

## **SEE 2020 Programming Document 2017-2019**

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**Contents:**

- 1. Introduction..... 3
  - 1.1. *Purpose and Scope* ..... 3
  - 1.2. *Structure of the document*..... 3
  - 1.3. *Approach and methodology* ..... 3
- 2. Priority actions for the 2017-2019 period ..... 6
  - 2.1 *Flagship: Skills and mobility*..... 6
  - 2.2. *Flagship: Connectivity*..... 18
  - 2.3. *Flagship: Competitiveness* ..... 30
  - 2.4 *Cross-cutting issues* ..... 37
  - 2.5 *Risks and Constraints* ..... 46
- 3. Programme of action for the period 2017-2019 with indicative funding ..... 48

## **1. INTRODUCTION**

### **1.1. Purpose and Scope**

This South East Europe 2020 Programming document sets out the priority actions for the South East Europe 2020 Strategy (SEE 2020) implementation identified during the 2016 annual programming cycle. The preparation of this Programming document was coordinated by the RCC Secretariat and it covers the three-year period of 2017-2019.

The actions described herein represent the result of a wide consultative process involving the representatives of national authorities, regional organizations and structures and international organizations engaged in coordinating and implementing SEE 2020.

The Programming document is developed within the framework of the SEE 2020 programming process outlined in the SEE 2020 Programming guidelines whereas the process was facilitated by the Regional Cooperation Council Secretariat under the guidance of the SEE 2020 Programming Committee consisting of representatives of SEE 2020 National Coordinators and NIPAC offices of the Western Balkans governments.

The drafting of the document included extensive consultation process with the national authorities including several national workshops held in Podgorica, Pristina, Tirana, Belgrade, Skopje and Sarajevo as well as consultations with the regional dimension coordinators of the Strategy's respective dimensions.

### **1.2. Structure of the document**

The document is structured in three main sections: (i) the introductory section outlining the purpose and rationale for programming, identifying the main determinants of the context in which programming took place and approach and methodology for its development; (ii) the programme of actions providing a detailed overview of planned interventions supporting SEE 2020 implementation with the indications of funding and sources, where available; and (iii) table overview of funding commitments along the four areas of interventions i.e. three flagships and the cross-cutting issues.

### **1.3. Approach and methodology**

The Programming document was developed based on analysis of several key documents, reflecting both national and regional priorities. The main reference documents at the national level were the Economic Reform Programmes (ERPs) 2016-2018, taking into consideration the decision of the SEE 2020 Governing Board replacing the National Action Plans for SEE 2020 implementation (originally envisioned in the Strategy) with the ERPs as the main reference documents for SEE 2020 implementation. The regional context is reflected through the analysis of the priorities set in the strategies and work plans of the Regional Dimension Coordinators i.e. taking the approach consistent with their mandate which limits the scope of planned interventions to those implemented at the regional level. The priorities set in the EU macro-regional strategies, namely the EU Strategy for the Adriatic and Ionian Region and the EU Strategy for Danube Region and the priorities set in the RCC's Strategy and Work Programme (SWP) 2017 – 2019 were also considered.

In May 2016, the RCC Governing Board endorsed the 2106 Annual Report on Implementation (covering the reporting period June 2015 – May 2016) that provides an overview of the current status of implementation of SEE 2020 three years after its launch (2013<sup>1</sup>). The report indicated that the status towards the implementation of the headline targets differs from pillar to pillar and that in terms of performance the targets can be grouped in 4 main categories. The first group includes those targets already achieved (such as Target 3 -Trade balance), the second group are those on track to be reached by 2020 (Target 5 – overall FDI inflow and Target 7 – Number of qualified persons in the workforce), the third group represents the targets with substantial progress made, that are broadly achievable by 2020 (Target 6 – GDP per persons employed and Target 11 – Government’s effectiveness) and the fourth group includes the targets which are not likely to be achieved by 2020 (Target 1 - GDP per capita relative to the EU average; Target 2 – Total trade in goods and services; Target 4 – Intra-regional trade in goods; Target 9 – Exports of goods and services per capita and Target 10 – Overall employment rate). Data on target 8 (business creation) was missing, preventing discussion on performance.

Progress towards SEE 2020 Regional Headline Targets							
SEE 2020 Headline Indicator	2010 (baseline)	2011	2012	2013	2014	2020 (target)	Progress towards target at 2014
<b>Overall Strategic Goals</b>							
1. GDP per capita relative to the EU average (in PPS), % of EU-27 av	36	36	36	36	37	44	16%
2. Total trade in goods and services (EUR million)	94.413	99.061	102.578	104.662	109.100	209.500	13%
3. Trade balance (% of GDP)	-15,7	-14,3	-15,0	-11,9	-10,8	-12,3	144%
<b>Integrated Growth</b>							
4. Intra-regional trade in goods (EUR million)	16.005	18.831	17.719	18.116	18.513	30.500	17%
5. Overall FDI Inflows (EUR million)	4.527	6.680	3.929	4.285	6.578	8.800	48%
<b>Smart Growth</b>							
6. GDP per person employed (EUR)	29.770	32.079	32.441	32.845	32.210	36.300	37%
7. Number of highly qualified persons in the workforce (million)	1,33	1,38	1,52	1,53	1,69	2,05	50%
<b>Sustainable Growth</b>							
8. Business creation (no. of newly registered businesses per year)	30.107	n.a	n.a	n.a	n.a	33.760	n.a
9. Exports of goods and services per capita (EUR)	1.612	1.858	1.865	2.022	2.143	4.184	21%
<b>Inclusive Growth</b>							
10. Overall employment rate - 15+ age group	39,7	38,6	38,3	38,4	40,1	44,4	8%
<b>Governance for Growth</b>							
11. Government’s effectiveness, World Bank Governance Index (sc	2,3	2,4	2,4	2,4	2,6	2,9	37%

Source: Eurostat, National statistics, World Development Indicators, Worldwide Governance Indicators  
Data for Target 8. Net enterprise creation was not available at the time the report was prepared.

Source: South East Europe 2020: Annual Report on Implementation 2016

Additionally, the report highlights several lessons learned to be taken into consideration when planning the priorities under this programming cycle, such as the need for more binding agreements to underpin commitments made in the SEE 2020 framework to support the implementation process; enhanced policy coherence, as activities in some SEE 2020 dimensions are not contributing directly to the achievement of stated objectives, and are sometimes driven by demands of implementing partners; strengthened link between strategy implementation and high-level political processes, in those areas where it is possible (such has been the case with transport, energy and trade) to ensure high-level political support; increased capacity to manage the entire policy cycle,

<sup>1</sup> 2016 Annual Report on Implementation, RCC, pg. 3

both at the national and regional level, as in several areas only select stages of the policy cycle are implemented; and greater inclusion of the private sector to ensure that the activities being implemented are in line with the needs of business.

Finally, as an already set rule within the previous programming cycle, the planning was done on the basis of approximate indicative resources needed for regional actions, based on the previous experience in similar interventions<sup>2</sup>.

While reviewing the regional actions to be financed in this period, the RCC has applied the following criteria established by the Programming Committee:

- Relevance – Does the proposed action have clear correlation with the SEE 2020 target(s) and priorities, and does it contribute to the implementation of its measures? Does the action help beneficiaries achieve reforms outlined in the ERPs or other national reform priorities?
- Integration – Does the action cut across different policy areas? How many regional structures are involved? Involvement of other implementing agencies?
- Sustainability and impact – What is the potential impact of the action and how sustainable are the results? How feasible is the action and is it cost-effective in regards to the expected result?
- Complementarity – Is the proposed action complementary with other programmes funded through national and/or external sources?

All actions presented in section 5 of this Programming document have been scrutinized using the above criteria.

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<sup>2</sup>Already used for the programming cycle 2015.

## **2. PRIORITY ACTIONS FOR THE 2017-2019 PERIOD**

### **2.1 Flagship: Skills and mobility**

Skills and Mobility Flagship addresses some of the main constraints identified during the development of the SEE 2020 Strategy – namely the underdeveloped skills base and severely restricted mobility in the region.

The key activities to be implemented in the period of 2017-2019 continue to build on the activities started in the 2016-2018 programming period, in particular the facilitation of negotiations on the development of recognition agreements of professional qualifications and building preconditions for automatic recognition of academic qualifications.

In 2017-2019 programme period additional efforts will be placed into removing obstacles to mobility of PhD students, researchers (particularly young researchers) within the Western Balkans (WB) and between the WB and the EU. These efforts will be supported by actions on open access to research and data in the region which aims to build infrastructural support to sharing of research results which in turn will contribute to increased research output in the region.

#### **2.1.1 Summary of Actions to be implemented by the Regional Cooperation Council for the 2017-2019 period**

##### **Action 1: Open labour market for researchers in the SEE**

Rationale: Western Balkans faces profound challenges in building a research base and in turning it into new knowledge to be used and absorbed at local level by both public and private sector as precondition for innovation and competitiveness. Research mobility has been shown to contribute to excellence in science and is a key EU policy framework priority (Priority 3 in European Research Area) to create an open and attractive labour market for researchers where researchers and knowledge can move freely from one country to another. This action directly addresses mobility of researchers, highlighted in the SEE 2020 Strategy and the Western Balkans Regional Research and Development (R&D) Strategy for Innovation, which suggest that promoting the mobility of researchers within the region and between the region and the EU should be advanced to assist with counteracting brain drain and promoting 'brain circulation'. The Western Balkan economies lag behind the EU when it comes to research mobility. Establishment of a working group on promoting mobility of researchers in SEE (PhD candidates and higher) will assist in identifying policy actions and measures which can support effectively mobility of researchers within the region and between the region and the EU (brain circulation). The Working Group will also assist participating governments in complying and making progress towards the European Research Area (Priority 3).

##### Expected results:

- Legal and other barriers to the mobility of researchers in the region identified;
- Policy reforms to promote mobility of researchers within the region and between the region and beyond (brain circulation) defined;
- Framework for cooperation and networking of EURAXESS offices in the region established;
- Collaboration within the ERA, especially Horizon 2020 on mobility of researchers established.

Budget: 90.000 EUR for a 2017-2019 period.. Funding will be secured thorough the RCC operational budget.

### **Action 2: Improved Open Science measures in the SEE**

Rationale: The impact of publicly funded research on innovation and economic development in the countries of the Western Balkans remains limited. One of the barriers is the level of international integration and the capability to create benefits from the spill overs of such interactions also due to the lack of linkages between public research organisations (PROs) and front runners in the private sector in most of the region. Western Balkans must also strengthen their research infrastructure and, more importantly, innovation capacity to pave the way for a fast and full integration into the EU. Open science has become a significant way of promoting science and increasing transfer of scientific knowledge both internationally and within the EU. Hence the EU adopted a Recommendation on Open Science in 2012 and in 2016 under the Dutch Presidency the EU Competitiveness Council set a target to achieve Open Access of all public research results and data by 2020. Open Science is also one of the priority areas of the ERA Roadmap which Western Balkans participants need to adhere to in their accession process and would also enhance compliance with EU grant rules (e.g. Horizon 2020). Through open science, research results are quickly available to other researchers thus preserving resources, improving the quality of research and enabling advanced research-related questions to be raised. Open science and research gives access to citizens, companies and decision-makers, and increases the opportunities to participate in scientific research. This calls for open access to publications, open research data, open research methods and tools, as well as increasing skills, knowledge and support. Establishing a regional network of National Points of Reference (NPRs) on Open Access will promote the adoption of Open Science policies and associated measures in the Western Balkans region. The emphasis of its activities will be on assisting the region to move closer to adoption of the EU 2012 recommendations on Open Science and reaching the Open Access target by 2020.

Expected results:

- Open Science Policies drafted by the WB economies and actions taken to implement them;
- Synergies among national e-infrastructures at European and global level established;
- National Point of Reference for Open Access designated and take part at the EU member state level meetings of national points of reference for scientific information as observers;
- Enhanced capacity of national administrations to negotiate favourable conditions with major international Journal Publishers on access to journal articles.

Budget: 90.000 EUR for the period 2017-2019 period. Funding will be secured through the RCC operational budget.

### **Action 3: Employment and Social Affairs Platform**

Rationale: The Western Balkan economies share similar structural characteristics and features of labour markets, including high unemployment and labour force inactivity, underfunded active labour market policies, limited resources of public employment services and a mismatch between the demand and supply of labour, with employment creation remaining an important challenge for all economies. The increased focus of the enlargement process on enhanced economic governance

is accompanied by the introduction of instruments such as the Economic Reform Programmes (ERPs) and, in some instances, the Employment and Social Reform Programmes (ESRPs). As a result of the shared regional challenges and processes defined in the enlargement/pre-accession context, Economic and Social Affairs Platform (ESAP) is being established in order to strengthen the regional cooperation in the field of employment and social affairs and to contribute to improving the policy and institutional outcomes and settings in support of employment, human capital and social development.

Expected results:

- Strengthened regional cooperation in the Western Balkans in support of employment, human capital and social development;
- Virtual Employment and Social Affairs repository platform and Community of practice set up, operational, accessed and assessed as useful policy coordination tools;
- Improved capacities for development, implementation and monitoring of employment and labour market policies and measures as a result of targeted capacity building activities and the peer exchanges and enhanced EU MS perspective;
- Built up capacities of Public Employment Services (PES) and existing PES-to-PES dialogue and PES Network with a view to facilitating the SEE 2020 labour mobility objective and preparations for future participation in EURES (European Employment Services).

Budget: 1.500.000 EUR for the 1st March 2016 to 1st March 2019. Budget secured through IPA MC 2015 programme.

**Action 4: Creating preconditions for automatic recognition of academic qualifications in SEE**

Rationale: The Ministers responsible for higher education at the Yerevan Ministerial summit under the Bologna process framework agreed: “to develop more effective policies for the recognition of credits gained abroad, of qualifications for academic and professional purposes, and of prior learning” and to ensure “that qualifications frameworks work in practice”. Development of the national qualifications frameworks, in line with the commitments made, should boost changes in the legislation regulating both recognition and quality assurance. The work on automatic academic recognition calls for an integrated policy approach to developing and implementing structural reforms designed around: qualifications frameworks, recognition of foreign higher education qualifications and quality assurance, and the so-called Bologna triangle, as a coherent whole. Within this framework, the RCC’s focus on automatic recognition supports the national efforts in developing comprehensive approach to implementation of qualification frameworks, quality assurance and recognition policies and legislation, as well as facilitating and removing obstacles to mobility within the region. The automatic recognition model developed through the action with the respective governments will be based on the implementation of national qualifications frameworks and quality assurance systems, having characteristics to support modernisation, accessibility, internationalisation and quality of the higher education (HE) system.

Expected results:

- Quality assured automatic recognition of foreign higher education qualifications model (QAAR-FHEQ) developed and implemented in the region.



Budget: 1.000.000 (3 year period, indicative) – submitted for funding under ERASMUS+ by a consortium of partners (Lead applicant: University of Split); in part co-funded through RCC's operational budget.

#### **Action 5: Removing Obstacles to Mobility of Professionals in SEE**

Rationale: The action on recognition of professional qualification is based on the commitments spelled out in Articles 26-29 of the CEFTA 2006 Agreement, and in particular on achieving the progressive liberalisation in trade in services and gradual opening of services markets across the CEFTA region by reducing the barriers in temporary movement of natural persons (GATS Mode 4). Enhancing the intra-regional trade in services depends on eliminating the barriers on (short-term) free movement of experts and professionals which include removing obstacles to recognition of professional qualifications in the region. The action aims to create conditions for recognition of professional qualifications through facilitating conclusion of mutual recognition agreements (MRAs), improves transparency of national and regional arrangements on recognition of professional qualifications and aims to enhance regional data exchange on the mobility of professionals and future skills needs in selected professions.<sup>3</sup>

#### Expected results:

- A regional agreement on automatic recognition in at least one of the priority professions of mutual interest to the WB economies reached;
- Data collection and dissemination on mobility of professionals in the SEE region and between the SEE and the EU improved;
- A joint database on the mobility of professionals modelled after the EU database developed.

Budget: 1.000.000 (3 year period, indicative). Funds will be in part secured from the RCC's operational budget.

### **2.1.2 Summary of Actions to be implemented by Regional Dimension Coordinators (RDCs) and other regional actors for the 2017-2019 period**

#### **Action 6: Strengthening regional cooperation in VET systems for employment through work-based learning (action proposed by Education Reform Initiative of South Eastern Europe - ERI SEE)**

Rationale: The European strategic framework in the field of education and training (ET 2020) as well as the SEE 2020 and Economic Reform Programmes specify the need for vocational education and training systems to be more responsive to change and wider world, creating stronger links and communication with the business sector and developing skills matching the needs of the labour market. Work-based learning, focusing on creating different opportunities for practical work during the education and training periods, creates opportunities for the development of practical competences needed in the real sector, and thus increases the employability of young people. The issue of the employability of young people is more than urgent as youth unemployment ranges from 40% to more than 60% in the region's economies.

