



Regional
Cooperation
Council

SOUTH EAST EUROPE 2020:
**ANNUAL REPORT
ON IMPLEMENTATION
FOR 2019**



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Abbreviations and acronyms:

ADR	Alternative Dispute Resolution	JRC	Joint Research Centre
ALMP	Active Labour Market Policies	JSPA	Joint Service Provision Area
ARI	Annual Report on Implementation of SEE 2020	JWG MRPQ	Joint Working Group on Mutual Recognition of Professional Qualifications
BEREC	Body of European Regulators for Electronic Communications	LFS	Labour Force Survey
CEFTA	Central European Free Trade Agreement	M&A	Mergers and Acquisitions
CERT	Computer Emergency Response Team	MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
CET	Common External Tariff	MRA	Mutual Recognition Agreement
CESEC	Central and South-Eastern European Gas Connectivity	MSC	Marie Skłodowska - Curie Programme
CSO	Civil Society Organisations	NALAS	Network of Associations of Local Authorities of South-East Europe
EC	European Commission	NEEAP	National Energy Efficiency Action Plan
EDIF	Enterprise Development and Innovation Facility	NREAP	National Renewable Energy Action Plan
EE	Energy Efficiency	NTB	Non-tariff barriers
EIB	European Investment Bank	OECD	Organisation for Economic Cooperation and Development
EnC	Energy Community	PECI	Projects of Energy Community Interest
ERI SEE	Education Reform Initiative in South East Europe	PEM	Pan Euro-Mediterranean Convention
ERP	Economic Reform Programme	PES	Public Employment Services
ESAP	Employment and Social Affairs Platform	PPS	Purchasing Power Standard
ETF	European Training Foundation	R&D	Research and Innovation
EU	European Union	RAI	Regional Anti-corruption Initiative
FATF	Financial Action Task Force	REC	Regional Environmental Centre
FDI	Foreign Direct Investment	RES	Renewable Energy Sources
GDP	Gross Domestic Product	RESPA	Regional School for Public Administration
GHG	Greenhouse Gas	RWG Env	Regional Working Group on Environment
GRECO	Group of States against Corruption	RWGJ	Regional Working Group on Justice
GWP-Med	Global Water Partnership Mediterranean	SAA	Stabilisation and Association Agreement
ICT	Information and Communication Technologies	SEE 2020	South East Europe 2020 Strategy
ITC	International Trade Centre		
ITS	Intelligent Transport Systems		
IWW	Inland Waterways		

SEE AM	South east Europe Associations of Mediators
SEECEL	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
UNCAC	United Nations Convention against Corruption
UNODC	United Nations Office on Drugs and Crime
UNFCC	United Nations Framework Convention on Climate Change
VET	Vocational Education and Training
WB6	Western Balkans Six
WBIF	Western Balkans Investment Framework
WB WGJ	Western Balkans Working Group on Justice
WGI	Worldwide Governance Indicators
WGIP	Working Group on Industrial Policy
WISE	Regional R&D for Innovation Centre

PART 1. OVERVIEW

1.1. PURPOSE OF THE REPORT

The report aims to present the main achievements related to the implementation of the South East Europe 2020 Strategy (SEE 2020) for the period from May 2018 until May 2019. The SEE2020 Strategy was inspired by the European Union's (EU) 2020 Strategy and was adopted by the Ministers of Economy of seven South East European (SEE) economies on 21 November 2013 in Sarajevo. The SEE2020 Strategy seeks to boost prosperity, job creation, and to underscore the importance of the EU perspective for the region's future through coordinated cooperation across a number of important policy dimensions. Complementing the implementation of the SEE2020 Strategy and providing motivation for further integration within the region, the Multi-annual Action Plan for the Regional Economic Area (MAP REA)¹, which stems from the SEE2020 and the obligations arising from the CEFTA Agreement, has already generated tangible benefits for the citizens and businesses. MAP REA has helped the region boost intra-regional trade, enhance competitiveness and promote investment, facilitate movement of professionals and skilled people, and connect digitally businesses and citizens.

These achievements and developments further strengthened the SEE 2020's mission in accelerating socio-economic reform and speeding up measures to modernise and reindustrialise the economies, create more jobs and deliver better living standards for the population. The Strategy itself is 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 include:

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;

¹ endorsed on the Summit in Trieste on 12 July 2017 by the Prime Ministers of the Region

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 development².

This report is divided into three main parts: Part I provides a summary overview of the progress achieved; Part II contains a detailed review per pillar, including: (i) The progress made towards reaching various domestic and regional targets set for each pillar and assessment of feasibility of the targets to be met by individual economies and (ii) A summary of the key achievements and activities under each policy dimension and an outline of specific challenges; and PART III - Key recommendations for each of the Strategy's dimensions.

1.2. STATE OF PLAY AND KEY FINDINGS

Within the reporting year, several political and economic developments took place, which influenced the background of the implementation of the SEE2020 Strategy.

As part of Berlin Process and in an effort to establish a Regional Economic Area, all economies of the region have embarked on several reforms aimed at deepening regional cooperation and promoting reconciliation in the region. The WB Prime Minister's Summit 2018³ held in the context of Berlin Process recognised the transformative nature of Regional Economic Area and put forward ambitious objectives translated into concrete and tangible deliverables to be

² South East Europe (SEE) 2020 Strategy - <https://www.rcc.int/pages/86/south-east-europe-2020-strategy>

³ London, 9-10 July 2018

achieved by Poznan Summit⁴. The past year has seen a number of important developments and tangible results stemming from MAP REA such as: reinvigorated intra-regional trade; coming into force of the Additional Protocol on trade facilitation with the text of the Additional Protocol on trade in services liberalisation agreed; Western Balkan Roaming Agreement signed with the high level structured dialogue on WB digital transformation maintained through the organisation of the Annual Digital Summit(s)⁵; advanced status of negotiations on Mutual Recognition Agreement (MRA) in 4 selected professions; text of the Declaration on Recognition of Higher Education Qualifications agreed, with the expectation for it to be endorsed at Poznan Summit; Regional Investment Reform Agenda (RIRA) developed and advanced preparation rolled out for its implementation through adopted Individual Reform Action Plans (IARPs), as well as growth in investment inflows. Work ahead remains on strengthening the social dimension of the Regional Economic Area so that the economic policies ensure inclusion, equality, including gender equality, and a socially fair transition, closely aligned with the European Pillar of Social Rights.

Furthermore, REA forward looking commitments have been discussed and agreed by the MAP REA Coordinators and will be endorsed at the next Economy Minister's Meeting as part of the Berlin Process and the WB Prime Minister's Summit 2019.

From a political standpoint, 2019 has become a year of programmatic deliverables, strategic accomplishments, but also some worrisome developments, both in the region and in the EU. As we are marking the 20th anniversary of the Stability Pact, two transformative decades behind us have brought about enormous change. Region has moved forward significantly along the lines of digital connectivity, mobility of workforce, security and in general perception of ordinary people of benefits of regional and EU integrations. RCC's achievements on implementation of the SEE 2020 and MAP REA have also contributed to better streamlining of the UN Sustainable Development Goals accepted by all economies in the region. The 27-year bilateral dispute between Greece and then Former Yugoslav Republic of Macedonia came to its end with the agreement on the name of "Republic of North Macedonia" or "North Macedonia". The adoption of the Prespa agreement set an

⁴ Poznan, 4-5 July 2019

⁵ The second WB Digital Summit held on 4-5 April 2019, in Belgrade

example of reconciliation for Europe and reinforced the European perspective of the Western Balkans. The year 2018 was optimistic for both Albania and the Republic of North Macedonia, as the European Commission gave positive signals in favour of opening of negotiating chapters in 2019. Should this materialise during 2019, Albania and Republic of North Macedonia will join their regional peers, Serbia and Montenegro, as EU candidates, whereas Bosnia and Herzegovina and Kosovo⁶ are still in their early accession stage.

On the other hand, existing bilateral trade disputes in the context of CEFTA have introduced new challenges in furthering trade integration and easing the trade relations in the region. Removal of unnecessary barriers to trade and smooth resolution of any trade dispute will be of immense importance for future ties with the European Union amid the reconciliation process that is taking place in the region.

Economically, the growth in the region has continued its steady pace in 2018 with positive developments recorded in GDP, employment and export growth⁷. The region currently faces seemingly positive outlook, with forecasted trends continuing or even increasing growth rates. Nevertheless, all economies share similar external and internal risks. While there has been a positive progress noted in economic openness, particularly in trade liberalisation, increase of investments and improvement of business environment, substantial efforts need to be undertaken to align with EU standards and tap into a global economy. Private investments have led to the higher economic growth, but the acceleration of reforms and the implementation of the existing policies need to be undertaken to support and accelerate this growth. Despite the economies being committed to fiscal consolidation, both public and publicly-guaranteed debt remains high in most of the economies, with fiscal risks related to pensions, municipal finances, and state-owned enterprises on the rise⁸.

The banking sector has showed to be liquid and well-capitalised, and seemingly recovering

⁶ 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

⁷ Data obtained through SEE Statistical offices and administrative sources, SEE Central banks, Eurostat, World Bank Report, wiiw annual database

⁸ World Bank Group (2019), Western Balkans Regular Economic Report, Reform Momentum Needed, No 15, Spring 2019, <http://documents.worldbank.org/curated/en/21923155413033324/pdf/Reform-Momentum-Needed.pdf>

from non-performance loans, however stronger cooperation with business sector remains the challenge⁹. Business environment is faced with limited access to finance, resulting in low levels of innovation performance. The challenge of creating a business-friendly environment by providing regulatory and administrative environment conducive to business sector is faced by all economies in the region. Although bank lending remains the dominant source of finance, the governments have recognised the need to diversify sources of finance by strengthening legal frameworks to support leasing and factoring¹⁰.

In terms of employment, four out of six economies have already met their 2020 employment targets, with other two economies well on track. Long-term employment presents a key challenge, especially among the youth, whereas informal unemployment mostly affects vulnera-

⁹ World Bank Spring 2019 Report

¹⁰ OECD/ETF/EU/EBRD (2019), SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe, SME Policy Index, <https://www.oecd-ilibrary.org/docserver/g2g-9fa9a-en.pdf?expires=1558693543&id=id&accname=guest&checksum=0D579B112DCF08B30BF4BA11A4C5E320>

ble groups, namely Roma, young people, women and elderly.

Additionally, within the framework of the Economic and Financial dialogue between the European Union, the Western Balkan economies and Turkey, the key European partners continue their commitment in assisting the economies towards fulfilling EU accession criteria and addressing the existing gaps by setting out targeted policy guidance to support the process. The efforts to address long-term structural reforms with the aim of enhancing economic policy coordination of the Western Balkans were envisioned in the Economic Reform Programmes (ERPs)¹¹ covering the period 2019-2021 (Box 1). The conclusions from the Economic and Financial dialogue reflect the most acute socio-economic reforms the region has to undertake in the process of achieving a strengthened economic governance and sustainable growth.

¹¹ The Economic Reform Programmes (ERPs) outline the medium-term macroeconomic and fiscal framework as well as structural reforms (affecting areas such as labour markets and education, energy, innovation and the business environment) to enhance competitiveness and long-term growth.

Box 1: Joint Conclusions on the Economic Reform Programmes 2019 -2021

The Joint Conclusions on the Western Balkans and Turkey with policy guidance based on the economies' Economic Reform Programmes 2019 - 2021 were adopted on 17 May 2019 in Brussels. The joint conclusions referred to the following:

- ▶ The informal economy distorts competition and reduces public revenue collection and workers' rights. Close cooperation between central and local authorities to reduce informal economy is needed as well as the revision of the strategy and action plans to combat the informal economy.
- ▶ The large informal sector is fuelled by the weakness of the regulatory environment. With a view to improve the regulatory environment, it is necessary to develop publicly available guidance on the practical implementation of each law affecting the business environment and ensure its consistent application.
- ▶ There is a need to improve financial oversight and accountability of publicly owned enterprises.
- ▶ The fiscal framework envisages increasing budgetary surpluses, largely based on containing spending, including investment. Stronger fiscal rules in terms of timeline, enforcement, correction measures as well as medium-term consolidation plan are needed.
- ▶ It is recommended to lower and stabilise the debt ratio by developing a medium-term consolidation plan.
- ▶ Further efforts are needed to tackle corruption, improve the rule of law and strengthen institutions in order to promote competitiveness. Addressing these fundamental concerns is a prerequisite for a successful transformation of the economy.
- ▶ Low energy efficiency and not a fully liberalised energy market and a tariff system that does not reflect real costs remain a key concern for businesses.

► Low labour market activity remains among the key structural challenges, particularly for youth, women and the low-skilled. Active labour market policies remain insufficiently targeted, underfunded, limited in scope and unavailable in rural areas. The gender employment is high and low coverage of childcare further compresses labour market participation of women.

<http://data.consilium.europa.eu/doc/document/ST-9474-2019-INIT/en/pdf>

Being in its pre-final year of implementation, this year's report on its implementation provides clear cut snapshot on its state of play and the possibilities to reach the targets by 2020. The detailed discussion of the 11 targets selected by the SEE 2020 economies is presented in Part 2 of the report, including an overview of individual economy performance. However, a quick overview of the progress presented in Table 1 reveals the following:

Table 1: Progress towards meeting the SEE 2020 targets

SEE 2020 Headline Indicator	2010 (baseline)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	Prog. from baseline towards target
Overall Strategic Goals											
1. GDP per capita relative to the EU average (in PPS), %	32.8	33.4	33.5	35.1	34.9	34.7	35.2	35.3	35.8	38.0	44%
2. Total trade in goods and services (EUR million)	54,407	62,758	63,412	66,853	69,954	72,922	78,391	88,235	97,857	129,500	58%
3. Trade balance, trade in goods (% of GDP)*	-22.9	-24.0	-24.6	-20.1	-20.5	-19.5	-18.5	-19.3	-19.5	-20.8	94%
Integrated Growth											
4. Intra-regional trade in goods (% of GDP)*	9.6	9.9	9.5	9.1	9.3	9.1	9.1	9.7	9.6	14.3	0%
5. Overall FDI Inflows (EUR million)	3,611	5,863	3,021	3,721	3,624	4,618	4,550	4,985	6,606	7,300	81%
Smart Growth											
6. GDP per person employed (EUR)	27,869	30,144	30,635	30,818	30,924	31,221	30,395	30,088	31,030	36,300	26%
7. No of highly qualified persons in the workforce (mil)	1,18	1,24	1,29	1,37	1,49	1,56	1,62	1,67	1,59	1,44	156%
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	29,335	26,790	109%
9. Share of Renewables in Gross Final Energy Consumption	23.9	21.5	23.2	25.3	25.7	25.0	24.9	23.4	n/a	30.7	-7%
Inclusive Growth											
10. Employment rate - age group 20-64, %*	50.3	50.4	49.5	49.8	51.6	52.9	55.5	58.9	57.1	57.9	89%
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	n/a	2.65	54%

Source: SEE Statistical offices and administrative sources; SEE Central banks, Eurostat, RCC calculations. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

► The progress in reaching the growth and convergence target (Target 1 - GDP per capita relative to the EU average (PPS)) has been modest, with the 2018 result at 35.8% of EU average. Kosovo* and Serbia seem to be the closest to reaching their respective 2020 targets, though both economies have set relatively modest targets (increase of 3.6 and 3.5 percentage points, respectively). On the

other side of the scale, Montenegro set the most ambitious convergence goal, with targeted increase of GDP per capita relative to EU average at 10 points and is currently at 56% of achieving the set targets. Albania is lagging behind, reaching only 12% of the set 2020 target, while Republic of North Macedonia closely mirrors the regional average.

Table 2: Target 1 – GDP per capita relative to the EU average (in PPS), %

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	target. value	achiev. so far	achiev./ target.
ALB	29.0	28.0	30.0	29.0	30.0	30.2	30.0	30.3	30.1	38.0	9.0	1.1	12%
BOS	29.0	30.0	30.0	30.0	30.0	30.0	31.0	32.0	31.4	38.0	9.0	2.4	27%
KOSOVO*	22.0	23.0	24.0	38.0	39.0	40.0	41.0	41.0	25.6	27.0	5.0	3.6	71%
MNE	41.0	42.0	39.5	41.0	41.0	40.7	44.4	46.0	46.6	51.0	10.0	5.6	56%
SER	36.0	37.0	37.0	38.0	37.0	36.0	36.0	36.0	39.5	41.0	5.0	3.5	70%
RNM	34.0	34.0	34.0	35.0	36.0	36.0	37.0	36.0	37.2	43.0	9.0	3.2	36%
SEE6	32.8	33.4	33.6	35.1	34.9	34.6	35.2	35.3	35.8	39.7	6.9	3.0	44%

Source: Eurostat; national statistical offices; SEE6 averages based on RCC calculation. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

► The progress in expanding trade (Headline Target 2 - Total trade in goods and services (EUR million)) has been markedly better, with the region reaching 58% of the set target. As

indicated in last year's report, should the current rate of trade expansion persist, SEE can expect to reach roughly 70% of the set target by the end of the decade.

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

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	target. value	achiev. so far	achiev./ target.
ALB	6,893	7,528	7,337	7,285	7,519	7,373	8,025	9,049	9,871	17,500	10,607.0	2,978.0	28%
BOS	10,499	11,788	11,816	12,036	12,674	12,891	13,446	15,477	16,460	24,500	14,001.0	5,961.0	43%
KOSOVO*	3,313	3,925	3,903	3,809	4,104	4,200	4,529	5,079	5,511	6,000	2,687.0	2,198.3	82%
MNE	3,085	3,457	3,448	3,456	3,462	3,764	4,099	4,538	5,112	6,000	2,915.0	2,027.0	70%
SER	23,759	27,632	28,461	31,719	32,547	34,371	36,982	41,655	46,631	60,000	36,241.0	22,872.0	63%
RNM	6,858	8,428	8,447	8,548	9,648	10,323	11,310	12,437	14,271	15,500	8,642.4	7,413.8	86%
SEE6	54,407	62,758	63,412	66,853	69,954	72,922	78,391	88,235	97,857	129,500	75,093.4	43,450.1	58%

Source: Central banks of Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, Republic of North Macedonia, Serbia; SEE6 aggregates based on RCC calculation. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

► The trade balance target (Headline Target 3 - Trade balance, trade in goods, % of GDP) has seen a slight decrease, and now stands at 94% of 2020 target. This reversal attests to the increasing consumption in the region over the

past year driving the growth of imports. In fact, the imports have been growing at a higher rate than exports in 2018, the first time this has happened since recessionary 2009.

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

Economy	2010 (baseline)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (forecast)	achiev./ target.
ALB	-35.50	-27.10	-23.20	-20.60	-22.20	-24.30	-24.28	-24.46	-20.80	-25.50	82%
BOS	-28.30	-29.80	-29.70	-26.50	-28.80	-25.20	-23.60	-23.50	-22.30	-20.20	110%
KOSOVO*	-42.30	-45.10	-44.10	-40.50	-39.80	-39.80	-40.90	-42.30	-45.50	-28.80	158%
MNE	-40.71	-39.90	-43.51	-39.51	-39.80	-40.01	-41.09	-43.03	-44.40	-46.90	95%
SER	-15.85	-16.44	-17.78	-12.14	-11.59	-10.20	-8.49	-10.20	-12.26	-11.10	110%
RNM	-21.55	-25.25	-26.47	-22.86	-21.76	-20.09	-18.77	-17.85	-16.18	-17.90	90%
SEE6	-22.94	-24.02	-24.58	-20.09	-20.53	-19.48	-18.50	-19.33	-19.53	-20.80	94%

Source: SEE Central banks and Statistical Offices; SEE6 aggregates based on RCC calculation. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

► The share of intra-regional trade in GDP has seen a deceleration of negative trends, with the 2018 result exhibiting only 0.007 percent progress to reach the 2020 target, which somewhat dampens the much larger negative progress seen during last year.

► Target 5 - increasing the FDI inflows from EUR 3.6 billion in 2010 to EUR 7.3 billion in 2020 - has seen an impressive increase, with 2018 result at 81% of the 2020 target. Should the positive trends observed over the past several years continue into 2019 and 2020, the region can expect to reach the 2020 target, with some of the economies, such as Montenegro, Serbia and Republic of North Macedonia already exceeding their individually set targets.

► Target 6 - GDP per person employed and Target 7 - number of highly qualified persons in the workforce have again seen varied performance, with target 6 again challenged by the increasing employment¹² and currently standing at 26% of 2020 target while the number of highly qualified persons in the workforce have already exceeded the target set for 2020.

► The progress on Target 8 - Net enterprise creation - is not measured due to data consistency challenges, given that several economies are unable to produce net enterprise creation data and have submitted data on overall new

¹² Employment is in the denominator of Headline Target 6 - GDP per person employed

enterprise registration instead. However, even with these limitations, it is still safe to infer by observing the data that entrepreneurship in the region is stimulated and growing.

► The data on the share of renewables in gross final energy consumption (Target 9¹³) have shown progress in comparison to last year status moving from -27%,¹⁴ to -7%; yet still indicating a drop below the 2010 baseline in the last year observed¹⁵.

► As concluded by previous year's ARI as well, the most encouraging trend is illustrated by

¹³ This target replaced the previous indicator on exports per capita, as it was decided by the Governing Board that it captures better the developments under the Sustainable Growth pillar. The targeted value in 2020 was taken from the national commitments taken in the National Renewable Energy Action Plans developed under the Energy Community Treaty framework (see Annex 1).

¹⁴ Regional shares of renewable energy in GFEC are calculated based on the most recent energy balances published by Eurostat (edition 2017 and 2018), while 2020 target is calculated based on estimation given in NREAPs.

¹⁵ The progress on this (and all other SEE 2020 targets) is presented as percentage calculated by dividing the difference between the last available data and the baseline (numerator) and the difference between the target and the baseline - 'strategic intent' (denominator).

the employment target¹⁶ (Target 10) where the progress towards the 2020 target in 2018 stands at 89%, a significant milestone indicating that the 2020 target is within the region's reach. SEE has seen employment expand by approx. 620,000 jobs since 2010, while reaching the number of 710,000 jobs when measured in the 15+ cohort. However, it is again important to note that this progress is uneven and that it is mostly due to the performance of few economies (i.e. Serbia and Republic of North Macedonia). At the same time, during 2018, the region has also seen a significant deceleration in employment creation, with roughly 80,000 new jobs created compared to 150,000 jobs created during 2017 and 200,000 during 2016.

► Finally, the performance on the governance target (Target 11), although stagnant for the past years, still showed slight progress with increase in 2% from last year and now stands at 50% of reaching its 2020 target.

