops exceeding the global average of 65.3%, with Bosnia and Herzegovina and Montenegro experiencing year-to-date reductions over 80%. The second quarter was particularly dire for all WB economies, with both Bosnia and Herzegovina and the Republic of North Macedonia experiencing 99% year-on-year drops, and Montenegro close behind with 98%.

Figure 2: International tourist arrivals in pre and post COVID-19 period (in%)



Source: UNWTO, 2020; statistics offices of the WB6 economies, 2020; Horwath HTL, 2020

introduced certain support to tourism and hospitality in order to maintain the level of full-time jobs. Also, owners and management of tourism and hospitality companies tried to cut costs but maintain the level of employees due to present lack of quality employees and because they see employees as a future resource.

- As for the business sector COVID-19 has halted the organisation of trips for foreigners, 42% of inbound operators have cut their staff, 50% have reduced salaries and over 80% indicated very limited capacities to maintain their operations.
- Average occupancy in city-based hotels during the summer season was 7%-18% compared to 2019. All hotels will have up to 60% decrease in total revenues on average, with some reaching almost 90% decrease in the total revenues.
- MICE has been particularly hard hit by the crisis, with most live events cancelled or postponed. Many have been switched to online platforms. The situation is unlikely to improve before 2021.
- It negatively influenced international arrivals and therefore levelled-down foreign expenditure to a historic minimum for the last 10 years. It is expected that WB6 economies will report up to 70-80% decrease in international receipts. For economies in which tourism is seasonally based on sun and sea product, losses are much higher and will go up to 85-90% in comparison to the previous year. However, due to an increase of domestic travellers in certain economies, mountain, spa and rural destinations reached historic growth of travellers, and they did not face challenges in revenue. However, from macro perspective, domestic traveller expenditure influences the redistribution of GDP that is already created in the economy, and does not generate new external value for GDP, unlike international expenditure.
- The level of layoff is on the average of 15-20% for full-time employees. However, in the case of part-time and seasonal workers, the level of layoff is on average 30-40%. Most WB6 economies

2.4. Inclusive Growth

The Inclusive Growth pillar of the Strategy aims to develop a common agenda for the Western Balkan economies which emphasises the creation of employment, development of a skilled workforce, inclusive participation in the labour market and health and wellbeing for all, including for Roma. This agenda puts forward measures that are mostly of a regional nature and which tend to complement national priorities and actions. In the area of employment, the measures revolve around promoting job creation policies and enhancing governance of the labour market and stimulating social economy initiatives. In the area of health, the agreed measures aim to increase the provision of universal health coverage and increase the quality of health services, harmonise cross-border/boundary public health legislation, adopt multilateral agreements to strengthen human resources for health and improve inter-sectoral governance for health.

Pillar overview

The trend of increasing employment in the Western Balkan economies continued in 2019. Further, the pace of job creation has accelerated compared to previous years. Despite a slowdown in economic growth in 2019, the Western Balkan economies' labour markets developed more favourably than a year earlier. The job creation benefited women, younger and older age groups, and those with higher levels of education most. Annual employment rate for the working age population (15-64) in the Western Balkan region was registered to be 51.52%, noting nuanced differences among Western Balkan economies, with Albania having the highest employment rate (61.2%), closely followed by Serbia (60.7%), Montenegro (56.0%) and the Republic of North Macedonia (54.7%), with Bosnia and Herzegovina and Kosovo*, 46.4% and 30.1%

Table 23: Target 10 – Employment rate 20 -64 age group

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 target	Progress toward target
Albania	60.30	64.90	62.40	56.70	56.60	59.30	62.10	63.90	65.60	67.10	63.60	206%
Bosnia and Herzegovina	42.80	42.50	42.50	42.80	43.20	43.20	44.20	46.60	47.70	49.70	48.80	115%
Kosovo*	27.80	28.60	29.70	33.00	31.30	29.10	32.30	34.40	33.20	34.20	35.90	79%
Montenegro	52.90	50.90	52.20	52.60	55.60	56.70	57.10	58.20	59.80	60.80	57.70	165%
Serbia	51.20	49.20	48.90	51.20	54.70	55.90	59.10	61.40	63.10	65.10	61.10	140%
Republic of North Macedonia	48.10	48.40	48.20	50.30	51.30	51.90	53.30	54.80	56.10	59.20	57.50	118%
SEE6	50.30	50.40	49.50	49.80	51.60	52.90	55.20	55.90	57.10	59.12	57.90	116%

respectively showing a more moderate progress.⁴¹

For workers in the 20-64 age group, more than 97 thousand new jobs were created in 2019, a 22% increase compared to the number of jobs created during 2018. The positive trend has benefited women more (about 70% of the newly created jobs went to women). Youth under the age of 24, while still remaining underemployed, have benefited from the creation of more than 20 thousand jobs in 2019. Overall, the main sectors contributing to employment creation in the region remain industry and services.

The target of the Inclusive Growth pillar of the SEE 2020 Strategy is to increase the employment rate in the Western Balkans (as a percentage of the population aged 20-64) from 50.3% to 57.9% by 2020. During 2019, Western Balkan economies exceeded by 16% the employment rate target of the strategy by reaching a regional average of 59.1%.⁴² This, however, still compares unfavourably to the EU employment rate of 73.1% at the end of 2019. In the Republic of North Macedonia and Kosovo* employment has shown significantly positive signs of growth with 5.3% and 4.2% of annual increase in the 20-64 employment rates, respectively. While Kosovo* is the only economy that has not yet met its 2020 employment creation targets, it already achieved 79% of its target at the end of 2019. It is important to note that some of the economies have been more ambitious than others in setting this target. For example, as shown in the above table, Serbia's target has been to increase the employment rate by 9.9 percentage points, the Republic of North Macedonia by 9.4, and Kosovo* by 8.1, while at the other end, Albania's targeted increase is 3.3 points.

⁴¹ Regional Cooperation Council, Observatory on employment in the Western Balkans, available at <https://www.esap.online/observatory/indicators/7/employment-rate-annually>

⁴² Note: Data is not fully comparable from 2010-2019 as Western Balkan economies updated Labour Force Survey methodologies that might have influenced the employment rate.

Employment

Despite the positive trends, concerns in the labour markets remain. About two-thirds of total unemployment is accounted for by long-term unemployment (individuals who have been seeking a job for more than a year) with many young people being in this category, which carries the risk of labour market “scarring” that might adversely affect their lifetime prospects for decent jobs and incomes. Only 1 in 3 citizens aged 20-64 does not participate in the labour market, but women are much more likely to remain inactive (more than 46% of them). Informal employment, which ranges between 18 and 33 percent of employment in the Western Balkan economies, is another concern that predominantly affects vulnerable groups, including young people, and workers with lower qualifications. Vulnerable employment (calculated as the sum of own-account workers and contributing family workers) remains widespread. Incidence of poverty and at-risk of poverty remains pervasive, particularly in underdeveloped regions, and among particular segments of population affected by unemployment, inadequate social protection and low level of social service (such as Roma minority). Spending on social protection, employment support to the unemployed, and on education and health is relatively small. Expanding the coverage and improving the effectiveness of social protection are both key priority actions. Inequality is high: the ratio of average income of the richest 20% of the population to the average income of the poorest 20% of the population ranges between 6.2 in the Republic of North Macedonia and 6.5 in Serbia, higher than the 5.2 average in the EU. Inequality disproportionately affects the situation of women, Roma or persons with disabilities and

these issues should be addressed as a matter of priority.

Going forward, particular attention needs to be dedicated to the quality of jobs created, encompassing aspects of earnings quality, labour market security and quality of the work environment. Such aspects should feature prominently in national policy discussions and constitute an integral part of policy objectives for the governments of the Western Balkan economies.