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<sup>3</sup> In the view of increasing intra-regional mobility and with health and construction sectors being prioritised within the Joint Working Group for Mutual Recognition of Professional Qualification (JWMPQ).

Within the region there is already an existing system of cooperation in the field of vocational education and training, in the form of the South Eastern Europe Vocational Education and Training Network, comprising the representatives of the VET centres from the region, dealing with the enhancing work-based learning systems in the region. This action plans the continuation of their activities.

Expected results:

- Improved regional cooperation in enhancing work-based learning – examining common obstacles, exchanging practices and peer-to-peer learning;
- Developed project-based activities (planning of further projects) tackling youth unemployment;
- Strengthened links with the Chambers of Commerce (and the Chamber Investment Forum) and access to the business sector established.

Budget: 90.000 EUR (3 year period). The funds will be requested from KulturKontakt Austria via Education Reform Initiative of South Eastern Europe.

**Action 7: Promotion of work-based learning and creation of regional occupational standards (action proposed by Education Reform Initiative of South Eastern Europe (ERI SEE))**

Rationale: As a way of tackling the issue of high unemployment in the region, and lack of skills needed on the labour market, recognized in SEE 2020 as well as Economic Reform Programmes, it is important to define the sectors with growth potential and continuous need for labour force, relevant for the whole region, and focus the work-based learning activities there. Within these sectors, to train the labour force with adequate skills, it is needed to ensure stable communication pathways between the education and training sector and business sector, with clearly defined needs and designed trainings for the young. In these communication pathways, there are many impediments and stronger efforts are needed to be invested in their removal, which can be achieved in cooperation with regional Chambers of commerce, acting as intermediaries between VET centres and schools on the one hand, and representatives of the business sectors on the other. In these joint actions, work-based learning is to be promoted among employers, emphasizing the importance of their inclusion in defining the needs and providing training opportunities; mechanisms for an easier anticipation of future skills are to be developed, and regional occupation standards within the chosen priority sectors are to be elaborated. Joint occupational standards are then to be adjusted for national purposes and used at the regional level, boosting the mobility of the labour force in the region.

Expected results:

- Awareness raised among the business sector and social partners of the importance of their involvement in the education and training activities;
- Priority economic sectors identified, taking into account already agreed regional priority sectors;
- Structured framework for communication between education and business sector established;
- Tools for identifying obstacles for cooperation between business and education sector and future business needs developed;

- Joint occupational standards in the chosen sectors developed;
- Trainings developed for greater skills matching.

Budget: 800.000 EUR (3 year period). Funding is not ensured. The actions are in phase of negotiations with the potential donors.

**Action 8: Support to enhancing quality of education systems in the region (action proposed by Education Reform Initiative of South Eastern Europe (ERI SEE))**

Rationale: The strategic framework for European cooperation in education and training, which is the guiding framework for the cooperation in the region as well, specifies improving the quality and efficiency of education and training as one of the strategic objectives, crucial for the success of Europe and the region, and for enhancing employability. Furthermore, the necessity of the quality and efficiency of education and training is emphasized in SEE 2020, with its central objective being promotion of innovation and fostering knowledge-driven growth in the region, which can only be established with high quality education at all levels, based on joint quality standards and assurance systems.

Additionally, Economic Reform Programmes of SEE countries stress the importance of reforms in education and training systems, enhancing their quality at all levels. The education systems should develop along the lines of policy guidance directed at, among others, improving education systems outcomes for greater employability and greater achievements on higher educational level later on, improving access to education, skills matching the labour market needs, increasing levels of basic and transversal/soft skills among teacher and consequently students, and creating opportunities for continuous in-service teacher trainings.

Expected results:

- Regional platform for the cooperation of education experts dealing with quality assurance and addressing recommendations of the European Quality Assurance Reference Framework established;
- Regional platform for the cooperation of education experts in the field of teacher trainings established;
- Coordination of the work of education experts in the region with the work of the EU-level Education and training 2020 workgroups established;
- Peer learning activities on quality assurance mechanisms, procedures and standards implemented;
- Peer learning activities of training needs analysis for teacher trainings and quality of teacher training programmes implemented;
- Regional quality assurance standards established;
- Regional teacher training programmes dealing with identified issues (basic skills, transversal skills, outcomes-based curricula etc.) created;
- Recognition mechanisms of regional teacher training programmes established;
- Small grant-schemes for regional teacher mobility established.

Budget: 750.000 EUR (3 year period, indicative); No funding secured.

**Action 9: Assessing and evaluating health systems (the action is proposed by the South East Europe Health Network (SEEHN))**

Rationale: Majority of the health systems in the Region have similarities in their basic concepts and establishments. However, due to differences in economic and policy developments in each economy, there are huge disparities and incompatibilities among health systems. Knowing the structure of the population, the aspects of joint history and similar origin, it is expected to see flow of professional medical workforce, technology, medications and, ultimately, flow of patients throughout the region to where health services are perceived or documented to be most effective, accessible and efficient. Identifying obstacles to this flow is of crucial importance for the region in order to increase competence and improve standardisation (and/or mutual recognition) of health services provision, harmonization of the legislation as well as the medical and other procedures). This action would focus on researching the background and current situation of the structure and compatibility among health systems and health services provision in the region. This baseline study would provide information and set the concept of needs for standardization and harmonization of legal and some specific aspects of health care provision with the EU and internally, within the region.

Expected results:

- Established database of health systems' structure and types of health services provided in different levels of health care (primary, secondary, tertiary);
- Developed database of existing institutions (public and private, PP partnerships included) and Centres of excellence in the Region, respectively;
- Assessment undertaken of the financial structure and the models of financing of health care services;
- Enabled comparison and benchmarking among the existing models of health systems (scope and provision of health services, structure of the models and capacities, excellence centres, cost of services).

Budget: 265.500 EUR. Funds are not secured.

**Action 9b: Assessing and evaluating health system adaptation capacity on climate change (Proposal from the Ministry of Health of Montenegro)**

Rationale: There is strong evidence that the climate is changing rapidly. Increasing temperatures and extreme weather events are contributing to escalation of health risks affecting overall epidemiological landscape in SEE. Climate change has been recognized a serious public challenge in all SEE economies threatening sustainable development. Climate change tend to aggravate health conditions in particular in patients with chronic illnesses thereby increasing the burden on health systems which have been considered still inefficient and burdened by the increased demand stemming from epidemic of chronic illnesses. Adapting to climate change in time is becoming an increasingly significant issue for all countries in order to reduce climate-related damage and risks and to ward off higher damage and adaptation costs at a later date. A lot of health impact of climate change can be avoided through combination of strengthening health system and improved risk management presented by climate change. Therefore, it is necessary to develop a framework for a coherent response of health system across SEE countries to climate change and establish a SEE climate change network. SEE countries need to strengthen the climate resilience of their health systems, e.g. through improved disease surveillance and preparedness for extreme weather events, and ensuring climate-resilient health facilities, with access to essential services such as energy,

water and sanitation; and to identify and promote measures that both reduce climate change, and improve health, e.g. through reducing air pollution, and reducing the environmental impact of the health sector itself. The critical first step in this process is to carry out a vulnerability and adaptation assessment. This will allow SEE economies to assess which populations are most vulnerable to different health effects of climate change, to identify weaknesses in health system and specify interventions to respond. This assessment can provide the basis for building capacity and strengthen the case for investment in health.

Expected results:

- Tool for evaluating health impact of climate change
- Assessment of health system adaptation capacity on climate change
- Recommendation on prioritized options for health system adaptation to climate change

Budget: 250.000 (funds are not secured)

**Action 10: Health Technology Assessment (the action is proposed by the South East Europe Health Network)**

Rationale: According to the definition “Health technology assessment (HTA) refers to the systematic evaluation of properties, effects, and/or impacts of health technology. It is a multidisciplinary process to evaluate the social, economic, organizational and ethical issues of a health intervention or health technology”. Some economies in the region have already applied or are in the process of finalization of the implementation of HTA principles. As a result of the inevitable need for standardization and harmonization of the majority structures and procedures with EU, economies of the Region will eventually need to establish HTA initiative which also needs to be harmonized among countries in the Region. HTA structures (institutions, bodies, agencies or relevant associations and/or organizations) are seen as a joint platform to ease the transfer and flow of technologies, processes, procedures, medications and medical consumable among countries. Harmonization over the HTA structures enables economies easy recognition of similar technologies used in health, use of similar approaches in accessing new technologies, easy benchmarking and high level of compatibility. Similarity in the structure of HTA processes involved and procedures increases the level of comfort when approaching and implementing new technologies and following new developments in the health. This activity should help the economies in their preparation for implementation, actual implementing activities, linkage with other HTA structures and harmonization of the existing ones.

Expected results:

- Baseline information on the status of HTA structures existing in the region including their operational level, expertise and experience gathered;
- Compatibility level of HTA structures among the economies in the region and existing EU HTA structures assessed;
- Provision of data flow and liaison among interested parties (Governmental bodies and institutions, private sector, international organizations, related relevant NGOs) and assistance in approaching HTA structures and procedures enabled;
- Harmonization and integration processes with EU strengthened.

Budget: 210.500 EUR. Funds are not secured.

**Action 10a: Cooperation in cultural heritage (action proposed by Serbia)**

Rationale: The action will focus on management of cultural heritage, capacity building of authorities in charge of cultural heritage policy at local, national and regional level, revitalization of cultural heritage and protecting and conserving of cultural heritage, protection and conservation of cultural heritage within the disaster risk management. It is proposed that the action should be implemented by the Task Force for Culture and Society (TFCS).

Results:

- Established system for management of cultural heritage;
- Built capacities of authorities in charge of cultural heritage policy at local, national and regional level;
- cultural heritage revitalized;
- cultural heritage protected and conserved,
- Cultural heritage within the disaster risk management protected and conserved.

Budget: n/a

**Action 10b: Cooperation in the field of creative sector, in particular creative industries (action proposed by Serbia)**

Rationale: The project will focus on joint implementation of the programs of exchange of cultural contents in the region in the field of contemporary creativity and creative industries. The project will also enable cross-border networking and cooperation through creation of cultural content, as well as creation of cross-border cultural networks. Finally, the project will contribute towards the improvement of conditions for mobility of artists and cultural cooperation. It is proposed that the action should be implemented by the Task Force for Culture and Society (TFCS).

Results:

- Programs of exchange of cultural contents in the region in the field of contemporary creativity and creative industries jointly implemented;
- Cross-border networking and cooperation through creation of cultural content enabled;
- cross-border cultural networks created;
- Conditions for mobility of artists and cultural cooperation improved.

Budget: n/a

**Action 11: Closing the digital skills gap (action proposed by Kosovo\*)**

Rationale: The IT industry is of strategic importance for economic and social development and for Employment creation, Export promotion, Competitiveness, Innovation, Entrepreneurship and Investment promotion. The positive effect of the IT industry on job creation is amplified by the fact that IT is a labor-intensive and skill-intensive industry. In terms of employment, IT sector

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

development has two positive effects: a quantitative one by increasing the number of jobs and a qualitative one by generating employment for higher skilled people. The digital skills could contribute to economic growth and employment in the region, inward investment and create new products and services. In 2013, the global market for IT outsourcing accounted for EUR 223 billion, and this figure is projected to grow rapidly in the next couple of years, thus providing significant export growth potential for countries such as Western Balkans. Particularly in Northern Europe, severe skill shortages in the IT industry will translate into additional demand for IT outsourcing, largely to nearshoring destinations such as Southeast Europe. It is estimated that there will be 756 000 unfilled vacancies for ICT professionals by 2020 (DSM, EU). However, critical constraints—and stark skills gaps—remain important challenges for boosting exports and consequent job creation. The skills gap is both qualitative and quantitative in nature. While individual companies will continue to develop those skills within their own workforces, in an increasingly competitive world employers and investors will increasingly look to the local education and training system to ensure the availability of ‘digital talent’. The link between digital economy expansion—in Western Balkans and globally—and job creation is weak due to: Constraints to increasing the quality and quantity of digital exports, limiting growth of the digital economy, and the limited access to high-quality training and sizable skills mismatches that limit the employability of jobseekers. The digital economy does not require extensive physical inputs or mobility of the workforce. It hence also represents a promising field for generating jobs and income for the region. Key argument for intervention refers to the fact that digital economy skills represent a merit good, with significant long-term effects. Current trends in global labor markets suggest that—due to increasing trade and technological adoption—the future of work will see labor market polarization and the hollowing out of middle-skill jobs especially as smart machines substitute for human effort in repetitive and codified work. Key benefit of the digital economy is that it allows and encourages remote working and it opens up a world of opportunities for young people, women and disadvantaged groups. It is important to mention, the case of Kosovo\*, the pilot project Women in Online Work (WoW) where 100 young women were trained in the skills needed to find work in international online platforms, technical skills (such as coding) and soft skills. By the end of the training, 89% of graduates have obtained at least one online contract. This pilot provides useful pointers to what might be learnt and which interventions could be regionally scaled up. Existing evidence suggests that policymakers need to support accelerated investments in technology adoption by employers and workers; and in improving human capital with a focus on productively using technology. Absent such action, likely not derived from present market conditions, countries—and their firms and workers—face degrading competitiveness.<sup>4</sup> Though the transformation of the education systems to meet the digital skills challenge in WB is essential for the longer term development of ICT sector, in the immediate term, there is a pressing need to explore and develop informal educational approaches.

#### Expected Results:

- Improved digital skills as an enabler of employment and growth
- Regional upscaling of successful pilots on digital skills development
- Sustainable mechanism to support digital skills development in the Western Balkan countries developed.

Budget (2017-2019): The assistance will be provided through TAIEX instrument.

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<sup>4</sup> See for example, Brynjolfsson & McAfee, The second machine age: <http://secondmachineage.com/>

### 2.1.3 Summary of Actions to be implemented by national authorities (based on the priorities proposed in the latest ERPs and/or other national strategies and action plans) for the 2017-2019 period

The analysis<sup>5</sup> of the Economic Reform Programmes provided under this part of the document allows the reader to make a comparison of the sectoral and financial overview of structural priority measures identified in the pilot ERPs 2017 – 2019 in relation to SEE2020 flagships, in the area of Skills and Mobility. The analysis is based on the description of measures, sectors, main policy objectives and relevance for competitiveness and growth, as they were anticipated in the original documents. This is to allow further analysis of respective measures by WB economies and make link to Flagships and Budgetary implications on them for the period 2017 - 2019. The estimations of the budget are calculated using the conservative approach, which means that the funds are not 100% accurate because the financial information provided in the ERPs was not consistent and uniform. Nevertheless, they are still indicative of the general trends and enable rough estimations.

In that regards, within the Skills and mobility, the region intends to invest approximately 168,840,353 EUR for the period 2017 – 2019. The activities focus on following:

Participant	Name of measure	Cost of implementation	Flagship
Albania	Support the development of innovation policy	1,200,000 €	Skills and mobility
Albania	Improve the institutional capacity of research and innovation system	7,000 €	Skills and mobility
Albania	Drafting and implementation of a competence based curricula and training of teachers	2,927,464 €	Skills and mobility
Albania	Improve the quality and coverage of VET while ensuring linkages with the labour market	47,250,000 €	Skills and mobility
Albania	Modernise public employment services, increase employment of women, youth and vulnerable people	n/a	Skills and mobility
Albania	Strengthening social protection, and social inclusion measures	n/a	Skills and mobility
Bosnia and Herzegovina	Improving links between education and labour market in BiH	n/a	Skills and mobility
Bosnia and Herzegovina	Improving the labour market efficiency in BiH	n/a	Skills and mobility
Bosnia and Herzegovina	Improving the functioning of the social protection system in BiH	n/a	Skills and mobility
Bosnia and Herzegovina	Improving links between education and labour market in Federation of BiH	904,985 €	Skills and mobility
Bosnia and Herzegovina	Improving the labour market efficiency in Federation of BiH	n/a	Skills and mobility
Bosnia and Herzegovina	Establishing an efficient, financially sound and sustainable system of pension and disability insurance in FBiH	n/a	Skills and mobility

<sup>5</sup> The categorization of the measures provided in the table is based on the policy mix provided per flagships in the description of flagships (see annex 1 of this document).