Overall, a conclusion can be drawn that the region demonstrated better performance during 2018 compared to last year's implementation of the SEE2020 Strategy and that the region remains firmly set on its growth path. The implementation of the activities related to the MAP REA had certainly contributed to this progress, especially in the areas related to its four key components - trade, investments, mobility and digital agenda. Having added around 620,000 new jobs, the region is set to reach the key underlying SEE 2020 target of adding new jobs in the region, along with much needed rebalancing of trade seen over the past several years. FDI inflow has been improving as well over the course of last year, and increased from 4.9 to 6.6 billion EUR, indicating that (if the trend continues in the next two years) the region will most likely reach the FDI target.

However, again as in the last reporting period, the performance has not been uniform across the region and the regional aggregates (on employment, FDI and trade) have been heavily influenced by a strong performance of a few economies. There is thus a clear need to focus more on the fundamentals, i.e. governance, labour markets, business environment, digitising economies and business, and stronger uptake of inno-

¹⁶ The previous employment target promoting overall growth of employment in the 15+ age group has been replaced last year with the one focusing on 20-64 age groups, in accordance with the proposal by Eurostat and a decision of the SEE 2020 Governing Board. The target value for 2020 was proposed by the RCC based on a forecasting exercise of employment, unemployment and participation rates in the region (see Annex 1).

vation and R&D to further boost competitiveness that will lead to stronger integration with the global and regional markets.

PART 2. REVIEW OF SEE 2020 GROWTH PILLARS

2.1. INTEGRATED GROWTH

Competitive SEE and regional economic integration are still main drivers of integrated growth pillar. Trade and investment are interlinked in a way to foster stable and fair policies that enable free movement of goods, services, investments and skilled workforce without tariffs, quotas or other barriers throughout the region, which will at the end open the door for its business to better integrate at the global market. 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 including completion of a single diagonal cumulation zone, implementing priority reforms to improve the business environment and promoting the region as a sound investment destination, and ultimately helping integrate the region's economic operators into the global market.

Pillar overview

The Integrated growth pillar activities continued aiming at areas which lead to competitiveness expansion of the SEE region, with slight progress in structural reforms agenda, recognised previously as one of the vital tasks which needs to be addressed. The region intensified efforts in implementation of the proper economic reforms ensuring increased investments and sustainable growth.

The region has shown progress in economic openness in terms of trade liberalisation, investment increase and improvement of business environment compared to the previous years, yet there are necessary steps which need to be undertaken in order to improve competitiveness of the region so as to bring it closer to the EU standards

and improve its standing on the global market. Current ranking of the region at the Global Competitiveness Index in terms of business enabling environment is not satisfactory. Individual rankings of the SEE economies show that, out of 140 ranked economies, SEE ones are standing mostly in the lower half of the overall rank list. Looking into components of the enabling environment of the GCI, the ranking on institutions ranges from 63 (Montenegro) to low rank of 111 (Bosnia and Herzegovina), while ranking in infrastructure is somewhat better for Serbia (48th rank) but it lowers for the rest of the region down to 100 (Albania), whereas in macroeconomic stability the region's economies rank from 64 (Serbia) to low 102 (Montenegro)¹⁷. The region still has plenty of work to do in order to improve its business environment and competitiveness. As acknowledged at the EBRD's Annual Meeting and the Business Forum in Sarajevo on 8-9 May 2019, the region has recorded growth and investments inflow, but also the need to further the reform efforts and stronger investment activity, so as to deliver growth required for sustainable convergence with European Union income levels. SEE needs stronger regional integration, removal of any remaining tariff and non-tariff barriers to trade, and improved business environment reforms so as to open the opportunities for domestic companies and foreign investors.

The business and public sentiments surveyed by the latest Balkan Barometer reveal positive perception and outlook on the competitiveness of the region, but also the same concerns over the business environment. Businesses are generally satisfied with their business results, competitiveness of their products and trends in customers' demand in 2018. SEE companies are very confident in their competitiveness on domestic market, as majority of them (64%) do not feel threatened by global competition. There are differences in the level of confidence among SEE economies, with Montenegro being the most confident and Republic of North Macedonia being the least. Citizens opinion on competitiveness of domestic products tend to be characterised by

¹⁷ <http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/#series=GCI4.A.04>

strong consumer confidence - 80% feel that products from their economies can measure up to competitors in the region while a slightly smaller majority feel the same about products from the EU (72%). Compared to 2017, there is a sizeable decrease in product confidence against both competitors in the region (-9) and those from the EU (-6). Exporters and non-exporters mostly share the same concerns with almost similar intensities, concerned the most about macroeconomic instability (score 2.5), with around 50% businesses perceiving it as an obstacle. Exporters still perceive customs and trade regulations as a serious obstacle. Average score given by exporters is only 2.6, with 43% of exporters considering customs administration and trade procedures as moderate or major barrier.

Regardless of progress, economies still need to address structural economic challenges, with high unemployment rates and high levels of shadow economy, business environments with limited access to finance and low levels of innovation. There is clear evidence that the region increased its private investments which led to higher economic growth, but investments are needed in tradable sectors in order to withstand the growth. The investment climate remained largely unchanged and is characterised by weak rule of law, the lack of adequate enforcement of State aid control, an entrenched grey economy, poor access to finance and low level of regional integration and connectivity.¹⁸ Taking

¹⁸ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

into account the structure of SEE economies and their dependence on domestic and foreign investments more attention should be paid to diversified financial sector to assure growth environment.

Economic Reform Programmes indicated that all SEE economies have managed to maintain macroeconomic and fiscal stability in spite of different political challenges during the last year. In the situation where the growth rate of the global economy for 2018 (3.8%, European Economic Forecast, Spring 2019) sharply declined to the end of year all SEE economies continued or maintained the same growth rates but still have to address current vulnerabilities, where adequate policies should be imposed or strengthened and the reforms accelerated.

SEE furthered regional economic cooperation by addressing economic challenges in a joint approach. This joint initiative is undertaken so as to overcome small size of the economies and generate more solid, economically comprehensive and sustainable growth of the region and global economic integration. Decisive policy actions are deepened through implementation of already commenced reform's work in all four components of Multi-annual Action Plan for Regional Economic Area, namely Investment and Trade which are crucial to the higher living standards of the WB.

Within the Integrated growth pillar, the two targets which the economies have agreed upon are (i) increased intra-regional trade in goods as a share of GDP and (ii) increased FDI inflows with the aim of reducing the region's trade deficit.

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

Economy	2010 (baseline)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (forecast)	achiev./target.
ALB	4.10	4.90	5.00	4.50	5.30	5.30	4.80	5.80	5.90	4.90	44%
BOS	12.20	12.70	11.20	11.20	11.80	11.50	11.60	13.10	12.36	11.50	1%
KOSOVO*	1.59	1.75	2.02	2.00	2.36	2.13	2.39	2.89	4.78	12.80	201%
MNE	25.60	30.70	32.70	30.60	27.80	25.90	22.40	20.23	19.24	25.30	-25%
SER	8.40	7.80	7.80	7.60	7.80	8.00	8.40	8.80	8.70	9.60	4%
RNM	15.00	16.80	15.40	13.10	12.70	11.90	11.50	12.40	12.30	19.70	-18%
SEE6	9.59	9.87	9.54	9.06	9.25	9.13	9.12	9.74	9.63	14.30	0%

Source: Central banks of Albania, Bosnia and Herzegovina, statistical offices of Montenegro, Republic of North Macedonia, Republic of Serbia, Kosovo*, SEE6 aggregates based on RCC calculation. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

As presented in the table above, the intra-regional trade as a share of GDP has been stagnating over the course of the last years, despite the existing free trade arrangement - although there was almost no visible increase of intra-regional trade in the value of 0.007% share of the GDP, this is far below the needed to attain the 2020 target for this indicator. With this trend the region has made almost no progress from the baseline. The region faced rise in imports which overtook the rise in exports of goods and services, worsening trade deficits in most economies. Regional dynamics grew more complex with some bilateral trade disputes still ongoing and having significant impact on trade relationships within the Central European Free Trade Agreement (CEFTA) 2006¹⁹.

Exports of the region have grown relatively strongly in the recent period, by approx. 9 billion EUR from 2017 to 2018 (from 88bn to 97bn EUR total trade), improving the trade balance closely to the target set for 2020 (with trade balance 19.6% of GDP the region is at 94% of the 20.8% of

19 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

GDP target reach of the trade balance by 2020) with export of services playing an increasingly important role, but the imports have also started picking up. Trade imbalances are mainly financed by steady FDI inflows and stable remittance-inflows coming from the region's growing diaspora. However, share of exports in GDP is still relatively low, and due to limited domestic market size and purchasing power of population, stronger growth in tradable sectors should be sought primarily in foreign markets. (BB 2019)

Foreign direct investment (FDI) inflows have traditionally been the most important avenue for trade integration in the region, but also for exports. FDI increase is also one of the two integrated growth targets under the SEE 2020 framework. General outlook for FDI in 2019 is stable and growing in the Western Balkans, demonstrating that the region is catching up due to the available workforce, despite being still small in size²⁰. Besides, political stability positively influences FDI inflow, thus necessitating the facilitation of political crises in the region.

20 The Vienna Institute for International Economic Studies, wiiw FDI Report 2019, summary, <https://wiiw.ac.at/foreign-investments-mostly-robust-despite-global-downturn-shift-into-services-press-conference-presentation-in-english-dlp-4953.pdf>

Table 6: Target 5 – FDI Inflows, (in EURmillion)

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	target. value	achiev. in 2018	achiev./ target.
ALB	824.00	755.00	713.00	945.00	869.00	890.00	943.00	900.00	1,022.00	2,200.00	1,376.0	198.0	14%
BOS	331.01	340.42	305.21	239.08	408.28	345.31	256.09	413.41	408.93	500.00	169.0	77.9	46%
KOSOVO*	368.50	384.40	229.10	280.20	151.20	308.80	220.00	287.80	213.70	800.00	431.5	-154.8	-36%
MNE	653.00	495.00	634.00	479.00	498.00	757.00	687.00	659.00	843.00	700.00	47.0	190.0	404%
SER	1,278.00	3,544.00	3,544.00	1,548.00	1,500.00	2,114.00	2,127.00	2,545.00	3,496.00	2,500.00	1,222.0	2,218.0	182%
RNM	156.90	344.60	131.10	229.40	197.40	202.80	316.90	180.00	621.90	600.00	443.1	465.0	105%
SEE6	3,611.41	5,863.42	3,021.41	3,720.68	3,623.88	4,617.91	4,549.99	4,985.21	6,605.53	7,300.00	3,688.6	2,994.1	81%

Source: SEE Central banks, SEE6 aggregates based on RCC calculation. NB: In cases where data from official statistics were missing, data from wiiw annual database were used.

As illustrated in table 6 FDI levels in Western Balkans have been picking up. This is not surprising, given the number of opportunities this region provides: easy entry procedures, friendly tax environment, regional market coupled with network of Free Trade Agreements with global markets, etc., and reform efforts undertaken on both national and regional levels through

Regional Investment Reform Agenda (RIRA) and corresponding Individual Economy Reform Action Plans (IRAPs). A good number of the region's managers views Western Balkans as a good place to invest and 79% of the local businessmen consider that the economic situation in the region will either improve or remain stable. Two thirds of them see regional cooperation very important

for their doing business results. WB6 economies are each moving up on the ladder of the global Doing Business rankings, but any further slowing caused by external factors would have negative spill-over effects on the region because of lower external demand for their exports and lower inflows of remittances and FDI. From the structure of FDI it is evident that there is still dominance of service sector and large foreign economies. The Republic of Serbia alone counts for more than half of total FDI stock in the region, while the rest is split between the other five economies roughly corresponding to their relative size. In service sectors, the dominance is in financial and trade sectors while manufacturing, which counts for around fifth of the stock, chemical, food and beverage and automotive products are the most important. The region's efforts should be focused on efficiency-seeking investments.

The extent to which FDI in export-intensive industries boost productivity and growth depends on the creation of linkages between foreign and domestic firms which would facilitate knowledge and technology transfer to domestic suppliers. It is thus critical that the extent of knowledge spill-over to the domestic economy is analysed in more detail and that Western Balkan economies review the incentives and costs for foreign firms to source more domestic goods and services.²¹

SEE economies made progress in last years in terms of upgrading their investment policy framework mainly through adoption of modernised investment related laws and establishment of mechanisms for arbitration and intellectual property (IP) rights. Recent or pending justice reforms in several economies are expected to strengthen investor confidence. Efforts to streamline business establishment procedures have been noteworthy and several investment promotion agencies (IPAs) have been modernised or restructured to improve how they conduct their key functions.²² As a consolidated regional effort, the region has, under the auspices of the RCC, developed a Regional Investment Reform Agenda, encompassing policy areas that will be subject to reforms, in the areas of investment entry, protection and establishment. This regional agenda has been translated into Individual Reform Action Plans (IRAPs) that are setting the concrete activities and responsible institutions and officers for IRAPs implementation in each economy for identification of main investment policy barriers and implementation of necessary

reforms. This work is supposed not only to provide seamless access of investments into (and throughout) the region, but also promote the Western Balkans as a unique investment destination to the global business community. In regard to the latter, the region has selected the priority sectors and markets that will be reached out to in a consolidated investor outreach programme and hopefully turned into healthy investment leads.

A. Free Trade Area

Free Trade Area dimension was focused on liberalisation of trade in services, removal of non-tariff barriers, as well as on the facilitation of trade and free movement of skilled workers in the region. Activities under this dimension are supporting region's efforts on attracting more investments into the functional regional economic area. Thus, Additional Protocol 5 (AP5) is in force, the Joint Committee Ministerial Decision on establishment of the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes is finalised and expected to be adopted prior to the Poznan Summit and the draft Decision on mutual recognition of procedure and documentation for intra-CEFTA trade in fruits and vegetables is prepared, the text of the Additional Protocol on Trade in Services (AP6) is agreed and the internal procedures of approval in each economy are ongoing - adoption expected in the coming months. Implementation of AP5 and adoption of AP6 will strengthen the legal framework for trade, facilitate trade transactions, and ease trade in services among the CEFTA parties. Parties have commenced the talks on new Dispute Settlement Mechanism. Official negotiations will be launched once all parties designate their negotiators. All started activities will deepen the regional trade through simplifying and facilitating customs procedures and reducing the formalities imposed on trade, especially through enabling electronic exchange of trade documents for selected supply chains, continuous removal of non-tariff barriers, closer partnership and cooperation with private sector, etc. Moreover, efforts are continued on introducing the full cumulation and duty drawback in the regional trade (the date of 1 July 2019 set up) as well as putting in place a joint risk strategy. Recognition of professional qualifications remains one of the key contributors to the freer movement of experts complementing deeper regional integration.

21 World Bank's WESTERN BALKANS REGULAR ECONOMIC REPORT, No.15

22 Competitiveness in South East Europe 2018, OECD

Table 7: Implementation of Free Trade Area actions

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Dimension A: Free Trade Area		
Addressing and eliminating non-tariff measures	<ul style="list-style-type: none"> ▶ The CEFTA Market Access Barriers Database updated. ▶ The elimination of NTBs in CEFTA within two selected supply chains: HS 07: Edible vegetables with certain roots and tubers and HS 72: Iron and Steel. Based on the assessment of those two sectors the CEFTA parties have selected the vegetables as the sector for the implementation of the mutual recognition of border documents that would lead to the elimination of NTBs in this sector. ▶ Regarding agricultural trade, the CEFTA Subcommittee on Agriculture and SPS agreed to deepen the scope of trade statistics in agricultural products which are collected by the CEFTA Secretariat. ▶ The outline of the NTB Report is adopted by CEFTA Parties. ▶ The CEFTA Parties agreed to launch negotiations on a trade dispute settlement mechanism referred as the Additional Protocol 7 on CEFTA Dispute Settlement (AP7). 	<ul style="list-style-type: none"> ▶ Continuing action, upon the adoption of Additional Protocol 6 the extension of MABD will be required in order to extend to trade in services. ▶ CEFTA Parties selected vegetables as a sector for the implementation of the mutual recognition of border documents. The final list of four products: cucumbers, apples, tomatoes and egg plants (since these four products have a different treatments) was agreed during the ad-hoc expert group meeting on electronic exchange of data in SPS held in Skopje on 25th March 2019. In the same meeting Albania as Chair in Office and Republic of North Macedonia as Chair of Subcommittee on Agriculture including Sanitary and Phytosanitary Issues were selected as pilot parties; two workshops on mutual recognition of procedures and documentation for intra-CEFTA trade in fruits and vegetables were organised within the framework of the GIZ project, held in Tirana on 11-12 June 2019. During these workshops the draft Report on mutual recognition of procedures and documentation for the intra-CEFTA trade in fruits and vegetables was presented; the draft Decision on mutual recognition of procedure and documentation for intra-CEFTA trade in fruits and vegetables is prepared. It is expected to be proposed to the CEFTA Joint Committee for adoption during the second half of 2019. ▶ Report will be prepared, serving as a basis for the further elimination of NTBs and selection of further sector for the mutual recognition. ▶ Currently, the talks are going on under the framework of the contact points. Upon the nomination of the negotiation teams and finalised internal procedures in all CEFTA Parties, the official negotiations will start.
Facilitation of trade	<ul style="list-style-type: none"> ▶ The AP 5 came into force in April 2018. ▶ An EU-funded project provides technical assistance to start a pilot implementation of mutual recognition of AEOs. Three Pilot missions (Moldova, Republic of North Macedonia and Serbia) were conducted in 2018. ▶ The draft CEFTA Joint Committee Ministerial Decision on establishment of the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes in accordance with CEFTA Additional Protocol 5 was prepared. The draft Guidelines on validation procedure for the 	<ul style="list-style-type: none"> ▶ The fourth Pilot validation mission will be organised in second half of 2019. ▶ CEFTA Joint Committee Ministerial Decision on establishment of the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators' Programmes is expected to be adopted by the Joint Committee meeting to be held on 28th June 2019. ▶ The Guidelines on validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators are agreed on the 16th Subcommittee on Customs and Rules of Origin. ▶ The work on the joint risk management strategy is underway. A timeframe for the Strategy is defined and the Pilot programme is expected to start in June 2019. The preliminary findings and conclusions of the progress in establishing CEFTA Common Risk Management Framework (CRMF)

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Facilitation of trade	<ul style="list-style-type: none"> ▶ mutual recognition of CEFTA Parties' national Authorised Economic Operators were prepared. ▶ Preparatory meeting on the Joint Risk Management were held. ▶ Developing CEFTA BTI database among CEFTA Parties. ▶ 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. 	<ul style="list-style-type: none"> ▶ related to the results on the validated Risk Profile and Pilot programme were presented during the 16th Subcommittee on Customs and Rules of Origin. Up to now CEFTA Risk Profile Format was created including 25 profiles. Out of 25 risk profiles, 14 are validated. The Joint Risk Strategy is expected to be presented during the CEFTA Week in December 2019. ▶ Director-general of the DG TAXUD Mr Stephen Quest informed the Chair with the letter Ref. Ares (2019)3291800 - 20/05/2019 that the DG TAXUD will share the functional and technical specifications of DDS-EBTI with the project team of the Secretariat (GIZ). The structures, content and technical background on the regional/national AR databases, proposal of technical solution for improvement of national and establishment of regional advance ruling database have been presented on the 16th Subcommittee on Customs and Rules of Origin. ▶ The SEED+ project to offer IT tools for data exchange in the context of AP 5 for all border Agencies is expected to start in the second part of 2019. ▶ In addition, considering the need for simpler and more efficient border controls, reduced waiting and processing times, improved mobility and consequently, reduced trade and logistic costs, CEFTA Parties agreed to undertake preparatory actions to implement one-stop-shops at BCPs/CCPs located on the core and comprehensive road network, and electronic border queuing management system for those located on the core road network.
Liberalisation of trade in services	<ul style="list-style-type: none"> ▶ The Additional Protocol 6 to be adopted by the CEFTA Joint Committee. ▶ Establishment of the contact point for services. ▶ Statistical portal of data on trade in goods and services, FATS and FDI has been developed, as well as user-friendly dissemination platform. ▶ The monitoring tool for the implementation of the Additional Protocol 6 as well the priorities of the Strategy SEE2020 has been launched, based on the STRI (Services Trade Restrictiveness Index) database. Data collected by experts and under review by the Parties database. ▶ Activities on launching dialogue on regulatory issues in electronic commerce. 	<ul style="list-style-type: none"> ▶ The final draft text of the Additional Protocol 6 agreed. The Parties have commenced internal procedures for its adoption. Commitment to adopt AP6 confirmed by the CEFTA Joint Committee. ▶ All CEFTA Parties appointed their contact points for services. ▶ Statistical Portal is fully operational and regularly updated, with the latest update expected by November 2019. ▶ STRI database inputs created and approved by Parties. ▶ Report on barriers, regulation and policy measures on e-commerce and plans for further steps adopted. ▶ Pilot sector selected and electronic commerce, preparatory activities commenced.

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Liberalisation of free movement of experts, professionals and skilled labour	<ul style="list-style-type: none"> ▶ Negotiations on recognition of professional qualifications well progressed under the auspices of RCC. 	<ul style="list-style-type: none"> ▶ Continuation and possibly finalisation of the talks on recognition of professional qualifications, either as a standalone agreement under the auspices of RCC or, under CEFTA framework depending on the decision of the governments of the WB6.

B. Competitive Economic Environment

In the area of Competitive Economic Environment a deeper cooperation should be undertaken on topics of competition, state aid and public procurement. ERPs of the region pointed out a strong sense of unfair competition primarily fuelled by large and inefficient state-owned enterprises, the large informal economy and the large state aid schemes for FDIs. The EC recognises that development of key infrastructure, in a fiscally responsible manner and in full compliance with the rules of competition and

public procurement, is important for the further strengthening of competitiveness. An efficient public procurement system is necessary to achieve the goals of a free market and to create conditions for market competition. Monitoring of activities that have already been initiated will enable closing the gaps on cooperation between the regulatory bodies in the region and lead to removing barriers and trade improvement. The region needs to start discussion on intellectual property rights to strengthen the protection of trademarks throughout the region.