Under its Employment and Social Affairs Platform 2, RCC supports strengthening institutional capacities of Ministries of Labour and Public Employment Services in the Western Balkans to develop, implement and monitor priority labour market policies and measures. Currently, an in-depth analysis of youth employment programmes and of institutional capacities to step up their efforts is under way and will be the subject of the first mutual learning programme in the region. ESAP 2 has also established a regional Network for Tackling Undeclared Work, which aims to enhance cooperation and support the operationalisation of a holistic strategic compliance approach to undeclared work. Finally,

the project works closely with both national administrations in the Western Balkans and EU institutions to increase the engagement of Western Balkans in EU employment and social policies, including preparation for the introduction of youth guarantee programmes, the implementation of the European Pillar of Social Rights and the benchlearning initiative among Public Employment Services.

The COVID-19 pandemic and its related measures have had a direct impact on economic activity and have most definitely affected employment in the region. Administrative data show that between March and September 2020, there has been an increase of 15% in registered unemployment in our region, while for youth that increase has been 27%. While the Western Balkan governments have acted promptly by setting up employment retention schemes and other economic stimulus measures, an economic downturn and a related sharp decline in employment seem unavoidable during 2020. This situation, though, also represents an important opportunity to renew efforts to enhance upskilling and reskilling of workforce in order to better prepare them for a continuously evolving labour market.

Table 24: Implementation of Employment actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension L: Employment		
<p>M1. Enhance labour market governance for employment. Improve the region's abilities to develop and implement employment policies</p> <p>M2. Create harmonised data on migration and build capacity to assess labour market development and future skill needs</p>	<ul style="list-style-type: none"> Following the completion of 6 mutual learning activities among Western Balkan Ministries of Labour (MoL) and Public Employment Services (PES) on priority employment policies and measures, mutual learning activities and exchange resulted in sharing and adopting good practices. 	<ul style="list-style-type: none"> Regular regional activities under the auspices of the Western Balkans Network on Undeclared Work for mutual learning, increasing knowledge, enhancing cooperation and implementing improved and innovative measures tackling undeclared work.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
<p>M3. Create a regional consultative process on mobility</p> <p>M4. Abolish labour market restrictions in the region</p> <p>M5. Enhance capacity of labour market institutions for policy making and the promotion of partnerships</p> <p>M6. Forge innovative programmes to tackle employment of vulnerable groups</p> <p>M7. Tackle informal employment through exchange of information and experience</p> <p>M8. Stimulate social economy initiatives</p>	<ul style="list-style-type: none"> Following the benchlearning initiative among Western Balkan Public Employment Services, a combination of regional mutual learning events and targeted national assistance has supported national institutions to implement benchlearning recommendations for further enhancing their performance. Further analytical work related to a roadmap on management by objectives, guidelines for the development of local employment plans and a compatibility analysis of Western Balkan PES in relation to the EU PES network system. 18 demand-driven technical assistance interventions implemented to address the immediate needs of MoL and Social Affairs and PES offices in the region. Launching of the phase 2 of the Employment and Social Affairs Regional Platform. 	<ul style="list-style-type: none"> Cooperation and capacity building among Western Balkans Ministries of Labour and Social Affairs and Public Employment Services on developing, monitoring and evaluating labour market policies and measures, with a focus on activation and employment of youth and vulnerable groups. Enhanced dialogue of Western Balkans with EU institutions and increased engagement in EU employment and social policies. This will include regular assessments of the implementation of the European Pillar of Social Rights in the WB6, support to EU - WB high level meetings in the field of employment and social affairs. Continued national technical assistance to support the national employment, labour market and social affairs strategies, action plans and/or measures.

Health

The COVID-19 pandemic mobilised the regional cooperation in unprecedented ways. Apart from establishing the Green Lanes within the region and with the EU, there was a quick assistance allocated from the EU to the region. The EU mobilised a package of over €410 to support the Western Balkans during the initial phases of COVID-19 emergency⁴³, ranging from immediate funding to short- and mid-term assistance to support the socio-economic recovery of the region.⁴⁴ The outbreak

of the pandemic also led to health sector becoming central in governmental policies, and also health for the first time became part and was integrated within the Berlin Process. Before the pandemic, which this report covers, SEE economies continued to face challenges in reforming and creating efficient and effective health systems in the region. There is a need for more in-depth financial analysis related to the health systems in the Western Balkans to better scrutinise local phenomenon's linkages to possible policy effects and, at the same time, avoid the small numbers

⁴³ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/coronavirus_support_wb.pdf

⁴⁴ Ibid, assistance mobilised in April 2020.

effect. However, if health is perceived by the governments as an important investment in human capital and economic development, there is a need for additional research and triangulation of data related to the following indicators: public health expenditure as % of total health expenditure, public health expenditure as % of total budget expenditure and % of out-of-pocket expenditure. In light of COVID-19 pandemic, the need for a significant and strategic review of the healthcare sector, system and expenditure in it became evident.

Under the Health dimension, the regional SEE Health Network continued to build capacity for quality health provision and improved governance of the health sector through a series of activities. The implemented activities were delivered in a multi-economy mode of cooperation to achieve progress at the regional level and at the same time to advance the national priorities and common goals. In this respect, the main policy guiding documents were the following: South-Eastern Europe Health Action Plan for Delivering the Commitments of the Chisinau Pledge, the Sub-Regional Cooperation Strategy of the SEEHN and the WHO

Regional Office for Europe and the SEE 2020 Strategy under the Health Objective.

The implemented activities covered technical and high-level meetings, supported directly by the SEEHN, which brought strong results and defined common challenges and possible solutions at both regional and national levels. The SEEHN represents a framework for regional cooperation in public health in terms of strengthened human capital, exchange of experience and best practices applicable to the same historical and reality context, established experts' networks and common communication channels that were used during cataclysms, migration crisis and current pandemic outbreak of COVID-19.

The SEEHN efforts were supported by Regional Development Health Centres (RHDC) with particular mandates in health in each economy.

SEEHN undertook all the activities to implement the principles, priority areas and actions of the European policy for health and well-being, Health 2020, the SEE 2020 Strategy, WHO guidelines and resolutions, and the United Nations 2030 Agenda for Sustainable Development.

Table 25: Implementation of Health actions

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
Dimension M: Health		
<p>M.1. Support national efforts to improve performance of health system at all levels of care</p> <p>M.2. Increase awareness on the relevance of health policies to socio-economic policies in areas such as trade, labour mobility, investment, access to education, etc.</p>	<ul style="list-style-type: none"> ○ Primary health care (PHC) – Following extensive consultations with the WHO Geographically Dispersed Office (GDO) in Kazakhstan on PHC it was decided in partnership with SEEHN Secretariat to launch in 2019 an extensive research study on the PHC systems in the SEEHN Member States - Centre's Tool for Monitoring Impact, Performance and Capacity in Primary Health Care (PHC-IMPACT). Thus, during the reporting period the SEEHN members were invited to complete online questionnaire. The data collection process was almost finished by the end of 2019 with minor exceptions. 	