Bosnia and Herzegovina	Improving the functioning of the social protection system in Federation of BiH	1,723,052 €	Skills and mobility
Bosnia and Herzegovina	Health Sector Reform in Republika Srpska	n/a	Skills and mobility
Bosnia and Herzegovina	Improving the efficiency and effectiveness of science, research and innovation system in Republika Srpska	n/a	Skills and mobility
Bosnia and Herzegovina	Improving the links between education and labour market in Republika Srpska	n/a	Skills and mobility
Bosnia and Herzegovina	Improving the labour market efficiency in Republika Srpska	n/a	Skills and mobility
Kosovo*	Improving the policy and strategic framework for research and innovation	1,680,000 €	Skills and mobility
Kosovo*	Harmonization of skills supply and demand by drafting occupational standards and reviewing curricula	725,000 €	Skills and mobility
Kosovo*	Implementing and improving the teachers' career system	1,900,000 €	Skills and mobility
Kosovo*	Improvement of employment services through functionalising the Employment Agency and active labour market measures	11,133,992 €	Skills and mobility
Kosovo*	Improvement of social and healthcare services	55,650,000 €	Skills and mobility
The Former Yugoslav Republic of Macedonia	Improvement of the infrastructure and the access to funding for research, development and innovations	2,891,667 €	Skills and mobility
The Former Yugoslav Republic of Macedonia	Further development of the qualification system	5,396,905 €	Skills and mobility
The Former Yugoslav Republic of Macedonia	Profiling of unemployed persons and designing Individual Employment Plan 2	122,928 €	Skills and mobility
The Former Yugoslav Republic of Macedonia	Increasing competitiveness in Creative Industries Sector	437,813 €	Skills and Mobility
The Former Yugoslav Republic of Macedonia	Triple Helix Partnership	772,000 €	Skills and Mobility
Montenegro	Establishment of the Science and Technology Park (STP) in Podgorica	8,260,000 €	Skills and mobility
Montenegro	Development of qualifications in line with labour market needs	2,057,547 €	Skills and mobility
Montenegro	Alignment of higher education with labour market needs	18,000,000 €	Skills and mobility
Montenegro	Amendments to statutory provisions related to the labour market	5,800,000 €	Skills and mobility
Montenegro	Amendments to the Law on Social and Child Protection	n/a	Skills and mobility
	<b>Total</b>	<b>168,840,353 €</b>	

## 2.2. Flagship: Connectivity

Well developed, interconnected and sustainable transport, energy and ICT networks and markets are vital to regional economic integration, competitiveness, sustainable growth and attracting new investments.

The key priority activities intended to be implemented in the period 2017-2019 will relate to supporting the regional connectivity agenda, with particular focus on the cross-sectoral linkages among the policy areas of transport, trade facilitation, environment, climate change, natural resource management, energy efficiency and ICT.

The activities will thus seek to promote a closer transport, energy, environment, trade and ICT integration, as well as to complement and capitalize on the ongoing infrastructure development and the advancing transport and trade facilitation processes. In particular, focus will be placed on highlighting the market integration, competitiveness and sustainability aspects of the connectivity agenda.

The main actions target the connectivity of business agents, supporting the digital transformation of WB and alignment with the Digital Single Market, as well as fostering regional cooperation, peer exchange and targeted analytical and capacity building support in the relevant policy areas of environment, energy, agriculture. In addition, contribution will be made towards strengthening the environmental aspects of the regional soft connectivity agenda. Among many environmental aspects to management and use of natural resources, focus has been also given to climate change resilience and climate proofing of the infrastructure investments, advancing the water, energy, food nexus and biodiversity protection.

The interventions planned for the period 2017-2019 will build on the activities implemented in the course of 2016, especially with relation to the Study on Economic Corridors, as well as the analytical work undertaken in the framework of the transport dimension of the SEE 2020, targeted at: improved corridor management, improved intermodal services, enhanced regional air interconnectedness<sup>6</sup>, establishing a register of auxiliary infrastructure along the core corridors, as well as assessing the climate impact of transport corridors, e.g. via the ClimaCor methodology<sup>7</sup>.

The interventions in the digital society area will mainly build on the past work under the relevant regional digital platforms (on Roaming and Broadband), the Regional Roaming Study (examining the legal, regulatory, institutional and market impact aspects of the roaming policies in WB), as well as on the undertaken regional overview of broadband development and the findings of the Economic corridors study which accentuate the growth potentials of the ICT sector.

Planned interventions in the areas of environment, addressing climate change, natural resource management and energy efficiency will follow the intense activities implemented in the course of 2016 (meetings of Regional Working Group on Environment - RWG Env, endorsement of Ministerial 'Podgorica' Declaration, decision for the RWG Env to coordinate and steer some of the key regional environment projects, etc.). The interventions aim to contribute towards resilient and sustainable economies, adaptable to climate change and a safeguarded environment, as well as more efficient use of energy (promoting a larger share of renewable energy sources), as well as secure and affordable energy in integrated regional market.

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<sup>6</sup> Produced by SEETO through the small grants programme

<sup>7</sup> See: <http://www.rec.org/project-detail.php?id=170>

## 2.2.1 Summary of Actions to be implemented by the Regional Cooperation Council for the 2017-2019 period

### **Action 1: Responding to Environmental Challenges in SEE and contributing towards an environmentally sustainable regional 'connectivity agenda'**

Rationale: The environment dimension is firmly embedded under the Sustainable Growth Pillar of the South East Europe 2020 Strategy with a view of developing a shared regional vision for sustainable development and management of natural resources. The actions planned under this dimension seek to improve convergence and attainment of all environmental sustainability priorities and commitments, as per those defined by the EU accession process, the Paris Climate Agreement, the 2030 UN Agenda for Sustainable Development and EU Biodiversity Strategy 2020. Support is foreseen for the operation of the Regional Working Group on Environment (RWG Env), as a unique sustainable intergovernmental platform in the area of environment that is expected to steer some of the key regional environment projects<sup>8</sup> and provide guidance on programming and implementation of the Environment dimension of the SEE2020 Strategy. The Action also foresees support for climate change resilience and climate proofing of the infrastructure investments, as well as advancing water-energy-food-ecosystems nexus approach and its adoption and implementation and preserving biodiversity.

#### Expected results:

- Enhanced regional cooperation in the areas of environment, natural resources, climate change and energy efficiency;
- Strengthened administrative capacities and extended targeted analytical and capacity building support to RWG Env;
- Strengthened integration of environment and climate policies into other policy sectors, such as energy, transport, agriculture, water, waste, forestry, etc.;
- Increased regional efforts to address the environmental concerns and effects of climate change through mitigation and adaptation measures in SEE, including sustainable management of natural resources;
- Enhanced governance system, partnerships and cooperation for the implementation of the 2030 UN Agenda for Sustainable Development in SEE region in line with the national priorities under the EU accession process.

Close alignment and coordination will be ensured with the work of the regional dimension coordinators (RDCs)<sup>9</sup> on aspects related to the environment, natural resource management, climate change and energy and the endorsed Western Balkan Sustainable Charter<sup>10</sup>, SEETO on energy

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<sup>8</sup>incl. GIZ ORF on Biodiversity; Climate proofing of infrastructure investments; Water, Food, Energy Nexus, etc.

<sup>9</sup> The relevant RDSc in the mentioned area are: Energy Community Secretariat (ECS), Regional Environmental Centre (REC), Global Water Partnership (GWP) and Standing Working Group on Regional Rural Development (SWG RRD)

<sup>10</sup>Such consolidation, pulled resources and synergetic efforts are especially relevant given the strained administrative capacities (particularly in the Ministries for environment) and finances versus the vast needs

efficient transport and infrastructure resilience, GIZ, ADA, as well as with the upcoming IPA MC 2017 relevant projects and EC services.

Budget: 120.000 EUR. Funding will be secured through the RCC operational budget 2017-2019.

### **Action 2: ICTs for sustainable development**

Rationale: In a region with rapidly increasing potentials of the ICT sector, the Action will seek to contribute towards digitization of SEE, increasing the competitiveness of the ICT sector in SEE and accelerated compliance with the principles of the EU Digital Agenda for Europe and the EU digital single market. The Action aims to further enhance the cooperation on economic and social development in SEE and harness the full potential of the ICTs to spur innovation, economic growth, social inclusion, regional competitiveness and improved quality of life for all. With the advance of the regional initiatives on roaming tariffs reduction and broadband development and within a context of a digitally lagging WB region, sustained support is envisaged for the operation of the inclusive regional platforms on digital issues. Focus will be placed on supporting a seamless single digital market in SEE and more enabling environment for enhanced ICT connectivity, harmonized and interoperable ICT infrastructures, systems, processes and services, enhancing digital skills and digital transformation of industries, and leveraging the benefits of ICTs for society in general. Complementary to this is the support to the Regional Roaming Agreement (RRA) and the phased roaming prices reduction path therewith prescribed, which has already brought forwards significant benefits for the final consumers. In addition, the Action will support increasing the visibility and awareness of the future digital connectivity and broadband development needs and more pronounced regional prioritization of broadband development reform measures, be they related to policy and regulatory reforms (aimed to lower the costs of and increase access to new and existing excess infrastructure and infrastructure sharing) or investment-related. The Action also foresees support towards regional initiatives on open data, cyber-security, as well as other digital society and digital economy-related themes of regional interest.

#### Expected results:

- Enhanced regional cooperation aimed at supporting the digitalization of SEE;
- Overview of the economic impact of digitization of Western Balkans (completed regional analysis);
- Established regional policy dialogue on digitization including through annual High-level Balkans ICT Summits;
- Increased competitiveness and export potentials of the ICT sector by putting forward a proposal on regional intervention targeting the needed operational and policy reforms;
- More enabling environment for enhanced digital connectivity, harmonized and interoperable ICT infrastructures, systems and services;
- Provided targeted analytical and capacity building support to the ICT-relevant regional platforms;
- Extended support for further reforms in the field of roaming, including: facilitated inclusive regional roaming policy dialogue frameworks, research and analytical support in developing enabling legal and regulatory framework for sustainable and market-based roaming policies, forward-looking impact analyses in a regional context, enlarging the geographic

scope of RRA, promoting the potentials of the regional approach in coordinating roaming policies and the RRA;

- Provided support towards development of regional broadband infrastructure, mapping of Pan-Balkans broadband backbone, improved regional policy exchange and cooperation on broadband infrastructure development and closer alignment with the EU acquis on broadband;
- Greater integration of ICTs/digital aspects in the regional connectivity agenda.

Close alignment and coordination will be ensured with the private sector, EC services, IFIs, UNDP and ITU on the regional digital agenda initiatives.

Budget: 150.000 EUR. Funding will be secured thorough the RCC operational budget 2017-2019 and cooperation with other key stakeholders and private sector.

### **Action 3: Developing a Regional Platform for Energy Management in Public Sector**

Rationale: In line with the *acquis communautaire* requirements all WB economies prepared National Energy Efficiency Action Plans (NEEAPs) and adopted mandatory indicative energy saving targets (EST) in final energy consumption (9% savings by 2018). Nevertheless, the progress achieved at regional level so far does not meet expectations. Thus, vigorous actions are needed to support economies of the region to establish mechanisms that will enable savings, monitoring and provide inputs for reporting to relevant ministries and other institutions (primarily to the Energy Community Secretariat, Eurostat, etc.). In this course, public authorities, primarily local self-governments are recognised as the most critical with highest saving potential, having in mind that they manage several municipal systems where significant savings can be achieved (public buildings, public lighting systems, water supply systems and sewage water systems). All these systems are important consumers of energy and present “low hanging fruit” in terms of energy savings that may be achieved in a short span of time. Besides local governments, the education sector is also recognized as one with very high potential for energy savings that should be covered by this action. Education sector is traditionally managing a large number of public facilities (kindergartens, primary and secondary schools, universities and other educational/training facilities) that consume significant amount of energy on the annual base. The proposed measure has strong integration character within the region, integrating sustainability and environmental aspects through monitoring of CO<sub>2</sub> emissions and introducing water-energy nexus. The measure aims to influence energy savings directly, decreasing the costs of operation of public sector and improving living standard of citizens in WB economies, contributing to strengthened competitiveness of regional economies. Establishment of the Regional Platform for Energy Management in Public Sector will have strong and visible cross-sectoral impact, while energy savings will directly and positively influence CO<sub>2</sub> emission savings. Additionally, the proposed measure is focused on improving the performance of public administration and one of its components will be dedicated to education and training for users of the tool to be developed. Thus, cross-sectoral aspects with dimensions Environment and Education will be emphasized.

#### Expected results:

- Regional web-based tool for energy management in public sector which will enable monitoring, savings and reporting on energy consumption and CO<sub>2</sub> emissions savings in public sector, developed and deployed;

- Regional inventory of public buildings developed, starting with pilot projects in select localities/sectors;
- Enforcement of national energy efficiency legislation (in line with EU acquis) and support in implementation of national Energy Efficiency Action Plans.

Budget: 100.000 EUR. Funding will be secured thorough the RCC operational budget 2017-2019.

#### **Action 4: Sustainable energy use in transport sector**

Rationale: Energy consumption in transport sector represents ¼ of the total energy consumed in the region. The structure of energy consumed for mobility purposes in the region rely solely on fossil fuels, causing significant environmental, health, congestion and other issues that hamper economic development of the region, contributing to endangering of health of the citizens and negatively influencing the environment. The European Commission adopted Directive 2009/28/EC on promoting the use of renewable energies sources (RES), Directive 2014/94/EC on alternative fuels infrastructure, Directive 2012/27/EU on energy efficiency, and many other pieces of legislation that regulate this area. The Renewable energy directive is already (partially) transposed into legal framework of WB economies, obliging them to provide 10% of energy in their transport sector from renewable sources (biofuels, renewable electricity, etc.) by 2020. Nevertheless, despite legal obligations and a clear economic and public health rationale, economies in the SEE region experience considerable challenges in implementation and struggle with demonstrating progress in this area.

Thus the aim of this action is to support regional cooperation and facilitate introduction of alternative fuels (biofuels, electricity, compressed natural gas, liquefied petroleum gas, hydrogen) as well as environmentally friendly vehicles (hybrid, electric and other low emission vehicles) at the Western Balkans` market. The Action envisions support in the implementation of Regulation on type approval of motor vehicles, setting emission performance standards, Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles, as well as labelling of tyres as part of this package.

Energy and transport have a strong regional character and cannot be considered in isolation, only at a level of a single economy. Rather, a regional integrative approach with harmonization of measures and models would be indispensable in order to provide an appropriately modelled infrastructure and variety of products (energy/types of fuel) in all economies, thus promoting the interests of regional businesses and advancing economic development while satisfying citizen needs. The action aims to perform deep analysis of the status in all WB economies, to establish a platform, and perform concrete actions towards implementation of alternative fuels agenda in the WB region, supporting the sustainability and environmental aspects of the connectivity agenda. The action has strong cross-sectoral impact through substituting fossil fuels and promoting energy savings, leading to achievement of energy targets. Also, significant saving in energy consumption and substitution of fossil fuels will influence valuable environmental benefits in CO<sub>2</sub> emission savings, but also avoiding significant emissions of other pollutants (NO<sub>x</sub>, sulphur, etc.). The third sector that will be positively impacted is transport, becoming more competitive due to decreasing costs and switching towards more sustainable energy. Close cooperation with SEETO, EnC Secretariat, NALAS, GIZ ORF on Municipal services and EE and other key stakeholders, such as REC which hosts the Secretariat of the CIVITAS Initiative ('Cleaner and Better Transport in Cities') and

the CIVITAS Forum Network (where the western Balkans is poorly represented) will be ensured (e.g. through awareness raising workshops).

Expected results:

- Enhanced preconditions for broader use of alternative fuels in all WB economies, and implementation of energy efficiency measures in transport sector, with concrete measures and pilot projects implemented;
- Support WB economies to achieve their mandatory targets related to renewable energy and improving performance in the sectors of Energy, Environment and Transport, making their economies more competitive and improving living standard of citizens;
- Decreasing costs of transport activities (passenger and freight), making transport services more competitive and fostering economic development in a sustainable manner.

Budget: 50.000 EUR. Funding will be secured thorough the RCC operational budget 2017-2019 + TAIEX support.

## **2.2.2 Summary of Actions to be implemented by Regional Dimension Coordinators (RDCs) and other regional actors for the 2017-2019 period**

### **Action 5: Introduction of one stop shops on road border crossing in the Western Balkans (action proposed by SEETO)**

Rationale: There is a growing trend for government agencies to use border posts as primary locations for the enforcement of border controls. However, the most common and traditional border configuration model does not always allow for optimal operations. Typically, two sets of activities are performed at a border post. A user meets the requirements to exit one country and then goes through a process to enter the other country. In the case of trucks, this process can mean inspection of goods twice, including the offloading of trucks or the de-stuffing of containers. Such an inefficient process increases costs and delays. To overcome some of these problems several economies have been introducing one-stop border posts. Such posts seek to combine the border-clearance activities of the two economies in a single location. In theory, the posts are either replaced by or made more efficient through the simplification of clearance procedures that increase cooperation and coordination of controls, foster data and intelligence sharing, and improve control over fraud. One-stop border post facilities should yield economies of scale, better cooperation, simplified formalities, improved, control over fraud and informal data and intelligence exchanges.

Expected results:

- Best practices in the region and abroad identified and presented;
- Prepared template for framework agreements for introduction of one stop shops in WB;
- Prepared road maps for introducing one stop shop in the region, based on defined solutions.

Budget: approximately 100.000 EUR, potentially funded through CONNECTA.