Table 8: Implementation of Competitive Economic Environment actions

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Dimension B: Competitive Economic Environment		
Implementation of provisions on competition, state aid and public procurement	<ul style="list-style-type: none"> ▶ Completed monitoring exercise for the implementation of CEFTA Articles on competition and on State Aid. The report was submitted to CEFTA Parties. ▶ A meeting of the CEFTA Parties was held on 17-18 July 2018 in Skopje where a discussion was run on administrative cooperation between competent competition authorities for competition and state aid pursuant to the provisions of the CEFTA 2006 Agreement and the Multi-annual Action Plan for the Regional Economic Area. In this respect, the establishment of the CEFTA Committee for Competition and State Aid was proposed while the Draft Decision was prepared after the meeting. ▶ In addition, the CEFTA Secretariat completed monitoring of the implementation of public procurement related provisions of CEFTA by the CEFTA Parties. The outputs of the project are available from May 2018. 	<ul style="list-style-type: none"> ▶ Monitoring completed ▶ Continuation of negotiations on the mutual cooperation in the Competition and State Aid. ▶ Ongoing activity - CEFTA Secretariat continues to monitor the elimination of remaining discriminatory practices in public procurement markets, the results of project for monitoring the public procurement will be adopted by the JC with appropriate recommendations. In the Chairmanship Programme for 2019, the IPR will be explored, and potential cooperation in the area will be launched. An exploratory meeting is expected to be held in the second half of 2019.

C. Integration into the Global Economy

Activities of the region in terms of Integration into Global Economy were directed by the SEE Investment Committee mainly focusing on investments and creation of solid legislation and reform base for their increase. FDI are still playing a crucial role in the export-led growth in the SEE economies and are still coming from the more

developed countries of Europe. 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 RCC, in cooperation with the World Bank Group, intensified activities on regional dialogue on investment policy reforms, building up on

the previous work done in this sphere, which led to development and endorsement of the Regional Investment Reform Agenda (RIRA) within the frame of the Central European Free Trade Agreement (CEFTA), South East Europe 2020 Strategy (SEE2020) and individually SAAs. The Regional Investment Reform Agenda is translated into the individual economy Investment Action Plans (IRAPs) respecting the region's mutual goal of promoting the Western Balkans as a unique investment destination. Among the main three areas defined within RIRA (investment entry and establishment, investment protection and retention, investment attraction and promotion) IRAPs are streamlining and prioritising work in investments in more details and, especially in the field of bilateral investment treaties with the aim of setting the regional standards aligned with the EU standards. This will allow the region to position itself as a sound investment partner to the Europe and the rest of the world. In legal terms, improvement of the network of IIAs will play a great role in this endeavour, as the existing bilateral agreements on investment protection - both from the side of the government and business - need to be revised and aligned with the EU standards and best practices.

Activities under the investment component dealt with the promotional part as well where the region has worked intensively on selecting the priority sectors, target markets and investor outreach activities. Investment Promotion Agencies (IPAs) worked on joint investor outreach programme with the aim of delivering on tailor-made and targeted investor outreach programme which will be executed as per the existing capacities of WB6 economies to facilitate investments. Keeping in mind the importance of promoting good practices to obtain quality services and services at IPAs level comparable to international standards, capacity building on full investment promotion cycle is provided to IPAs: investment promotion and attraction, facilitation, and aftercare, which will be continued throughout 2019. This will bring the region to the coordinated approach to the potential EU investors and continue internationally, in industries prioritised for investments by the WB6 economies. This work of the RCC and RIRA specifically will be further supported by other promotional efforts that are taking place, such as the upcoming launch of EU-WB6 Business Platform at WB6 Summit in Poznan, establishment of the WB6 Business Council, as well as the Investment Promotion Conference in June 2019 in London organised by WB6 CIF and the Financial Times and supported by RCC.

Individual initiatives from the SEE economies to attract FDI so far have been dependent on incentives like tax relieves and cash subsidies and with limited spill-over to the rest of economy. Region needs more efficiency seeking and sustainable investments which can be done through coordinated cooperation in the area of regional investments, supported through RIRA. RIRA suggests removal of barriers to regional investment ensuring that the region becomes more open for economies of scale, geographically diversified businesses, and an overall more efficient allocation of resources within a regional and in the long-run international market. The region put cooperation in the area of investments on a higher level by translating objectives of RIRA into individual economy level Investment Reform Action Plans contributing to reduction of obstacles to investor entry, better protection of investors, streamlining of policies for attracting investors, and, perhaps most important, better positioning the region for integrating into global supply chains.

To further enhance integration of its businesses into global business scene, the region has agreed, again under the auspices of the SEE Investment Committee, to work on developing regional value chains in sectors of mutual priority for the whole region. Tourism, as one of the examples, is functioning well under the auspices of the RCC and the regional products being developed jointly amongst the WB in this sector have ample prospects of being integrated into EU certified routes. Such examples can be followed in other sectors, namely industrially oriented, and the work done under the investment promotion of the region is already targeting priority industrial sectors for development and attraction of investments, and the investments are the best avenue for development of industrial value chains and their global integration. Furthermore, the region needs to support value chain development by enabling the environment not only for doing business, but for increasing industrial competitiveness, innovation and smart specialisation. This work is further elaborated under the Sustainable Growth Pillar - Competitiveness dimension.

Table 9: Implementation of Integration into the Global Economy actions

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Dimension C: Integration into the Global Economy		
Integration of regional supply chains into the global market	<ul style="list-style-type: none"> ▶ Through the CEFTA project “Improving regulatory cooperation in CEFTA” the regulatory bodies in service sectors as well as the existing forms of cooperation in the CEFTA Region have been identified. Sectors that have been identified as having the potential to conclude agreement on intra-regulatory cooperation are civil engineering and related engineering services, road transport, communications sector, tourism sector and computer service sector. ▶ Prepared list of existing regulatory bodies in charge of services. 	<ul style="list-style-type: none"> ▶ Proposal on pilot service sectors potentially subject to concrete forms of cooperation amongst the respective regulatory bodies has been submitted to Parties, where CEFTA Parties will agree on one of the proposed sectors. Identified sectors of mutual interest are: communication, road transport, tourism, construction and engineering, and computer related services. ▶ The Parties need to agree on models for potential regional arrangements on cooperation.
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"> ▶ The CEFTA Parties received derogation from the PEM Joint Committee to introduce full cumulation and duty drawback in intra-CEFTA trade. ▶ Ongoing activities related to the revision of the PEM Convention. ▶ Assessment of possible approximation of the customs tariff to the EU CET. 	<ul style="list-style-type: none"> ▶ All CEFTA Parties agreed on a single date, 1st July 2019, to start full cumulation and duty drawback in the regional trade. ▶ The Guidelines on unified implementation of full cumulation and duty drawback among CEFTA Parties prepared and agreed on 16th Subcommittee on Customs and Rules of Origin. ▶ CEFTA Parties agreed on the joint position during the 16th Subcommittee on Customs and Rules of Origin, referring to the working document TAXUD/6901027/18-EN and related to the TAXUD Note to the Delegates of the pan-Euro-Med Joint Committee and to the Contact Points in the Missions to the EU of the Contracting Parties to the pan-Euro-Med Convention, Ref. (2019)2309561 from 1 April 4 2019. The Parties agreed on proposed ways forward and implementation of Revised PEM Convention, meaning they strongly supported that the revision of the current Convention should be done through a decision of the PEM Joint Committee adopted by consensus. ▶ Conclusions from the Assessment prepared by the World Bank on the approximation of MFN Tariffs to EU CET were presented during the 16th Subcommittee on Customs and Rules of Origin. CEFTA Parties supported the findings, i.e. agreed that currently there is no need to harmonise MFN Tariffs with EU CET.

Measures/ Action	Actual activities and achievements 2018	Expected Results 2019
Facilitation of free flow of investment	<ul style="list-style-type: none"> ▶ Regional Investment Reform agenda adopted. ▶ Investment Reform Action Plans (IRAPs) national workshops conducted and IRAPs developed. ▶ Monitoring and evaluation tool on RIRA implementation presented. ▶ 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 arbitrage and investment promotion. 	<ul style="list-style-type: none"> ▶ Investment Reform Action Plans (IRAPs) on economy level adopted. ▶ Investment Promotion Agencies’ staff trained and skilled for regional investment promotion. ▶ Joint Investment Outreach campaign developed and put in action through joint activities. ▶ Monitoring and evaluation report on RIRA implementation produced. ▶ IIAs and investment pertinent laws analyses done. ▶ Regional dialogue on the necessity, format and scope of appropriate instrument for implementation of RIRA.

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 dimensions of D) Education and Competence aimed at creating a competitive skills base in the region; E) Research & Development and Innovation is anchored in the Regional Research and Development Strategy adopted by the Western Balkan economies in 2013 and seeks to promote more and better investment in research and innovation as a precondition to 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.

Pillar overview

The smart growth pillar is trying to capture the dynamic transformation of SEE economies towards more value-added products and services, underpinned by the enhanced educational profile of its citizens. Although SEE economies have taken on serious reforms in these sectors there are still evident gaps in catching up with technology and building an innovation-friendly environment similar to that of the EU. The latter becomes evident also with the performance of SEE economies vis a vis the set targets in this pillar. Regarding Target 6 - GDP per person employed (in PPS), the region has experienced varied performance and volatility, which reflects the interlinked dynamics of economic growth and employment rates in the economies and the region overall. The region has not reached a third of the set target in the past nine years, indicating that the economic growth has not translated into better living standards in the region. Furthermore, there is a strong association between GDP per capita and the Human Capital Index (HCI)²³ with more advanced economies having the type of human capital that promotes productivity. The trends evident in the Western Balkan economies

23 The HCI captures the productivity that a child born today can expect to achieve in view of the risks of poor health and poor education currently prevailing at home. The index combines measures of education attainment and quality with labour market-relevant health outcomes like stunting and child and adult survival rates.

suggest that the region needs to invest more efficiently in human capital. In education, the quality, relevance, and inclusion of current systems need attention. In health, efforts should focus on addressing the lifelong consequences of poor early childhood development, the rise of non-communicable diseases, and exceedingly high out-of-pocket spending on health. And social assistance systems should give more priority to poverty alleviation and the employability of the poor, integrating case management to ensure effective support throughout the lifecycle (World Bank, 2019).²⁴

With regard to Target 7 - number of highly qualified persons in the workforce, over the past nine years there has been a steady growth in the number of highly qualified persons in the workforce with no sign of a slowing trend in any of the six economies. Apart from Bosnia and Herzegovina which set an extremely ambitious target for itself, all the economies have surpassed their respective targets early on. The regional target has also been reached already in 2014. The highly-educated (with tertiary levels of education) benefited the most from the new jobs created in the region. On average, jobs grew by 4.2 percent for highly educated. The sole exception was Republic of North Macedonia where employment for the low-educated grew by 6 percent, while the highly-educated lost roughly 6,000 jobs (down 2.9 percent). The highly educated are also less likely to be in informal employment and in long-term unemployment. (World Bank, 2019)²⁵ However, the unemployment rates for the highly educated are above average in the Western Balkans pointing to a severe skills mismatch, particularly in some Western Balkan economies. In Albania, Bosnia and Herzegovina and Serbia, the highly-educated were affected most by unemployment, whereas the incidence for the low-educated group was highest in Republic of North Macedonia and in Kosovo*. The poor quality of education, which fails to meet the demands of the labour markets, is considered one of the major causes of the high youth unemployment rate in the six Western Balkan economies (Oruc and Bartlett, RCC, 2018)²⁶.

24 <http://documents.worldbank.org/curated/en/21923155413033324/pdf/Reform-Momentum-Needed.pdf>

25 <http://documents.worldbank.org/curated/en/351461552915471917/pdf/135370-Western-Balkans-Labor-Market-Trends-2019.pdf>

26 Oruc, N. and W. Bartlett (2018), "Labour Markets in the Western Balkans: Performance, Causes and Policy Options", Regional Cooperation Council, Sarajevo.

D. Education and Competences

Investment in human capital is essential to creating a competitive economy based on knowledge and skilled workforce. In this regard the region has set for itself an objective to reach the Smart growth Target 7, to decrease the number of early leavers from education and training systems and to increase tertiary education attainment of the population aged 30-34 under the dimension D. Education and Competences.

Since 2010 there has been a continuous growth of tertiary education attainment in the region, although it still continues to be below the EU average in all the economies in the region. While the EU is expected to reach, and probably exceed their objective of having 40% of population aged 30-34 with tertiary education, economies of the region are still lagging behind, and as in previous years Montenegro, Serbia and Republic of North Macedonia are in a better position with around 32-33% of population aged 30-34 with tertiary education attainment compared to Albania reaching 27% this year and Bosnia and Herzegovina and Kosovo* around 20%.²⁷

Early leavers from education and training are at a higher risk of unemployment, social exclusion and poverty compared to young people who have obtained a formal qualification. In the region the percentage of early leavers from education and training has been steadily decreasing from 2010 to 2018 in all economies.²⁸ However, the numbers still differ significantly between the WB6. While Montenegro, Serbia and Bosnia and Herzegovina have had low numbers of early school leavers even less than half the EU average, Albania and Kosovo* are still struggling with high rates of early leavers from education and training.²⁹

In the region the proportion of young people not in education, training or employment (NEET) is exceptionally high in Kosovo* at 30.1% (2018), well above the regional (2017: 23.5%) and nearly three times higher than the EU average.³⁰ This category of people is most susceptible to being socially excluded and poor. The Economic Reform Programmes warn that although governments in the region have taken some measures to tackle these issues still the risk of poverty and social exclusion throughout the region remains very

27 SEEDS-Regional Cooperation Council - <https://www.rcc.int/seeds/admin> (data collected from SEE2020 NCs)

28 Ibid 17

29 Ibid 17

30 https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/kosovo_2019-2021_erp.pdf

high, especially compared to the EU average.³¹ The public opinion results confirm that from socially excluded and vulnerable groups Roma and the displaced continue to be prioritised for affirmative action to a significantly lesser degree than other vulnerable groups while the Roma in particular remain victims of deeply held prejudices in both social and professional settings. Prejudice towards Roma population in particular continues to be pervasive, even when Roma persons are well qualified for the job.³²

RCC facilitated and led negotiations on mutual recognition agreements of professional qualifications for Doctors of Medicine, Dentists, Architects and Civil Engineers in a multilateral WB6 framework were launched last year paving the way towards an agreement which is expected to remove barriers and facilitate mobility of individuals exercising these professions in all of the WB6 economies on temporary and occasional basis.

In the same fashion RCC continued to support and facilitate mutual recognition of academic qualifications through RCC - ERI SEE Joint Working Group on Recognition of Academic Qualifications. A model for automatic recognition among WB6 and developing a joint information system to support information exchange and recognition of academic qualifications were key actions which were developed through this platform. A Declaration is being prepared within this platform on recognition of higher education qualifications to be endorsed by the PMs of the region at the Poznan Summit in July 2019. Testing phase of the joint information system facilitating recognition was delivered which is expected to facilitate information exchange on recognition among WB6. Implementation of a joint recognition exercise among the ENIC/NARIC offices from the region also took place enhancing the practical cooperation between the bodies involved in the recognition processes. Number of requests received from ENIC/NARIC offices for recognition of degrees obtained in SEE region yearly has increased significantly since 2010 throughout the region, thereby accentuating the practical need for facilitated recognition of academic qualifications.³³

When it comes to actual mobility in the region regional migration continues to be of little interest for the citizens of the region, with the

31 https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/economic-governance_en

32 Balkan Barometer 2019

33 Ibid 17

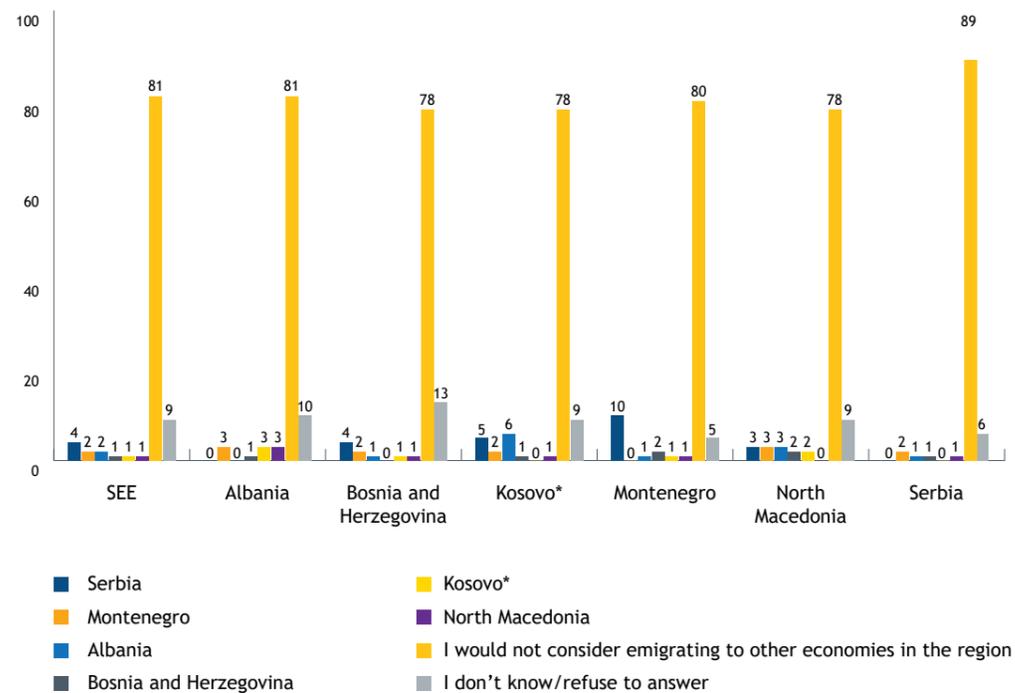
overwhelming majority of respondents not inclined to make the move within the region (81% from 86% in 2017 and 79% in 2016). Looking at preferences by economy, Serbia has the fewest willing regional emigrants (89% would not move to another SEE economy) and, interestingly, the highest number of emigrants with a stated preference for another SEE economy is seen in Montenegro (10%).³⁴

34 Ibid 22

Additionally, according to the WBIF's latest Youth Education Sector Study in Western Balkans, substantial investments in human capital are required in the Western Balkans, including the need to put emphasis on and support potential establishment of a dedicated YES cooperation platform in the sector³⁵.

35 <https://www.wbif.eu/content/stream//Sites/website/library/WBIF-27th-PFG-YESS.pdf>

Figure 01: Would you consider leaving and working in another place in the SEE region?



Source: Balkan Barometer Survey 2019

Table 10: Implementation of Education and Competence actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension D: Education and Competences		
Strengthen institutional capacity of ERI SEE	<ul style="list-style-type: none"> ▶ ERI SEE Secretariat established and fully operational. ▶ ERI SEE Secretariat gaining expertise in the key areas of work. 	<ul style="list-style-type: none"> ▶ Additional expansion of the ERI SEE Secretariat in terms of number of staff (from 2 to 2.8). ▶ Additional capacity building for the ERI SEE staff.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
<p>Introduce policies to improve access to and quality of education</p> <p>Identify and agree on programmes of specific measures to be undertaken at regional level to:</p> <ul style="list-style-type: none"> ▶ improve access to education ▶ increase quality of education through teacher training ▶ prevent drop-out from education system 	<ul style="list-style-type: none"> ▶ Established SEE network of experts in Quality Assurance in general education. ▶ Identified regional priorities in the field of Quality Assurance, formalised in the adopted Action Plan. ▶ Establishment of the SEE network of experts in Teacher Training. ▶ Provision of regional framework and technical and expert support to governments for effective and EU aligned cycle of Roma inclusion policies, with concrete results in improved budgeting and monitoring. 	<ul style="list-style-type: none"> ▶ Increased capacities of QA agencies in general education through training on the internal quality management standards. ▶ Increased quality of the QA standards in the region through the training on external assessment of education institutions. ▶ Increased quality of teacher trainings in the region through the definition of quality standards of trainings for the region and prioritisation of training areas. ▶ Increased pace and impact of the Roma inclusion policies, yielding tangible results for Roma, including in education, according to the strategic goals up to 2020. ▶ Launch of the on-line platform for work-based learning in the region.
Identify measures to assist SEE economies in removing obstacles to recognition of qualifications	<ul style="list-style-type: none"> ▶ Regular meetings of the RCC - ERI SEE Joint Working Group for the recognition of academic qualifications. ▶ Testing phase of the joint information system facilitating recognition. ▶ Definition of basic principles for the automatic recognition of academic qualifications. ▶ Implementation of a joint recognition exercise among the ENIC/NARIC offices from the region. ▶ Enhanced cooperation between the bodies involved in the recognition processes. ▶ Negotiations opened and several negotiation rounds were held on mutual recognition agreements in the prioritised professions. 	<ul style="list-style-type: none"> ▶ Established joint online system on recognition of qualifications. ▶ Mutual recognition agreement/s among WB6 on selected professions. ▶ Developed database on professional qualifications and mobility of professionals based on EU model.
Ensure education better meets economic and labour market needs	<ul style="list-style-type: none"> ▶ Established regular functioning of the Western Balkans Alliance for Work-based Learning, connecting education and business sector. ▶ Developed methodology for regionally-based standards of occupations. ▶ Granted project for the development of regionally-based standards of occupations. ▶ Prepared on-line platform for work-based learning in the region. 	<ul style="list-style-type: none"> ▶ Development of 5 regionally-based standards of occupation in 2 priority economic sectors, with skills, competences and knowledge defined in cooperation with the business sector in the region. ▶ Testing of the defined methodology for further use and expansion. ▶ Integration of regionally-based standards of occupations into national standards of qualifications.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Ensure development of entrepreneurship competence at all stages of education	<ul style="list-style-type: none"> As part of the assessment for the publication of the “SME Policy Index” for the Western Balkans and Turkey, the OECD organised reconciliation meetings in each of the WB6 plus Turkey. The primary goal was to reconcile the self-assessment carried out by the government with the independent assessment. The SME Policy Index assessment framework includes a dimension on entrepreneurial learning. 	<ul style="list-style-type: none"> Finalised SME Index for Western Balkans and Turkey 2019, identifying strengths and weaknesses in policy design, implementation and monitoring. The SBA Assessment contains detailed scores, qualitative analyses and tailored policy recommendations.

E. Research and Development and Innovation

Western Balkan economies continue to invest very little in research and development, which as a result causes a lack of scientific output and high-technology goods and services. If this trend does not undergo some fundamental change it is hard to expect that the situation will change dramatically in this sector in the region. The overall investment in research and development from public sources has remained below or somewhat above 1% in all economies of the region for a long period of time. The only exception was Montenegro which approved a 60% increase of the domestic budget dedicated to science for 2018 compared to 2017, and by 10% in 2019 compared to 2018.

Nonetheless the WB6 economies have made some important efforts to improve the region's research and innovation sectors by adopting a variety of strategies, laws and programmes to increase the performance of the sector on the national level and continued cooperation in R&D both within the region and through EU frameworks.