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
<p>M.3. Harmonise cross-border public health legislation</p> <p>M.4. Enhance cooperation between the Health dimension and other SEE 2020 dimension/pillar coordinators</p>	<ul style="list-style-type: none"> ○ The 41st SEEHN Plenary Meeting dedicated to “Health Workforce in SEE Region, Challenges and Opportunities: Brain Drain – Brain Gain” was held in Skopje, Republic of North Macedonia on 20-21 June 2019. Identified additional follow-up actions required to ensure the commitments in the Statement of Intent on Immunisation as outcome document of the Montenegro Ministerial Meeting. ○ SEEHN RHDC / SECID, together with expert support from WHO Euro and with experts from the SEE region, held a one-day Roundtable on Current Measles Outbreaks and Response Challenges in SEE Countries, on 27 June 2019 in Skopje, Republic of North Macedonia. ○ SEEHN RHDC/SECID with SEEHN continued the series of meetings on vaccines with another one held on 20-21 September 2019, Istanbul, Turkey: “Improving access to influenza vaccines by exploring new opportunities on influenza vaccine procurement in SEEHN countries”.. ○ Common discussion on national practices related to: <ul style="list-style-type: none"> • policy and planning, • forecasting, financing and procurement of affordable influenza vaccines. 	<ul style="list-style-type: none"> ○ SEEHN in partnership with WHO survey, collected by the Almaty Centre, has to be further reviewed and validated during 2020. Recognising the importance of this exercise, it is aimed to identify recommendations and to adopt a more comprehensive approach, while ensuring information collected is standardised for comparison, ultimately to discuss policy-relevant opportunities to accelerate primary health care strengthening across the South East Europe region. ○ Sound and timely expert knowledge and opinion was estimated of utmost importance for the creation of strategies, policies and way forward to sustainable health systems in the upcoming period. ○ In this respect, dialogue on cross-border/boundary cooperation to secure access to affordable influenza vaccine supplies, strategic supply management approaches and joint procurement mechanisms was of a key interest and shall continue. Future actions shall focus on deciding on the way forward and concrete action plans to secure access to affordable vaccine supply for influenza, depicting which of the available options is more appropriate taking into account regional particularities.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> Special attention had been devoted to the supply chain in terms of barriers, opportunities, and challenges encountered at the economy vis-à-vis regional level. 	
	<ul style="list-style-type: none"> European Health Forum Gastein (EHFG) in partnership with SEEHN Secretariat enabled the strengthening capacities of 4 SEEHN high-level representatives to the leading Forum “A healthy dose of disruption? Transformative change for health and societal well-being”, held on 2-4 October 2019 in Gastein, Austria. 	
	<ul style="list-style-type: none"> SEE Health Network, the East European Institute for Reproductive Health, RHDC on Sexual and Reproductive Health (SHR) in partnership with UNFPA Regional Office for Eastern Europe and Central Asia, the Ministry of Health of Romania organised the meeting Obstetric Surveillance and Response Systems for Countries in South-Eastern Europe, held on 24-25 October 2019, in Bucharest, Romania. 	<ul style="list-style-type: none"> The SEE region needs to aim and to achieve “0” maternal mortality in line with the Sustainable Development Goals by 2030. A Concept Note has been developed in this respect to be supported by the SEEHN Secretariat. A more sustainable programme-designed intervention is to be prepared to seek fundraising during the upcoming period by joining efforts of the SEEHN Secretariat, Ex COM, RHDC SRH. Other partners are most welcomed to join the Programme at regional level.
	<ul style="list-style-type: none"> RHDC on Public Health Services hosted by the Republic of North Macedonia in close cooperation with the Secretariat and with the Ministry of Health of the Republic of North Macedonia, organised the technical meeting Reducing Health Inequality (SDG10) by Improving Health Literacy in SEE Countries, held on 28 November 2019, in Shtip, Republic of North Macedonia. 	<ul style="list-style-type: none"> National Action Plans on strengthening the health literacy to be developed in the economies that still do not have an approved one.

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> EC TAIEX Multi-country workshop on scaling up colorectal cancer screening programmes, organised in cooperation with SEEHN RHDC on NCDs hosted by the Institute of Public Health Montenegro and SEE Health Network Secretariat, on 12-13 December 2019, in Podgorica, Montenegro. 	<ul style="list-style-type: none"> The expected results focused on enabling exchanging experiences and presenting good practices in the SEE region as well as applying EU recommendations and standards in order to improve and strengthen the control of the colorectal cancer. The conclusions from this event will support planning and implementing activities throughout the region for the benefit of its citizens by working together and sharing experiences with the aim of improving ordinary life in the region and beyond. It is expected that the relevant recommendations will be incorporated in the SEEHN Member States national policies.
	<ul style="list-style-type: none"> The “Round table on reduction of childhood malnutrition and control of marketing of unhealthy food and beverages impact” was supported by the SEEHN Secretariat in partnership with the SEEHN Montenegrin RHDC on NCDs and organised on 25 February 2020, in Podgorica, MNE. 	<ul style="list-style-type: none"> Round table on reduction of childhood malnutrition and obesity, and possibilities to control impact of marketing of food and non-alcoholic beverages high in calories, free sugars, salt and saturated fats on children to be taken further in the row of activities with overall objective to reduce childhood malnutrition, focusing especially on obesity and subsequently enable healthy lifestyle choices from the early age among children from SEEHN MS.
	<ul style="list-style-type: none"> SEEHN together with the SEEHN RHDC on Communicable Disease SECID from Albania in partnership with WHO EURO held a TC on 24.03.2020, on the COVID19 challenges and way forward. The main areas discussed were as following: 1. quantity of available tests, 2. capacity for testing, 3. consumable material (PPE, etc.); 4. Main challenges (lack of human resources, the need for mobilisation of additional expertise, etc.) 	<ul style="list-style-type: none"> The gathered information to be further analysed for a better picture of the SEEHN Member States and mobilise available resources or/and mobilise additional donors.

2.5. Governance for Growth

The Governance for Growth pillar seeks to ensure: well-functioning, responsive, transparent and efficient government institutions at national and sub-national level; increased transparency and contained corruption in dealing with businesses and the public; and more efficient and competent judicial systems, as the main building blocks of a sound business environment conducive to growth. The key measures and activities have been grouped under three interlinked dimensions, all of them providing key prerequisites for achieving the Strategy's objective and effective implementation of its policy measures. According to the 2018 Enlargement Strategy the Rule of Law remained the most pressing issue for the enlargement.

Pillar overview

The concept of rule of law forms a cornerstone of Western Balkan economies' activities towards the EU integration process. Not only does it provide formal legal frameworks which underpin any well-functioning democratic society but also aims at implementing justice based on the acceptance of human rights and dignity. As a cross-cutting policy pillar, Governance for Growth is built upon the following postulates: enhancing the capacity of public administration to strengthen the rule of law and reduce corruption, creation of a business-friendly environment and delivery of public services necessary for economic development. The activities aim, inter alia, to strengthen capacity of actors tasked with enforcement duties, ensure transparency and accountability of public institutions needed

to tackle the issues of corruption and other related matters.

As an important principle, the rule of law and good governance are enshrined in EU treaties as they help uphold the highest standards and seek to address the failures in the protection of human rights, maintain democratic accountability and ensure greater transparency. The importance of this pillar lies also in the fact that Western Balkan economies need to continuously work on improving the effectiveness of their judicial system as they progress along their European path. The European Commission promotes democratic accountability and the rule of law at the level of each Member State but also emphasises this important principle in its work towards external partners. The European Commission Communication from February "Enhancing the accession process – A credible EU perspective for the Western Balkans"⁴⁵ acknowledges that the effectiveness of the overall accession process and its implementation must be improved further. Fundamental democratic values, rule of law, economic reforms and alignment with core European values are considered to be core objectives of EU's engagement with the Western Balkans in the framework of the accession process. This goes in line with the cluster chapter on fundamentals (rule of law, economic criteria and public administration reform) being the central element in the new European Commission methodology to strengthen the EU accession process.

The Enlargement package 2020 assessed the progress of Western Balkan six economies, including in the aspect of functioning of ju-

diary. While the European Commission acknowledges the progress made in strengthening legislative frameworks and enforcing fair competition across Western Balkan economies, the emphasis is placed on intensifying efforts in taking more proactive steps to fight corruption, ensure maximum integrity, impartiality and accountability of anti-corruption bodies, and enable judicial efficiency. The importance of the need to sustain rule of law was likewise featured in Sofia Summit Chairs' Conclusions (November 2020), which stipulated the renewal of commitment by Western Balkan Leaders to adhere and promote the core European values, including the rule of law for the purposes of transformative nature and fostering of regional reconciliation and durable stability.

Plummeting confidence of the region's population in the rule of law systems across Western Balkan economies is also a symptomatic indicator of a need to advance reforms in

this field. The Balkan Barometer Public Survey 2020 observes that some two-thirds of the region's residents feel that laws are not applied effectively, while an even greater majority questions the impartiality of judicial and law enforcement institutions (76%). This marks an increase of six percentage points in comparison with the previous year's Balkan Barometer instalment. Besides, more than 60% of Western Balkan citizens do not trust courts, parliaments or government in their respective economy.