### **Action 6: Enabling seamless connections through integration of urban nodes into the TEN-T Networks in the Western Balkans (action proposed by SEETO)**

Rationale: The urban nodes represent an integral part for the development of TEN -T Networks in the Western Balkans and as such play a key role as socio-economic and technological centres. These nodes ensure the connection between the different transport modes, as well as the connection between long-distance and urban/regional transport. The most important transport nodes of the TEN-T core network (ports, airports, multimodal terminals) and the major urban nodes are often overlapping. The region would greatly benefit from approaches towards seamless last mile solutions both from the national authorities or SEETO perspective. From varieties of options, the action will look at the possibilities to improve the connectivity of 'urban bottlenecks' (physical, technical, organisational) between the urban nodes along corridors and routes. In addition, the action could create some IT supporting platforms for smarter and more integrated passenger transport information and passenger transport solutions.

Expected results:

- Identification of the current physical, technical and operational bottlenecks in urban nodes (main cities, ports, bus terminals/train stations, airports etc.);
- Pre-Feasibility study of the proposals to improve the connectivity bottlenecks in the urban nodes;
- Creation of innovative platforms and IT tools for sustainable, smart and integrated last mile solutions with urban transport.

Budget: approximately 150.000 EUR. The funds are not secured.

**Action 7: Enhanced inter-modality for more cost-efficient transport and logistics in the Western Balkans (action proposed by SEETO)**

Rationale: Following the Study on Inter-modality finalized at the beginning of 2016 with the support of RCC, SEETO intends to bring the conclusions to pilot testing in order to arrive to solutions addressing the challenges identified in the study which could be replicated further, if successful. In addition, a horizontal and cross-sectoral education programme for intermodal transport should be developed and embedded in the non-formal education of the transport ministries and public agencies dealing with various modes of transport, as the lack of knowledge and expertise in the sector is pointed out as crucial in the study which can undermine the sustainable development of any other future project in the related fields. Further institutional support, coordination and promotion with respect to intermodality issues are carried out by the SEETO inter-institutional Working group on Railways and Intermodality.

Expected results:

- Intermodal pilot project implemented, promoting connections between the SEETO Core ports and the hinterland with new innovative solutions;
- Improved intermodal and logistic chains, freight terminals and logistic platforms, by introducing last mile solutions and ensuring seamless infrastructure and ICT connections;
- Developed training/education programmes for intermodal transport and building capacities through delivered trainings to representatives from Transport ministries, and road, rail and port authorities.

Budget: 2.250.000 EUR. The funds are not secured.



**Action 8: Installing an e-QMS system at pilot Border Crossing Points (BCPs) (action proposed by SEETO)**

Rationale: Provided that a firm interest is expressed by at least two neighbouring Western Balkans economies, or all the economies along the extended SEETO Core Network for displacing the queues at the borders, upon the pre-feasibility study on introducing an electronic queuing management system (eQMS) financed by RCC, SEETO can coordinate the preparation of the project documentation for design of the system, which is a pre-requisite for further procurement, instalment and putting into operation. The action will take into account the current catalogue of rest areas being prepared by the RCC-supported study on ancillary infrastructure, and which rest areas could potentially be transformed for waiting areas in accordance to the eQMS. For the selected pilot BCPs, procurement will follow and the system will be implemented after all legal, technical and operational requirements are put in place. Further institutional support, coordination and promotion with respect to eQMS aspects is carried out by the SEETO inter-institutional Working group on Transport Facilitation.

Expected results:

- Project documentation before procurement stage fully prepared and made available to the beneficiaries;
- Legal, operational and technical features of the system are met;
- Functional eQMS in operation at the pilot BCPs.

Budget: approximately 200.000 EUR<sup>11</sup>. The funds are not secured.

**Action 9: Improving the rail-road safety on the SEETO Core and Comprehensive Network (action proposed by SEETO)**

Rationale: After the planned mapping of the most critical crossings between road and rail on the entire SEETO network this action would focus on concrete improvement on several Core (or Comprehensive) level crossing points in order to improve safety and reduce the number of accidents and incidents in the entire WB region. This would include installing the necessary equipment on the most critical sections on the Core (or Comprehensive) level crossing points.

Expected results:

- Reduction of incidents/accidents on the level crossings with roads along the railway network;
- Improved management of the level crossings with clear and divided responsibilities and with ensured maintenance budget.

Budget: 2.500.000 EUR. Funds are not secured.

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<sup>11</sup> Further analysis on the prospects of introducing eQMS systems in WB can be pursued in the framework of the ongoing CBC and ETC programmes, such as the recent application on this topic submitted under IPA CBC Serbia-Hungary Priority Axis 2: Decreasing bottlenecks of cross-border traffic.

**Action 10: Rural Development via Natural Resource Management in SEE (action proposed by SWG)**

Rationale: Inter-sectoral and regional cooperation between ministries and other authorities responsible for agriculture, forestry and water, as well as for the environment requires further improvement. There is insufficient expertise and (technical and financial) resources for implementing the integrated and sustainable management of natural resources among policy makers, administration, the private sector and the rural population at the local, national and regional level. The regional coordinators will facilitate the process for integrated cross-sectoral coordination among policy areas, levels of governments, civil society and research communities. Such multi-level approach further consolidates regional cooperation for inclusive and sustainable development of SEE economies. The given action will focus on strengthen regional capacities for rural development and nature resources management in South East Europe.

Expected results:

- Strengthened water, forestry and soil policy implementation and provision of policy recommendations in the SEE region, particularly WB, to uphold the progress towards EU;
- Improved cooperation between public and private bodies with enhancing efforts to practice proper natural resource management and invest in sustainable use of natural resources;
- Pilot measures in the rural cross-border regions realised for rural economic development and sustainable management of natural resources.

Budget: The above stated actions for rural development and natural resource management are being implemented on behalf of the SWG and funding has been secured for the period 2015-2017. The actions on Result 1 have started implementation as of 2016 and funding has been secured in cooperation with GIZ till December 2017. For the actions under Result 2 and 3 funding has been provided on behalf of EC financed under the Area Based Development Structures till June 2017.

**Action 11: Regional cooperation towards enhancing administrative capacities for cybersecurity (action proposed by Serbia)**

Rationale: WB economies are at initial stages in terms of transposing the NIS Directive: Directive on security of network and information systems and have voiced<sup>12</sup> their needs for regional cooperation among national Computer Emergency Response Teams and national NIS authorities and capacity building on legal, institutional and operational matters related to improving the overall levels of cybersecurity and building a safe regional cyber space. Regional cooperation on this topic (regional peer-exchange and best-practices sharing) will additionally promote swift and effective operational cooperation on specific cybersecurity incidents and sharing information about risks.

Expected Results:

- Improved alignment status and implementation track record on cybersecurity-related acquis (Directive on security of network and information systems)
- Best-practice sharing and regional networking among Computer Emergency Response Teams and NIS authorities in WB

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<sup>12</sup> Priority stated during the national consultation process on SEE2020 Programming Document 2017-2019

Budget (2017-2019): The exact amount of the budget is to be decided. The funds are not secured for this action.

### 2.2.3 Summary of Actions to be implemented by national authorities (based on the priorities proposed in the latest ERPs and/or other national strategies and action plans) for the 2017-2019 period

The analysis<sup>13</sup> of the Economic Reform Programmes provided under this part of the document allows the reader to make a comparison of the sectoral and financial overview of structural priority measures identified in the pilot ERPs 2017 – 2019 in relation to SEE2020 flagships, in the area of Connectivity. The analysis is based on the description of measures, sectors, main policy objectives and relevance for competitiveness and growth, as they were anticipated in the original documents. This is to allow further analysis of respective measures by WB economies and make link to Flagships and Budgetary implications on them for the period 2017 - 2019. The estimations of the budget are calculated using the conservative approach, which means that the funds are not 100% accurate because the financial information provided in the ERPs was not consistent and uniform. Nevertheless, they are still indicative of the general trends and enable rough estimations.

In that regards, within the Connectivity, the region intends to invest approximately 1,934,901,281 € for the period 2017 – 2019. The activities focus on following:

Participant	Name of measure	Cost of implementation	Flagship
Albania	Further liberalization of the energy market	n/a	Connectivity
Albania	Diversification of energy sources (gasification)	2,100,000 €	Connectivity
Albania	Feasibility study for the construction and upgrade of the Adriatic-Ionian Corridor	3,000,000 €	Connectivity
Albania	Rehabilitation and construction of the railway segment Tirana-TIA-Durrës	90,450,000 €	Connectivity
Albania	Adoption of the legal and regulatory framework for the development of the broadband infrastructure	4,500 €	Connectivity
Albania	Consolidation and defragmentation of agricultural land	627,335 €	Connectivity
Bosnia and Herzegovina	Improving the communication infrastructure in BiH	n/a	Connectivity
Bosnia and Herzegovina	Increasing energy efficiency and use of renewable energy sources in BiH	n/a	Connectivity
Bosnia and Herzegovina	Improving the telecoms market in BiH	n/a	Connectivity
Bosnia and Herzegovina	Enhancing agricultural production in BiH	n/a	Connectivity
Bosnia and Herzegovina	Introducing electronic signature - eSignature in BiH	n/a	Connectivity
Bosnia and Herzegovina	Improving the communication infrastructure in Federation of BiH	n/a	Connectivity

<sup>13</sup> The categorization of the measures provided in the table is based on the policy mix provided per flagships in the description of flagships (see annex 1 of this document).

Bosnia and Herzegovina	Increasing energy efficiency and use of renewable energy sources in Federation of BiH	n/a	Connectivity
Bosnia and Herzegovina	Enhancing agricultural production in Federation of BiH	3,885,819 €	Connectivity
Bosnia and Herzegovina	Conserving, protecting and improving environmental quality in Federation of BiH	n/a	Connectivity
Bosnia and Herzegovina	Improving the communication infrastructure in Republika Srpska	4,601,627 €	Connectivity
Bosnia and Herzegovina	Enhancing agricultural production in Republika Srpska	n/a	Connectivity
Kosovo*	Reduce energy consumption through energy efficiency measures	20,308,913 €	Connectivity
Kosovo*	Further development of energy generation capacities	3,585,910 €	Connectivity
Kosovo*	Extending relevant ICT network infrastructure for socio-economic development	20,000,000 €	Connectivity
Kosovo*	Investment in agricultural infrastructure and agro-processing	177,552,000 €	Connectivity
Kosovo*	Regulation and consolidation of agricultural land	1,500,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Joint railway border station Macedonia - Serbia	3,380,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Upgrading and rehabilitation of the transport Corridor X	122,964,350 €	Connectivity
The Former Yugoslav Republic of Macedonia	Upgrading and rehabilitation of the transport Corridor VIII	250,232,959 €	Connectivity
The Former Yugoslav Republic of Macedonia	Construction of 400 kV Overhead Transmission Line SS Bitola 2 to Macedonia-Albania border and SS 400/110 kV Ohrid	36,615,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Rehabilitation and modernization of the transmission network and power system management	33,964,973 €	Connectivity
The Former Yugoslav Republic of Macedonia	Improvement of Irrigation Systems	100,867,107 €	Connectivity
The Former Yugoslav Republic of Macedonia	Consolidation and defragmentation of agricultural land	4,094,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Agricultural cooperatives	5,550,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Upgrading the customs clearance facilities of road border crossings Tabanovce (IPA 2012) and Kafasan (IPA 2013)	3,570,000 €	Connectivity
The Former Yugoslav Republic of Macedonia	Development of National Portal for e-services	515,980 €	Connectivity (ICT)
Montenegro	Construction of the undersea cable between Montenegro and Italy with transmission infrastructure in the country and interconnection with Serbia	51,700,000 €	Connectivity
Montenegro	Construction of Block 2 of the Thermal Power Plant in Pljevlja	299,280,000 €	Connectivity

Montenegro	Construction of the Smokovac–Mateševo priority section of the Bar-Boljare highway	595,350,808 €	Connectivity
Montenegro	Modernization of the Bar–Belgrade railway (Vrbnica–Bar section in Montenegro)	29,550,000 €	Connectivity
Montenegro	Support for investments in the food production sector in view of achieving EU standards	69,600,000 €	Connectivity
Montenegro	Introduction of e-services into the land registration system	50,000 €	Connectivity (ICT)
Total		1,934,901,281 €	

### **2.3. Flagship: Competitiveness**

Increasing competitiveness and supporting industrial development are the main priorities of the SEE 2020 Competitiveness Flagship. Interventions will be centred on improving conditions for investment and strengthening the industrial base of the region's economies, while supporting priority sectors, encouraging creation and growth of enterprises, enhancing the region's innovation performance and increasing its share of international trade. While respecting implementation of the SEE 2020 Strategy and the RCC 2017-2019 Strategy and Work Programme the Actions planned will also be aligned with the individual Economic Reform Programmes and obligations stemming from the accession process, so as to associate regional efforts with national priorities. The activities will represent the continuation of the work stipulated by the 2016-2018 Programming Document, under which the work in the areas of investments has already commenced and ensured financing through MC IPA, in cooperation of the RCC and CEFTA, with the technical support of the World Bank.

The activities that will be undertaken by the Competitiveness Flagship will aim to continue facilitating the process of a regional dialogue on establishment of a regional investment reform agenda. RCC's SEE Investment Committee (Working Group on Investment), in cooperation with CEFTA and the World Bank Group, and with the financial support of the European Commission, will implement the regional programme on policy reform pertaining to investor entry, investor protection, and investment incentives. Additionally, regional Investment Policy Review study will be executed in cooperation with UNCTAD, as well as an extensive analysis of a legal base for prospective regional investment standards, anticipating benchmarking the region's economies on the state of play of investment regulations and possibilities for formalization of the investment reform agenda. This work will push for greater economic integration of the region. In the endeavours of supporting the development of the single regional market, this flagship will seek to contribute towards greater and seamless regional economic integration along the SEE physical corridors. Extensive analysis and assessment of industries, intra-regional trade and industrial linkages and complementarities, services integration, etc. existing along the SEE corridor routes will serve to boost the economic linkages along these routes and connect the region in the most prominent economic and business areas, by providing proposals for tools, measures and activities for connecting and better utilization of the region's economic zones, clusters, hubs and specific industries.

In further endeavour of enabling a more secure business/investment environment, competition policies will be reviewed, anticipating proposals for their improvement, as well as for a better implementation of those policies. In this regard, stronger cooperation will be sought with the Competition authorities of the region and creating a network of these authorities and stronger regional cooperation in competition policies redesign, harmonization with the *acquis* and support to relevant competition laws enforcement.

Furthermore, activities under this flagship will serve to promote regional dialogue on effective industrial policy (re)design in line with the EU's industrial development initiatives, aiming to improve existing and introduce new policy instruments to expand the production base. Sectoral approach will be in focus of this work, currently in the area of tourism and food and beverage processing, with a possibility of selecting additional priority sectors to be subject to deliberations on industrial policy instruments development. More specifically, in the area of tourism, the region

will work on developing joint regional offer for international tourists, particularly in the areas of cultural and adventure tourist routes as a priority. In the areas of food and beverages processing, the region will work on establishment of a regional supply chain and support its integration into global supply chains.

Finally, private sector will be fully integrated in regional activities, aiming to bring on board the voice of business, both for the improvement of the investment environment, as well as for industrial development. Provided that the business will be the “end user” of the results achieved by efforts in the aforementioned priority areas, it is of utmost importance to include its active participation in development of respective instruments. Although the RCC will work on integration of private sector into the work on implementation of the activities with a particular focus on competitiveness (industrial development and investment reforms), these activities will not be exhaustive and will seek relevance with other flagships, where deemed possible. In this endeavour, the RCC will establish a formal relationship with the newly established Chamber Investment Forum (CIF) of the Western Balkans, which would provide for the improvement of the analytical base for the RCC’s endeavours, and expert input from the private sector in decision making in the aforementioned priority areas. Furthermore, joint development of projects and programmes supporting private sector development is also envisioned, for which support would be sought from the donor community.

### **2.3.1 Summary of Actions to be implemented by the Regional Cooperation Council for the 2017-2019 period**

#### **Action 1: Support to development and implementation of a regional investment policy reform agenda and establishment of a legal base analysis for regional investment instrument**

Rationale: This action will focus on facilitation of the regional dialogue on investment reforms through a policy/sectoral approach for development of the regional investment standards. To support these activities, the RCC and CEFTA intend to engage with the World Bank in this area to solicit support and technical assistance in investment policy-related activities that would back the overall process, and this assistance should become available through an EU-funded action during 2017. In addition to facilitating and managing the process, RCC will also be conducting specific analysis on Investment Policy Review in cooperation with the UN Conference on Trade and Development (UNCTAD), and provide analytic and expert assistance to the process.

The work on the investment reform agenda will be additionally supported with hands-on work to improve the business environment. The RCC will work in cooperation with the governments of the region on implementation of the electronic system of issuing building permits to investors, as well as setting up and implementing the standards of business friendliness among towns and municipalities of the region, so as to improve the overall business environment and increase the ranking of the region’s economies on the Doing Business index. Finally, these activities will also contribute to the areas of connectivity and e-governance, as well as good governance of the region, respectively.