At the EU level, Horizon 2020, being the most important EU programme funding research in excellence, assesses the performance of each member on quarterly basis. In the case of Western Balkans, when comparing H2020 to FP7 data, although the success rates are still below the average of the EU and also of those of the associated status, Western Balkans performance in Horizon 2020 has overall improved. The gap between WB6 and the new EU Member States (EU 13) has not narrowed in the last years either.

As the EU is preparing for the next Horizon Europe programme which will replace H2020 the WB6, through RCC's facilitation, came through

with one voice in a Ministerial Statement lobbying the EU institutions and EUMS to focus on additional measures (i.e. through widening/sharing excellence) which the EU institutions and the Member States could take to address some of the common challenges the region shares with some of the new EU member states through this programme. The lobbying efforts from the region facilitated by the RCC will continue until the Horizon Europe programme is adopted.

At the regional level implementation of the agreement to create a Regional Economic Area through a Multi-annual Action Plan opened up several areas of cooperation in this sector. Actions depicted in MAP REA provide a holistic approach to raising capacities in smart growth and aiming to advance and integrate WB6 into the EU model of innovation driven economies.

In addition to the regionally-owned initiatives, multi-country IPA support has been mobilised to support the R&D and innovation in the WB6.

On smart specialisation (S3), DG JRC has initiated a project financed by DG NEAR through MB IPA aiming to assist the WB6 economies in developing their S3 strategies. Currently the WB6 are at different stages of S3 development: Montenegro and Serbia are quite advanced; Albania and Republic of North Macedonia have established the working groups and have held initial meetings; Bosnia and Herzegovina and Kosovo* have registered in the S3 platform, but have yet to start initial activities. Several actions through relevant programmes/cooperation frameworks are planned for 2019-2020 through this project, such as workshops, trainings, conferences, but also subcontracting and quantitative mapping tailored to the status and progress of the WB6. Montenegro adopted its Smart Specialisation Strategy (S3), becoming the first non-EU member country to adopt the S3 Strategy in the region.

DG NEAR's EU4Tech Western Balkans project funded through MB IPA will finalise its activities in December 2019. During this period it delivered capacity building trainings in technology transfer and mentoring of 6 'TTOs' with recommendations for improving PRO contract research and advisory services and support to incubators and science and technology (S&T) parks. New 'Proof of concept' Action is expected to be launched as an outcome of EU4TECH project through another MB IPA action from fall 2019 for WB6 focusing more on the next steps of TT and preparations of proof of concepts before the commercialisation phase.

According to the last Balkan Barometer Business Opinion Survey SEE businesses are still in the early phases of technology transfer. Rate of innovation among SEE companies is still relatively low (30-40% across 3 years), and among those that innovate majority of new products were new for themselves, but not new for the market. Similar situation is with delivery processes. Companies are still struggling to follow global and regional trends and, in general, are not able to provide completely new product or service to the market. One of the key possible reasons explaining this position could be lack of cooperation. Majority of companies do not cooperate with universities and when it comes to research and development activities work on their own. Only 8% have cooperated with universities on research and development or technology development projects with a goal to develop new product or service. It is also a worrying trend that the level of cooperation is decreasing, compared to 2017 (9%) and 2016 (14%). Larger, export-oriented, and foreign companies are more open for cooperation with universities.

Western Balkan economies cooperate within RCC-led Working Group on Open Science aimed at supporting Open Science policies and measures in the region as an instrument for promoting research excellence. The Working Group members supported by RCC continued to participate in regular EU meetings on Open Science and will also continue to be included in the Open Science Survey Report which European Commission is preparing, for the second time involving Western Balkan region as part of the overall report covering both EU MS and Western Balkan economies.

Mapping of research infrastructures (RI) as a MAP REA action aims to ensure transparent and available information to researchers interested to cooperate with and in the Western Balkans. Moreover within EU's ESFRI initiative mapping of

RI is very important representing “vital blueprint which allows setting national priorities and earmarking funds for their development and participation in pan-European RI activities.” The WB economies are at different stages of completing their mapping of RI. Albania, Bosnia and Herzegovina, and Kosovo* have still not taken concrete steps in this direction while Republic of North Macedonia has established a Working Group to work on RI roadmap; Serbia is at an advanced stage of drafting the RI roadmap, with adoption of policy measures proposed by the RI Roadmap expected mid-year 2019; Montenegro was first to have adopted the RI roadmap in 2015 and the revised RI was adopted on 20 June 2019 by the government.

RCC identified the needs for completing the mapping of research infrastructure in all WB6 economies and supported the economies in the process of initiating and carrying out the process of mapping of existing RI by providing practical training based on the experience of their peers, in particular Montenegro and Serbia. WB6 also agreed on the idea of creating a regional map of research infrastructure, as well as protocols for opening the research infrastructure to researchers from other economies in the region. Once agreed on a concrete concept, this regional mapping will be developed further in the next cycle.

Montenegro's initiative to create South East European International Institute for Sustainable Technologies (SEEIIST) as a regional Centre of Excellence with “first-class research” has taken on important steps ahead. Last year officials have decided that Hadron cancer therapy will be the scientific method available to the citizens of the region once the Institute is constructed. This year the design study phase will start which will entail development of the Technical Design Report and Business Plan, the setting-up of the preparatory group for SEEIIST with working groups and first related funding through H2020. However to set up SEEIIST by 2027 as planned multiple sources of financing will be eventually necessary such as EU Structural and Cohesion Funds, IPA funds, some contributions from future member states of the Institute (SEEIIST), etc.

Table 11: Implementation of R&D and Innovation actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
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> <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>	<p>▶ EU4Tech Western Balkans project funded through MB IPA ends in December 2019. During this period it delivered:</p> <ol style="list-style-type: none"> 1. Capacity building trainings in technology transfer (2018 and 2019 Summer Schools) + Mentoring for 6 'TTOs' (ongoing). 2. Recommendations for improving PRO contract research and advisory services (delivered late 2018). 3. Incubators and S&T parks. Survey, roadmaps and recommendations for actions to support 'twinning and soft-landing' (2018 delivery). Regional conference including EP participants (Oct 2019). 4. Instruments for Technology Transfer. Concept note delivering in 2017. New 'Proof of concept' Action to be launched as an outcome in 2019. 5. Investment readiness training and mentoring + 2 Investment forum events (April 2018/ 2019) <p>▶ New project on Smart Specialisation, funded by DG NEAR and implemented by DG JRC, was launched beginning of 2019 aimed at supporting the WB6 in preparing their S3 strategies.</p> <p>▶ Working Group on Open Science is implementing the agreed action plan aimed at supporting Open Science policies and measures in the region as an instrument for promoting research excellence.</p> <p>▶ Coordinated Joint Statement of WB6 to be included through sharing excellence/widening measures more effectively in the future Horizon Europe programme.</p> <p>▶ Identified needs for completing the mapping of research infrastructure in the WB6 economies which aims to ensure transparent and available information to researchers interested to cooperate with and in the Western Balkans.</p> <p>▶ Capacity building trainings for EURAXESS focal points agreed.</p>	<p>▶ Implementing tailor made trainings and supporting each WB6 economy on initiating and developing S3 strategies.</p> <p>▶ Support the economies in the process of initiating and carrying out the process of mapping of existing research infrastructure by providing training based on the experience of their regional peers.</p> <p>▶ Opening the existing research infrastructure in the region to ensure transparent and available information to researchers interested to cooperate with and in the Western Balkans and broader.</p> <p>▶ Development of mechanisms and measures to support increased mobility of researchers from WB6 to EU within the existing mobility schemes.</p>

F. Digital Society

Transformation to Digital society is an important segment of the Smart Growth pillar in the WB

region. The significant progress in this area has been recorded during the reporting period, while the activities were driven by the implementation of MAP REA. According to available indicators on

digital transformation and based on the objective assessment of the legal and institutional frameworks and the level of implementation, the region is lagging behind most EU Member States in various domains. Therefore, a number of concrete measures prioritised by the WB economies in cooperation with RCC, and aimed at closing this digital gap, were identified and implemented during the previous year.

According to the ICT development index 2017³⁶, calculated and published by ITU each year, which compares developments in information and communication technology (ICT) between economies, the WB region is in the middle of the global list. Hence, Serbia is the best positioned economy, ranking at 55th place, whilst Albania, ranking at 89th place, is lagging behind the other economies in the region. In the cybersecurity area, the Republic of North Macedonia is the best positioned economy ranking at 34th place among 170 nations globally whilst Bosnia and Herzegovina is having the slowest growth, ranking at 118th place, far behind other WB partners.

An important milestone for digital transformation of the region was the organisation of the first ever Western Balkans Digital Summit (WB DS) which took place in April 2018 in Skopje. Prime Ministers and Ministers in charge of digital society from WB, with the support of RCC, the EC and other relevant partners agreed on the way forward and priorities in regional cooperation aiming to address vital areas and exploit economic and other potentials digitalisation brings.

The WB DS marked the finalisation of a yearlong permanent high-level policy dialog on digital transformation of WB which was coordinated by RCC and which continues. The Summit also paved the way for the next important milestones and agreements such as signing of the Statement of Support for the Digital Agenda for Western Balkans (DA WB), as well as endorsement of the DA WB itself, at the occasion of Digital Assembly in June 2018 in Sofia. The DA encompasses many important domains such as lowering the costs of roaming, development of e-Government, e-Procurement, e-Health as well as broadband networks, enhancing digital skills, building capacities in the cybersecurity area, and digitalisation of business activities and processes which facilitate everyday life of all our citizens.

The important deliverable of the second Digital Summit, held in Belgrade in April 2019, and the result of a long negotiated and complex process,

³⁶ <https://www.itu.int/net4/ITU-D/idi/2017/index.html>

is the new all-inclusive Regional Roaming Agreement (RRA2). The Agreement introduced caps on the prices of telecommunication services used outside of customer's home network (while roaming) which are expected to significantly reduce the costs of making phone calls, sending messages and surfing when abroad. The signed RRA2 is expected to bring tangible benefits for end users in the entire region soon, with a view of introducing Roam Like at Home (RLAH) regime as of July 2021, when costs for using services through a non-domestic network will be abolished. The second important achievement of the second Digital Summit is the agreement on mutual recognition of qualified trusted services signed between Montenegro and Serbia which marks the beginning of regional integration in this area. Recognition of qualified trusted services enables e-transactions and greater citizens' participation in e-business, higher efficiency under lower costs using digital technologies. Furthermore the second WB DS resulted in the Conclusions including clear commitments for actions related to mutual recognition of trusted services, identifying or developing a common platform for exchange of information and incidents handling in the area of cybersecurity, establishing Broadband Competence Offices (BCO) across the region, improving digital skills and modernisation of public administration through digital services and e-Government (as per Tallinn 2017 Declaration), joining important digital initiatives like Code Week, Digital Opportunity Traineeship and European Cloud Initiative. The Conclusions of the Digital Summit call for establishing of a sound system for monitoring of digital transformation of the region and particularly of progress in compliance with the acquis and brings Ministers' commitments to report on the progress during the next WB DS. Strengthening cooperation with ENISA in cybersecurity area is of utmost importance to support increase of capacities of WB institutions responsible for cybersecurity.

In the reporting period, RCC continued to play an important role in facilitating processes on the implementation of WB DA and partnered with relevant organisations in specific sub-sectors to facilitate achievement of concrete results. The region has invested significant efforts in the process of harmonisation of legal framework and developing capacities necessary for adequate enforcement and delivering tangible results. Activities on harmonisation of radiofrequency spectrum and freeing up certain bands required for deployment of 5G communication technologies continued over the course of the year. The ICT regulatory dialogue with the EU was initiated

and the first EU-WB ICT Dialogue will be held in July 2019, aimed at deepening the understanding on the Digital Single Market, including the latest developments of relevant EU *acquis*, as well as taking stock of the progress of the DAWB.

Efforts have also been made in extending broadband internet coverage and enabling equal access rights to all citizens regardless of where they live.

In the area of protection in cyber domain the region witnessed significant progress during the previous year. First, all WB economies have established their national CSIRTs, but in addition to this several rounds of training have been provided, including strengthening regional cooperation and identification of a tool to be used for information exchange and incidents handling. RCC partnered with ITU (International Telecommunications Union) and DCAF (The Geneva Centre for the Democratic Control of Armed Forces) in order to use synergy ensuring effectiveness and efficiency in the implementation of regional activities. With the exception of one economy, all WB economies adopted national cybersecurity strategies and are working on their implementation.

As regards digital skills, the region benefited through many initiatives supported by various partners and designed to increase awareness and knowledge of different target groups on use of ICT and exploiting full potential they bring. In this regard, 21st Century Schools designed by British Council to improve digital skills and launched during the London Summit attracted significant attention, increasing perspectives and employability of young people in the region. In addition, as contribution to this area, RCC developed a regional study on Improving Digital Skills in WB6 and launched it in December 2018. It is worth mentioning the increased interest and participation of WB in the EU Code Week. During 2018 around 70,000 (out of 2.7 million) pupils participated in this initiative designed to increase their interest in code writing and boost capacities for analytical and problem solving thinking.

Certain progress has also been achieved in digitalisation of industry and public services and creating a favourable regional framework for deployment of interoperable regional or cross-boundary e-Government and e-Business services. As a result of intensified cooperation, WB has been increasingly integrated or at least obtained access to many EU digital initiatives and frameworks developed to spur digitalisa-

tion, such as Broadband Competence Office, Digital cross-border traineeship initiative, EU Code week, ISA2 interoperability framework programme, etc. RCC provided training and awareness raising workshops for the WB economies to increase capacities for applying for WBIF technical assistance for digital infrastructure development projects. For this purpose EUR 30 million has already been earmarked, while the list of successful projects (from the 4 WB economies that submitted proposals) will be endorsed during the Poznan Summit.

In the area of cybersecurity, new project for capacity building and support in transposition of NIS directive is under preparation and will be supported through IPA MC 2019. Besides Montenegro which already joined ISA² programme, Republic of North Macedonia undertook steps to join this initiative. After two BEREC's regulatory dialogue meetings in 2018 which included WB economies, the process of data collection for the region started and the region will be for the first time included in the International Roaming Benchmark BEREC Data Report. According to Commission Decisions of 18th March 2019, all Regulatory Authorities from WB economies will participate in the Body of European Regulators for Electronic Communications as of June 2019.

Still, there are many challenges for the region and tasks to be completed in the near future. Economies recorded certain progress in mapping of broadband infrastructure, but pace varies. Some are at the beginning of the process, while some other already completed mapping of mobile broadband infrastructure. The process should be finalised in the near future while financial support from various financial institutions and donors is available and should be utilised whenever possible.

The process of establishing BCOs is ongoing. With all nominated persons in place in all WB economies a quick roll out can be expected. For the first time WB will participate in EU BCOs network meeting - RCC will facilitate participation of nominated contact points to the EU BCO workshop planned for 11th and 12th June 2019 in Warsaw in order to provide full functioning of these bodies in the near future.

The region recorded progress in digitisation of broadcasting TV signals and also continued with freeing up certain spectrum bands needed for 5G technologies (700, 800, 3400-3600 and 3600-3800 MHz). The process of transposition of the Cost Sharing Directive continued in previous period

through preparation and/or adoption of strategic and legal acts in WB economies. However, the full transposition and enforcement remain one of the priorities for the region.

Table 12: Implementation of Digital Society actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension F: Digital Society		
Connectivity and infrastructure development	<ul style="list-style-type: none"> ▶ Digital Agenda for Western Balkans launched in Sofia in June 2018. ▶ Regional Roaming Agreement signed in April 2019 in Belgrade. ▶ Processes of digital switchover and digital dividend continued in the region. ▶ The process of broadband mapping in the WB is ongoing with some progress noted in some of the economies. 	<ul style="list-style-type: none"> ▶ RRA2 starts implementation as of July 2019. ▶ Establishing mechanism for coordination and monitoring of the implementation of RRA2. ▶ Intensification of activities on digitalisation of radio and TV broadcasting signals. ▶ Maximise the use of WBIF for broadband infrastructure and provision of support through dedicated trainings related to the technical assistance for digital infrastructure development projects under WBIF.
Cybersecurity	<ul style="list-style-type: none"> ▶ Strengthening capacities of national CSIRTs (cybersecurity conference, Skopje, October 2018, Cyber Drill in Limassol, November 2018, regional meeting on the margins of the WB DS). ▶ Process of identification of a tool for information exchange and incidents handling has been initiated. ▶ Regional Study on Cybersecurity and Online Radicalization in WB. 	<ul style="list-style-type: none"> ▶ Establishing of sectoral CSIRTs, their networking and providing capacity building. ▶ Establishing a Cybersecurity Centre of Excellence in WB. ▶ Strengthening cooperation with ENISA. ▶ Reaching agreement on the tool to be used for regional cooperation and sharing information on incidents.
Digital transformation of WB	<ul style="list-style-type: none"> ▶ The permanent regional high-level dialogue on digital transformation resulted in the second WB DS. ▶ An agreement on recognition of e-signature signed between Montenegro and Serbia. ▶ Delivered training on application for technical assistance for digital infrastructure development projects. ▶ WB integrated in numerous EU initiatives and frameworks. 	<ul style="list-style-type: none"> ▶ Launching preparation for the third WB DS to be held in Tirana and maintaining permanent structured regional dialogue on digital transformation.

G. Cultural and Creative Sectors

The EU's commitment to continue safeguarding and promoting cultural heritage and its sustainable use is visible in the activities and various documents and communications created during and after the European Year of Cultural Heritage (2018), such as A New European Agenda for Culture (22 May 2019), which responds to the European Leaders' invitation to do more, through

culture and education, to build cohesive societies and offer a vision of an attractive European Union. The New Agenda has three strategic objectives, with social, economic and external dimension, i) Social dimension - harnessing the power of culture and cultural diversity for social cohesion and well-being, ii) Economic dimension - supporting culture-based creativity in education and innovation, and for jobs and growth, iii) External dimension - strengthening internation-

al cultural relations. Within the third objective the New Agenda enables culture to be promoted more effectively as a vector of identity and cohesion, a driver of socio-economic development, and a factor directly nurturing peaceful relations, including through the people-to-people contacts resulting from education and youth projects, with a particular focus on the Western Balkans and Enlargement economies.

European Framework for Action on Cultural Heritage builds on the results of the EYCH and ensures its legacy by developing further concrete actions. It reflects the common set-up for heritage-related activities at European level, primarily in EU policies and programmes. It proposes around 60 actions be implemented by the European Commission in 2019 and 2020 seeking to promote and protect Europe’s cultural heritage. All the actions included in the European Framework for Action on Cultural Heritage will be implemented by the European Commission; many of them in partnership with the Council of Europe and UNESCO, and for the Western Balkans region RCC could be an important actor for cooperation. It establishes a set of 4 principles and 5 main pillar of continued action for Europe’s cultural heritage:

1. Cultural heritage for an inclusive Europe: participation and access for all
2. Cultural heritage for a sustainable Europe: smart solutions for a cohesive and sustainable future. This Pillar contains actions relevant to RCC tourism project as it stands for improving policies and practices on sustainable cultural tourism, and promoting practices and approaches that are sustainable, smart and innovative.
3. Cultural heritage for a resilient Europe: safeguarding endangered heritage
4. Cultural heritage for an innovative Europe: mobilising knowledge and research
5. Cultural heritage for stronger global partnerships: reinforcing international cooperation. Western Balkans is mentioned as the area where cooperation could be improved.

To support the use of cultural heritage for sustainable and responsible tourism purposes the Barcelona Declaration on Tourism and Cultural Heritage was launched in April 2018 with the aim of improving the sustainability and competitiveness of the social and cultural impacts of tourism in Europe, emphasising that tourism and cultural heritage are key for strategy for strengthening social cohesion in Europe.

The policy momentum of cultural heritage has been strengthened after the European Year of Cultural Heritage, followed by Europa Nostra’s: The Berlin Call for Action “Cultural Heritage for the Future of Europe”. The Berlin Call builds on the momentum created by the European Year of Cultural Heritage 2018 and seeks to engage as many organisations, institutions, governments, civil society actors and individuals in recognising the positive and cohesive power of Europe’s shared cultural heritage. By doing so, it strengthens the role of culture in social, economic and sustainable development. It furthermore stresses the need for a strong external dimension in the European Framework for Action on Cultural Heritage, in line with the UN 2030 Agenda for Sustainable Development.

Additionally, through the Triple P tourism project, three priority themes, based on the cultural heritage for sustainable tourism development, have been singled out within the cultural tourism product development segment:

- ▶ Western Balkans Crossroads of Civilisations as an overarching regional identity that integrates the rich heritage to effectively communicate the diversity of legacies present across the region. Its concept, selection criteria and overall guidelines were developed and preliminary 40 monuments/sites identified to be the carriers of the label WB Crossroads of Civilisations. The next steps include creation of a business model and marketing strategy that will propose the managing mechanisms, labelling and branding system and promotional activities;
- ▶ Balkan Monumental Trail, a new regional cultural route dedicated to the art and design of post WWII Monuments. A concept with the historical narrative was created, along with the principal pathway and 40 monuments selected and assessment carried out in each economy. The next steps include defining the business models and marketing strategy and preparing the ground for application for CoE certification as European Cultural Route;
- ▶ Archaeological sites from the Roman period - Illyricum Trail which will be the branch of already certified Roman Emperors and Danube Wine Route. Currently, 8 sites make the Illyricum Trail, with the first phase of evaluation implemented and the next phase focused on promotion, networking, memberships, etc.

Table 13: Implementation of Cultural and Creative Sectors actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension G: Cultural and Creative Sectors		
Strengthen institutional capacities and implement an integrated heritage rehabilitation management tool to ensure rehabilitation of selected cultural heritage sites (Ljubljana Process)	<ul style="list-style-type: none"> ▶ The Triple P regional tourism project links competitiveness to tourism; it also includes significant reference to cultural tourism as a way of promoting rich regional cultural heritage while putting it to economic development use through developing regional tourist itineraries, with special focus on historical/cultural sites, etc. ▶ Developed cultural tourism through joint regional tourism offers along regional tourism routes. ▶ The product development efforts are ongoing for all 4 selected regional routes/themes. For regional cultural tourism routes three themes are pursued. The archaeological heritage of the Roman period is treated in cooperation with the certified European Cultural Route of Roman Emperors and Danube Wine Route with the goal of expanding the route in the region and developing sub-routes that will include archaeological sites in the Western Balkan economies. 	<ul style="list-style-type: none"> ▶ Developing cultural tourism through joint regional tourism offers along regional tourism routes; promotion of the vast potential of the region’s cultural heritage. ▶ Development of follow-up project activities to the ongoing Triple P project, which will include a component on Culture Tourism. ▶ Development of project on culture and creativity in WB with the aim to foster reconciliation and good neighbourly relations in the Western Balkans through promoting a rich and diverse mosaic of cultural and creative expressions as a driver for social cohesion as well as socio-economic growth and development, thus creating an environment conducive to reconciliation.
Encourage active cooperation between film policy bodies, public broadcasters, production and distribution companies	<ul style="list-style-type: none"> ▶ The first Call for Proposals: “Support to the implementation of the RCC Triple-P Tourism in SEE: Promotion, Policy, and Pilots Grants Work Programme” which also included a component on Cultural Tourism was completed, with more than 300,000 EUR distributed to the region. 	
Implement a regional Design Incubator based on a design network composed of relevant actors from the region		

2.3. SUSTAINABLE GROWTH

The actions under the Sustainable Growth pillar seek to improve efficiencies in the use of resources, upgrade infrastructure, promote sustainable development and 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.