The SEE 2020 headline target in this pillar is Government Effectiveness which is measured according to the World Bank's Worldwide Governance Indicator. The indicator entails a set of interconnected policy areas, including perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the govern-

Table 26: Target 11 – Government Effectiveness

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	targetted value	achieved so far	achieved/targetted
Albania	2.20	2.30	2.20	2.20	2.40	2.50	2.50	2.58	2.61	2.7	0.5	0.4	86%
Bosnia and Herzegovina	1.80	1.70	2.00	2.00	2.00	2.00	2.10	2.02	1.88	2.1	0.3	0.1	24%
Kosovo*	1.90	2.00	2.10	2.10	2.20	2.10	2.10	2.09	2.07	2.3	0.4	0.2	46%
Montenegro	2.60	2.60	2.60	2.70	2.80	2.70	2.60	2.65	2.63	3.1	0.5	0.0	6%
Serbia	2.40	2.40	2.40	2.40	2.70	2.60	2.60	2.69	2.61	2.9	0.5	0.2	39%
Republic of North Macedonia	2.30	2.40	2.40	2.40	2.70	2.60	2.60	2.64	2.59	2.8	0.5	0.3	56%
SEE6	2.20	2.23	2.28	2.30	2.47	2.42	2.42	2.45	2.50	2.7	0.5	0.3	66%

Source: Worldwide Governance Indicators

Note: SEE6 aggregates based on RCC calculation. Progress indicates the level of 2020 target attainment in 2017 compared to 2010 baseline.

⁴⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Enhancing the accession process – A credible EU perspective for the Western Balkans, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology_en.pdf

ment’s commitment to such policies. The region made some progress towards meeting the SEE 2020 target in improving government effectiveness by 12 percentage points (54% in 2017 compared to 66% in 2018). This speaks of a slight improvement of how Western Balkan economies taken altogether approach this increasingly important matter. At the level of each Western Balkan economy, the progress is achieved sporadically with some Western Balkan economies performing better than their regional counterparts.

Effective Public Services

The quality of health care and education has improved in the region. People have longer and healthier lives and students perform better in standardised reading, mathematics and science tests (PISA). Nevertheless, life expectancy is still four years shorter than in OECD-EU countries, varying from 72 years in Kosovo* to 78 years in Albania. Student performance still lags behind OECD-EU countries, although Serbia is not far behind in mathematics.⁴⁶ According to BB 2020, the region is increasingly turning towards its public service infrastructure as a critical investment priority, and away from industrial development, signalling a need for stronger government engagement in further developing the social infrastructure. When asked how satisfied they are with public services in general, Western Balkan citizens are divided regarding their satisfaction with the public services but note a small increase as compared to 2018. The importance of effective public services is only to be augmented in the upcoming years in the face of COVID-19 pandemic. The challenges in local finances, for instance, are expected to be severely impacted by the pandemic, where up to 90% expect that revenues will experience a high or moderate fall, according

to SEE local Governments in post-COVID-19 socio-economic survey. The same survey points out that reopening and revival of SEE local governments’ communities and economies is the biggest challenge (according to 79% of respondents).⁴⁷ This, in turn, means that supporting local communities and local economies, social care and protection, public healthcare and sanitation of public spaces and building will be extremely difficult to tackle in the aftermath of the pandemic. As the Regional Dimension Coordinator for the Effective Public Services dimension, ReSPA seeks to work towards addressing challenges and assisting governments in delivering modern public services to their citizens. In this respect, ReSPA worked to enhance political support to reforming the Public Administration through the organisation of first ever high-level policy dialogue on the public administration challenges facing the Western Balkan economies. With European Commission and SIGMA representatives present, all ministers responsible for Public Administration from ReSPA Members had the opportunity to exchange experiences and reform plans with colleagues from Slovenia. In 2019 and the first quarter of 2020 alone, ReSPA managed to organise around 30 networking and capacity building events (seminars, workshops, conferences, working visits, trainings, meetings, mobility schemes, in-economy support projects), involving almost 1,000 public servants from the Western Balkans, thus contributing directly to the improvement of public services across the region. What is more, being a regional dimension coordinator, the Network of Associations of Local Authorities in South-East Europe (NALAS) works towards supporting both national and local governments of SEE to deliver local services more effectively and upgrade policy and regulatory capacities at the

local level. NALAS contribution to improvement of public services spans different policy areas where advocacy, lobbying efforts and the improvement of local authorities’ policies and regulations are supported. Through enhanced regional networking and cooperation between experts, local and national policy-makers, but also financing local governments’

responsibilities in education, social protection and healthcare, NALAS seeks to improve the overall enabling environment in which local authorities operate.

Table 27: Implementation of Effective public Services actions

Measures/Action	Actual activities and achievements in the period June 2019 - 15 April 2020	Expected Results by end of 2020
Dimension N: Effective Public Services		
Upgrade policy and regulatory capacities	<ul style="list-style-type: none"> NALAS published Fiscal Decentralisation in South-East Europe Report, focused on the financing of local government responsibilities in the social sector, in particular in education, social protection and healthcare. NALAS initiated cooperation with USAID Albania to support the Government of Albania in reforming the regulation and financing of the newly decentralised responsibilities in education, social protection and healthcare, with best practices from the region and the participation of national and local policymakers, experts and practitioners from Albania and South East European economies. ReSPA Working Group on Better Regulation with a purpose to discuss challenges and plans that the national authorities face, with the presentation of an overview of better regulation systems in the EU Member States by OECD. ReSPA panel designated to: state-of-art in domain of public service delivery in the Western Balkans, inspiring cases in domain of public service delivery, and how leadership and professionalization of public administration impact public services in Baku, Republic of Azerbaijan from 24 - 26 June 2019. 	<ul style="list-style-type: none"> Support the advocacy and lobbying efforts and strengthen the capacities of local governments and their associations. Improved understanding and awareness of South East European national and local policymakers, experts and practitioners on regional best practices in the regulation and financing of local government responsibilities in education, social protection and healthcare. Improved understanding of Albanian policymakers, experts and practitioners on the main challenges facing Albania as regards the regulation and financing of education, social protection and healthcare responsibilities. Improved understanding on the roadmap for the reforms of the regulation and financing of decentralised education, social protection and healthcare responsibilities in Albania.

46 OECD (2020), Government at Glance: Western Balkans

47 NALAS (2020), Summary of the NALAS Survey: South-East European Local Governments in Post COVID-19 Socio-economic Recovery, available at http://www.nalas.eu/Publications/Books/Covid-19_Survey

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> ○ A Peer Mission on public consultations in Bosnia and Herzegovina (12-14 February 2020) regarding the implementation of the Western Balkans Recommendation on Public Participation which Ministers responsible for PA endorsed on 6 November 2017. 	
Improve the quality of public services	<ul style="list-style-type: none"> ○ Through the project Regional Capacity Development Network for Water and Sanitation Services (RCDN) and in cooperation with IAWD, Aquasana, Local Government Associations (LGAs) and Associations of Public Utility Companies (PUCs), NALAS organised training sessions, events, peer-exchanges for water and waste water treatment and sanitation and reached out to 4,832 participants from LGUs and PUCs in WB ○ NALAS Task Force on Solid Waste and Water Management developed its third edition of the Report on Benchmarking of Solid Waste Management in SEE 2019 (http://nalas.eu/Publications/Books/2019_SWM_BR). ○ Five methodologies for improvement of business process in the delivery of the solid waste services are available to the municipalities of SEE (http://nalas.eu/News/BCIWCV20) ○ By introduction of the new and re-engineering of existing process, 10 pilot municipalities from 4 economies of WB achieved savings of around 162.000 EUR for 6 months. ○ Seasonal school on digital transformation was organised on 2-6 September 2019, in Danilovgrad, encompassing digital service, product driven, agile, lean and human centred design customised for the government workforce. 	<ul style="list-style-type: none"> ○ Within the RCDN project NALAS will participate in development and delivery of new Waste Water CD Programmes for LGUs and PUCs: planning of waste water infrastructure; introduction to waste water systems; and management of waste water systems. ○ Further dissemination of the Report and its use for advocacy actions of the NALAS members. ○ Further dissemination of the methodologies and best practices for re-engineering of SWM process in the region of SEE.
Introduce a procedure for continuous improvement of competences of public officials (professionalization)	<ul style="list-style-type: none"> ○ ReSPA started with implementation of the manual on how to make merit-based recruitment and development of the guidelines on conducting performance appraisal. 	