#### Expected results:

- A regional investment agenda developed and endorsed, entailing harmonized standards on investor entry, protection and incentives;

- Electronic system of issuing building permits established and functioning in the region;
- Standards on business friendliness established, endorsed, and implemented throughout the region.

Budget: 2.500.000 EUR for investment reform agenda (EC financed in cooperation with WB secured). RCC budget: 255.000 for the regional dialogue secured through RCC operational budget 2017-2019. There is additional need for funds in the amount of 6.130.000 EUR, for the following activities: (i) 100.000 for additional analysis; (ii) 3.000.000 EUR for implementation of business friendliness standards; (iii) 3.000.000 EUR for implementation of e-building permitting system; and (i) 100.000 EUR for activities with private sector (CIF) on investment publication development and publishing and investment promotion business conferences<sup>14</sup>.

### **Action 2: Supporting policy tools and instruments on economic corridors**

Rationale: This action will seek to contribute to greater and seamless regional economic integration along the SEE corridor routes. In direct response to the Berlin Process conclusions (Vienna Summit), support will be directed towards development of viable economic corridors, as competitive logistics, trade and industrial corridors connecting economic zones, clusters, hubs and industries. In addition, focus will also be placed on ensuring that Western Balkans' transport systems and frameworks adequately facilitate and support the flow of goods, services and people, the climate change resilience and climate proofing of the infrastructure investments and the overall competitiveness of the region, i.e. transport in function of trade, industry, commerce and increased investment flows. The Action aims to contribute both to the transport and trade facilitation, regional connectivity agenda, liberalization of trade in services and investment agendas, as well as to the efforts for re-industrialization in the WB region. In terms of the latter, the action will support the operation of the regional institutional platforms relevant for the industrial policy which coordinate, analyse the regional industrial policy agenda and facilitation of technical, expert and legal support for the regional/multilateral policy coordination and negotiation process on selected industrial policy instruments. The efforts will focus on establishing regional dialogue among the SEE policy makers and exchange of information on effective industrial policy design, complementing the existing national policies with a broader regional view. This work will also take into account the national priorities identified in the Economic Reform Programmes and obligations stemming from the accession process (Chapter 20).

#### Expected results:

- Regional reforms to enhance trade and connectivity among WB economies and between WB and EU supported;
- Contribution provided towards the accelerated implementation of the Connectivity Reform Measures and the Joint Action Plan for Western Balkans Trade and Transit Facilitation;
- Additional support to development of industrial policy instruments and establishment of value chains in sector/s of regional priority;
- Regional industrial policy instruments identified and embedded in national and regional policy agendas;

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<sup>14</sup> There is a possibility that additional funds will be secured for this action from the Chamber Investment Forum (CIF).



- Support extended for the design and implementation of regional approaches to industrial development and integration in relevant value chains (such as regional clusters);
- Added Value to the Core Transport Network;
- Preconditions for seamless transport along the Core Corridors, especially in aspects related to promoting intermodal transport solutions, queue management services, climate change resilience and climate proofing of the infrastructure investments etc. improved.

Close coordination will be ensured with CEFTA and SEETO, other relevant Regional Dimension Coordinators, IFIs, EC services and donors working on sectoral support (e.g. GIZ, USAID, etc.).

Budget: 114.000 EUR. Funding will be secured thorough the RCC operational budget 2017-2019. There is additional need for funds in the amount of 100.000 EUR for additional consultancy work on priority sectors and regional high-level conferences on economic corridors in cooperation with the private sector<sup>15</sup>.

### **Action 3: Facilitating regional dialogue on development of industrial policy instruments and supporting regional strategic sectors**

Rationale: RCC will focus its efforts related to industrial development with concrete actions in mitigating the barriers to development of the region's priority sectors, initially tourism and food and beverages processing. The work on sectoral support will be focused on addressing the skills gap barriers in tourism and food and beverages processing industries, and hence supporting the skills and mobility agenda, along with those barriers related to services (in tourism), production (in food and beverages), licensing, quality standards, promoting the internationalization of the sectors, FDI attraction through targeted investment promotion activities, and addressing other barriers that are hindering not only the development of these sectors per se, but also creation of the regional value chains. Furthermore, the RCC will continue working on development of joint regional products and/or supply chains in the priority sectors. Particularly, the RCC will facilitate joint regional effort in development and promotion of the regional product in tourism sector, with a focus on adventure and cultural/historical tourism, whilst assisting mitigation of main barriers to sector development and supporting small-scale pilot projects on joint regional tourism routes. Finally, the RCC will facilitate the analytical process of identifying and prioritizing additional (industrial) sector, with an intention to address the issues of its development barriers, creation of regional value chains and internationalization, along with the work on development of regional industrial policy instruments.

#### Expected results:

- Regional joint product in tourism developed and promoted internationally, along with regional instruments on addressing the skills gap (and other) barriers implemented and small-scale projects supported on regional tourism routes;
- Regional instruments established and measures implemented on improving the quality infrastructure, development of regional supply chains, supporting the promotion and internationalization of regional supply chains, addressing the skills gap barrier in food and beverages processing industry;

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<sup>15</sup> There is a possibility that additional funds will be secured for this action from the Chamber Investment Forum (CIF).

- Third sector of regional priority identified and industrial policy instruments for development of regional value chain in this sector identified, agreed upon, and embedded in regional and national agendas.

Budget: Tourism: 5.000.000 EUR for Tourism project under discussion with EC, to be potentially financed under the IPA MC 2017 programme. RCC budget will finance 141.000 EUR for the regional dialogue secured thorough RCC operational budget 2017-2019. There is additional need for funds in the amount of 100.000 EUR for the additional consultancy and analysis and 3.000.000 funding for the regional action for support to the food and beverages processing sector.

#### **Action 4: Strengthening the competition regional network**

Justification: Although the SEE economies have advanced in creating a competitive economic environment, by establishing formally independent competition authorities and putting in place a number of policies that prohibit anti-competitive behaviour, challenges still remain in systematic implementation of those policies, while the enforcement record of competition law remains limited throughout the region and with insufficient guidelines for the business on application of competition legislation. In the endeavour of the improvement of the business enabling environment, as stipulated by the SEE 2020 Strategy, and as requested by the competition authorities representatives throughout the national consultation process on SEE 2020 programming, it is required that the take further steps towards addressing the identified challenges to strengthen competition in the economic environment.

#### Expected results:

- Regional cooperation on competition policy reinforced, by relying on the conclusions and recommendations of the previously held Sofia Competition Forum, and extending this cooperation on an operational level, namely through experience-sharing, joint market studies, joint training and staff secondments and exchanges;
- Measures and recommendations for mitigating obstacles to competition proposed to regional governments;
- Guidelines on competition legislation enforcement practices developed as support to business and the civil society (whilst considering possibilities of harmonization with the EU guidelines, given the significant overlap between the rules in the competition laws of the six SEE economies and those included in the EU acquis).

Budget: Provided that this activity is newly introduced, there is additional need for funds in the amount of 100.000 EUR for the consultancy and analysis work and 30.000 EUR for the regional dialogue among the competition authorities.

### **2.3.2 Summary of Actions to be implemented by Regional Dimension Coordinators (RDCs) and other regional actors for the 2017-2019 period**

#### **Action 5: Developing Entrepreneurial Societies in SEET: Support to the South East European Centre for Entrepreneurial Learning (SEECEL)**

Rationale: As in previous two three-year cycles the Action shall focus on human capital development and on fostering entrepreneurial societies in South Eastern Europe and Turkey (SEET),

in order to contribute to private sector development, competitiveness, growth and job-creation. Specifically, the Action shall further support policy implementation in the region related to entrepreneurial learning as a key competence (at all levels of formal education) and to support development of framework for availability of skills and training of SMEs (including women entrepreneurs) in line with the principles of the EU's Small Business Act for Europe (SBA).

South East European Centre for Entrepreneurial Learning (SEECEL) has been working actively with all relevant stakeholders, especially at school and faculty level, as well as business support organizations in all SEECEL countries since 2009 in building entrepreneurially literate societies. Through structured regional cooperation, SEECEL works directly with practitioners (educational institutions, business support organizations, experts and other stakeholders), with direct support from relevant ministries and agencies. Based on the positive impact of SEECEL's work, the countries in the region have requested to continue assisting in implementation of SEECEL activities being unique in the region and move the agenda forward in line with the EU's jobs and growth agenda.

Expected results:

- Increased capacity of economies for policy planning, monitoring and evaluating of entrepreneurial learning and SME skills through participation in SBA assessment and through launch of SBA Human Capital Barometer;
- Increased delivery and quality of entrepreneurial learning in all economies through developing pre-service and in-service teacher training systems, training teachers, piloting teaching modules, expansion and strengthening of pilot school network and strengthening school-community links, as well as through peer-learning and mentoring models;
- Increased involvement of chambers/business support organisation for developing SME skills through enhanced tool for training needs analysis (TNA) for SMEs implemented in all economies in the region, with results used/recognised in policy documents;
- Shared knowledge and good practices through peer-learning between policy-makers, experts, schools and teachers in the whole region related to entrepreneurial learning.

Budget: 3.000.000 EUR. The funding is not secured.

**2.3.3 Summary of Actions to be implemented by national authorities (based on the priorities proposed in the latest ERPs and/or other national strategies and action plans) for the 2017-2019 period**

The analysis<sup>16</sup> of the Economic Reform Programmes provided under this part of the document allows the reader to make a comparison of the sectoral and financial overview of structural priority measures identified in the pilot ERPs 2017 – 2019 in relation to SEE2020 flagships, in the area of Competitiveness. The analysis is based on the description of measures, sectors, main policy objectives and relevance for competitiveness and growth, as they were anticipated in the original documents. This is to allow further analysis of respective measures by WB economies and make link to Flagships and Budgetary implications on them for the period 2017 - 2019. The estimations of the budget are calculated using the conservative approach, which means that the funds are not 100% accurate because the financial information provided in the ERPs was not consistent and uniform. Nevertheless, they are still indicative of the general trends and enable rough estimations.

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<sup>16</sup> The categorization of the measures provided in the table is based on the policy mix provided per flagships in the description of flagships (see annex 1 of this document).

In that regards, within the Competitiveness, the region intends to invest approximately 514,791,414 EUR for the period 2017 – 2019. The activities focus on following:

Participant	Reform measure	Cost of implementation	Flagship
Albania	Standardisation of tourism industry	1,244,000 €	Competitiveness
Albania	Introduction of strategic policies for non-food industry	30,000 €	Competitiveness
Albania	Reduce regulatory burden to business	504,000 €	Competitiveness
Albania	Effective implementation of the national plan to reduce the level of NPL in banking system	n/a	Competitiveness
Albania	Providing a single and transparent investment legal regime in the country	65,900,000 €	Competitiveness
Albania	Facilitate trade through effective implementation of the National Plan 2017-2020	380,000 €	Competitiveness
Bosnia and Herzegovina	Speeding up the process of BiH's accession to WTO in Federation of BiH	n/a	Competitiveness
Bosnia and Herzegovina	Reducing the burden on economy in Federation of BiH	n/a	Competitiveness
Bosnia and Herzegovina	Improving the financial market in Federation of BiH	n/a	Competitiveness
Bosnia and Herzegovina	Improving the business environment in Republika Srpska	2,648,491 €	Competitiveness
Bosnia and Herzegovina	Reducing the burden on economy in Republika Srpska	10,225,838 €	Competitiveness
Bosnia and Herzegovina	Improving the financial market in Republika Srpska	n/a	Competitiveness
Bosnia and Herzegovina	Improving the business environment in Republika Srpska	1,789,521 €	Competitiveness
Kosovo*	Support the development of industrial clusters	323,000 €	Competitiveness
Kosovo*	Development of tourism products in Kosovo touristic regions	82,000 €	Competitiveness
Kosovo*	Access to finances for SMEs through the Kosovo Credit Guarantee Fund	13,000,000 €	Competitiveness
Kosovo*	Increasing cost-efficiency of international commercial transactions	104,000 €	Competitiveness
Kosovo*	Improvement of quality infrastructure	198,900 €	Competitiveness
Kosovo*	Ensuring property rights by addressing informalities in the real-estate sector	2,746,300 €	Competitiveness
Kosovo*	Merging Customs and Tax Administration to establish a single Revenue Collection Agency	7,757,624 €	Competitiveness
The Former Yugoslav Republic of Macedonia	Increasing competitiveness in Tourism & Hospitality Sector	418,638 €	Competitiveness
The Former Yugoslav Republic of Macedonia	Adoption of a National Strategy for SMEs (2017-2022) with an Action plan (2018-2020)	19,150 €	Competitiveness
Montenegro	Boosting of investments in the industrial sector focusing on processing industries	2,300,000 €	Competitiveness

Montenegro	Support to the industrial sector development and modernization	1,600,000 €	Competitiveness
Montenegro	Improvement of the tourist product in the north of Montenegro through construction of the required infrastructure at ski resorts	42,260,000 €	Competitiveness
Montenegro	Improvement of financial support to the sector of small and medium-sized enterprises	360,100,000 €	Competitiveness
Montenegro	Improvement of non-financial support to the sector of small and medium sized enterprises	508,952 €	Competitiveness
Montenegro	Introduction of electronic fiscal invoices to reduce the informal economy	500,000 €	Competitiveness
Montenegro	Development of business zones with the aim of encouraging direct investment and increasing employment	151,000 €	Competitiveness
Total		514,791,414 €	

## 2.4 Cross-cutting issues

Cross-cutting elements of the SEE 2020, relating to effective public services, anti-corruption and justice, are the key prerequisites for the achievement of the Strategy's objectives and for the effective implementation of the Strategy's policy measures. Cross-cutting issues within the programming cycle also refer to strengthening the role of civil society, as well as to gender equality.

The progress made in securing functioning public institutions varies across the region. However, fundamental improvements are still needed. Strengthening the rule of law can be achieved through significantly improving the quality of public services delivered to the public. This quest for credibility is at the core of any effort to build better public institutions. Priorities include the need to gear policies towards citizens first, to professionalize the civil service by institutionalizing transparency and access to information, improving systems for more effective treatment of citizens' complaints against mismanagement in public services and protect them from retaliation.

The aim of the anti-corruption component is to improve government effectiveness, enhance business environment and support implementation of other flagships. The need to counter corruption is essential to the broad goal of promoting growth, since corruption is major deterrent to investment. There is also a need to ensure that the work carried out under other actions specifically is not undermined by corruption.

In addition, an independent, efficient and accountable judiciary is also a *sine qua non* precondition for the rule of law, democracy and human rights development. Efficiency goes hand in hand with competence. Judicial training centres or judicial academies have become the key training institutions for judges and prosecutors in the SEE region. Nevertheless, institutional capacities are not yet fully developed, whereas sustainable quality of the justice systems ensures predictable case law, which supports foreign investment and business growth.

### 2.4.1 Summary of Actions to be implemented by the Regional Cooperation Council for the 2017-2019 period

#### **Action 1: Public Consultations for Draft Laws and Public Policy Documents**

Rationale: Decisions prepared and adopted in a transparent and participative manner enjoy the support of the society and are more likely to serve public interest. Thus, in its Pillar *Governance for Growth*, the SEE 2020 Strategy aims at strengthening the role of public opinion and civil society. Priorities within the *Effective Public Services* Dimension therefore include the need to gear policies towards citizens first, to professionalize the civil service by institutionalizing transparency and access to information, improving systems for more effective treatment of citizens' complaints against mismanagement in public services.

Even if the legislation in the region has the necessary legal and institutional preconditions for ensuring the transparent and participative nature of decision making, it is still selectively applied and results show a weak public trust in state institutions. The implementation capacity and the quality of Government services remain challenged in all areas, including in public consultation<sup>17</sup>. Governments often push laws under an urgent procedure, often skipping or drastically reducing public consultation, under the guise of EU accession needs. In some economies, the quality and effectiveness of public consultations has not yet become an integral part of the policy development process<sup>18</sup>. Same conclusions on the matter were presented in the ReSPA Baseline Analyses on Better Regulation in Western Balkans<sup>19</sup>.

Along the same lines, importance of better regulations for competitiveness and job creation, sustainable development and overall good governance was recognized by ministers of economies of the Western Balkans at the Ministerial Conference organized in Becici on December 9, 2015<sup>20</sup>.

Therefore, this Action aims at contributing to public consultations enhancement by assessing the best practices in the region that have produced results in practice, to generate peer pressure among responsible national authorities and provide momentum for their national efforts.

The envisaged activities seek to establish common regional standards for transparency in decision making process and engage public servants themselves in pursuing their implementation. In parallel, the same activities will serve as opportunities for learning processes and sharing best practices. Furthermore, the Action contributes to integration of private sector into the work on implementation of the SEE 2020 flagships, with a particular focus on competitiveness. It targets at increasing the interaction of private and public sectors through consultations over drafting new legislation and policies.

Expected results:

- Governmental representatives built a mutual supportive network of senior professionals contributing to the culture of transparency and identified the most effective ways to ensure public consultations for draft laws and public policy documents;
- The best practices identified within the established network and standards for effective public consultations agreed and assembled in a regional recommendation;

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<sup>17</sup> See, for instance, SIGMS Action Plans 2017 – 2018 for Western Balkan economies.