Pillar overview

The Sustainable Growth consists of four sectors vital for economic activities and improving the living conditions of citizens: energy, environment, transport and competitiveness. The pillar is designed to improve transport and energy connectivity in the region through achievement of sectoral targets, while also keeping in mind limited natural resources and ensuring their use in sustainable manner in order to enhance efficiency and minimise costs, but more importantly to mitigate negative impact on the environment. The 2019 Communication on EU Enlargement Policy reiterates the importance of the enhanced connectivity in transport and energy to accelerate the integration of the region into pan-European networks, while strengthening competitive energy markets and developing economic corridors across the region.³⁷

The energy dimension aims to support WB economies in meeting their commitments and obligations stemming from the Energy Community Treaty ensuring further integration of energy markets, improving security of energy supply, prioritising energy efficiency, and creating favourable environment for broader use of renewable energy and smooth integration of intermittent sources into energy grids. Activities in this dimension support WB economies in achieving their 2020 targets, but also facilitate energy transition in the region and transformation of energy sector for forward-looking 2030 energy and climate targets. This transition shall enable transformation of electricity market, putting consumers at its centre, and create preconditions for reaching collective share of 32% of renewable energies in gross final energy consumption.

³⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

The Environment dimension is created with the aim to facilitate environmental policy harmonisation through regional cooperation. This pillar enables a coordinated regional approach in the implementation of important regional projects and initiatives, ensuring regional ownership and maximisation of benefits. Activities in this pillar particularly focus on a prudent use of natural resources and balanced exploitation and optimisation in use of water-food-energy sources. The dimension also intends to promote integration of climate proofing methodologies in road transport infrastructure development projects. Significant attention is also paid to protection and sustainable use of biodiversity in the region through coordinated regional activities and building capacities and expertise in this field. Since enforcement of the environmental law remains a big challenge for the WB region, activities in this dimension also serve to address this area. In general, the Environment dimension serves to help mitigate climate change and increase adaptive capacities of the region, ensuring smooth fulfilling of commitments under the Paris Agreement on Climate Change. Complementing the Energy Dimension it also aims to facilitate achieving the 2030 climate goal of reducing Greenhouse Gas (GHG) emissions by 40%.

The Transport dimension seeks to facilitate the fulfilment of obligations stemming from the 2004 MoU on a regional transport network and the Transport Community Treaty (TCT) to support the development of core and comprehensive networks in the WB region, ensure integrated transport market, well developed transport networks and less polluting, efficient, safe and secure transport, along with sustainability and multimodality that enable the unobstructed movement of people, goods, services and capital. Transport sector is an important driver of economic development in the region, hence this dimension strives to support transformation towards decarbonised and diversified transport sector. This encompasses the use of potentials digital transformation brings through interconnectedness and technologies for automated driving, including contribution to mitigating climate changes through replacement of fossil fuels with alternative ones and electricity.

Competitiveness dimension - as evidenced in financial and economic dialogue with the EU major structural obstacles are still affecting the business environment and preventing domestic companies from reaping productivity and competitiveness gains achievable by stronger integration in global value chains. Those obstacles

include insufficiently transparent and inconsistent business inspection procedures, insufficient institutional capacity of civil courts for commercial dispute settlement, and a non-transparent and often unpredictable regulatory framework and system of para-fiscal charges.

Furthermore, Western Balkans still has plenty of work to do in order to address the challenges that relate to low and slow-growing productivity, rebalancing of the economy, addressing implementation gaps in regulations, as well as human capital activation and inclusion. All of this is mandatory for building economic resilience, which again is the key for increasing competitiveness and achieving sustainable growth. Activities under this dimension were focused on development of institutional and regulatory frameworks for access to finance and continuation of the work already commenced on development of industrial base of SEE region. With the service sector still dominating the market, it is important to strengthen the production and to generate real value on the market, especially through the activation of small and medium enterprise (SME) sector. According to the SME Policy index 2019³⁸, SMEs in the region account for close to three-quarters of private sector employees, and generate two-thirds of its added value. However, the real potential of this important economic base remains underdeveloped, and SMEs are still far under-represented in international trade and their contribution to value added remains low due to obstacles in pushing into higher-value added activities. Burdensome regulations and

³⁸ SME Policy index encompasses Western Balkans and Turkey

fees, issues with access to finance, resulting in insufficient capacities to reach out to bigger markets, lack of access (and funding) for innovation, R&D, skills gaps, etc., are just a few to mention.

As presented in Table 14 referring to Target 9, the region is progressing well towards national RES targets with Bosnia and Herzegovina and Montenegro as frontrunners. National mandatory targets for each WB economy are defined in line with the RED as well as according to the Energy Community Ministerial Council's Decision from 2012. As presented in the Table, the WB region is utilising its favourable geographical and climate preconditions, as well as potentials for use of renewable energies, to ensure expected development towards overall national and regional targets, which are significantly above the EU average 2020 target of 20%. However, a deep analysis of progress in all three sub-sectors (electricity, heating and cooling and transport) shows that despite the mandatory 10% share of renewables in the transport sector, the actual consumption in the region is still at zero level. Apart from some negligible contribution of renewable electricity in transport sub-sector, biofuels have not been introduced to the market yet. Without strict rules and introducing of the sustainability criteria for biofuels as well as blending obligation, the situation will most likely not be changed. Taking into account the deadlines and actual trajectories of WB economies defined in National Renewable Energy Action Plans (NREAPs) and official reports, it is obvious that all WB economies will fail to meet the mandatory target of 10% renewables in transport. This unfavourable situ-

Table 14: Target 9 – Share of Energy from Renewable Sources in Gross Final Energy Consumption (per cent)

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2020 (target)	target. value	achiev. so far	achiev./ target.
ALB	32.00	31.40	35.20	33.20	32.00	34.90	37.09	33.00	38.00	6.0	1.0	17%
BOS	33.14	22.49	23.88	34.17	31.76	30.14	28.22	22.35	40.00	6.9	-10.8	-157%
KOSOVO*	18.30	17.65	18.66	18.84	19.54	18.48	24.38	22.94	25.00	6.7	4.6	69%
MNE	40.64	40.65	41.51	43.70	44.10	43.07	41.55	40.03	33.00	-7.6	-0.6	8%
SER	20.90	17.50	20.30	19.10	22.70	21.00	20.98	20.60	27.00	6.1	-0.3	-5%
RNM	16.81	16.52	18.11	18.54	19.64	19.49	18.00	19.60	28.00	11.2	2.8	25%
SEE6	23.86	21.45	23.24	25.27	25.70	25.04	24.94	23.36	30.67	6.8	-0.5	-7%

Source: Statistics offices of Albania, Bosnia and Herzegovina, Kosovo*, Republic of North Macedonia, Ministry of Economy of Montenegro, Ministry of Mining and Energy of Serbia; regional aggregates calculated by RCC.

ation will certainly aggravate achieving the new target of 14% foreseen by the revised Renewable Energy Directive³⁹ (RED II).

In order to present progress in rather very broad Energy dimension of the Sustainable Growth pillar which includes many sub-sectors, one of the main energy indicators is identified: share of renewables in gross final energy consumption. Although it monitors one segment of the complex Energy dimension, it is a main representation of energy transformation and main pillar of both: 2009 Climate and Energy Policy Package which is still in force in WB; and 2016 Clean Energy for All Package which pursues further transformation of the sector by 2030. 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 Renewable Energy Directive⁴⁰.

H. Energy

The implementation in the Energy dimension continued successfully during the reporting year. The main objectives aligned with the EU energy policy are designed to foster energy transformation towards sustainable production and use of energy as well as towards ensuring security of energy supply for the region. Activities on energy transformation were focused on three main directions:

- ▶ Creating a favourable environment with increased predictability and transparency for investments in energy sector and facilitating identification of priority energy projects;
- ▶ Developing a regional electricity market and implementing the agreed soft measures;
- ▶ Improving energy efficiency and increasing the share of renewable energy towards achieving defined 2018/2020 targets. This also includes activities on defining new long-term targets in line with the new EU 2030 energy and climate framework policy.

In light of recently adopted Clean Energy Package which reinforces legal framework for energy

39 DIRECTIVE (EU) 2018/2001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the promotion of the use of energy from renewable sources, (recast)

40 DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

transformation in the EU, the region has already started a preparatory process for defining 2030 energy targets and preparation for transposition of eight legislative acts out of which five have already been adopted at the Union level. At the Ministerial Meeting on Clean Energy Transition held in February in Podgorica Ministers in charge of energy and Ministers in charge of environment adopted a joint Statement. The Statement calls for coordinated joint work on reaching 2030 decarbonisation, energy efficiency and renewable energy targets. Furthermore, the Statement envisages a cross-sectoral and regional cooperation in development of National Integrated Energy and Climate Plans which will contribute to the Energy Union objectives and a clean energy and air for Western Balkans citizens. There is an overall agreement among WB Leaders to endorse the Statement at the Poznan Summit as well. 52 municipalities from the region out of almost 10.000 in Europe which signed commitments under the Covenant of Mayors initiative continued their efforts to cut CO2 emissions and facilitate clean energy transition through preparation of Sustainable Energy and Climate Action Plans and their implementation. Under the IPA MC 2020 the EU will support Covenant of Mayors initiative with indicative EUR 4.5 mill earmarked for WB and Turkey.

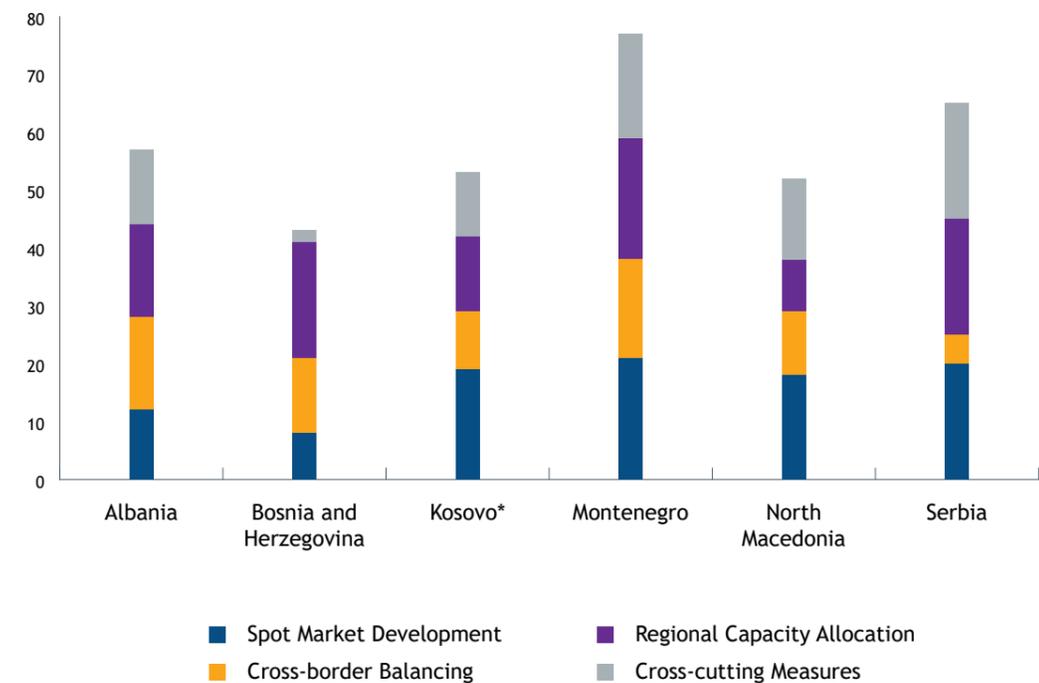
The region continued the activities on energy infrastructure development in line with the Regulation 347/2013/EU on guidelines for trans-European energy infrastructure adopted by the Energy Community Ministerial Council in 2015. A third round for identification of Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMIs) initiated in July 2017 has been successfully conducted and assessment work concluded in May 2018. The new binding PECI list has been approved by the 16th Ministerial Council in November 2018 replacing the previous one, while the Energy Community Secretariat works on updating the PLIMA platform⁴¹ together with project promoters. Selected projects will benefit from streamlined permitting procedures as well as cross-border cost allocation. During the previous years the energy transformation of the region, including development of necessary infrastructure, received a significant support through the EU's Connectivity Agenda. Grant support has so far amounted to €157.2 million, leveraged by €599.5 million of IFI's investments. Implementation of these projects is ongoing in the region. In addition to around €50 million provided for REEP programmes, the European Commission pledged additional €30 million in 2019.

41 <https://energy-community.org/regionalinitiatives/infrastructure/PLIMA.html>

The Western Balkans 6 initiative was launched in 2014 with the aim to improve energy connectivity in the region through the implementation of Soft Connectivity Measures, facilitating infrastructure development and market transformation. The initiative, in the extended format which, besides WB economies includes Italy and Hungary as neighbouring Member States (MS), continued with the successful implementation of the Work Programme. However, the region recorded a modest level and limited speed of progress in the area of soft measures. Development of spot electricity market still faces many challenges with Serbian power exchange (SEEPEX) as still the only operational day-ahead market in the region. In the reporting period some progress has been noted in the Republic of North Macedonia, Albania and Montenegro, while totally stalled in Bosnia and Herzegovina. With regard

to cross-border balancing, the situation is changing but very slowly. Bosnia and Herzegovina is the only WB economy where four big production companies are competing in the balancing market, while in other economies provision of balancing services is limited to one single balancing service provider. Regional capacity allocation process is also slow. Serbia is allocating capacities on its border with Croatia through Joint Auction Office, whereas on other borders a regionally coordinated mechanism is still not applied. With regard to cross-cutting measures, the previous year has been characterised by prolongation of regulation of supply prices for households and small customers in the WB region. This trend impedes development of competition in the market while regulated prices continue to discourage investments in alternative energy sources.

Figure 02: Overall Implementation of Soft Measures



Source: Energy Community Secretariat's WB6 Electricity Monitoring Report, November 2019

The region continued with the implementation of the third Energy Efficiency Action Plans (EEAPs) and investing efforts towards achieving 9% of energy saving targets by the end of 2018. The regional activities are coordinated through the work of the Energy Efficiency Coordination Group (EECG) which focused on the implementation of the existing work programme and preparation of Integrated Energy and Climate Action

Plans for the future. In light of recently adopted recast directives on Energy Performance of

Buildings⁴² and on Energy Efficiency⁴³, the work of the EECG is focused on defining new targets for the upcoming decade (in line with the 32.5% policy goal) and transposition of these two legal acts into national legal frameworks. Progress has been made in the area of removing legal and regulatory barriers to enable and promote ESCO (Energy Service Companies) financing models as a vehicle for higher participation of private capital investments in energy efficiency. Nevertheless, the WB ESCO market is still at the early stages requiring stronger political and technical support. The enforcement of the requirements of Energy Performance of Building Directive⁴⁴ (EPBD) still faces significant problems in the region since building certification process is not at the desired level yet.

The entire region continued progress towards achieving RES 2020 targets defined in line with the RED requirements and with the implementation of National Renewable Energy Action Plans

42 DIRECTIVE (EU) 2018/844 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency

43 DIRECTIVE (EU) 2018/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 amending Directive 2012/27/EU on energy efficiency

44 DIRECTIVE 2010/31/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 May 2010 on the energy performance of buildings

(NREAPs) adopted by all WB economies. Progress towards the overall targets generally follows the planned trajectories in most WB economies, while Montenegro and Bosnia and Herzegovina have already achieved their 2020 targets according to EUROSTAT datasets. However, there is an ample room for improvement of energy statistics, especially in this area, since these achievements are a result of retrospectively changed biomass data in the heating sector. In terms of progress, the heating and cooling sub-sector progresses the most, the electricity sub-sector still experiences challenges in some WB economies, while the transport sub-sector recorded no progress at all. The entire region is still lacking sustainability criteria for biofuels, lagging in adopting voluntary schemes which undermines every future attempt to introduce renewable energy from biomass in the transport sub-sector. Also the region is characterised by low energy efficiency, delayed process of liberalising energy market and subsidised energy prices which slows down the process of market liberalisation, what can negatively affect business environment.

In order to move the region forward in the energy and environment area Green Regional Agenda is under preparation and is expected to be announced at the Poznan Summit and developed as a deliverable for the EU-Western Balkans summit in Croatia in spring 2020.

Table 15: Implementation of Energy actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension H: Energy		
Implementation of national Energy Efficiency Action Plans (EEAPs), contributing to attaining EE savings targets	<ul style="list-style-type: none"> ▶ 3rd EEAP is adopted by all WB economies and implementation is ongoing. ▶ Annual EE Progress Reports for 2018 were submitted to the EnCS by all WB economies showing progress in achieving EE savings targets. ▶ EnCS organised three meetings of the EE Coordination Group focused on EEAP preparation and reporting. ▶ Template for the preparation of 4th EE-APs was prepared and adopted. ▶ EnCS commissioned a study for calculation of 2030 EE/RES/GHG targets in line with EU policy goals following the same ambitious principle. ▶ GIZ ORF EE continued support for reporting on achievements of overall EE savings target and the key articles under Energy Efficiency Directive in force. 	<ul style="list-style-type: none"> ▶ Finalisation and adoption of 4th EEAPs including reports on the achievement of 9% energy saving target by the end of 2018. ▶ Adoption of annual EE Progress Reports for 2019. ▶ Adoption of 2030 targets for EE and transposition of recast Energy Efficiency Directive. ▶ Continuation of the EE Coordination Group's work and implementation of its Work Programme for 2019-2020.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Support adoption of National Renewable Energy Action Plans (NREAP)	<ul style="list-style-type: none"> ▶ All NREAPs were adopted and the implementation is ongoing. ▶ The Third Progress Reports in the promotion of RES 2016-2017 were due by 31 December 2018. ▶ Two meetings of Renewable Energy Coordination Group were organised to assist the Contracting Parties in the implementation of NREAPs. ▶ The transition to the introduction of market-based support schemes to comply with the State aid legislation was initiated. ▶ EnCS commissioned a study for the calculation of 2030 EE/RES/GHG targets. 	<ul style="list-style-type: none"> ▶ Submission of the Third Progress Reports on the promotion of RES by all Contracting Parties. ▶ Submission of the Third Progress Report on the promotion of RES in the Energy Community to the 2019 Ministerial Council by the EnCS. ▶ Implementation of RES auctions in the Contracting Parties. ▶ Adoption of 2030 RE targets and the adaptation and adoption of recast RE Directive (2018/2001/EU). ▶ Continuation of the activities on the implementation of NREAPs in the RE Coordination Group and implementation of the RECG Work Programme 2019-2020.
Support implementation of key energy infrastructure projects (Projects of Energy Community Interest - PEI)	<ul style="list-style-type: none"> ▶ The Secretariat concluded the third PEI/PMI selection process in 2018. The Skopje Ministerial Council in November 2018 approved the PEI and PMI lists. 	<ul style="list-style-type: none"> ▶ The Secretariat prepares for the fourth PEI/PMI selection process, in cooperation with the EC and project promoters/ Contracting Parties. The fourth selection process shall be concluded in 2020.
Create functioning regional energy market	<ul style="list-style-type: none"> ▶ The 3rd Energy Package was transposed in 5 out of 6 WB economies (adoption of the new Energy Law is still pending in Bosnia and Herzegovina). ▶ TSO certification was finalised in 4 WB economies with technical support to Albania and Montenegro provided by the EnCS (the full compliance with the EnCS's opinion is still pending in Albania and Serbia). TSO certification in the Republic of North Macedonia is ongoing while the process is stalled in Bosnia and Herzegovina. ▶ DSO unbundling was finalised in 4 WB economies (except Albania and Bosnia and Herzegovina). In Albania the process is ongoing while functional unbundling in Serbia still to be completed. ▶ Activities on establishing institutional set-up for organised day-ahead markets in Bosnia and Herzegovina, Montenegro and Republic of North Macedonia were initiated (technical assistance was provided by the EnCS). ▶ Activities on establishing balancing market in the Republic of North Macedonia (the only remaining WB economy where regulated companies are still exempted from balance responsibility) are ongoing. (Technical assistance is provided by the EnCS). 	<ul style="list-style-type: none"> ▶ The 3rd Energy Package to be transposed in all WB economies. ▶ TSO certification to be finalised in all WB economies. ▶ DSO unbundling to be finalised in all WB economies (technical assistance to functional unbundling to be provided by the EnCS). ▶ Day-ahead markets to be established in Albania, Bosnia and Herzegovina, Kosovo*, Montenegro and the Republic of North Macedonia (in addition to already functional day-ahead market in Serbia). ▶ Competitive and non-discriminatory balancing market to become operational in Republic of North Macedonia. ▶ Resolution of dispute between EMS and KOSTT. ▶ Market coupling between WB parties or between WB and EU MSs to be implemented. ▶ Regional platforms for imbalance netting and for exchange of balancing energy from FRR to be implemented in WB6.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
	<ul style="list-style-type: none"> Facilitation of negotiations in the dispute between the transmission system operators of Serbia (EMS) and Kosovo* (KOSTT). (Technical assistance is provided by the EnCS). Activities on the implementation of regional day-ahead market coupling in WB (Technical assistance is provided by the EnCS and 7 meetings were organised). Activities on the implementation of cross-border electricity balancing. (Technical assistance is provided by the EnCS and 5 meetings were organised). 	
Implementation of the Sustainability Charter	<ul style="list-style-type: none"> The second Sustainability Forum was organised in June 2018. 	<ul style="list-style-type: none"> Organisation of the third Sustainability Forum in June 2019 in Vienna.