Measures/Action	Actual activities and achievements in the period June 2019 – 15 April 2020	Expected Results by end of 2020
	<ul style="list-style-type: none"> ○ ReSPA organised the exchange of experience of HRMD Working Group with Finland with the focus on merit-based recruitment, performance appraisal and new innovative ways of work in the area of HRMD. ○ ReSPA organised the visit of the Human Resources Management Authority (HRMA) from Montenegro to the Civil Service Agency of Bosnia and Herzegovina and exchange of experience on Training Management System, Moodle and e-learning. As a result of this mobility scheme HRMA started with the establishment of their e-learning platform based on the Bosnian model. ○ The first draft of the Guidelines for conducting performance appraisal of civil servants has been prepared and disseminated for comments to the members of the Human Resources Management and Development (HRMD) Working Group, SIGMA and European Commission. 	

Anti-Corruption

The Western Balkan region continues to show instances of prevalent corruption, whilst progress in fighting it successfully varies across the region. The track record remains unconvincing in most of the region and far from meeting the requirements for EU membership. Tangible results in the fight against corruption are essential for a stable and transparent business environment and to mitigate the threats to democratic structures.

The Western Balkan region efforts in anti-corruption policies have yielded positive results, however corruption needs to be tackled in a clearer and more consistent way. Transparency International 2019 Corruption Index showed a decline in the rankings of the Western Balkan economies where each Western Balkan economy received below 50 points,

taking between 63th and 106th place in a scale of 180.

The Balkan Barometer 2020 results point out to a notable surge in the perceptions of corruption across the institutional landscape in the region. More than two-thirds of the region's population is unhappy with their governments' attempts to curb corruption (71%). These sentiments should urge the region's decision-makers towards concreting measures and actions that will effectively fight corruption and restore public's confidence.

As the Regional Coordinator for anti-corruption, Regional Anti-corruption Initiative (RAI) Secretariat has been engaged in several regional actions that facilitate coordinated regional measures that seek to reduce corruption in public administration. RAI Secretariat also strongly supported its members in implementation of their anti-corruption strategies

and plans. RAI continued strengthening capacities of national authorities in implementation of two anti-corruption preventive measures: anti-corruption assessment of laws (corruption proofing of legislation) and corruption risk assessment in public administration. To that end, national authorities were provided with the national methodologies and trainings for public institutions. During the reporting period, the IT tools for corruption risk assessment and corruption proofing of legislation were developed and successfully implemented in Bosnia and Herzegovina and Montenegro. These activities are part of the broader Regional Programme funded by the Austrian Development Agency - ADA (O3&O4). RAI Secretariat facilitated the negotiation process of the International Treaty on Exchange of Data for the Verification of Asset Declarations, developed within the Regional Programme. It is expected that the Treaty will be signed by at least 3 SEE economies until autumn 2020. This action is implemented with the objective to strengthen regional cooperation and data exchange in the field of asset disclosure and conflict of interest (O1). RAI Secretariat in partnership with AIRE Centre has continued to implement a 2-year regional project on asset recovery. The project is financed by the UK government, RAI's own financial resources and supported by Konrad Adenauer Foundation. The project aims to foster regional cooperation through capacity building of prosecution and courts for effective asset recovery in line with international and European standards, strengthening international cooperation in asset recovery process and developing a regional methodology for monitoring implementation of asset recovery measures (O5). The Regional EU-funded project 'Breaking the Silence: Enhancing the whistleblowing poli-

cies and culture in the Western Balkans and Moldova', was contracted and its implementation started on 1 April 2020. It aims to enhance the disclosure channels and protection of whistleblowers and advocacy in targeted public institutions and CSOs, paired with a regional public awareness campaign aiming to sensitise general public and public authorities about whistleblowing (O5). In line with the EU integrative process related to the anticorruption, through its activities, RAI continually targets specific areas, including: further developing and implementation of the digital anti-corruption tools; facilitating the international cooperation via the regional platform for exchange of data in asset disclosure; enhancing regional and international cooperation in the field of asset recovery and financial investigations, promoting the integrity of law enforcement agencies (LEAs), judiciary and other sectors through strengthening whistleblowing policies and change in public perception related to the whistleblowers (O1,O3-O5). During the reporting period, RCC worked together with Centre for Study of Democracy from Bulgaria (Lead Partner) and RAI on preparation of application for the project proposal 'Implementing shared anti-corruption and good governance solutions in SEE: innovative practices and public-private partnership'. This project involving 14 partners has been selected for a grant and it is expected to start in January 2021. The project is expected to deliver shared anticorruption solutions to increase the accountability of public institutions and strengthen civil society and the rule of law in SEE through capacity building on implementing best practices of European social research innovation instruments and the establishment of knowledge-sharing public-private partnership between civil society and public sector actors.

Table 28: Implementation of Governance for Growth actions

<p>O.1. Transparent rules</p>	<p>O1.</p> <ul style="list-style-type: none"> ○ After the political negotiations, the text of the International Treaty on Exchange of Data for the Verification of Asset Declaration including the agreement of the economies on Treaty Depositary are finalised, translated into the SEE languages and ready for signature. ○ RAI Secretariat provided support in the consultation process for preparation of the new anticorruption strategy documents of the anticorruption commissions of Bosnia and Herzegovina and the Republic of North Macedonia (APIK and SCPC). 	<p>O1.</p> <p>It is expected that:</p> <ul style="list-style-type: none"> ○ Treaty is signed by at least 3 SEE economies by autumn 2020. Treaty is in force by the end of 2020. ○ Parties of the international Treaty exchange data for the verification of asset declarations and detection of conflict of interest. ○ Cooperation among oversight institutions in SEE strengthened. ○ Capacities of the oversight bodies are strengthened. ○ RAI continues monitoring the Treaty implementation and attracts additional economies to accede to the Treaty. ○ RAI will enhance the cooperation with the other regional and international organisations in promoting and supporting the process of signing and implementation of the International Treaty for Verification of Asset Declarations. ○ Under the EU-funded whistleblowing project, the following actions will be pursued in 2020: ○ Gap analysis of the existing legal framework on whistleblower protection in the Western Balkan jurisdictions and Moldova, resulting in comprehensive reports encompassing recommendations drawing upon the best practice ○ Establishment of partnerships with selected 14 public institutions relevant to whistleblower protection in the Western Balkan and Moldova (2 public institutions per jurisdiction).
<p>O.2. Competitive procedures</p>	<p>O.2.</p> <ul style="list-style-type: none"> ○ Secretariat has not engaged in any substantial actions in this field. 	<p>O.2.</p> <ul style="list-style-type: none"> ○ RAI Secretariat has not foreseen actions and pertaining measurable results under this objective
<p>O.3. Use best practice methodologies for assessing corruption risk in public institutions in SEE 2020 economies</p>	<p>O3.</p> <ul style="list-style-type: none"> ○ RAI developed the IT tool for corruption risk assessment to assist the relevant SEE national authorities and strengthen their capacities in conducting corruption risk assessment. 	<p>O.3.</p> <ul style="list-style-type: none"> ○ RAI Secretariat will continue to strengthen national capacities in implementation of corruption risk assessment in public administration. The second phase of the Regional Programme 2020-2023 is expected to feature the sector-focused approach paired with improvement and introduction of the IT tool in additional SEE economies.