<sup>18</sup> SIGMA Action Plan 2017 – 2018 for Albania, page 3.

<sup>19</sup> See “Conclusions and recommendations: Transparency through public consultation and communication” in the publication.

<sup>20</sup> See Statement from the Ministerial Conference of the SEE Investment Committee “Sustaining Growth in SEE through Increased Competitiveness”; Becici, 9 December 2015.

- A methodological framework for mutual peer learning agreed and adopted, establishing the fundamentals for peer reviews with the aim of validating practical implementation of the standards compiled;
- Peer reviews on putting in practices the compiled standards on transparency and public consultations for draft laws and public policy documents conducted, with conclusions and recommendations for improvement.

Budget: 110.000 EUR secured form the RCC's operational budget 2017-2019 and form ReSPA's operational budget.

**Action 2: Contributing to prevention of corruption by eliminating integrity shortcomings and corruption risk factors.**

Rationale: The RCC, in cooperation with RAI, has developed two Regional Studies on emerging corruption preventive measures: corruption risk assessment in public institutions and anti-corruption assessment of laws (corruption proofing). Based on the Regional Studies, two Regional Methodologies were produced and adopted to help governments in the region to find out and establish the most suitable mechanisms to carry out the two preventive measures. Currently, governments are being assisted through RAI Regional Programme, as well as through other projects, to establish and in some cases strengthen corruption proofing and corruption risk assessment. As a result, in some economies methodologies at national level have been produced or upgraded and national authorities included these measures in their national anti-corruption strategies. Moreover, trainings have been carried out and are being planned for public institutions and civil society, and IT tools are envisaged to make the two measures more effective and efficient.

As the capacity of state and non-state actors will grow as a result of the undertaken activities, the RCC will take the momentum to contribute to streamlining the identification and elimination of integrity shortcomings and corruption risk factors in certain areas identified as most vulnerable to corruption or most important for SEE 2020 Strategy's targets achievement. For that purpose, experts in respective fields will be hired to assist the responsible bodies to undertake corruption risk assessment / corruption proofing of legislation, so as to identify the integrity shortcomings and corruption risk factors at regulatory and also at institutional levels.

Expected results:

- Laws/bylaws regulating corruption prone areas screened for corruption risk factors and recommendations in that regard issued by specialized national authority;
- Public institutions working in corruption prone areas get integrity plans to strengthen their resistance to corruption and corruption related shortcomings;
- Public and CSOs involved in preventing corruption through anti-corruption assessment of laws and monitoring the implementation of integrity plans.

Budget: 90.000 EUR. The budget is secured form RCC's operational budget.

**Action 3: RCC serving as a hub of the SEE Judicial Training Institutions Network**

Rationale: European judicial training is the training of legal practitioners in EU legislation and in the national law of another jurisdiction. Training for judges and prosecutors is a priority; however, all legal practitioners, including court judicial staff, lawyers, solicitors, notaries, bailiffs and mediators,

are targeted. It is a key tool to ensure the coherent application of EU legislation across the European Union and smooth cross-border judicial proceedings, which cannot be reached without mutual trust between legal practitioners from all EU countries. In September 2011, the European Commission adopted the Communication "Building trust in EU-wide justice: a new dimension to European judicial training", the goal being to boost European judicial training to help build the European area of justice while increasing confidence between Member States, practitioners and citizens. The established SEE JTI Network will serve as a platform for exchange of experiences and support to the institutions to become sustainable and independent and to guarantee the competence and efficiency of judiciaries. Judicial training Institutions in SEE have to be strong and independent, as a guarantor of the objective criteria based appointment of judges and prosecutors and their career advancement. As a hub, the RCC will share all information on seminars and education with international relevance and link national training institutions with European training institutions, enabling SEE judges and prosecutors to have trainings in the EU law and other topics important for EU membership and implementation of EC Strategy in judicial training and Justice programme. RCC will support the SEE Judicial Training Institutions Network as an important tool for enhancing capacity of judges and prosecutors, improving the efficiency of judiciaries, and work on institutional capacity and independency of the training institutions. The aim is to improve competence, efficiency, integrity and independence of judges and prosecutors.

The Network will serve as the relevant platform to discuss common problems and adopt conclusions on the process of improvement of the independency and sustainability of institutions, exchange experiences and good practices between institutions in EU MS and accession process economies, preparing judges and prosecutors for implementation of *acquis communautaire*. The Network will enable regular exchange of lessons learned among institutions in accession process economies and new EU MSs and support institution building of judicial training institutions, their independency and sustainability.

Expected results:

- Regional seminars for judges and prosecutors provided with the involvement of European experts;
- Database of SEE trainers in the relevant legal fields established and functional;
- Strengthened independence of judicial training institutions;
- Training tools and materials in the European and international law for judges and prosecutors developed;
- Training activities at national and regional level improved, so as for the Union law to be integrated in national trainings, judicial training aimed at the level of excellence required for a true European judicial culture;
- Judicial training institutions are independent, sustainable and relevant guarantor of the competence and efficiency of judges and prosecutors;
- Competent and efficient judiciaries with relevant knowledge of European law.

Budget (2017-2019): 200.000 EUR. Budget is secured from the RCC's operational budget. In the area of training TAIEX could be used as an appropriate instrument.

**Action 4: RCC serving as a hub of the SEE Associations of Mediators Network**



Rationale: The EU Mediation Directive (2008/52/EC) aims "to facilitate access to alternative dispute resolution and to promote the amicable settlement of disputes by encouraging the use of mediation and by ensuring a balanced relationship between mediation and judicial proceedings". The EU Commission has launched a consultation process to gather views on the extent to which the EU Mediation Directive has achieved its objectives and to consider whether any changes to the Directive are appropriate. Mediation is seen as an appropriate tool to reduce court backlogs and create business friendly environment.

RCC established and will continue to support the SEE Associations of Mediators Network aiming to improve court-annexed mediation as an important tool to reduce court backlogs thus enhancing efficiency of judiciaries as one of the preconditions for investments and business friendly environment. The Network is a platform for discussion between representatives of ministries of justice and associations of mediators regarding possible legal improvements and reforms in the field of court annexed mediation. RCC serves as a hub in the field of mediation in SEE, identifying topics of common interest and develops the studies and materials at the regional level. As a focal point the RCC will organize regular meetings of the SEE Associations of Mediators Network and representatives of the ministries of justice to improve the process of mediation, influence the legislative processes and reforms and reduce court backlogs. The aim of the meetings will be to raise public awareness on the importance of mediation for citizens and business.

Expected results:

- Court backlog reduced and improved efficiency of judiciaries;
- Mediation more frequently used as an alternative dispute resolution in SEE;
- Judges, prosecutors, civil servants (ministries of justice) and other stakeholders trained in mediation

Budget: 67.000 EUR. Budget is secured from the RCC's operational budget. In the area of training TAIEX could be used as an appropriate instrument.

## **2.4.2 Summary of Actions to be implemented by Regional Dimension Coordinators (RDCs) and other regional actors for the 2017-2019 period**

### **Action 5: Innovative Financing of SEE Cities (action proposed by NALAS)**

Rationale: This activity aims at addressing government's effectiveness, mechanisms and tools for improving the access to capital for the cities of South East Europe. Cities in SEE are motivated by their need to drive economic growth, increased investment and job creation, better standards of living, climate resilience and the financial capability to manage the city infrastructure while following international and EU standards. Their challenge is how to attract financial investment and human capital, and how to deliver services more efficiently. In 2014, the Total Public Investment by Local Governments in SEE was only 1,9% of the GDP leaving a big room for improvement<sup>21</sup>.

SEE cities must be more globally competitive and therefore innovative with how they raise finance: where domestic financial markets are insufficient, international finance often needs to be found. Investment therefore comes not only from domestic banks, institutions and capital markets, but

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<sup>21</sup> NALAS Report "Fiscal Decentralization Indicators for South East Europe 2010-2014", [http://nalas.eu/Publications/Books/2016\\_FD\\_Report](http://nalas.eu/Publications/Books/2016_FD_Report)

also from overseas sovereign wealth, pension funds, bilateral and multilateral institutions, equipment suppliers and through public-private partnerships<sup>22</sup>. However, major investors are increasingly conservative in their decision-making and there is greater competition for finite resources.

Therefore, the region of South East Europe needs to introduce policies that would boost national and regional financing and funding schemes that support the city growth, as well as to build the capacities of ministerial and city administrations to effectively understand, plan and manage the financing and funding schemes in their strategic and daily operations. NALAS and the Local Government Associations have already been implementing similar activities in cooperation with the World Bank – Austria Urban Partnership Program, GIZ – German Technical Support and SDC- Swiss Agency for Development: organizing central-local cross-regional policy dialogues, benchmarking, and capacity building and are therefore well positioned to coordinate this activity with the relevant Ministries and Government Agencies throughout SEE economies.

Expected results:

- Improved access to financing and funding city growth;
- Tools for Effective Planning of Municipal Finances in support of City Growth developed and operational;
- SEE cities have increased their investment capital by 10% (long term result).

Budget: 1.700.000 EUR. The funds have not been secured. The World Bank – Austria Urban Partnership Program is endorsing this activity.

**Action 6: Online e-Academy for SEE Local Governments: going from good to great (action proposed by NALAS)**

Rationale: Local governments are the governance tier that is the closest to citizens, being able to assess their needs and design actions to address those needs.

In their efforts to transform their communities into sustainable, inclusive and prosperous livelihoods, SEE local governments face numerous challenges. Lack of predictable and sufficient financial resources, to match with their competences; lack of highly qualified and skilful staff to provide the services demanded by citizens; and lack of management skills, needed to advance the work of the local government and attract potential investors and partners; just to name a few.

The modernization of local public services, improving the quality of services provided and increasing the level of professionalism of local government administration remain the key milestones for the SEE countries that have joined and aim to join the European Union.

Yet, the training systems available for SEE local governments are usually based on traditional learning methods, often organized on ad-hoc basis, not providing for individually-paced learning,

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<sup>22</sup> Report “Investor Ready Cities”, Siemens et al.

flexibility and creativeness in the learning process and omitting to expand the learning and exchange beyond the country borders<sup>23</sup>.

Within SEE 2020, the Governance for Growth pillar is considered to be a cross-cutting component and a prerequisite for the achievement of the Strategy's objectives and for the effective implementation of the Strategy's policy measures and instruments across all pillars.

There is ample evidence that institutions – particularly those involved with governance – contribute significantly to development and growth. Positive contributions come from inclusiveness, responsiveness, efficiency and fairness (to mention just a few characteristics).

The Strategy addresses those institutions that make a direct contribution to costs, to investments – and thus to growth; but a more indirect contribution to growth and welfare, the rule of law, respect for human rights, democratisation and strengthening of the role of public opinion and civil society also needs to be kept in mind. Regional cooperation in this whole area is important in terms of mutual learning and the adoption of best practice, but even more so in terms of long-term stability. Integrated, smart, sustainable growth requires regional institutional harmonisation, regulatory arbitrage, and policy cooperation and coordination.

Objective of the action: Developing an integrated system for E-Learning for SEE local governments that contributes to modernization of local public services, improving the quality of services provided and increasing the level of professionalism of local government administration throughout SEE.

**Expected results:**

- The specific needs of SEE local governments for E-Learning identified;
- Online E-Academy for SEE local governments developed and / or upgraded;
- Three priority E-Learning courses developed;
- National E-Learning partners trained to deliver the courses;
- The offer of the E-Academy promoted among SEE local governments;
- SEE local government employees successfully complete the courses.

**Budget:** 650.000 EUR. Funds are not secured.

**Action 7: Strengthening the Capacity of Anti-corruption Authorities (action proposed by RAI)**

**Rationale:** Regional Anti-Corruption Initiative will continue with the implementation of the Southeast Europe Regional Programme on Strengthening the Capacity of Anti-corruption Authorities and Civil Society to Combat Corruption and Contribute to the UNCAC Review Process. Programme implementation started in December 2015 and will last till the end of 2018. The Programme will strengthen the overall capacities of the national authorities by providing technical expertise, trainings for civil servants and civil society organizations as well as by providing IT solutions for effective introduction and implementation of new policies. All of the activities are closely coordinated with RCC and are complementing the actions of RCC.

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<sup>23</sup> The Standing Conference of Towns and municipalities as national association of local governments in Serbia has Training Centre and organizes traditional and e-learning courses for employees in local government units.

Expected results (by the end of 2018 are):

- Beneficiary economies introduced/ strengthened their corruption risk assessment;
- Beneficiary economies introduced/strengthened corruption proofing of legislation;
- Regional framework for cooperation on data exchange in asset disclosure and conflict of interest strengthened.

Budget: 315.000 EUR. Budget is secured from the operational budget of RAI.

**Action 8: Promoting whistleblowing best practices in the region (action proposed by RAI)**

Rationale: The aspect of the regional cooperation in area of whistle-blower protection has been in focus of the Regional Anti-corruption Initiative current Work Plan and it will continue to be so in the coming years. This is based on the Public Awareness Objective identified under the Anti-Corruption Dimension of South East Europe 2020 Strategy. More specifically it directly corresponds with Dimension O "Anti-Corruption" item O.4. in the Governance for Growth.

During the last two years, RAI has focused on raising awareness of protection of whistle-blowers, strengthening public institutions' capacities to protect those who blow the whistle, and in supporting civil society organizations that work in the field of whistle-blower advocacy. Future action will build on the results achieved so far and is intended to provide the additional boost to the promotion and protection of whistle-blowers in the region.

Actions will contribute to the overall efforts of the national governments to seek better legal solutions and to work on establishing effective policy implementation mechanisms. All of the activities are closely coordinated with RCC and are complementing the actions of RCC.

Expected Results:

- Regional cooperation of national authorities dealing with whistleblowing cases as well as whistleblowing related policies strengthened;
- Regional cooperation of civil society and private sector organizations promoting and advocating whistleblowing strengthened;
- Raised general public awareness on the importance of whistleblowing.

Budget: 150.000 EUR. The funding is not secured.

**Action 9: Ensuring Achievements in Governance for Growth Pillar related to Effective Public Services by the Regional School for Public Administration (action proposed by ReSPA)**

Rationale: Regional cooperation promoted by ReSPA is a catalyst for administrative reforms in the economies in the region and an added value to bilateral approaches. Public Administrations in SEE economies face a number of common issues that they could more efficiently address under regional programmes. In coordination with the EU and other regional initiatives, ReSPA directs its actions towards areas where similar or joint efforts by several countries are needed, or where investments will produce a positive impact in several countries. In particular, ReSPA activities are directed to these three interconnected fields: (1) capacity building of public administration in the ReSPA Members necessary for successful conducting of the European Integration process; (2) enhancing cooperation and exchange of experience in Public Administration Reform and European Integration activities in ReSPA Members; (3) ensuring effective coordination of the implementation

of the dimension 'Effective Public Services' within the Governance for Growth Pillar of the SEE 2020 Strategy. The support provided by ReSPA focuses on granting the beneficiaries access to the combined available know-how of EU and international organisations and best practices, and it is tailored to the specific situation of each beneficiary. Moreover, through regional networks and structures, ReSPA provides a platform offering the possibility for peer reviews, transfer of knowledge and exchange of best practices.

In order to promote achievement of the SEE 2020 Strategy target for Pillar 5 Governance for Growth (Increasing Government Effectiveness - World Bank Governance Index - from 2.3 to 2.9 by 2020) within the programming period 2017-2019 ReSPA will concentrate its activities on three components of this Index: Government Effectiveness, Regulatory Quality, and Control of Corruption.

Expected results:

- Improved accountability of public administration by strengthening the role of Administrative Justice and supporting efforts in judicial control of administration;
- Administrative procedures and improvement of business environment through promoting Better Regulation efforts in the region simplified;
- Promoting and supporting 'citizen/client oriented' approach as underlying concept of the Good and Economic governance improvements through leading the discussion and helping regional cooperation in the areas of Economic Governance and Public Financial Management such as public procurement, public private partnerships and public internal financial control (PIFC) through research and expert support to working groups and regional networks;

Professionalise and modernise public administrations across the region and build a shared commitment to a quality public service.

Budget: 2.000.000 EUR. Budget is secured from RESPA's operational budget.

**2.4.3 Summary of Actions to be implemented by national authorities (based on the priorities proposed in the latest ERPs and/or other national strategies and action plans) for the 2017-2019 period**

The analysis<sup>24</sup> of the Economic Reform Programmes provided under this part of the document allows the reader to make a comparison of the sectoral and financial overview of structural priority measures identified in the pilot ERPs 2017 – 2019 in relation to SEE2020 flagships, in the area of Justice, Public administration reforms and Anti-corruption. The analysis is based on the description of measures, sectors, main policy objectives and relevance for competitiveness and growth, as they were anticipated in the original documents. This is to allow further analysis of respective measures by WB economies and make link to Flagships and Budgetary implications on them for the period 2017 - 2019. The estimations of the budget are calculated using the conservative approach, which means that the funds are not 100% accurate because the financial information provided in the ERPs was not consistent and uniform. Nevertheless, they are still indicative of the general trends and enable rough estimations.