I. Transport

In the area of transport connectivity, the WB region still lags significantly behind most of the EU MS. As one of the main drivers of socio-economic development, transport systems require significant efforts in terms of improving the existing and developing new infrastructure as well as implementing soft reform measures and ensuring efficient and decarbonised transport system. In Western Balkans the oil dependency of all transport modes (almost 100% powered by fossil fuels) makes this sector the single biggest source of greenhouse gas emissions (contributing with around 40%). Having this in mind, the priority of regional actions is not only infrastructure development (primarily Core and Comprehensive networks), but also promotion of cleaner vehicles, improved accessibility to alternative energy sources, enhanced inter-modality and, in general, optimised functioning of the entire transport system. This will further enable addressing the congestion problems, particularly in urban areas, and increasing the safety and it will also significantly mitigate negative impacts on human health (due to pollution, noise, etc.).

In the area of transport, following the termination of SEETO's mandate at the end of 2018, steps have been undertaken towards full operationalisation of the Transport Community Secretariat, with a seat in Belgrade (inauguration of premises expected in September 2019). The Summit in Poznan will see the announcement of the new batch of infrastructural projects, supported in the framework of the Western Balkans Investment Framework and the overall 1 billion pledge for connectivity agenda in the period

2014-2020. In the next period more emphasis will be put on horizontal reform measures and small-scale high-value projects and actions, including: (i) road safety improvement, with the main objective to reduce road fatalities by 50% by 2030; (ii) border crossing, with 32 key border crossing points within the WB and the EU identified for improvement and (iii) a regional rail strategy aiming for a regional rail market, providing legal certainty to rail investors.

Limited progress with regard to the regional measures can be observed in the region in the area of Intelligent Transport Systems (ITS), maintenance, road safety and border-crossing facilitation, for which technical assistance support has been provided by CONNECTA. More precisely, though the rail measures are well underway, road and rail maintenance still need work and only one border crossing agreement is operational.

Regarding the infrastructure development and following a list of pre-identified projects on the Core Network from the Vienna Summit, the fourth Connectivity Agenda package, introduced at the EU-WB Summit in Sofia, and updated in London in July 2018, earmarked €190.2 million grants for 11 transport infrastructure projects. This brings the total EU commitments under this initiative to 70% of the €1 billion pledged in 2014, while total investments leverage reaching €2.4 billion (including €1.034 billion from 2018).

ADRIPASS project, which is financed through Interreg ADRION Programme with a budget of €1.5 million and designed to improve maritime-hinterland freight transport connections and sup-

port economic development of the Adriatic-Ionian region, continued with the successful and a yearlong implementation. The project focuses on soft measures with the aim to streamline and enhance the connections on the TEN-T Network recently extended to the Western Balkans (WB). These soft measures are designed primarily to improve permeability of freight transport at Border Crossing Points (BCPs) and operation of ports through implementation of various ICT and other solutions.

Transport sector policy reform remains one of the most complex ones. The remaining outstanding reforms and activities in the Transport dimension, especially related to horizontal reform measures and small-scale high-value projects and actions, need to be swiftly undertaken. Therefore the establishment of fully functional TCT Secretariat is of utmost priority for the region.

J. Environment

The Environment dimension continues to be an important component of the Sustainable Growth pillar with the Regional Working Group on Environment (RWG Env) playing a significant role and steering several projects of regional relevance. Under the framework of the RWG Env and in line with the most recent Ministerial Declarations adopted in Bonn on the margins of the 23rd Conference of Parties (COP23) under the United Nations Framework Convention on Climate Change (UNFCCC), the Western Balkans Ministers in charge of environment and climate change convened in a high-level meeting organised by the RCC in November 2018 in Skopje to monitor the progress of regional initiatives and agree on the way forward. Ministers reconfirmed their readiness and commitment to strengthen regional cooperation towards mitigating negative impact on climate and increasing capacities to adapt to inevitable climate change, as well as to improve protection and integrate environment into other sectorial policies. During this meeting Ministers recognised the need to strengthen cross-sectoral cooperation particularly with the energy sector, while in February 2019 Ministers in charge of energy and Ministers in charge of environment convened in Podgorica and adopted a joint statement on clean energy transition for WB and cooperation between the two sectors with the primary goal of responding to the most recent EU 2030 energy and climate policy framework and transposing of the eight legislative acts developed under the Clean Energy for all Europeans Package.

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. Therefore vulnerability of the region to climate change is still particularly high, while the process of alignment with the EU legislation is ongoing, but with the certain delay.

The entire work in the Environment dimension is designed to address the delays in transposition of EU environmental and climate policies, lack of national enforcement capacities and financial resources for concrete interventions in the area of environment, as well as 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 commitments.

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 from the energy sector (thermal power plants), from household heating, industrial complexes, road traffic, incineration of waste and other toxic materials, remains a serious problem which continues to impact people's livelihoods and health, particularly in urban areas. Waste remains one of the most significant problems and responsible authorities in the region should take steps towards a circular economy approach, by introducing separation of waste at the source, recycling and recovery of waste streams in order to decrease considerable long-term environmental risks. Increased efforts are also needed to close non-compliant landfills more quickly, while municipalities across the region need to remedy illegal waste disposal sites. On water quality, the level of alignment with the acquis, enforcement and inter-institutional coordination generally remains weak, while systems for quality monitoring of surface and ground waters need to be significantly improved throughout the region. There is certain improvement in terms of Habitats and Birds Directives implementation in the region, but still there is ample room for progress in the nature protection area. An effective protection of designated protected areas still needs to be strengthened, as well as illegal construction to be combatted effectively. With regard to climate change all WB economies have their Strategies on Climate

Change in place, but need to ensure consistency with the EU 2030 climate and energy policy framework. Also, all economies (with the exception of Kosovo* not being a member of UNFCCC which implements its own strategy targets) submitted their Nationally Determined Contribution (NDC) as commitments for CO2 emission savings by 2030 under the Paris Agreement and regularly report under the United Nations Framework Convention on Climate Change.

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 Nexus approach, and enhancing environmental performance and climate proofing of road transport infrastructure investments. Activities of the regional Biodiversity Task Force (BD TF) also continued successfully during the reporting period with the first ever participation of the WB region at the Conference of the Parties to the Convention on Biological Diversity, at its 14th meeting held in November 2018 in Egypt. The work of the BD TF as an advisory body for conservation and sustainable use of biodiversity in the WB region as a biodiversity hotspot is supported by GIZ ORF BDU Project while IUCN ECARO⁴⁵ performs the role of its Secretariat, with the aim of supporting the region in achieving the Sustainable Development Goals and the EU 2020 Biodiversity Strategy targets.

During the reporting period a new regional initiative was launched (in July 2018) with the aim of strengthening the enforcement of the environmental law in the area of nature protection and waste management and successfully disrupt and prosecute illegal behaviour and limit the negative impact of this behaviour on human health and environment in Western Balkans. The “SPIDER WEB” project, (Strategic Project to Increase the Detection and Disruption of Environmental Crime in the Western Balkans) funded by GIZ and co-funded by the European Union will be implemented by IMPEL (European Union Network for the Implementation and Enforcement of Environmental Law).

The WB will also benefit from the two regional projects developed by the European Commission and financed with €4 million. The projects commissioned in the reporting period are building up on the achievements of successfully imple-

mented ECRAN⁴⁶ with the key goal of addressing the environmental and climate challenges mentioned above. Through IPA MC 2020 the EU will continue to provide support and strengthen regional development in the area of environment with additional indicative support amounting to EUR 5million. Significant support for the region is provided by WBIF in the amount of €109.9 million for projects in priority areas (water and waste management).

Standing Working Group for Regional Rural Development (SWG RRD) is a regional initiative focused on inter-sectorial cooperation between agriculture, rural development and sustainable management of natural resources. Linking environment via rural development framework, SWG RRD developed a regional policy synthesis and national reports on agro-biodiversity and agro-environmental policies. Furthermore, SWG RRD supported actions for socio-economic development in the local cross-border areas. As a result of the Agricultural Policy Forum the SWG coordinated 2018 Jahorina Agenda updated on the EU Common Agricultural Policy (CAP) reforms. In cooperation with German Federal Ministry of Food and Agriculture SWG RRD hosted the Meeting of the Ministers of Agriculture and Heads of Delegations of SEE in January in Berlin. The meeting focused on potentials of agricultural trade and regional cooperation. The participants agreed on aligning their policies with CAP and harmonising their quality standards among each other and with the EU in order to facilitate agricultural trade in WB.

⁴⁶ European Communication on Research Awareness Needs

Table 16: Implementation of Environment actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension J: Environment		
Awareness raising and education on environment and climate change adaptation	<ul style="list-style-type: none"> ▶ Awareness raising of local communities through the Drin Day 2018. ▶ Training on “How to prepare bankable projects for financing climate change adaptation in transboundary Drin basin”. ▶ Training on Priority Substances Analysis of selected experts of monitoring institutions. 	
Determine feasibility of introducing the Water, Energy and Food Nexus management approach at national and trans-boundary levels and 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 challenges	<ul style="list-style-type: none"> ▶ Organisation of the Regional Roundtable on Nexus and the Nexus Ministries Meeting (Skopje, Oct 2018). ▶ Preparation of a Regional Nexus Mapping Study, including separate mapping studies for each of the economies. ▶ Preparation of a Phase I Nexus Assessment for the extended Drin River Basin. ▶ Selection of Albania as the economy to be the focus of the Nexus Project activities. ▶ Development of the Transboundary Diagnostic Analysis (TDA) for the extended Drin River Basin. ▶ Development of the GIS portal for putting in place the Monitoring and Information Management System (IMS) for the extended Drin River Basin. ▶ Supporting the work and implementation of decisions of the Drin Core Group and its Expert Working Groups, including support in supervision of the implementation of Nexus activities in the Drin Basin. 	<ul style="list-style-type: none"> ▶ Organisation of a Regional Roundtable on Nexus and Nexus Ministries Meeting (Tirana, Oct 2019). ▶ Initiation of activities for the development of the Phase II Nexus Assessment for the extended Drin River Basin and of the Phase I National Nexus Assessment for Albania.
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"> ▶ 5 evidence-based policy papers were completed, out of which 3 have been published. ▶ 36 capacity building activities were organised on employment and business opportunities, value chain and cluster development where more than 1,299 stakeholders improved their knowledge and skills on the given topics. ▶ With P2P activities SWG supported local communities to strengthen the partnerships among local businesses as well as improve the local community income. 	<ul style="list-style-type: none"> ▶ Evidence-based policy assessments and gap analysis to be developed and to provide policy recommendations in respect to diversification of economic activities in rural areas. ▶ Integrated value chain approach to be developed and implemented in selected target cross-boundary regions. ▶ Regional economic exchange to be strengthened via further development and implementation of the people2people approach.

⁴⁵ International Union for Conservation of Nature, Regional Office for Eastern Europe and Central Asia

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
	<ul style="list-style-type: none"> Facilitation of stakeholder networking and cooperation via SHGs for development opportunities and economic diversification of rural activities. 	<ul style="list-style-type: none"> Capacities of stakeholders and actors to shape and implement LEADER and value chain approach to be strengthened. To help relevant stakeholders through capacity building measures to better use project funding opportunities.

K. Competitiveness

The economic competitiveness of the region stayed almost at the same level. The Western Balkan Regular Economic Report from spring 2019 of the World Bank indicated that in 2018 economic growth in the Western Balkans reached 3.8 percent, supported by increased public spending or by a rise in net exports. Factors common to all economies are the recent fiscal stimulation and favourable external conditions that pushed growth in 2018, beyond its potential in some of them. However the accent should be on higher political certainty and accelerating structural reforms. Western Balkan economies are also confronted with growing external risks from slower-than projected growth in the EU, geopolitical and trade disputes, and a possible tightening of financing conditions in international capital markets. Despite stronger growth in 2018, the pace of job creation slowed, reflecting limited private sector dynamism. With revenues generally holding steady, the regional average revenue-to-GDP ratio was 35.3 percent in 2018⁴⁷. Credit outstanding continued to rise in most Western Balkan economies, with household lending again growing faster than corporate. Narrowing the financing conditions in international capital markets is a potential risk, especially in those economies that have external and fiscal imbalances. Underdeveloped domestic sovereign bond markets are exposing Western Balkans to rises in global interest rates. Bigger diversification of financial system will lead to more opportunities to access to finance. In the Western Balkans, banks account for about 85 percent of financial sector assets, considerably more than the Euro area's 45 percent. Insurance, pensions, mutual funds, leasing, factoring, and capital markets are underdeveloped in all six economies. Four of the six have stock markets, but the value traded is small. Few companies are listed, and there is no secondary market liquidity. Average stock market capitalisation-to-GDP in the region is about 33 percent

(48 percent in the EU) and government securities-to-GDP is about 22 percent, compared to 159 percent in the EU. Despite the high liquidity in Western Balkan banking systems, the private sector is not using nongovernment bond markets for its financing needs. Initial public offerings (IPOs) are rare; 2018 saw the first IPO in Serbia since 1940. Diversification of financial markets is crucial for term financing to foster investments, and ultimately economic growth. A wider range of financing instruments would supply the needs of both households and enterprises.⁴⁸

Industrial development remains one of the main issues for economic competitiveness of the SEE, along with the access to finance. Industrial policies need further alignment with the EU, but also support in alignment with smart specialisation strategies and enabling the domestic industry to access the possibilities for innovative approaches in their production/operations processes. Furthermore, the economies of the region need not only well-written documents and strategies on industrial development, but also concrete measures how to attain goals stipulated by such strategic documents. Moreover, the SMEs of the region need significant support and increase of their capacities in order to boost production (and productivity) and expand their markets' reach out. One such endeavour will be undertaken through a WB Guarantee Instrument provided by WB EDIF, in the amount of 150 million EUR, aiming to enable scaling-up of investments in areas that directly contribute to sustainable socio-economic development and regional integration, particularly boosting the region's competitiveness and job creation. The guarantee will achieve this in particular by crowding-in private capital and by supporting private investment across all sectors under the WBIF umbrella, in particular to SMEs/start-ups, cross-border investments and trade, investments into agriculture, and innovative promotion of social entrepreneurship and impact investment.

47 Western Balkan Regular Economic Report, World Bank, spring 2019

48 Western Balkan Regular Economic Report, World Bank, spring 2019

In order to bridge the gap in competitiveness of domestic industries, development of the regional value chains is critical, as it can provide the domestic firms (especially SMEs) stronger position and possibilities for entering foreign markets, for which they lack individual capacity. One such example is development of the regional value chain in tourism sector, conducted under the auspices of the RCC and its Triple P tourism project.

RCC's Tourism Expert Group is in the implementation phase of Triple P project for a joint regional product in tourism industry, with a focus on cultural/historical, adventure/natural, and eno/gastro tourism, which will be promoted jointly to the global travellers, with the funding by the European Commission. Implementation will support industrial development of Western Balkan region and the strategic sectors since the activities are intensively focused on tourism product development, policy reform and pilot projects development through a small grants scheme.

Tourism product development efforts were pursued for all 4 selected regional routes/themes, while in the regional cultural tourism routes three themes are pursued: 1 in adventure tourism (Via Dinarica) and 3 in cultural tourism (Western Balkans Crossroads of Civilisations, Roman Emperors and Danube Wine Route, and Monumental Trail) for further development as joint regional products. In adventure routes, the Project commenced Via Dinarica trails expansion, product strengthening and establishment of regional management structure, while in cultural segment, it selected specific sites along those routes for further product development during 2019. Furthermore, the efforts included intensive engagement in promotion of Western Balkans joint tourism routes at international markets. The Project intensively promoted regional tourism routes (joint product) by mobilising the network of 30 tour operators, and promotion activities via various international tourism-related events, media events, articles and media channels (particularly social media). The regional routes in development under the Triple P have been presented at 4 international fairs (renowned such as ITB and Adventure Travel World Summit, and others with participants measured in ,000s), 4 international conferences, and produced international travel media presence such as in National Geographic, Lonely Planet, Travel Trends Adventure, and Market Choice. Along with the advanced phase of regional product development, more intense promotional activities are anticipated in 2019. The region continued work-

ing on the strategic development of the management structure and tourism marketing strategy processes. For the Western Balkans Crossroads of Civilisations and the Balkan Monumental Trail these processes include proposal development, TEG and industry consultations towards development of a regional management structure proposal that will be verified in the coming period and finalised towards establishment through national consultations with other relevant institutions and organisations in all WB6 economies. Besides direct support to concrete business/product and value chain development, the Triple P has prioritised main policy barriers to tourism industry development and growth, and selected areas for further recommendation development: ease of border crossing (length of waiting time, border crossing for adventure programmes), industry data and statistics, workforce skills and mobility, and sustainable tourism practices in development and management. These priority policy areas will be subject to development of proposals for concrete reforms during 2019. Finally, Triple P has executed the first round of small grants financial support (in the total amount of slightly above 600,000 EUR) to small-scale pilots on joint regional tourism routes, with immediate impact on product development.

Table 17: Implementation of Competitiveness actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension K: Competitiveness		
Develop regional value chains Support SME development 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 Boost entrepreneurial learning and women's entrepreneurship and enterprise skills	<ul style="list-style-type: none"> ▶ Triple P project team engaged. Industry assessments for market niches done. ▶ Pilot projects supporting regional tourism products through small grants implemented. ▶ WB6 presented within the joint regional stand at international tourism fairs. 	<ul style="list-style-type: none"> ▶ Regional value chain created in tourism industry through joint regional culture and adventure tourism offers developed and promoted internationally. Barriers and challenges to regional tourism development addressed through targeted policy interventions. ▶ Development of other value chains underway and measures for increasing competitiveness of other industrial sectors developed.
Undertake joint regional activities to support greater access to finance and capital market development; Facilitate regional events for early stage ventures; initiate regional investment readiness actions; regional capital market development, networking and good practice exchange	<ul style="list-style-type: none"> ▶ Regional and global capital market ongoing issues presented and discussed. ▶ Work on development of Regional Financial Markets toolkit commenced taking into account previous activities in the field of Capital Markets development. ▶ The programme proposal developed entailing diagnostics of main challenges to financial sector development. 	<ul style="list-style-type: none"> ▶ Report on financial sector diversification in Western Balkans. ▶ Create base for further development of a regional strategy that will lead to improvement of financial services to businesses.

Under competitiveness, in addition to sectoral work (regional value chains, tourism), the RCC, together with the regional partners built on previously done work on ground-setting for regional capital markets integration and expanded regional cooperation work into overall WB6 financial markets deepening. The aim of this activity is to develop a regional strategy that will lead to improvement of financial services to businesses, but also diversify the opportunities for A2F from traditional banking and credit activities into alternative ones. The main goal is to provide more A2F possibilities for businesses and to enable this with a regulatory framework in line with the EU standards. Since capital markets work has commenced a year ago, the implementation of the activities is underway. The regional diagnostics on financial markets in areas of credit deepening, development finance, non-banking financial products, capital market, financial infrastructure and Fintech is ongoing, whereas for the more advanced aspects of capital markets

a practical toolkit has already been developed (on the example of one economy), which is to be replicated, adapted and developed for all, followed by supporting the implementation of prioritised policy reforms.

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 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. 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-boundary public health legislation, adopt multilateral agreements to strengthen human resources for health and improve inter-sectoral governance for health.

Pillar overview

The Western Balkan economies have experienced positive trends in the labour market and a steady increase in the number of jobs created in the last year, albeit the growth has been lower than in previous years.

Table 18: Target 10 – Employment rate, 20-64 age group

Economy	2010 (baseline)	2011	2012	2013	2014	2015	2016	2017	2018	2020 (target)	achiev./target.
ALB	60.30	64.90	62.40	56.70	56.60	59.30	62.10	63.90	65.60	63.60	161%
BOS	42.80	42.50	42.50	42.80	43.20	43.20	44.20	46.60	47.70	48.80	82%
KOSOVO*	27.80	28.60	29.70	33.00	31.30	29.10	32.30	34.40	33.20	35.90	67%
MNE	52.90	50.90	52.20	52.60	55.60	56.70	57.10	58.20	59.80	57.70	144%
SER	21.20	49.20	48.90	51.20	54.70	55.90	59.10	61.40	63.10	61.10	120%
RNM	48.10	48.40	48.20	50.30	51.30	51.90	53.30	54.80	56.10	57.50	85%
SEE6	50.30	50.40	49.50	49.80	51.60	52.90	55.20	55.90	57.10	57.90	89%

Source: LFS, Statistical Offices; RCC calculation.

The target of the Inclusive Growth pillar 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. Since 2013, Western Balkan economies have witnessed a positive trend of job creation and are on a good path to meet the employment rate target of the SEE 2020 Strategy. In Kosovo*, the Republic of North Macedonia, and Serbia, employment has shown significantly positive signs of growth with increases of 24, 20 and 18 percentage points in the 20-64 age group since 2010, respectively. According to data from 2018, Albania, Montenegro and Serbia have already met their 2020 employment creation targets, while the Republic of North Macedonia, Bosnia and Herzegovina and Kosovo* are on a good track to meet the employment target before 2020, although Kosovo* is the only economy in the region with a negative trend in employment creation in 2018. It is important to note that some of the economies have been more ambitious than others in setting this tar-

get. For example, as shown in the above table, Serbia's target has been to increase the employment rate by 9.9 points and Republic of North Macedonia by 9.4, while at the other end, Albania's targeted increase is only 3.3 points.

L. Employment

Employment in the region has continued to expand in 2018. For the population group 20-64 an estimated 81,000 new jobs have been created. While this increase is lower than in the previous two years (more than 200,000 in 2016 and more than 150,000 in 2017), it still points to an expanding labour market and increased opportunities for employment in the region. The positive trend has benefited women and men almost evenly, while youth remain underemployed. Only 4% of the newly added jobs in 2018 went to youth. Overall youth unemployment stood at 35.4% in 2018, more than twice the overall unemployment rate. The main sectors contributing

to employment creation in the region are industry and services. A considerable share of the increase in employment is due to waged jobs; however self-employment remains widespread with more than 1 in 5 workers being self-employed.

Despite the positive trends, additional concerns in the labour markets remain. The 2019 Communication on EU Enlargement Policy indicates that the economic development and increasing employment is essential also to stem the demographic challenges of the Western Balkans, with high emigration and low birth rates. Without stronger economies and democratic governance generally, these phenomena will continue, with the associated risks of widespread disenchantment, especially among the youth, and brain drain.⁴⁹ About two-thirds of total unemployment is accounted for by long-term unemployment with young people being over-represented in this category, which carries the risk of labour market “scarring” that might adversely affect their lifetime prospects for decent jobs and incomes. Informal employment is another concern that predominantly affects vulnerable groups such as Roma, young people, women and older age groups. Estimate of informal employment in Western Balkan economies ranges between 18 and 33 percent of employment, depending on the methodologies used. Vulnerable employment (calculated as the sum of own-account workers and contributing family workers) amounts to between 13.4% and 52.9%. In 2017, 22.643 Roma individuals benefitted from employment services. According to the annual governments’ reports on the implementation of Roma integration action plans⁵⁰, 51% of planned measures were implemented and partially implemented, with expenditure at the level of 26% of the planned funds.