<p>O.4. Enhance 'corruption-proofing' of legislation in SEE 2020 economies</p>	<p>O4.</p> <ul style="list-style-type: none"> ○ RAI developed the IT tool for corruption proofing of legislation in order to assist the national authorities and strengthen their capacities in conducting corruption proofing. 	<p>O4.</p> <ul style="list-style-type: none"> ○ RAI Secretariat will continue with strengthening national capacities in implementation of corruption proofing in public administration. The second phase of the Regional Programme 2020-2023 is expected to build upon the achieved results in this field and will feature the sector-focused approach paired with improvement and introduction of the IT tool in additional SEE economies.
<p>O.5. Capacity building for law enforcement agencies and judiciary</p>	<p>O5.</p> <ul style="list-style-type: none"> ○ Within the framework of the 2-year regional project focusing on Asset Recovery, two training handbooks have been developed, translated in all local languages (BCMS, Albanian, Macedonian and Romanian) and published. They focus on effective asset recovery in line with international and European standards and international cooperation in criminal matters. The handbooks have been distributed in printed copies to judges and prosecutors through the national judicial training centres with anticipated reach of over 1,500 practitioners. They have become a resource available to judicial training centres in their further national trainings, also available in electronic format. ○ Four regional trainings on effective asset recovery and mutual legal assistance and international cooperation in asset recovery cases were conducted. Overall, eighty-six judges and prosecutors from SEE region attended these trainings. ○ Peer-to-peer visit to the UK authorities was organised providing valuable experience for sixteen prosecutors and practitioners from the SEE region, giving them a comprehensive overview of UK asset recovery system. ○ In cooperation with RACVIAC, RAI organised Workshop on Whistleblowing in the Security Sector on 7-8 May 2019 in Podgorica. The workshop focused on increasing the capacity of the security sector in the field of integrity and corruption prevention as well as on awareness rising about innovative anti-corruption mechanisms but also the 	<p>O5.</p> <ul style="list-style-type: none"> ○ RAI will continue with efforts towards enhancing the capacities of national LEAs and judiciaries in financial investigations and international cooperation on asset recovery through: <ul style="list-style-type: none"> ○ Regional alumni network meeting ○ Roundtable on extended confiscation in cooperation with UNDP ○ Regional Asset Recovery Report ○ Regional Conference on Effective Tools for Asset Recovery involving judges, prosecutors and asset recovery practitioners ○ In cooperation with the RACVIAC, RAI will organise a Regional Workshop "Effective tools for prevention and fight against corruption in the Security Sector - Regional Challenges" for representatives of defence sector and the anticorruption bodies from RAI and RACVIAC member states. ○ 15th Edition of the Summer School is planned to be organised at RACVIAC -Croatia and will be hosted by the Judicial Academy of Croatia. An online exchange platform for Summer School participants and trainers aiming to foster networking, exchange of experience and promote the culture of integrity will be established in the course of 2020. ○ Cooperation with the RCC IISG in the area of anticorruption ○ Cooperation with LEAs and judiciary in the context of improving disclosure channels for whistleblowers and their protection will be addressed through the EU-funded whistleblowing project.

<p>Ensure greater awareness among civil society of actions to combat corruption and better cooperation across organisations</p>	<p>needed legal solutions and regulatory measures on whistleblower protection. For more information, see LINK.</p> <ul style="list-style-type: none"> ○ 14th Edition of the Summer School for young anticorruption practitioners from the SEE took place in Sarajevo (30th June-04th July). The School was hosted by the High Judicial and Prosecutorial Council of Bosnia and Herzegovina. The topic of the 2019 Summer School edition was "Investigation of corruption cases- Innovative mechanisms and tools". 	
	<ul style="list-style-type: none"> ○ RAI has a strong anticorruption portfolio and a leading role in enhancing the regional and international cooperation. In the past period, RAI has strengthened its partnership and good relations with the civil society sector and other regional and international cooperation, but in parallel searched for new partners, collaborators and initiatives. ○ As a result of the RAI and UNODC partnership on UNCAC review process, the Belgrade Outcome Statement was developed and endorsed by 23 entities from the SEE region, affirming the importance of the active participation of individuals and groups outside the public sector (CSOs and private sector) in the prevention of and the fight against corruption. The Statement is a result of collaboration throughout the three multi-stakeholder workshops on the UNCAC and its Review Mechanism and shows concrete and practical steps on how to strengthen cooperation in the areas of training and knowledge, implementation of UNCAC and its Review Mechanism and collective action. ○ RAI Secretariat has continued its successful cooperation with the OECD-ACN in the field of developing the anticorruption performance indicators and benchmarks. 	<ul style="list-style-type: none"> ○ RAI Secretariat continuously works on promotion of the achievements and milestones achieved by its members. This is part of the RAI Secretariat communication strategy as well as an overall mission to engage with CSOs in addressing the common goals. ○ In 2020, the follow-up Regional Programme will be developed with UNODC and UNCAC Coalition to continue strengthening the CSOs to contribute to the implementation of the UNCAC and its Implementation Review Mechanism. As part of this Regional Programme, together with the Programme partner UNODC, RAI will continue to promote the capacities of the civil society for more inclusive, effective and transparent UNCAC Reviewing process through training and advocacy building. ○ In 2020, implementation of the MoU with CEI will be pursued to the extent possible, due to the circumstances brought upon by the COVID-19 pandemic. ○ Introduction of anticorruption classes as part of the Legal Clinic at the Department for Criminal Law at Sarajevo University.

	<ul style="list-style-type: none"> ○ RAI Secretariat, in partnership with the CEI and the Libera Università degli Studi Sociali, LUISS, co-organised the International Conference on Anti-corruption “Curbing corruption: learning from the decade behind us and looking into the decade ahead” in Rome (27 November 2019). ○ RAI and CEI signed the MoU towards planning and implementation of joint activities and exploring new formal and informal methods of regional cooperation and exchange of knowledge and good practices in the field of anticorruption. ○ RAI Secretariat has started cooperation with the Law Faculty, University of Sarajevo, with the aim to introduce anticorruption and integrity classes for the law students from the bachelor and master studies as part of legal clinics at the Department of Criminal Law. This is the initial step towards developing anticorruption curricula in the law studies. 	<ul style="list-style-type: none"> ○ RAI will intensify the cooperation with the SEE Coalition on Whistleblower Protection in the implementation of the EU-funded Regional Project ‘Breaking the Silence: Enhancing the Whistleblowing Policies and Culture in Western Balkans and Moldova’.
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Justice

An independent, accountable and effective justice system plays a crucial role in upholding the rule of law, ensuring fair and equitable access to justice, consolidating democracy and protecting human rights and fundamental freedoms. Justice and fundamental rights are placed at the heart of the EU accession process, and at the same time lay at the core of what the citizens of the region demand from their governments.

The Western Balkan region is committed to transformative reform of the justice system with the primary goal of strengthening and consolidating its independence, impartiality, and professionalism. The progress in justice reform in the region must be measured by the efficiency and quality of the public service of justice delivered to the citizens. According to the Balkan Barometer 2020, the Western Bal-

kan citizens positively rate the accessibility of justice system by 51%, while still questioning its impartiality and credibility. The length and cost of judicial proceedings are viewed negatively by 61% of region’s citizens, with 58% having unfavourable view when it comes to execution of judgments and 56% view the judiciary as un-transparent.

The citizens’ sentiment is a clear signal that improvement and restore of public trust in the judicial systems have a fundamental importance for development progress of the Western Balkans. In this respect, the RCC continued to work in the area of justice and proved its role as a hub in judicial training, judicial cross-boundary cooperation and alternative dispute resolution activities, through WB Working Group on Justice (WB WGJ), the SEE Network of Judicial Training Institutions (SEE JTI) and the SEE Network of Associations of Mediators (SEE AM). The activities implement-

ed aimed to assist tangible reforms to improve the efficiency of judiciaries as well as reduce court backlog in WB.

Hence, the Working Group on Justice now serves as a solid platform of high-level professionals enabling discussions and comparative analysis of best practices and experiences in areas of regional pertinence, such as strengthening the practical cooperation among jurisdictions with a focus on the accountability and efficiency of the judiciary.

These topics were also the focus of the High Level Regional Conference “It’s all about Justice”, organised by Regional Cooperation Council in cooperation with the Ministry of Justice of Albania on 4 October 2019. The conference brought together Ministers, high-level officials and representatives of key civil soci-

ety organisations in the area of rule of law in the Western Balkans, with the aim to address the highly pertinent topics of meeting the European standards in justice reforms.