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<sup>24</sup> The categorization of the measures provided in the table is based on the policy mix provided per flagships in the description of flagships (see annex 1 of this document).

In that regards, within the cross-cutting areas, the region intends to invest approximately 27,794,393 EUR for the period 2017 – 2019. The following table provides an overview of the priorities per economy, including measure, timeline and the budget:

Participant	Name of measure	Cost of implementation	Flagship
Albania	Public Finance Management	n/a	Cross-cutting (PAR)
Bosnia and Herzegovina	Reform of public finance management in BiH institutions	13,293,589 €	Cross-cutting (PAR)
Bosnia and Herzegovina	Ensuring the sustainability of public spending and strengthening financial accountability in Federation of BiH	n/a	Cross-cutting (PAR)
Bosnia and Herzegovina	Creating preconditions for the development of effective and target-oriented public finance system in Federation of BiH	n/a	Cross-cutting (PAR)
Bosnia and Herzegovina	Ensuring the sustainability of public spending and strengthening financial accountability in Republika Srpska	n/a	Cross-cutting (PAR)
Kosovo*	Increase judicial efficiency through reduction of court case backlog	7,400,000 €	Cross-cutting (Justice)
Kosovo*	Improvement of public procurement through application of electronic procurement	1,296,304 €	Cross-cutting (PAR)
Kosovo*	An enabling regulatory system through evidence based policy development	1,170,000 €	Cross-cutting (PAR)
The Former Yugoslav Republic of Macedonia	Public Finance Management Reform Programme	n/a	Cross-cutting (PAR)
The Former Yugoslav Republic of Macedonia	System (IT platform) for co-ordination, management, monitoring and evaluation of public funds on regional and local level (SiReRa)	2,950,000 €	Cross-cutting (PAR)
Montenegro	Strengthening of managerial responsibility in the public sector	44,500 €	Cross-cutting (PAR)
Montenegro	Introduction of the e- procurement system	1,640,000 €	Cross-cutting (PAR)
	Total	27,794,393 €	

## 2.5 Risks and Constraints

The main risks and constraints identified during the programming process are largely unchanged compared to the previous programming process and can be grouped in the following main categories:

### *Availability and allocation of funding*

- The availability of funding presents a considerable constraint in the implementation of SEE 2020. The funding gap identified in the programming process for the period 2016-18 stands at roughly 50% of the entire indicated EUR 48 million needed for implementation. This needs to be mitigated, at least in part, by a more proactive approach to the donor community and development partners active in the region. RCC will work to integrate the donor community

closer into the programming process, and the activities related to donor coordination and fundraising at the regional level should be intensified during 2016.

Furthermore, different donor partners have varied approaches in terms of both the geographic scope of their interventions and the timing of programming and contracting cycles, thus requiring additional flexibility in blending various sources of funding. This is particularly important in those areas where funding is secured, but will not become available in the short-term, leaving considerable gaps to be bridged by short term preparatory interventions financed either through the RCC's budget, budgets of partner RDCs, or those donors able to mobilize in a shorter time-frame.

#### *Commitment of the governments*

- As the implementation of SEE 2020 moves to development and deployment of joint regional instruments, such as binding agreements in many of the areas of intervention, the importance of strong political commitment to the process cannot be overstated. The implementing organizations will need to demonstrate clearly the benefits of putting different instruments in place to the participating governments in order to secure and maintain support throughout the implementation. Other political processes, such as the SEECF (South East Europe Cooperation Process), the Berlin process and the Western Balkans Six should be used as well to secure the commitments at the highest political level.

Securing adequate and well mandated participation of national administrations in regional structures will be crucial, as the success of planned interventions will largely rely on this. National representatives able to engage fully, with a clear mandate and decision making capacity will be needed in order to prepare, initiate, conduct and finalize regional instruments planned during the programming period and beyond.

#### *Coordination and consultation*

- Maintaining effective and efficient coordination and oversight remains a priority for the successful implementation of SEE 2020. The regional coordination architecture set up through the deployment of programming, monitoring and oversight processes during 2015 should be further streamlined to allow for structured flow of information between the Programming committee, Monitoring committee and the Governing Board. Relationships between the RCC and RDCs should be further revised during 2016 to clearly define the roles and responsibilities in various processes set up for SEE 2020 implementation in order to avoid duplication of work and overlapping in planning and implementing activities in the flagships identified.

Intra-governmental coordination on SEE 2020 in several SEE economies could benefit from further strengthening as well. Information on activities and commitments taken within various regional structures are in some instances not communicated in a structured way through proper channels to enable full oversight by the SEE 2020 National Coordinators. RCC will be working with the National Coordinators during 2016 to identify possible areas of assistance to strengthen this coordination. This could potentially be linked to other needs for intra-governmental coordination, such as the development of ERPs in areas relevant for the SEE 2020.

### 3. PROGRAMME OF ACTION FOR THE PERIOD 2017-2019 WITH INDICATIVE FUNDING

Area of intervention/Action	Implementing/ coordinating structure	2017	2018-2019
<b>2.1 Skills and Mobility</b>		1,983,500.00	3,562,500.00
Action 1: Open labour market for researchers in the SEE	RCC	30,000.00	60,000.00
Action 2: Improved Open Science measures in the SEE	RCC	30,000.00	60,000.00
Action 3: Employment and Social Affairs Platform <sup>25</sup>	RCC	500,000.00	500,000.00
Action 4: Creating preconditions for automatic recognition in SEE	RCC and University of Split	300,000.00	700,000.00
Action 5: Removing Obstacles to Mobility of Professionals in SEE	RCC	300,000.00	700,000.00
Action 6: Strengthening regional cooperation in VET systems for employment through work-based learning	ERISEE	30,000.00	60,000.00
Action 7: Promotion of work-based learning and creation of regional occupational standards	ERISEE	300,000.00	500,000.00
Action 8: Support to enhancing quality of education systems in the region	ERISEE	250,000.00	500,000.00
Action 9: Accessing and evaluating health systems	SEEHN	88,500.00	177,000.00
Action 9b: Assessing and evaluating health system adaptation capacity on climate change (action proposed by Montenegro)	tbc	85,000.00	165,000.00
Action 10: Health Technology Assessment	SEEHN	70,000.00	140,500.00
Action 11: Closing the digital skills gap (action proposed by Kosovo*)	(to be implemented through TAIX)	tbd	tbd
<b>2.2 Connectivity</b>		1,925,000.00	2,410,000.00
Action 1: Responding to Environmental Challenges in SEE and contributing towards an environmentally sustainable regional 'connectivity agenda'	RCC	40,000.00	80,000.00
Action 2: ICTs for sustainable development	RCC	50,000.00	100,000.00
Action 3: Developing a Regional Platform for Energy Management in Public Sector	RCC	30,000.00	70,000.00
Action 4: Sustainable energy use in transport sector	RCC	15,000.00	35,000.00
Action 5: Introduction of one stop shops on road border crossing in the Western Balkans	SEETO	30,000.00	70,000.00
Action 6: Enabling seamless connections through integration of urban nodes into the TEN-T Networks in the Western Balkans	SEETO	50,000.00	100,000.00
Action 7: Enhanced inter-modality for more cost-efficient transport and logistics in the Western Balkans	SEETO	750,000.00	1,500,000.00
Action 8: Installing an e-QMS system at pilot BCPS	SEETO	60,000.00	140,000.00
Action 9: Improving the rail-road safety on the SEETO Core and Comprehensive Network	SEETO	850,000.00	165,000.00
Action 10: Rural Development via Natural Resource Management in SEE	SWG	50,000.00	150,000.00
Action 11: Regional cooperation towards enhancing administrative capacities for cybersecurity (action proposed by Serbia)	tbc	tbd	tbd

<sup>25</sup> The project ends February 2019.



<b>2.3 Competitiveness</b>		4,258,000.00	13,656,000.00
Action 1: Support to development and implementation of a regional investment policy reform agenda and establishment of a legal base analysis for regional investment instrument 1.1 investment reform agenda	WB and RCC	900,000.00	1,800,000.00
Action 1: Support to development and implementation of a regional investment policy reform agenda and establishment of a legal base analysis for regional investment instrument 1.2 additional analysis	RCC	100,000.00	0.00
Action 1: Support to development and implementation of a regional investment policy reform agenda and establishment of a legal base analysis for regional investment instrument 1.3 BFC	GIZ	1,000,000.00	2,000,000.00
Action 1: Support to development and implementation of a regional investment policy reform agenda and establishment of a legal base analysis for regional investment instrument 1.4 e-permits	GIZ	1,000,000.00	2,000,000.00
Action 2: Supporting policy tools and instruments on economic corridors	RCC	38,000.00	76,000.00
Action 2: Supporting policy tools and instruments on economic corridors 2.1 additional consultancy on priority sectors	RCC	30,000.00	70,000.00
Action 3: Facilitating regional dialogue on development of industrial policy instruments and supporting regional strategic sectors 1.1 Tourism	RCC		5,500,000.00
Action 3: Facilitating regional dialogue on development of industrial policy instruments and supporting regional strategic sectors 1.2 Industrial policy instruments	RCC	60,000.00	140,000.00
Action 3: Facilitating regional dialogue on development of industrial policy instruments and supporting regional strategic sectors 1.3 additional analysis	RCC	100,000.00	0.00
Action 4: Strengthening the competition regional network	RCC	30,000.00	70,000.00
Action 5: Developing Entrepreneurial Societies in SEET: Support to the South East European Centre for Entrepreneurial Learning	SEECCEL	1,000,000.00	2,000,000.00
<b>2.4 Cross cutting issues</b>		<b>1,823,000.00</b>	<b>3,459,000.00</b>
Action 1: Public Consultations for Draft Laws and Public Policy Documents	RCC and ReSPA	35,000.00	75,000.00
Action 2: Contributing to prevention of corruption by eliminating integrity shortcomings and corruption risk factors	RCC	30,000.00	60,000.00
Action 3: RCC serving as a hub of the SEE Judicial Training Institutions Network	RCC	70,000.00	130,000.00
Action 4: RCC serving as a hub of the SEE Associations of Mediators Network	RCC	23,000.00	44,000.00
Action 5: Innovative Financing of SEE Cities	NALAS	500,000.00	1,200,000.00

Action 6: Online e-Academy for SEE Local Governments: going from good to great	NALAS	210,000.00	440,000.00
Action 7: Strengthening the Capacity of Anti-corruption Authorities	RAI	105,000.00	210,000.00
Action 8: Promoting whistleblowing best practices in the region	RAI	50,000.00	100,000.00
Action 9: Ensuring Achievements in Governance for Growth Pillar related to Effective Public Services by the Regional School for Public Administration	ReSPA	800,000.00	1,200,000.00
<b>TOTAL</b>		<b>9,989,500.00</b>	<b>23,087,500.00</b>

■ Allocated, with existing funds (including sources of financing, such as IPA, donations, national budgets)

■ Actions either under the appraisal phase or in negotiations with the potential donors

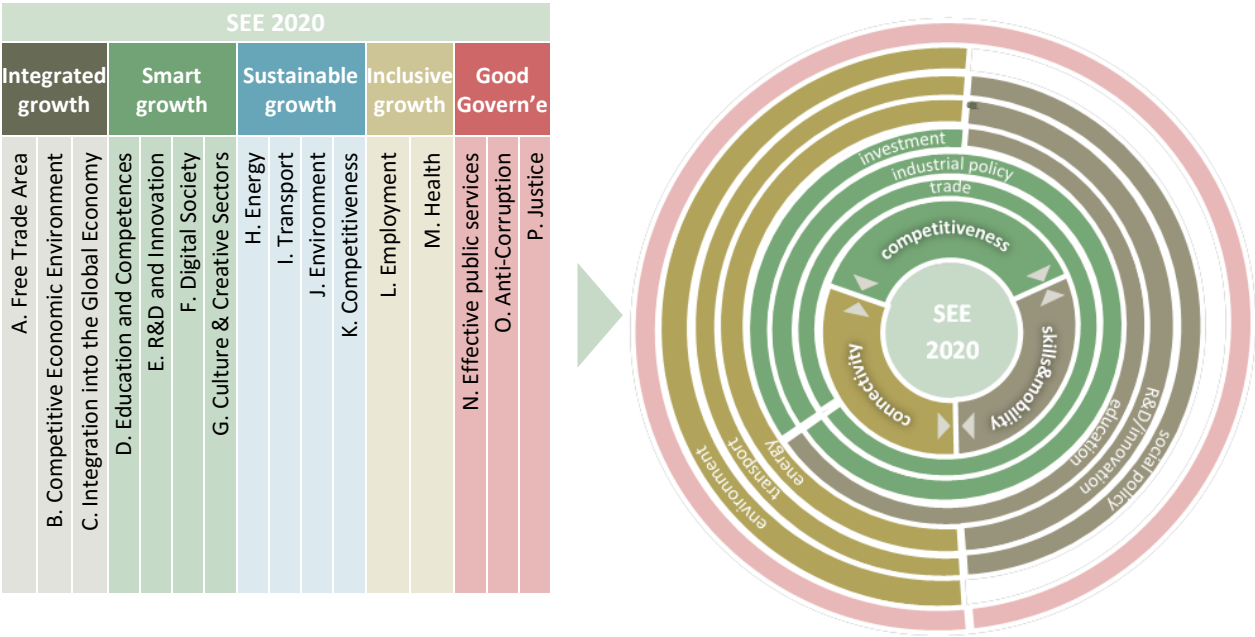
■ Forecasted, no funding secured

Annexes:

**4. ANNEX 1 – FLAGSHIP DESCRIPTION**

**Flagship initiatives for SEE 2020 implementation**

*Figure 1: Integration of SEE 2020 policy dimensions along flagships*



2.1. Flagship: Skills and Mobility

**Objective of the Flagship**

The overall objective of the Flagship is to contribute to the development of a globally competitive skills base in the region and to facilitate intra-regional mobility whereby contributing to economic growth and job creation in SEE.

**Approach to 'Skills and Mobility'**

Increased competitiveness of SEE economies requires a careful development of education systems responsive not only to the needs of the currently ineffective labour markets in the SEE, but able to create attractive, globally competitive skills base in the region. An increase in technological complexity of knowledge based economies restructured the skill requirements leading to greater emphasis on problem-solving, communication, teamwork and self-management skills. The employees are expected to not only have a high level of professional and general competences, but also to expect and be willing to upgrade their skills or change the nature of work activities on a regular basis.

The challenges posed by the transition to knowledge driven economy and globalisation, have been particularly severe in the transition economies of the Western Balkans. Severe deindustrialisation joined with the recent economic crisis led to further large-scale loss of jobs in traditional industries

and created more intense market changes in the region compared to other parts of Europe. Combined with limited investments in upgrading the education systems and the skills of the workforce, the skills base of the workforce has deteriorated leading to high unemployment rates, particularly of youth and mismatch of skills.

In addition, migration flows from the region to the EU remain high, as also confirmed by the recent World Bank report which found that twenty-five percent of the population of the Western Balkans resides outside their home countries, further thinning the human capital and competitiveness base of the region. Facilitating labour mobility within the region would cause a certain amount of redirection from extra-regional mobility (migration to EU) to more intraregional mobility and more efficient allocation of human capital, allows a better use of complementary cross-country resources, sector priorities and new technologies and would contribute to keeping the skills base and potential workforce in the region and contribute to the competitiveness of the region.

While the current economic situation in South East Europe poses considerable challenges for fast progress towards facilitating a more mobile regional labour market, putting in place some of the preconditions for enabling mobility can make these small economies more attractive to larger domestic and foreign investors, facilitate competitive integration of their workforce into the global workforce and increase the competitiveness of the region, while at the same time preparing for future EU membership.

To address skills formation in relation to mobility of people in a comprehensive manner core policy mix of education, labour market, employment, and mobility and migration policy interventions need to be carefully designed, closely monitored and well-coordinated. These policies need to be supported by coordination with policy interventions in health and social affairs policies.

#### *“Policy Mix” - Core Policies*

- Education Policy – The actions will focus on, one hand, supporting the SEE economies to develop evidence base needed to develop skills formation policies aimed at aligning education systems to the needs of not only ineffective labour markets in the region, but for a globally competitive skills base. Entrepreneurial competences and learning are crucial to ignite job creation in the region, therefore, the actions will support the development of entrepreneurial culture throughout the education system. On the other hand, the development of compatible national qualifications systems and recognition policies aimed at facilitating intra-regional mobility, supported by the development of quality education systems, will be central to the actions developed under this Flagship.
- Labour market and Employment Policy – The main emphasis will be on supporting the development of evidence base and peer learning between SEE economies to develop effective labour market and employment policies, particularly in view of developing effective labour markets, job creation and activation of the labour force.
- Mobility and Migration Policy - Regional cooperation will be fostered with the objective of removing obstacles to intra-regional mobility for both education and labour purposes. The actions will focus on removing obstacles to recognition of professional and education qualifications, supported by facilitating discussions on

the regional level on removing other obstacles to mobility within the region (e.g. residence permits, etc.)