The public sentiment surveyed by the latest Balkan Barometer reveals almost the same perceptions as in previous years. About 60% of citizens in the region identify unemployment as one of the 2 most important problems facing their economy, and for four out of the six economies, unemployment is listed as the primary concern.

The encouragement of investment by the business sector remains of crucial importance in rais-

⁴⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

⁵⁰ Available at: https://www.rcc.int/romaintegration2020/docs_archive?search_type=3

ing the demand for labour and improving productivity. Simultaneously, the supply of skilled labour should be increased through improvements in the education systems, both at secondary school and at higher education levels. Expenditures on active labour market policies remain relatively low in comparison with EU averages, but they are important instruments that can encourage labour-market participation, provide short-term employment opportunities and spur entrepreneurship. Active labour market measures should be better designed and targeted towards groups in need, such as young people, women and less skilled individuals, also using the results of impact evaluations.

In the employment area, since 2016, RCC has implemented the regional project Employment and Social Affairs Platform. The platform has supported the economies in labour market, employment and social policy reforms aimed at increasing employment opportunities for all across the region. More specifically, it has enhanced institutional capacity for policy reviews and outcomes related to employment and labour market policies by implementing for the first time in the region a series of peer reviews on selected employment policies and programmes, it has strengthened capacities of Public Employment Services and enhanced their existing dialogue through the implementation of a bench-learning exercise, and is supporting the development of a holistic approach to tackling undeclared work in the Western Balkans.

Table 19: Implementation of Employment actions

Measures/Action	Activities and achievements 2018/2019	Expected Results 2019/2020
Dimension L: Employment		
<p>Enhance labour market governance for employment</p> <p>Improve the region’s abilities to develop and implement employment policies</p> <p>Create harmonised data on migration and build capacity to assess labour market development and future skill needs</p> <p>Create a regional consultative process on mobility</p> <p>Abolish labour market restrictions in the region</p> <p>Enhance capacity of labour market institutions for policy making and the promotion of partnerships</p> <p>Forge innovative programmes to tackle employment of vulnerable groups</p> <p>Tackle informal employment through exchange of information and experience</p> <p>Stimulate social economy initiatives</p>	<ul style="list-style-type: none"> ▶ Completed 6 mutual learning activities among Western Balkan Ministries of Labour (MoL) and Public Employment Services (PES) on priority employment policies and measures. The activities produced in-depth analytical overviews of the selected programmes, better understanding of current implementation modalities, recommendations on improving their design, implementation and monitoring, all underpinned by increased openness and trust among officials of MoL and PES in the region to engage in a frank and direct learning exchange. ▶ Implemented the bench-learning initiative among Western Balkan PES through 6 self-assessment exercises and 6 regional external assessment visits that provided a comprehensive and in-depth overview of 21 performance areas of PES work with a focus on strengths, weaknesses, good practices and recommendations for further action to each PES on how to enhance their performance. It has been complemented by analytical work on: a regional 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. ▶ 6 national diagnostic reports on undeclared work that look at drivers of undeclared work, institutional framework and current policy approaches. ▶ Implemented 12 demand-driven technical assistance interventions to address the immediate needs of Ministries of Labour and Social Affairs and PES offices in the region. ▶ Organised two conferences on employment of Roma that discussed and proposed possibilities to increase effectiveness of employment policies targeting Roma. One conference focused on overcoming challenges to independence and employment of Romani women. The other conference proposed innovative approaches to employment of Roma. 	<ul style="list-style-type: none"> ▶ Promote learning and enable transferability of good practices related to the design, implementation and monitoring of employment policies and programmes through the ESAP platform. ▶ Use mutual learning activities and technical assistance to address PES development needs identified during the bench-learning exercise. ▶ Support the Western Balkan economies in establishing a regional network aimed at the transformation of undeclared work into declared work, pursuing a holistic, integrated strategic approach, akin to that of the EU. ▶ Continued national technical assistance to support the national employment, labour market and social affairs strategies, action plans and/or measures. ▶ Increased pace and impact of Roma inclusion policies in employment, ensured through continued expert and technical assistance in preparation of Roma integration and mainstream employment strategies, action plans, and concrete measures to promote Roma employment - with focus on formalisation of undeclared work. ▶ Prepared regional analysis on effective employment measures for Roma, based on existing evidence.

Measures/Action	Activities and achievements 2018/2019	Expected Results 2019/2020
	<ul style="list-style-type: none"> Developed roadmaps that encompass Roma employment measures planned by the governments. The governments will be provided with expert and technical support to formulate and implement planned policies. The main focus is on regulating undeclared work. Organised public dialogue forums in each WB6 economy between civil society organisations and government officials to discuss issues of concern and policy developments related to employment of Roma. 	

M. Health

On the Health dimension the SEE economies continue to face challenges in reforming and creating efficient and effective health systems in the region. Indeed, the public health expenditure as % of GDP is around the WHO EURO Region average which was 5.7 in 2014 according to the WHO Health for all databases. Albania has halved its contribution in 2016 as the indicator reduced to half, which indicates a major event in the economy to determine such a shift. The same phenomenon the same year happened to Bosnia and Herzegovina. Serbia maintained its steady contribution at an average of 9.6% with a slight decrease over the last couple of analysed years. Data for Montenegro show quite a variation over the entire period, but if taking the first compared to the last indicator a decrease of 2% points can be noted. Albeit, 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 effect. Republic of North Macedonia data display a steady decrease, especially in the last two years. 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 the Economic Reform Programmes most of the economies have identified challenges with regard to financing healthcare and social security. Furthermore, the universal health insurance

continues to remain uneven while healthcare costs continue to rise across the region, especially out-of-pocket costs. According to Commission assessment of the ERP 2019-2021 in Albania only 46% of women and 37% of men benefit from public health insurance coverage while there are very pronounced differences in coverage depending on geographical location, educational attainment and personal income.⁵¹

⁵¹ COMMISSION STAFF WORKING DOCUMENT: ECONOMIC REFORM PROGRAMME OF ALBANIA (2019-2021) COMMISSION ASSESSMENT

Table 20: Total health expenditure as % of GDP from 2010 to 2017

	2011	2012	2013	2014	2015	2016	2017	2018
ALB	5.7	5.6	5.7	5.9	6.8	2.8	2.9	
BOS	9.7	9.9	9.5	9.6	9.3	5.5	5.3	
KOSOVO*							2.8	2.2
MNE	6.9	7.2	6.4	6.4	5.9	6.0	4.7	
SER	9.7	9.9	9.9	9.8	9.4	9.1		
RNM	6.6	6.8	6.1	6.5	6.0	4.9	4.9	

Source: Data for 2011-2015 taken from WHO Global Health Expenditure Database; data for 2016 and 2017 taken from ERPs 2018-2020 and from ERPs 2019-2021.

Corruption continues to be prevalent in the health sector in the region. The public opinion captured in RCC's Balkan Barometer 2019 depicts medical and health services as one of the top five sectors with highest perception of corruption in the region.

In 2017, 62.322 Roma individuals benefitted from health services. According to the annual governments' reports, 56% of planned measures were implemented and partially implemented, with expenditure at the level of 40% of the planned funds. Significant portion of implemented measures relates to awareness raising support. The Roma community, people with disabilities and other vulnerable groups continued to experience major difficulties in accessing healthcare services across the region and especially in rural areas. On health inequalities, access to services needs to be strengthened for vulnerable populations, including women and Roma.

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 technical workshops and trainings. The SEEHN worked intensively with its member states to further upgrade public health services towards achieving the SEE2020 measures, with a firm focus on achieving universal health coverage for all population groups, increasing public financing for health, as well as sustaining and strengthening regional cooperation in public health. Within the 40th SEEHN Plenary Meeting the SEEHN agreed to establish the SEE Health Information network, collecting credible data which are important not only at the national but also at the regional level to provide tailored solutions to health systems tackling diseases which go beyond boundaries.

Table 21: Implementation of Health actions

Measures/Action	Activities and Achievements 2017/2018	Expected Results 2018/2019
Dimension M: Health		
Support national efforts to improve performance of health system at all levels of care	<ul style="list-style-type: none"> The WHO Regional Office for Europe and SEEHN Ministers of Health, gathered to discuss the importance of vaccination as a critical public health intervention and a public good. 	<ul style="list-style-type: none"> The technical work on the strategic objective to improve the immunisation rates in the SEE region will continue in 2019. A special focus will be put on the improvement of the access and availability of vaccines for SEEHN member states.
Increase awareness of the relevance of health policies to socio-economic policies in areas such as trade, labour mobility, investment, access to education, etc.	<ul style="list-style-type: none"> SEE Ministers of Health endorsed a Statement of Intent and the process of developing a regional roadmap to improve the impact of the immunisation programme over the coming years. 	<ul style="list-style-type: none"> Technical work with the RHDCs will continue focusing on the following strategic priorities:

Measures/Action	Activities and Achievements 2017/2018	Expected Results 2018/2019
<p>Harmonise cross-boundary public health legislation</p> <p>Enhance cooperation between the Health dimension and other SEE 2020 dimension/pillar coordinators</p>	<ul style="list-style-type: none"> ▶ Annual technical meeting of the Regional Health Development Centers (RHDCs) was organised in October 2018 with an overall goal to contribute to further strengthening the technical collaboration among SEEHN participants within the Chisinau Pledge framework. ▶ At the 40th SEEHN Plenary Meeting the establishment of the SEE Health Information network which will collect data related to the health system in the SEEHN region was approved. ▶ Cooperation has continued with Slovenia with the objective to support the strengthening of primary health-care and enhancement of its quality in the SEEHN member states. ▶ The Roma Integration project supports the governments with technical and expert assistance in strategy and action planning, monitoring, reporting and budgeting on health policies for Roma. 	<ol style="list-style-type: none"> 1. Achieve SDG 3 and other health-related SDGs in SEEHN member states. 2. Work towards achieving universal health coverage in SEEHN member states. 3. Strengthen public health in SEEHN member states. 4. Ensure emergency preparedness and response in SEEHN member states. 5. Promote partnerships for health and well-being in SEEHN member states. 6. Achieve policy coherence between WHO global goals and SEEHN member states' economic, social and environmental policies. <ul style="list-style-type: none"> ▶ Increased pace and impact of Roma inclusion policies, yielding tangible results for Roma in health according to the strategic goals set in Roma Integration Strategies and National Action Plans until 2020 (RI2020) - ensured through supporting the governments in strategy and action planning, monitoring, reporting and budgeting on health policies for Roma.

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 inter-linked 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

As a central part of the EU enlargement policy, rule of law and good governance serve as key elements for peaceful, stable and well-functioning societies. Securing the transparency, accountability, effectiveness, as well as the respect for human rights and democracy, remains essential for economies in the EU accession process. The need to prioritise rule of law and good governance reforms, including public administration reform, featured not only in the Sofia Declaration Priority Agenda, but also in the Enlargement strategy for the Western Balkans. In this respect, strengthening the rule of law implies rooting out the corruption and organised crime, dealing effectively with the state capture and a strong entanglement of public and private interests, as well as ensuring an empowered and independent judiciary and government accountability.⁵² As stipulated in the 2019 Communication on EU Enlargement Policy, the Western Balkan economies continue to show instances of widespread corruption, with the track record remaining unconvincing and far from meeting the requirements for membership. On top of that there is an urgent need to implement reforms in the rule

of law more strongly and credibly.⁵³ The need to pursue these reforms with vigour is also reflected in the Balkan Barometer Survey 2019, in which the majority of respondents feel that laws are applied neither effectively (59%) nor equally (70%). What is more, the parliaments (35%), courts (37%), governments and audit authority (38%) are the least trusted public institution in the region.⁵⁴

In light of this, the REA and the economic integration of the Western Balkans in the areas of investments, digital integration and mobility must be underpinned by the rule of law and good governance so as to improve the overall development of judiciaries in the Western Balkans Six and additionally increase capacity building activities. In light of Joint Declarations adopted at Western Balkans Summit in London on 10th July 2018, RCC will continue to commit to cross-border judicial cooperation and to improving mutual trust among the Western Balkan judiciaries and administrations. RCC-led regional cooperation structures such as Western Balkans Working Group on Justice (WB WGJ), the SEE Judicial Training Institutions and the SEE Association of Mediators Networks work with European partners to additionally strengthened the regional cooperation and provide for a comprehensive dialogue among judicial institutions and mediators' networks. These activities underpin the progress in the area of transitional justice, which lies behind the concept of regional cooperation and good neighbourly relations.

The headline target measuring the progress in the pillar is the Government Effectiveness, which is measured according to the World Bank's Worldwide Governance Indicator. The indicator this year demonstrates progress towards the 2020 target, now being on more than half of the targeted value.

⁵² European Commission (2018), A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf

⁵³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

⁵⁴ Balkan Barometer 2019 - link to be added

Table 22: Target 11 - Government Effectiveness

Economy	2010 (base-line)	2011	2012	2013	2014	2015	2016	2017	2020 (target)	target. value	achiev. so far	achiev./ target.
ALB	2.20	2.30	2.20	2.20	2.40	2.50	2.50	2.58	2.7	0.5	0.4	80%
BOS	1.80	1.70	2.00	2.00	2.00	2.00	2.10	2.02	2.1	0.3	0.2	67%
KOSOVO*	1.90	2.00	2.10	2.10	2.20	2.10	2.10	2.09	2.3	0.4	0.2	52%
MNE	2.60	2.60	2.60	2.70	2.80	2.70	2.60	2.65	3.1	0.5	0.0	10%
SER	2.40	2.40	2.40	2.40	2.70	2.60	2.60	2.69	2.9	0.5	0.3	54%
RNM	2.30	2.40	2.40	2.40	2.70	2.60	2.60	2.64	2.8	0.5	0.3	66%
SEE6	2.20	2.23	2.28	2.30	2.47	2.42	2.42	2.45	2.7	0.5	0.2	54%

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.

N. Effective Public Services

Public administration reform (PAR) is a key element in building democratic governance and ensuring an effective dialogue between governments, civil society and the private sector. As stipulated in the Enlargement strategy, public administration reform is paramount to strengthening governance at all levels, including through the improvement of the quality and accountability of administration, the increase of professionalism, de-politicisation and transparency. Public administration reforms pertain to one of the core issues in the process of application of EU rules and standards and as such require a targeted approach. The reform of the public administration continued, with the overall objectives of enhancing professionalism and transparency in recruitment procedures for the civil service, as well as strengthening policy-making by consolidating sector-coordination structures and establishing the regulatory framework for impact assessment.⁵⁵ Although moderate progress was noted in reaching some of the dimension objectives, the development of modern and competent public service is still to be achieved. Along with a stronger political commitment to implementing reforms and inter-institutional coordination, key elements to which particular attention should be devoted are developing the strategic framework for PAR, quality of policy planning and coordination, as well as monitor-

ing and reporting on the implementation of PAR. Besides, the transposition of PAR strategic plans into national practice remains a challenge for the six Western Balkan economies.

As one of the main regional dimension coordinators for Effective Public Services within the SEE2020 Strategy, Regional School of Public Administration (ReSPA) seeks to address these challenges and assist governments in delivering modern public services to its citizen through the transposition of the principles of good governance into everyday practice. Almost all ReSPA's activities have contributed (in)directly to meeting some of the objectives in the SEE2020 Strategy. ReSPA has enhanced and facilitated the process of monitoring implementation of the SEE 2020 Strategy and through the activities of the Working Group on Better Regulation is improving public-sector capacities to develop and implement public policies in accordance with the goals of the SEE 2020 Strategy. ReSPA has produced a comparative study - Better Regulation in Western Balkans and a Baseline Analysis on Performance Appraisal in the Public Administration⁵⁶ and Comparative Study on Service Delivery⁵⁷.

In addition to ReSPA, the Network of Associations of Local Authorities in South-East Europe (NALAS) is also the regional coordinator of the

⁵⁶ Regional School of Public Administration, ReSPA (2018), Better Regulation in the Western Balkans, <https://www.respaweb.eu/download/doc/Better+Regulation+in+Western+Balkans.pdf/1a3f88428af462b3707500e452294bec.pdf>

⁵⁷ Regional School of Public Administration, ReSPA (2018), <https://www.respaweb.eu/download/doc/Comparative+Study+on+Service+Delivery.pdf/2342ffd1fe9e64da16d225f545eef521.pdf>

⁵⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2019 Communication on EU Enlargement Policy, COM(2019) 260 Final, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

Governance for Growth pillar. NALAS continued to work to support upgrading the policy and regulatory capacities of both the national and local governments of South East Europe for effective delivery of local public services. Within the reporting period, NALAS published the 7th Edition of the Report on Fiscal Decentralisation Indicators for South-East Europe, providing policy-makers and analysts with reliable comparative data on municipal finances and up-to-date information on intergovernmental fiscal relations in South East Europe.⁵⁸ The report clearly indicates that local government challenges to provide better

services and improve the quality of life of citizens are exacerbated by a general stagnation or even deterioration of local government finance frameworks. In addition to this, NALAS has also published "The Agenda 2030 in my municipality: a handbook for practitioners for localising the Sustainable Development Goals⁵⁹" to help practitioners at municipal level improve their knowledge and understanding of the 2030 agenda and the SDGs at local level, to increase their capacities to become promoters of the SDGs and to be able to sensitise other stakeholders.

⁵⁸ The Network of Associations of Local Authorities in South-East Europe, NALAS (2018), http://www.nalas.eu/Publications/Books/FDReport_18

⁵⁹ The Network of Associations of Local Authorities in South-East Europe, NALAS (2018), http://www.nalas.eu/Publications/Books/SDGs_Handbook_

Table 23: Implementation of Effective public Services actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension N: Effective Public Services		
Upgrade policy and regulatory capacities	<ul style="list-style-type: none"> ▶ A comparative study - Better Regulation in Western Balkans - was published during 2018. The study has defined a number of recommendations to be implemented by the ReSPA Members. ▶ A Peer Mission on public consultations was co-organised by ReSPA and the RCC regarding the implementation of the Western Balkans Recommendation on Public Participation of 6 November 2017. ▶ Workshop on current achievements, challenges and next steps for fiscal decentralisation reforms in South East Europe with NALAS Task Force on Fiscal Decentralisation and Gender Focal Points. ▶ Seventh Edition of 2018 NALAS Fiscal Decentralisation Report, providing comparative data on municipal finances and up-to-date information on intergovernmental fiscal relations in South East Europe by putting more emphasis on service responsibilities of local governments and their revenue raising capacities. ▶ Development of the Regional Decentralisation Observatory (RDO) Index for Sustainable Local Governance as a comprehensive tool that monitors the progress of decentralisation and good local governance legislation in South East Europe and provides regional comparisons over 4 dimensions and 99 indicators. 	<ul style="list-style-type: none"> ▶ Follow-up of the recommendations defined by the comparative study on better regulation and their implementation at the national level. ▶ Further implementation of the peer missions on public consultations. ▶ Regional Workshop/Conference (TBC) in Tirana, involving policy-makers, experts and practitioners from SEE to discuss best practices in municipal finance legislation, in particular as regards the financing of local government responsibilities in education, health and social protection services. ▶ The development of the Eighth Edition of the NALAS's Fiscal Decentralisation Indicators for South East Europe Report, which will provide an analysis of municipal finance reform in SEE and eventually the instruments/systems in place in SEE to finance local economic development. ▶ Develop up to three peer reviews/economy reports on the legal framework for local government finance system, to help policymakers better understand the gaps in terms of internationally accepted good practices.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
	<ul style="list-style-type: none"> ▶ Development of the Report on Potential Contributions of SEE Local Governments to the Regional Economic Area that will assess the involvement of local governments and local government issues in the MAP/REA/RIRA and make recommendations for better inclusion of local governments' concerns. 	
Improve the quality of public services	<ul style="list-style-type: none"> ▶ The Comparative Study on Service Delivery was published in 2018 and defined best practices to be implemented at the national level. ▶ NALAS Project: Regional Capacity Development Network (RCDN) for Water and Sanitation Services (WSS), aiming to increase effectiveness and efficiency of the water utilities in the Western Balkans, contributing to better service provision with larger numbers of population groups getting access to drinking water and sanitation services and meeting the European Union (EU) environmental Acquis Communautaire. ▶ Capacity Development Needs Assessment and Strengthened capacities of the partner Associations and their Focal Points through Management Cycle Training, Generic Training of Trainers, Advocacy and Lobbying Training, Branding workshop, Association Needs Assessment Training, and Monitoring and Evaluation Training. ▶ Established RCDN Pool of Trainers and Moderators (PTM) ▶ Developed curriculum and manuals for training on Capital Infrastructure Investment Projects for LGUs and PUCs; ▶ Scaling up NALAS Quick Response service and made the service available for on-demand use by RCDN partners. 	<ul style="list-style-type: none"> ▶ Follow-up of the identified best practices and their implementation by tReSPA members. ▶ Delivery of RCDN CD measures: <ul style="list-style-type: none"> ◆ Training Management Cycle Training; ◆ NALAS Quick Response service; and ◆ Generic Training of Trainers for RCDN PTM. ◆ Training on Capital Infrastructure Investment Projects for LGUs and PUCs; ◆ Training on Competence development of municipal elected officials for WSS services; ◆ Learning from peers for successful infrastructure Waste Water Collection and Treatment projects; ◆ NALAS AM e-learning course; and ◆ NALAS Asset Management Business Planning Model (AMBPM).
Introduce a procedure for continuous improvement of competences of public officials (professionalization)	<ul style="list-style-type: none"> ▶ Baseline Analysis on Performance Appraisal was prepared by ReSPA. ▶ Updated Regional Study on Competence Based Recruitment prepared in cooperation with Nottingham University. 	<ul style="list-style-type: none"> ▶ Follow-up of recommendations identified in the baseline analysis and the comparative studies in order to improve relevant national systems. ▶ Develop online platform to visualise and compare SEE local government revenues and expenditures to offer an opportunity for policymakers to increase transparency and for citizens to participate in decision making.