As regards the exchange of best practices, experiences and lessons learned related to judicial training, the study ‘Towards creating E-environment in justice – common standards on promoting quality of judicial training and regional cooperation in SEE’ serves as a basis for improved cooperation and for building mutual trust among the judiciaries. Likewise the database in the area of judicial training, developed in cooperation with WB GIZ ORF LR project, will be organised in close cooperation with JTIs and will serve as an informative tool of legal experts/trainers in EU Law.

Table 29: Implementation of Justice Actions

Pillar: Governance for Growth		
Dimension P:Justice		
<p>South East Europe Judicial Training Institutions Network (SEE JTI) aiming to:</p> <p>Improve efficiency of Courts</p> <p>Enhance quality of justice</p> <p>Improve skills and competences of judges and prosecutors</p>	<ul style="list-style-type: none"> ○ Continuous exchange of best practices, experiences and lessons learned through the periodic meeting of the SEE JTI network. ○ Publication and promotion of study ‘Towards creating E-environment in justice – common standards on promoting quality of judicial training and regional cooperation in SEE’. ○ Database in the area of judicial training in cooperation with WB GIZ ORF LR project developed. The database will be hosted by the RCC. 	<ul style="list-style-type: none"> ○ Updating, maintaining and broadening the database of regional legal experts in EU law. ○ Improved cooperation between judicial training institutions, councils for judiciary and relevant European institutions. ○ Improved cooperation between JTIs and associations of judges. ○ Established regular meetings and exchange of best practices of JTI and MoJ. ○ Enhanced cooperation and synergies between WGJ and JTI. ○ Strengthened practical cooperation on justice and judicial training.

Pillar: Governance for Growth		
<p>South East Europe Associations of Mediators Network (SEE AMN) aiming to:</p> <p>Support alternative dispute mechanisms and tools</p> <p>Enable cooperation among judicial training institutions, courts and associations</p> <p>Establish regular cooperation between two networks and WB WGJ</p> <p>Raise public awareness on the importance of alternative dispute mechanisms</p>	<ul style="list-style-type: none"> ○ Communication and cooperation among relevant regional initiatives active in promoting alternative dispute mechanisms established. 	<ul style="list-style-type: none"> ○ Enhanced exchange of experiences and good European and regional practices in using the alternative dispute resolution for the efficiency of judiciary. ○ Increased public awareness and sensitising about the usefulness of ADR, especially mediation. ○ Increased support for mediation capacity building of the regional stakeholders. ○ Increased percentage of cases resolved through the mediation.
<p>Western Balkans Working Group on Justice</p> <p>Enhanced cross-boundary cooperation in civil and criminal matters</p> <p>Support to comprehensive reforms in justice</p> <p>Improved independence, efficiency, accountability and integrity of judiciaries</p>	<ul style="list-style-type: none"> ○ Exchange of best practices, experiences and lessons learned enabled by the meetings of the Western Balkans Working Group on Justice. ○ High level regional conference “It’s all about justice”. 	<ul style="list-style-type: none"> ○ Increased experience sharing on the recent and planned reforms in the area of justice in the Western Balkans. ○ Evaluation of the results achieved and showcasing of the best practices and lessons learned. ○ Improved regional judicial cooperation in support of regional economic development.
<p>GIZ Open Regional Fund Legal Reform (LR) project</p>	<ul style="list-style-type: none"> ○ Improved cross-boundary judicial cooperation by backing activities of the regional Private International Law (PIL) Network. 	<ul style="list-style-type: none"> ○ Enabling cooperation between theorists and practitioners through continued support to the annual PIL Conference.

Pillar: Governance for Growth		
	<ul style="list-style-type: none"> ○ Annual PIL conference in November 2019 in Tirana brought together international and regional academics from the PIL network, notaries public from the region and German Federal Chamber of Civil Law Notaries, aiming to strengthen regional networking and promote dialogue (“theory meets practice”). 	<ul style="list-style-type: none"> ○ Promotion of further digitalisation of notarial services in the region through connecting notaries with various relevant government registries.
<p>GIZ Open Regional Fund Legal Reform (LR) project</p>	<ul style="list-style-type: none"> ○ Identification of legal and technical impediments to women’s access to land ownership by applying FAO’s Legal Assessment Tool (LAT). Analysing the progress since the last reporting in 2016. ○ Gender disaggregated data generated from the cadasters in all SEE economies show excessive progress of women owners and co-owners in the Republic of North Macedonia (27%), Montenegro (32%) and Bosnia and Herzegovina (37%) compared to the data from 2013. 	<ul style="list-style-type: none"> ○ Increased capacity building of the staff of the cadasters and notaries on how to apply gender equality principles in their work. ○ Increased gender awareness on women’s rights to property and benefits they bring.

PART 3. KEY RECOMMENDATIONS

A. Free Trade Area: (i) adopt Additional Protocol; 7 (ii) continue further elimination of NTBs (iii) soft measures to extend Green Corridors/Lanes to the EU implemented; (iii) publish the CEFTA BTI (binding tariff information) database; (iv) AEOs programmes for the Republic of North Macedonia, Serbia and Moldova recognised; (v) select pilot sector and launch intraregional regulatory cooperation (IRC); (vi) finish negotiations of professional qualifications; (vii) ratify AP6 in all Parties; (viii) cohesive agreement on a regional common risk profiles reached and initial piloting through the new SEED module started.

B. Competitive Economic Environment: (i) implement competition policies and cooperate by exchanging best practices and information between competition and state aid authorities in view of attracting investment and creating a trade defence measures-free region, and introduce measures to improve the level of regional harmonisation rather than fostering a race to the bottom and eliminate remaining discriminatory practices in public procurement markets.

C. Integration into the Global Economy: (i) finish implementation of Regional Investment Reform Agenda (RIRA) so as to speed up policy reforms pertinent to investor entry, and protections, conduct Joint Outreach Campaign to target investment promotion efforts to jointly promote Western Balkans as a unique investment destination; (ii) modernise investment policies through development of regional standards related to FDI concerns based on EU policies and standards; (iii) conclude economy-specific International Investment Agreements (IIAs) between EU and each of Western Balkans Six; (iii) support Investment Promotion Agencies with the adequate resources and capacity to conduct key in-

vestment promotion and facilitation activities, such as investor targeting and aftercare; (iv) raise awareness and establish/improve investor state dispute settlement mechanisms addressing the new approaches to investment dispute resolution, while taking into account the EU developments and the United Nations Commission on International Trade Law (UNCITRAL) framework; (v) enhance public-private sector dialogue to support business integration by enabling creation of sustainable regional value chains in priority industries, and create joint market entry strategies in specific areas to support WB6 exports.

D. Education and Competences: (i) continue with prioritising the development and implementation of comprehensive Human Capital Development Strategies; (ii) continue to prioritise quality, relevance and better skills matching of the education systems; (iii) maintain focus on access, inclusion, transition to and completion of secondary and higher education levels of vulnerable groups; (iv) conclude regional agreements on recognition of professional and academic qualifications in view of generating opportunities for the youth in the region; (v) combine traditional form of education with digital education.

E. Research and Development and Innovation: (i) increase targeted investments in R&D&I in line with the CRM Action Plan; (ii) focus on high-quality research in most-advanced scientific disciplines that bring added value for economic and social development; (iii) encourage Montenegro and Serbia to implement adopted S3 strategies, and the remaining four WB economies to continue activities towards adopting S3 strategies; (iv) complete RI Roadmaps in four WB economies and create the WB RI roadmap; (v) foster regional mobility of, and collaboration among researchers through

the Network of Open Access Research Infrastructures; (vi) boost networking of technology transfer offices and digital innovation hubs; (vii) introduce pilot financial support to early stage innovation teams; (viii) promote STEM education and careers as favourable options for girls and women.