O. Anti-Corruption

The widespread corruption in the region remains among key challenges and requirements for the EU accession. Implementing a wide array of reforms in the area of anti-corruption is among the priorities for the six Western Balkan economies. This need was also recognised at the EU-Western Balkan Summit in London 2018 by clearly accentuating the necessity of tackling corruption so as to increase economic stability and growth, maintain the security of societies, reduce poverty and protect human rights. In this respect, Western Balkan economies made commitments to address corruption through, including but not limited to, the improvement of the transparency and integrity of public procurement processes, support to anti-corruption bodies that are independent, capable and adequately resourced, strengthening asset and property recovery legislation, and exposure of corruption and corruptive practices.

The region has achieved some level of preparedness in the fight against corruption during the reporting period, but the issue remains the most pressing one for the enlargement process. This assessment also features in the Transparency International Corruption Perception Index 2018⁶⁰, where each Western Balkan economy received below 50 points, taking between 67th and 99th place in a scale of 180. The Balkan Barometer 2019 results point out to the fact that corruption remains widespread in the region, especially with respect to curbing corruptive practices that are directly linked with the political will and public administration capacity. Some 61% of the region's population are unhappy with their governments' efforts aimed at combating corruption, against 34% who are satisfied with their governments curbing corruption effectively. As in 2017, bribes are most common in healthcare (18%, up from 15% in 2017), while corruptive practices in other sectors affect anywhere from 4% to 8% of the respondent population (up from 2% to 6% in 2017).⁶¹

As the regional dimension coordinator for anti-corruption Regional Anti-corruption Initiative Secretariat (RAI) together with its partners held two Regional Negotiation Meetings on Draft Treaty on Exchange of Data for the Verification of Asset Declaration. The first meeting was held in IACA Laxenburg, Austria in October 2018, and the second meeting took place in Podgorica, Montenegro in March 2019. This action is part of

60 International Transparency Corruption Index (2018), <https://www.transparency.org/cpi2018>

61 Balkan Barometer Survey 2019

the large regional programme supported by the Austrian Development Agency (ADA) and Austrian Government. It is implemented with the objective to formally establish regional cooperation and enable efficient cross-border data exchange in the field of asset disclosure and conflict of interest. It is expected that the signing of the International Treaty might take place in autumn 2019. Following the signing and ratification, RAI Secretariat will assist the economies with the implementation of the International Treaty.

Under the auspice of the same regional programme, RAI Secretariat continued strengthening national capacities in implementation of the two corruption preventive measures: anti-corruption assessment of laws (corruption proofing) and corruption risk assessment in the public administration. Governments are being assisted to establish, and in some cases strengthen corruption proofing and corruption risk assessment. Trainings have been carried out for public institutions and civil society, and IT tools have been developed in the course of 2018. In 2019 IT tools will be implemented in some of the governments, further strengthening their efficiency.

Regional Project on Asset Recovery commenced in October 2018 following a short scoping project. With the support of the British Government and partners, RAI Secretariat supports its participants towards aligning with international standards on money laundering prevention, FATF and MONEYVAL recommendations in particular. Actions will complement the overall efforts on strengthening the capacity of key institutions to further align domestic practices with international and European standards in the field of Asset Recovery. The project started with the Peer-to-Peer Visit to Romanian national authorities in December 2018, and continued with regional trainings and capacity building actions for judges and prosecutors. In May 2019 another Peer-to-Peer Visit took place in London, United Kingdom where judges and prosecutors had a rare opportunity to attend a court trial on an asset recovery case and visited key UK institutions combating organised crime and corruption. Further trainings and structured bilateral meetings on enhancing regional cooperation will take place in the fall of 2019 and 2020. Continued efforts have been invested in improving integrity in law enforcement sector. RAI Secretariat activities have been integrated into the Integrative Internal Security Governance (IISG) Integrative Plans of Action for the period 2018 - 2020, endorsed at the IISG Ministerial Board Meeting. Being aware of the fact that integrity and fight against cor-

ruption in law enforcement present one of the challenges in the region, there is a strong need for regional cooperation in this field. The actions will also address the fact that one of the themes of GRECO fifth round of evaluation will be “Preventing corruption and promoting integrity in law enforcement agencies”. Key areas of intervention will focus on the units for professional standards and internal control units’ capacities to ensure better transparency and compliance in the service, thus strengthening the resilience of law enforcement in implementation of their mandates. The interventions will also be directed toward civil society, particularly in the field of whistleblowing, as well as general public with the large regional public campaign with the objective to lower the threshold for corruption tolerance. All the actions will be focused on a follow-up to recommendations given by GRECO.

The three year project is currently under negotiations with the European Commission and is expected to commence in October 2019.

All of the above-listed actions represent RAI’s efforts to facilitate coordinated regional measures that seek to reduce corruption in public administration and societies as a whole. RAI Secretariat continues to fulfil its role of supporting its participants in the implementation of their anti-corruption strategies and plans.

Regional RAI Secretariat stayed firmly on its course of implementation of the RAI 2018-2020 Work Plan which is embedded in the SEE2020 Strategy. RAI Secretariat engaged in several regional actions that directly contribute to the implementation of the Dimension O of the SEE2020 Strategy with following key highlights:

Table 24: Implementation of Governance for Growth actions

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
Dimension O: Anti-Corruption		
Transparent rules and competitive procedures Use best practice methodologies for assessing corruption risk in public institutions in SEE 2020 economies Enhance corruption-proofing of legislation in SEE2020 economies	<ul style="list-style-type: none"> Two Negotiation Meetings on Draft Treaty on Exchange of Data for the Verification of Asset Declaration held under the auspice of Austrian Government in Laxenburg, Austria and Ministry of Justice of Montenegro in Podgorica. RAI Secretariat in partnership with the National Anti-corruption Centre (NAC) of the Republic of Moldova organised the Regional Workshop on IT tools in preventing corruption. Testing phase for the IT tools for corruption risk assessment and corruption proofing of legislation completed, and introduction of IT tools to beneficiaries in final stages. In partnership with the Agency for Prevention of Corruption and Coordination in Fighting Corruption and the RCC, RAI Secretariat organised two Trainings on Corruption Risk Assessment for health care institutions in Bosnia and Herzegovina. Methodology on Corruption Proofing of Legislation for Bosnia and Herzegovina has developed with the Agency for Prevention of Corruption and Coordination of the Fight against Corruption (APIK), and subsequently adopted by the Agency. 	<ul style="list-style-type: none"> International Treaty on Exchange of Data for the Verification of Asset Declaration signed by parties. Cooperation among oversight institutions and bodies in SEE formalised. Capacity of national institutions for conducting corruption risk assessment strengthened. IT and technical capacities of national institutions strengthened. In 2019 new Regional Programme will be developed with UNODC to continue strengthening the CSOs to contribute to the implementation of the UNCAC and its Implementation Review Mechanism.

Measures/Action	Actual activities and achievements 2018	Expected Results 2019
	<ul style="list-style-type: none"> RAI Secretariat organised two Trainings on Corruption Proofing of Legislation in Montenegro. The trainings were organised jointly with RCC and the Agency for Prevention of Corruption in Montenegro and gathered representatives of local self-governments, as well as representatives of Ministries and Secretariat of Legislation. RAI Secretariat held a 2nd module of the training on corruption proofing of legislation for authorities from Kosovo* in May in Zagreb. The training was organised in partnership with UNDP Kosovo* and Anti-Corruption Agency of Kosovo*. 	
Capacity building for law enforcement agencies and judiciary	<ul style="list-style-type: none"> In cooperation with the RACVIAC - Centre for Security Cooperation and the Ministry of Defence of Montenegro, RAI organised the Regional Workshop Integrity and Control Measures in Defence and Law Enforcement Institutions in 2018 and Workshop on Whistleblowing in the Security Sector in 2019, both in Podgorica, Montenegro. Short-term project on Strengthening Regional Cooperation in the Field of Asset Recovery implemented resulting in the publication Comparative Analysis of Practice and Legislation. 2 Peer-to-Peer Visits organised in Romania and United Kingdom on the Asset Recovery. Handbook on effective asset recovery and Handbook on tools and best practices in international cooperation developed. Two regional trainings in international standards and human rights in asset recovery held. 	<ul style="list-style-type: none"> Ensured better transparency of capacities and processes inside the organisations. Improved trust inside the institutions and between the institutions. Capacities of internal control mechanisms within law enforcement institutions strengthened. A new EU funded project on integrity and whistleblowing in law enforcement will commence in fall 2019.
Enhancing regional cooperation	<ul style="list-style-type: none"> In cooperation with the University of Perugia, European Anti-Fraud Office (OLAF) and Italian National Anti-corruption Authority (ANAC), the Secretariat held a two-week International Winter School on Fighting Corruption. 13th Summer School for Junior AC Practitioners from SEE to take place in Belgrade, Serbia in July. The event is hosted by the Ministry of Justice of Republic of Serbia and in partnership with the OSCE Secretariat. 	<ul style="list-style-type: none"> Strengthened regional efforts in addressing issues of common interest and promoting practical regional cooperation. Continued active participation in IISG.

P. Justice

The rule of law based on the independence of the court system and reliable judiciaries is of particular concern throughout the Western Balkans. In addition to reforms to be implemented at the national level, there are areas and topics where regional cooperation presents added value. Many of the most pressing rule of law related issues are deeply embedded in the political, economic and social structure of the economies of the Western Balkans. Tackling them is no easy matter and requires multi-faceted solutions underpinned by the regional cooperation and improved mutual trust. The processes initiated and lead by the RCC support the reforms of legal systems and judiciaries in WB. According to the

Balkan Barometer 2019, there is a worrisome absence of confidence in the institutions and the lack of confidence in the judicial system, which is remarkably higher than in EUMS. It is a clear signal that the improvement of judicial systems is a condition sine qua non in the process of development of Western Balkans. In this area, the RCC continued to work through WB Working Group on Justice (WGJ) as the only regional initiative in the area of justice and proved its role as a hub in judicial training, judicial cross-boundary cooperation and alternative dispute resolution activities aiming to improve efficiency of judiciaries. Regional capacity building has been extended in the area of cross-boundary cooperation in civil, commercial and family matters.

Table 25: Implementation of Justice Actions

Measures/Action	Actual activities and achievements 2018/2019	Expected Results 2019/2020
Dimension P: Justice		
<p>South East Europe Judicial Training Institutions Network (SEE JTI) aiming to:</p> <ul style="list-style-type: none"> ▶ Improve efficiency of courts ▶ Enhance quality of justice ▶ Improve skills and competences of judges and prosecutors 	<ul style="list-style-type: none"> ▶ Exchange of best practices, experiences and lessons learned enabled by the regular meetings of SEE JTIs Network. ▶ Developed Study ‘Towards creating E-environment in justice - common standards on promoting quality of judicial training and regional cooperation in SEE’. ▶ Regular meetings of the WB WGJ aiming to ensure support and follow-up of the WB ministries of justice. ▶ Developed database of regional legal experts in EU law to be hosted by the RCC. ▶ Meeting of combined WGJ and JTIs Network on the role of judicial training in the appointment and career of judges and prosecutors. ▶ SEE Conference “Rule of law at the heart of enlargement process - the role of regional cooperation. ▶ SEE High Level Conference “Independence, competency and efficiency of judiciaries in SEE”. 	<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 and councils for judiciary. ▶ Improved cooperation between JTIs and associations of judges. ▶ Established regular meetings and trainings of JTI and MoJ staff and communication with media. ▶ Improved organisational structure and capacities of the JTI. ▶ Improved communication between judiciaries and media providing timely and trustworthy information to the citizens. ▶ Improved and broadened database in judicial training area to be hosted by the RCC.

Measures/Action	Actual activities and achievements 2018/2019	Expected Results 2019/2020
<p>South East Europe Associations of Mediators Network (SEE AMN) aiming to:</p> <ul style="list-style-type: none"> ▶ Support alternative dispute mechanisms and tools ▶ Enable cooperation among judicial training institutions, courts and associations ▶ Establish regular cooperation between two networks and WB WGJ ▶ Raise public awareness on the importance of alternative dispute resolution for the efficiency of judiciary 	<ul style="list-style-type: none"> ▶ Exchange of best practices, experiences and lessons learned enabled by the regular meetings of SEE AM Network. ▶ Enabled regular communication of mediators with ministries of justice, chambers of commerce and training institutions through regular meetings of the Network. ▶ Established communication and cooperation between the two SEE Networks. 	<ul style="list-style-type: none"> ▶ RCC contribution as a hub for and coordinator of regional activities in ADR and link to European and regional associations active in ADR. ▶ Improved efficiency of judiciaries and reduced court backlog through use of ADR as a tool. ▶ SEE AMN functioning as a platform for exchange of experiences and good practices. ▶ RCC and SEE AM Network continuously working on public awareness raising about the usefulness of ADR. ▶ Percentage of cases resolved through the mediation increased.
<p>Western Balkans Working Group on Justice</p> <ul style="list-style-type: none"> ▶ Enhanced cross-boundary cooperation in civil and criminal matters ▶ Support to comprehensive reforms in justice ▶ Improved independence, efficiency, accountability and integrity of judiciaries 	<ul style="list-style-type: none"> ▶ Improved mutual trust through regular meetings of the Western Balkans Working Group on Justice. ▶ Exchange of experiences and discussions on the concrete cases in the mutual legal assistance field. ▶ Based on the conclusion of the WGJ bilateral consultation process on the improvement of the agreements on cross-boundary cooperation in civil and criminal matters started. 	<ul style="list-style-type: none"> ▶ Consultations and negotiations on a prospective regional multilateral agreement on the mutual legal assistance in civil and criminal matters. ▶ Organised activities for judges and administration in cooperation with EJTN, EIPA, ReSPA, SEELS and other relevant regional and European initiatives and organisations.

PART 3. KEY RECOMMENDATIONS

The key recommendations per dimension include the following:

A. Free Trade Area: (i) Advance with the implementation of Additional Protocol 5; (ii) adopt Additional Protocol 6; (iii) continue further elimination of NTBs and select further sectors for mutual recognition; (iv) launch negotiations on a trade dispute settlement framework; (v) create IT tools for data exchange in the context of AP 5 for all boundary Agencies; (vi) develop Regional Strategy for joint risk management; (vii) complete negotiations on professional qualifications; (viii) develop a timeframe for mutual cooperation between market surveillance authorities; (ix) assess the existing geo-blocking measures.

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 (ii) 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) Implement Regional Investment Reform Agenda (RIRA) so as to speed up policy reforms pertinent to investor entry and protections; (ii) implement Individual Reform Action Plans (IRAPs); (iii) develop Joint Outreach Campaign to target investment promotion efforts to jointly promote Western Balkans as a unique investment destination; (iv) adopt and initiate implementation of regionally acceptable standards for negotiating international investment agreements in line with the investment policy framework and standards of the European Union; (v) support Investment Promotion Agencies with adequate resources and capacity to conduct key investment promotion and facilitation activities, such as investor targeting and aftercare; (vi) conduct an in-depth gap analysis of the investment legislation and mapping of the existing Bilateral Investment Treaties (BITs) with clear recommendations for their improvement so as to ensure compliance

with the EU law and best practices; (vii) 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; (viii) enhance public-private sector dialogue to support business integration by enabling creation of regional value chains in priority industries, and create joint market entry strategies in specific areas to support WB6 exports.

D. Education and Competences: (i) Prioritise the development of comprehensive Human Capital Development Strategies; (ii) prioritise quality, relevance and better skills matching of the education systems (iii) focus on access, inclusion, transition to and completion of secondary and higher education levels of vulnerable groups; (iv) continue cooperation on recognition of qualifications in view of generating opportunities for the youth in the region.

E. Research and Development and Innovation: (i) Complete S3 strategies, alongside with targeted support to innovation in business sector such as technology transfer measures and promotion of open access and open data; (ii) complete Research and Innovation (RI) mapping and RI Roadmaps; (iii) increase investment in R&D and focus on quality of research across scientific disciplines as well as use of R&I to achieve broader socio-economic goals; (iv) enhance regional cooperation in research by building research communities, opening RI to researchers from abroad and cooperation on large-scale projects in the region.

F. Digital Society: (i) Pursue digital transformation of WB society and maximise benefits it brings; (ii) speed up the process of digital switchover in 3 remaining economies and the process of broadband mapping; (iii) transition to 5G communication standards; (iv) establish a system for enforcement and monitoring of RRA2; (v) facilitate creation of sectoral CSIRTs and their networking at national and regional level and intensify work on protecting critical infrastructure

and essential services; (vi) develop an information exchange and incidents handling tool for WB CSIRTs; (vii) intensify activities on improving digital skills for targeted groups; (viii) create an enabling framework for development of e-services including mobile tools to deliver services; (ix) implementation of the single digital gateway which will facilitate online access to information, administrative procedures and assistance services that citizens and businesses need; (x) support cross-sector and cross-border interoperability of public services and reuse of e-government common building blocks, (xi) establish the platform for recognition of trusted services; (xii) create a favourable precondition for swift introduction of Internet of Things concept and interconnected transport standards through use of digital technologies; (xiii) increase utilisation of WBIF funds earmarked for digital transformation; (xiv) maintain cooperation with BEREC and participate effectively in its activities; (xv) implement the roadmap for roaming charges reduction between the EU and WB; (xvi) take concrete steps aimed at making use of the EU Digital Service Infrastructure and joining ISA2 programme; (xvii) support capacities for Data economy (Big Data, Open Data and Open Government); (xviii) support activities for implementation of the single digital gateway which will facilitate online access to information, administrative procedures and assistance services that citizens and businesses need; (xix) increase capacities for alignment with the e-commerce relevant acquis; (xx) organise the WB DS 2020.

G. Cultural and Creative Sector: (i) Further develop cultural tourism through joint regional tourism offers along regional tourism routes and promote the vast potential of the region's cultural heritage.

H. Energy: (i) Pursue the transformation of WB energy market in line with the Energy Union priorities; (ii) spur infrastructure development to go hand in hand with the accelerated implementation of the soft measures; (iii) finalisation of transposition of the third energy package and preparation for new electricity legislative framework; (iv) development of 4th EE Action Plans and defining 2030 EE targets for the WB economies; (v) improve energy statistics and provide timely preparation of energy balances in line with EUROSTAT; (vi) exploit full potential and increase deployment of intermittent RE sources towards the 2020 targets; (vii) reform existing framework and develop market for biofuels and pursue de-carbonisation of the transport sector; (viii) empower and inform consumers and put them at the core of energy transition process.

I. Transport: (i) Support infrastructure development and coordinated monitoring of project financed through the Connectivity Agenda; (ii) pursue development of integrated transport networks; (iii) fully operationalise the Secretariat and ensure preconditions for implementation of the Transport Community Treaty; (iv) strengthen the relevant administrative capacities and implement and enforce relevant transport legislation on road safety and intelligent transport systems; (v) strengthen the regulatory framework and capacities of the railway regulators, and ensure their financial and operational independence; (vi) strengthen efforts towards meeting the international commitments in the area of sustainable mobility and decarbonisation of transport; (vii) upgrade WBIF to make it more efficient and better connected to the reform agenda (WBIF V2.0).

J. Environment: (i) Strengthen cross-sectoral cooperation and exploit potentials of de-carbonisation of the energy sector as well as digitalisation and decarbonisation of transport sector for improvements in the area of environment; (ii) strengthen regional framework for prudent use of natural resources and introducing concept of circular economy; (iii) use political momentum and commitments under the Paris Agreement on Climate Change to drive transformation to climate neutral region; (iv) intensify joint activities in the area of biodiversity; (v) improve cooperation related to mitigating and adapting to climate change; (vi) design concrete measures to address high and dangerous air pollution in the region; (vii) strengthen capacities for enforcement of the environmental law; (viii) launch a Green Agenda for the region.

K. Competitiveness: (i) Support development of regional value chains in priority industries, with the aim of supporting sector competitiveness on the international markets and increasing exports; (ii) undertake further improvements in external competitiveness through productivity-enhancing reforms and investment; (iii) support the diversification of financial markets, particularly capital markets and development of alternative financing instruments in all SEE economies; (iv) create links between natural and cultural resource strategies and tourism; (v) introduce more systematic consultations among relevant public institutions and civil society stakeholders; (vi) upgrade tourism infrastructure in line with internationally recognised standards.

L. Employment: (i) Sufficiently translate the employment support into actual employment as measures primarily focused on employability; (ii)

vulnerable groups to be supported to ensure that they also benefit from improved employment outlook in the region and to reduce inter-group gaps in employment; (iii) focus to be placed on the quality as well as the quantity of jobs created, as an important policy objective for the governments of the Western Balkan economies.

M. Health: (i) Prioritise health sector from human capital and economic development perspective by promoting investment in the health sector in the region and building capacities to provide universal health coverage and access to the quality provision of health services to all segments of population.

N. Effective Public Services: (i) Intensify reforms aimed at improving governance at all levels; (ii) strengthen control mechanisms and transparency throughout the procurement process; (iii) improve service delivery to citizens and businesses, especially through e-services; (iv) improve access and transparency of public procurement by introducing the e-procurement in the traditional public procurement process; (v) train end users to ensure applicability and efficiency of the procurement process; (vi) public tenders for procuring goods and contracts regardless of their size should be made a common practice; (vii) recruit and promote public officials through a transparent and merit-based process thereby ensuring quality and accountability of the administration, professionalization of the civil service and de-politicisation; (viii) ensure multi-stakeholder analysis and impact assessments when reviewing and/or introducing new public service policies; (ix) establish dialogue with local government to improve digital service delivery; (x) support efforts to improve the financing of local government responsibilities in SEE through regional exchanges of best practices and through supporting a more regular consultation of national and local policymakers on local finances; (xi) strengthen the capacities of local governments to improve service delivery⁶².

O. Anti-corruption: (i) Intensify anti-corruption reforms in line with recommendations from fourth and fifth evaluation round of GRECO⁶³, especially related to high-level and political corruption and demonstrate a credible track record; (ii) 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) step up efforts in meeting the anti-corruption pledges adopted at the Trieste and London Summits; (iv) make information about complaint mechanisms available to citizens; (v) encourage citizens and employees to expose corruption by promoting positive values, and encourage authorities to act on the disclosed information and develop mechanisms for preventing retaliation against whistle-blowers.

P. Justice: (i) Step up the credible and transformational reforms in the justice area and deliver sustainable results; (ii) continue the commitment to transitional justice process through the reconciliation efforts in overcoming the legacy of the past and human rights violations; (iii) prioritise the work on judicial reforms and ensure enactment of the legislative framework required for their implementation; (iv) improve and promote ADR process; (v) improve competence of judges and prosecutors through trainings in EU law at the regional level.

⁶² This, among other instruments, can be achieved through the Regional Capacity Development Network for Water and Sanitation Services in South East Europe.

⁶³ The Group of States against Corruption (GRECO) was established in 1999 by the Council of Europe to monitor States' compliance with the organisation's anti-corruption standards.



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