F. Digital Society: (i) accelerate the process of digital transformation in WB taking into account lessons learnt from the COVID-19 pandemic; (ii) make WB roam-free region from 1 July 2021 and finalise the roadmap on EU-WB roaming charges reduction; (iii) speed up the deployment of broadband infrastructure in the region and further increase take-up of WBIF funds, especially in view of WBIF opening for investments in digital infrastructure projects; (iv) accelerate the introduction of 5G in WB economies by easing administrative burden and safeguarding sustainable investment environment; (v) make 5G pioneer bands free as soon as possible; (vi) develop digital skills strategies and work on reskilling and upskilling; (vii) further advance in the process of mutual recognition of trust services; (viii) enhance the use of interoperability platforms and harmonise and align the WB Interoperability Framework with European Interoperability Framework; (ix) organise the WB DS 2021.

G. Cultural and Creative Sector: (i) further invest in mapping local creative start-up ecosystems; (ii) continue investing in creative hubs and industries, infrastructure and arts development; (iii) strengthen administrative capacities in line Ministries to ensure growth of cultural and creative industries; (iv) conduct awareness-raising activities and campaigns dedicated to bolstering importance of creative industries; (v) continue implementing culture and inter-culture dialogue among WB economies to build common narratives and seize the region's cultural and creative talent and potential; (vi) promote inclusion in regional programmes on culture and creativity; (vii) apply inter-sectoral approach and include ministries

of culture in the structure of the TEG to trigger an impact on the effectiveness of national coordination and networking within tourism sector; (viii) support active participation of representative of local authorities and national institutions in charge for cultural heritage in the implementation of project activities; (ix) provide capacity building of key stakeholders for successful development and marketing of cultural tourism products.

H. Energy: (i) pursue the transformation of WB energy market; (ii) spur infrastructure development to go hand in hand with the accelerated implementation of the soft measures; (iii) define 2030 energy (and climate) targets in line with the General Policy Guidelines; (iv) develop National Energy and Climate Plans; (v) strive to fully decarbonise the energy sector and abandon coal subsidies; (vi) improve energy statistics and provide timely preparation of energy balances in line with Eurostat requirements and methodology; (vii) prioritise energy efficiency and exploit its potential in the region; (viii) increase share of renewable energy sources; (ix) undertake necessary measures for developing market for alternative fuels in transport, and decarbonisation of this sector; (x) develop policy to address energy poverty and support renovation of buildings; (xi) assess socio-economic effects of decarbonisation in WB; (xii) devise a mechanism including financial support for ensuring just transition.

I. Transport: i) pursue development of integrated transport infrastructure networks and smart infrastructure; (ii) strengthen the relevant administrative capacities and ensure enforcement of relevant transport legislation; (iii) continue monitoring the project financed through the Connectivity Agenda; (iv) intensify activities on decarbonisation of the transport sector and introducing alternative fuels; (v) implement the regional action plan for rail reforms; (vi) minimise the use of road transport and ensure shift towards more environmentally friendly modes; (vii) implement

technical standards and digital solutions in all transport modes; (viii) implement the road safety action plan and road action plan and support use of intelligent transport systems; (ix) promote preparation and implementation of Sustainable Urban Mobility Plans; (x) support development of infrastructure for alternative fuels.

J. Environment: (i) strengthen cross-sectoral cooperation and mainstreaming environment and climate into other policies with the aim of achieving climate-neutrality by 2050; (ii) align with the EU Climate Law and set ambitious climate targets for 2030 in line with the revised EU objective of 50% - 55%; (iii) prepare and implement climate adaptation strategies; (iv) introduce carbon pricing mechanism in the Western Balkans; (v) explore options to mitigate and adapt to climate change through nature-based solutions; (vi) ensure public participation in climate related decision-making processes and analyse options to join the European Climate Pact; (vii) develop circular economy strategies; (viii) improve waste management infrastructure, minimise generation of waste and improve reuse and recycling practice; (ix) raise awareness of citizens and improve mechanisms for waste collection, separation and management; (x) develop and implement air quality strategies; (xi) full participation in the Convention on Long-range Trans-boundary Air Pollution and its protocols; (xii) establish and improve (where exists) air quality monitoring system; (xiii) implement relevant water related acquis, modernise water monitoring infrastructure and develop infrastructure for wastewater treatment; (xiv) develop a WB 2030 biodiversity strategy; (xv) develop a regional position on the post-2020 biodiversity framework and present in at COP15; (xvi) develop a WB forest landscape restoration plan; (xvii) prepare nature protection and restoration plans; (xviii) improve knowledge exchange on nature and biodiversity protection and establish a WB Biodiversi-

ty Information Hub; (xix) reinforce the engagement with the United Nations Rio Convention.

K. Competitiveness: (i) support further reforms and investments which will strengthen external competitiveness; (ii) implement programmes that foster linkages between domestic suppliers and international value chains in priority industries, build resilience and safeguard against future disruptions; (iii) continue working on diversification of financial markets and development of alternative financing instruments in all WB economies with bigger supportive role to the real economy; (iv) cooperation among WB economies – exchanging information, sharing lessons, and addressing common challenges – to aid convergence of WB to EU income levels; (v) integrating select segments of the financial markets within WB economies and with the EU to benefit from increased market scale and larger potential investee and investor base; (vi) support growth and internationalisation of SMEs through regional networking, clustering and promotion of priority industries' potentials in the region; (vii) joint regional culture and adventure tourism offers developed and promoted internationally, targeted interventions on green borders/boundaries for adventure tourism developed, safe travel stamp with protocols adopted, and essential recommendations for new start of travel industry provided.

L. Employment: (i) encourage vulnerable groups to register and participate in active employment measures; (ii) reduce inter-group gaps in employment and ensure more equal employment opportunities; (iii) continue keeping the focus on the quality and quantity of jobs created; (iv) ensure better employability prospects of those completing different employment promotion programmes; (v) improve the training of staff working at regional employment offices; (vi) introduce policy measures which would translate the employment support into actual employment opportunities; (vii) conduct preparatory activities for

possible scaling of youth guarantee scheme throughout the entire WB region; (viii) take short-term measures to preserve employment and improve active labour market policies and upskilling of adults.

M. Health: (i) urgently prioritise health sector from human capital and economic development perspective by promoting investment in the health sector in the region; (ii) build capacities to provide universal health coverage and access to the quality provision of health services to all segments of population, including an increase of % budgetary expenditure.

N. Effective Public Services: (i) encourage merit-based recruitment procedure and uniform standards for promotion and dismissal of civil servants; (ii) continuously work to enhance digital services through digital infrastructure and capacities; (iii) continue improving access and transparency of public procurement; (iv) empower municipalities to provide standard quality public services; (v) reinforce institutional capacities to ensure integrity of public officials and servants; (vi) continue with the adoption of transparency programmes related to citizens' access to public information; (vii) intensify efforts to improve governance at all levels.

O. Anti-Corruption: (i) step up efforts to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption; (ii) continue the anticorruption reforms in line with GRECO recommendations and demonstrate a credible track record related to high-level and political corruption; (iii) ensure information exchange between all institutions responsible for the prevention of corruption, in particular continue the formalisation of regional exchange in the field of asset disclosure and conflict of interest; (iii) encourage citizens and employees to expose corruption by promoting positive values, and encourage authorities to develop adequate mechanisms for preventing retaliation

against whistleblowers or to improve the existing ones.

P. Justice: (i) step up the implementation of comprehensive and thorough justice reforms and deliver sustainable results; (ii) improve the administration and access to justice and further enhance the capacities of rule of law institutions; (iii) continue the commitment to transitional justice process through the reconciliation efforts in overcoming the legacy of the past and human rights violations; (iv) promote and improve the use of various alternative dispute resolution mechanisms as an effective tool to reduce court backlogs and create more business-friendly environment; (v) further improve competence of judges and prosecutors through training in EU law at the regional level.



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Regional Cooperation Council Secretariat

Trg Bosne I Hercegovine 1/V

71000 Sarajevo, Bosnia and Herzegovina

T: + 387 33 561 700

www.rcc.int



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