#### *Related Policies*

- Health and Social Affairs – in a long run, particularly in the view of increasing intra-regional mobility, coordination of health and social affairs policies aimed at facilitating access and portability of health and social support within the region will come on the agenda for regional cooperation.

#### **Activities and Structures**

In the period 2016 – 2020, the Flagship will focus on the actions with high regional scope and potential, and with strong synergy with other relevant parts of the 2020 Strategy i.e. with other Flagship initiatives.

#### *Areas of intervention 2016 – 2020*

##### Increasing mobility in the region

- Removing obstacles to recognition of professional qualifications of mutual interest to the region
- Creating pre-conditions to automatic recognition of qualifications in the region
- Support to the development of compatible national qualifications systems referenced against EQF and QF EHEA
- Supporting regional cooperation and information exchange between bodies responsible for recognition of qualifications and professional qualifications
- Facilitating high skilled labour mobility in the region
- Facilitating mobility of researchers and PhD students in the region
- Facilitating discussion on supporting policy interventions to remove obstacles to mobility in the region (e.g. residence permits, portability of health insurance, etc.)

##### Building a competitive skills base in the region

- Support to evidence building and peer learning to SEE economies in the process of aligning education policies to the needs of the labour market
- Supporting SEE Economies through creating an evidence base for policies aimed at building a competitive skills base in the region
- Enhancing the capacities of the relevant administrations for improved policy reviews and policy outcomes related to the prioritized employment, human capital and social reforms
- Supporting the processes for preparation, monitoring and follow up of the integrated ERPs (employment and social component) and monitoring of the current ESRPs
- Development of entrepreneurial culture through education systems in the region

##### Building an evidence base for development and coordination of education, labour and social affairs policies

- Creating a Regional Observatory on Education, Labour and Social Affairs Policies which will broaden the evidence base and provide comparative thematic analysis needed by the national authorities to design, coordinate and monitor education, labour and mobility policies nationally and regionally

### *Implementing Structures*

To successfully address the objective of the Skills and Mobility flagship close cooperation with the key national institutions and authorities and regional organisations will be ensured.

As the elaborated flagship intends to develop solutions to the shared national challenges in the sphere of employment, labour flexibility, mobility and skills development, close collaboration will be pursued with the Ministries responsible for labour and social policy, education, trade, interior and foreign policies, as well as the National Employment Agencies.

To coordinate the regional cooperation in the policy areas addressed by the Skills and Mobility Flagship, RCC will closely coordinate with the **Inter-governmental Social Agenda Working Group (SAWG)**, which has been the prime regional policy dialogue forum for identifying, elaborating and implementing regional actions aimed at furthering the regional labour mobility and labour market governance; **ERI SEE** through which the education policies on recognition of qualifications have been coordinated and support to the development of national qualification frameworks has been provided; **SEECEL** which has acted as the regional leader in supporting the development of entrepreneurial skills and **CEFTA** in particular its Sub-Committee on Trade in Services, which works towards progressive liberalization and mutual opening of trade in services and touches upon one of the key issues related to facilitated service provision and facilitated regional labour mobility of skilled professionals and service providers. Key regional coordination mechanism – **Joint Working Group on Mutual Recognition of Professional Qualifications** - has been established under the RCC auspices to facilitate increased labour mobility of professionals in the region through broadened and deepened cooperation between CEFTA Subcommittee on Trade in Services, ERISSE and SAWG. The Joint Working Group aims to create conditions for recognition of professional qualifications through conclusion of mutual recognition agreements (MRAs), enhance transparency of national and regional arrangements on recognition of professional qualifications and regional data exchange on the mobility of professionals and future skills needs in selected professions.

The **Centre of Public Employment Services of Southeast European Countries** is another important actor that enables exchange of information and experiences in all activities related to providing services to employers and job seekers and to improving the capacities of public employment services in Southeast Europe.

Collaborations in the skills and mobility flagship, in a longer time frame, could potentially be sought with **MARRI**, on issues touching upon the wider migration framework with regards to institutionalizing migration profiles in all SEE, strengthening regional cooperation and networking among migrant service centres, databases on migrant labour, OSS on residence and work permits, etc.

In addition, close collaborations will be pursued with EU institutions acting in the region in the policy areas identified as relevant for this flagship. These include ETF, CEDEFOP, EUROSTAT and all relevant EC services (chiefly DG EMPL, DG EAC, DG GROW, DG RTD, DG HOME). EU's WB PET and ESRP Platforms establish regional platforms for policy dialogue. The flagship initiative on skills and mobility aims to be the interface between the two platforms and draw on their outcomes in order to initiate the implementation of concrete measures to enhance skills development and labour mobility from a regional perspective.

Furthermore, the flagship's activities will be undertaken in a way so as to pursue synergies with the relevant activities of the key international actors working in this area, including WB, ILO, UNDP, OECD, WTO, etc.

## **2.2. Flagship: Connectivity**

### **Objective of the Flagship**

The general objective of this Flagship Programme is to contribute to making the SEE region better connected, integrated and competitive and contribute to stronger production and distribution networks, well-being and improved livelihood of SEE citizens.

Thematically, this Flagship will provide interventions in the inter-linked areas of transport, energy, ICT, trade and investment and environment/climate change, so as to complement and capitalize on the ongoing infrastructure development and transport and trade facilitation processes leading to enhanced competitiveness in the region.

### **Approach to 'Connectivity'**

Enhanced connectivity will contribute to more competitive and resilient SEE, as it will bring peoples, goods, services and capital closer together and would contribute to achieve competitive growth, to facilitate economies of agglomeration and integrated production networks, to enhance intra-regional trade, to attract investments, to promote deeper ties between SEE peoples.

Establishing interconnectivity in transport and energy networks and technologies, or via institutions, is essential for regional economic and trade integration. Connectivity stands for the physical, institutional and people-to-people linkages that would provide the underpinning to achieve the objectives of the economically, politically and socio-culturally connected SEE.

In this respect, physical connectivity/hard infrastructure entails physical infrastructure development of an integrated and well-functioning intermodal transport, enhanced regional energy and ICT networks in SEE. Institutional Connectivity, undertaken through effective institutions, mechanisms and processes, aims to facilitate and ease the seamless flow of goods, services and investment in the region. It is to be the primary focus of this Flagship and will be addressed in close link with the Competitiveness flagship. People-to-People Connectivity aims to promote greater SEE people mobility through development of mutual recognition arrangements and academic qualifications' recognitions, as well as progressive relaxation of visa requirements and deeper SEE social and cultural interaction and understanding. The aspects will be primarily addressed through the skills and mobility flagship.

The connectivity concept underpinning this flagship follows closely the scope defined at the Vienna Summit. This Flagship focuses on the institutional notion of connectivity, aiming to reach a balance between "software" and "hardware" infrastructural investments. This Flagship Programme is focused on complementing the enhanced opportunities resulting from the ongoing infrastructure development and trade and transport facilitation processes, making SEE region better connected and contributing to stronger production networks, well-being and improved livelihood of SEE citizens.

## *“Policy Mix”*

This flagship is based on the outcomes of the Berlin process and the agreement on SEE Core network that defines the roadmap for infrastructural connectivity in SEE. This Flagship will provide interventions by further operationalization of policies in core and related policy areas.

### *Core Policies*

- Transport Policy - Providing a coherent and coordinated transport policy in line with EU Transport policy aiming to ensure overall development of the TEN-T Comprehensive Network remains the highest policy-related priority, irrespective of the legal outcome of the Transport Community Treaty, whose primary goal is to prepare the SEE economies to better integrate into the common transport market. In addition, opening of the transport market, establishment of competitive, reliable and safe transport system, improving the efficiency of transport systems and enabling institutional and regulatory reforms in certain transport fields, implementation of the Railway Addendum, increasing the effectiveness of Border Crossing Procedures, addressing the non-physical barriers in transport and road safety auditing are issues of relevance to be considered under this Flagship.
- Energy Policy – Market integration, addressing both EU Member States and Contracting Parties to the Energy Community, is the central target of this Flagship’s intervention. It focuses on creating an enabling environment for single market coupling and enforcing of the Regulation on Capacity Allocation and Congestion Managements, as a process of a pan European scale. Beyond legalities, SEE economies decided to establish a regional energy market by promoting sufficiently compatible market designs, setting up power exchanges and a regional balancing mechanism, while making the best use of the already existing Coordinated Auction Office. Implementing the Energy Community *acquis*, developing the regional energy market, reinforcing power interconnectors and the region’s electricity transmission system are at the core of energy policy interventions.
- Electronic Communications Policy – In line with the technological progress and market requirements and fully recognizing the competitiveness, innovation and job creation potential of ICTs, the efforts under this Flagship will focus on encouraging a single market for electronic communications, enhancing ICT connectivity and interoperability and promoting integration of digital technology and digital public services.

The set of policies related to the core policy mix, presented above, are relevant in the context of this Flagship. Interventions in cross-cutting areas of related policies that fall between main sectors of infrastructural interventions of transport, energy and electronic communications will assist the further operationalization of the core policy mix.

### *Related Policies*

Trade – The main emphasis will be on complementing the significant trade facilitation gains (related to simple, harmonized and standardized trade and customs, procedures and information flows and reduced transaction costs) which will be brought forth by the , the Additional Protocol 5 on trade facilitation, which adoption is expected by the CEFTA Joint Committee in March 2017.



Investment and industrial policies – The emphasis will be on promoting the link between the connectivity “core” policy mix with the SEE regional coordination mechanism for targeted investment promotion in selected priority sectors and SEE regional dialogue information exchange on economic transformation, diversification and effective industrial policy design. Concepts will be developed in close coordination with the Competitiveness flagship to upgrade existing transport and develop the so called economic corridors, while exploring the possibilities for creating regional clusters and promote establishment of special economic zones.

Environment and Climate Change - A sustainable approach to Connectivity, takes into consideration the need to mitigate detrimental environmental impacts of infrastructural interventions and enhanced transport/energy movements. Introduction of climate proofing standards in legislation, planning, engineering and construction is seen as the principal disaster risk adaptation to climate change hazards in the SEE region.

Given the anticipated potentials, and in line with the Vienna Summit Conclusions, RCC will focus its concentrated efforts on defining the concept of viable economic corridors in SEE and ensuring optimal use of the transport infrastructure, transport and trade liberalization and greater returns from improved physical connectivity.

### **Activities and Structures**

In the period 2016 – 2020, the Flagship will focus on the regional actions and ensure a synergetic effect with other relevant processes within RCC (competitiveness, good governance).

#### *Areas of Intervention 2016 - 2020*

##### Adding value to the Core Transport Network

- Opening of the transport market
- Establishment of competitive, reliable and safe transport system
- Promoting trade facilitation
- Increasing the effectiveness of Border Crossing Procedures
- Developing viable economic corridors in SEE
- Climate-proofing of infrastructural investments in SEE

##### Promoting further development of the SEE regional energy market

- Spot Market Development
- Cross-border Balancing
- Regional Capacity Allocation

##### Bringing the single electronic space to SEE

- Encouraging a seamless single market for electronic communications in SEE
- Promoting enabling environment for enhanced ICT connectivity, harmonized and interoperable ICT infrastructures, systems and services
- Supporting further reforms in the field of roaming

#### *Implementing Structures*

Important actors in this process are mandated to perform specific actions; the **South East Europe Transport Observatory (SEETO)** works on fully integrating South East Europe into the European Transport market, as well as enhancing the overall performance of the transport system and the SEETO Comprehensive Network. Its long-term regional actions derived from the Berlin process include opening of the transport market and establishment of competitive, reliable and safe transport system and increasing the effectiveness of border crossing procedures. The **Energy Community** is expected to take the lead to develop the regional energy market and to help implement 'soft measures' centred at spot market development, cross-border balancing and regional capacity allocation. **Central European Free Trade Agreement (CEFTA)** works towards expanding trade in goods and services and fosters investment by means of fair, clear, stable and predictable rules. It is tasked with providing the enabling framework through trade facilitation, a progressive liberalization and mutual opening of services markets in the CEFTA region. **WBIF** supports the preparation and implementation of priority infrastructure investment projects. The regional inter-Governmental **e-SEE Initiative** is expected to actively contribute to the ICT-related measures and activities. The main aim of e-SEE Initiative is to better integrate SEE countries into the global, knowledge-based economy by regionally supporting the development of Information Society. **Regional Environmental Center (REC), Global Water Partnership Mediterranean and Standing Working Group for Regional Rural Development** work towards implementing SEE 2020 goals in the environmental dimension. **United Nations Environment Programme (UNEP)**, Regional Office for Europe is active in the sector climate change and infrastructure.

The **Regional Cooperation Council (RCC)**, apart from embarking, together with SEETO and CEFTA, on the process of developing the economic corridors concept, works towards mobilizing resources to address connectivity-related issues such as mitigating social and environmental effects of enhanced transport and energy production, incorporating environmental concerns into the regional trade agenda, furthering the regional agreement on reduced roaming charges. The activities within the Connectivity flagship will likewise be embedded in the work of the established Working Group on Investments and Industrial Policy Working Group.

### **2.3. Flagship: Competitiveness**

#### **Objective of the Flagship**

The overall objective of the Flagship is to boost the SEE's competitiveness and growth. The Flagship aims to contribute in making the SEE industry and business more competitive through a coordinated effort of all stakeholders at the regional level.

#### **Approach to 'Competitiveness'**

Although the concept of competitiveness related policy may seem elusive, it is of practical use for policymakers and thus constitutes a suitable framework for coordination at the regional level. The chosen definition implies that a range of policy fields and instruments can be considered part of competitiveness related policy. These policy fields can be grouped into two broad categories. Firstly, the so called core policies: industrial policy, SME development and entrepreneurship, investment, trade and innovation policy. Secondly, a number of other important policies can be regrouped into 'related policies' such as human capital development (education, employment), sustainable development (transport, energy, environment) and agriculture.

The proposed “policy mix” tries to avoid a downside of an overarching concept, where one would include virtually all public policies that could have consequence for the competitiveness, and where the concept may eventually lose operational relevance. On the other hand, keeping competitiveness concept still broad enough is useful considering the need for coherence across policy fields and across levels. The Flagship combines a horizontal approach, which promotes integration of industrial development concerns into all related policies, with a sector-specific approach that heeds the needs of selected strategic sectors.

Competitiveness presents multiple dimensions and a complex governance structure. This creates potential policy interactions across national and regional levels. It also calls for greater coordination. In particular, for those sectors and tasks whose promotion is deemed a strategic priority for the Region as a whole.

Integrating these efforts at the various levels and across policies as a coherent whole will be the core preoccupation when discussing the Flagships within the SEE 2020 strategy.

#### *“Policy Mix”*

The below “policy mix” has been defined to best respond to the needs of the SEE 2020 implementation, taking into account requirements from the EU accession process. While respecting priorities of national policies, the scope and approach within the Flagship remain regional.

#### *Core Policies*

- Industrial Policy – The efforts will focus on promoting regional dialogue among the SEE economies and information exchange on economic transformation and diversification as well as on effective industrial policy design. While an important objective is to improve existing and introduce new policy instruments to expand production base, the industrial policy is not limited only to manufacturing. Concepts will be developed in close coordination with the connectivity flagship to upgrade existing transport and develop the so called economic corridors while exploring the possibilities for creating regional clusters and promote establishment of special economic zones. Industrial policy structure will also address issues related to the priority sectors and those related to SME development and entrepreneurship.
- Trade Policy – The main emphasis will be on efficient implementation of CEFTA agreement involving further liberalization of trade in services, promoting trade facilitation and speeding up removal of non-tariff barriers to trade in the Region. The Flagship coordination will seek for synergies between trade policy and the rest of the policy fields, especially with investment and industrial policy.
- Investment Policy - Regional cooperation will be fostered with the objective to improve policies conducive to FDI inflow, i.e. investment entry, protection and incentives, whilst promoting links with and impact of investment policy on the entire “policy mix”. The Flagship will seek to establish a coordination mechanism for targeted investment promotion in the selected priority sectors.

- SME and Enterprise Development Policy – The Flagship will support regional dialogue on improvement of SME policies, while addressing the main issues hindering development of SMEs and entrepreneurship, e.g. enhancing business environment, up-grading entrepreneurial culture, enabling access to finance, creating linkages with FDI and facilitating access to domestic and international markets. At the outset, the SME policy and relevant structures will be part of the industrial policy framework.
- Innovation Policy – The Flagship will aim at shaping the foundations for the development of innovative entrepreneurship, grounded on modern information and communication technologies, for advancement of creative industries. Priority actions will be synchronised with those aiming at industrial development.

In order for the above policies to be effective, it is of great importance that they are accordingly coordinated with a set of related policies that vitally contribute to the implementation of this Flagship. A strong interdependence between the core “policy mix” and these related policies also clearly indicates where the three Flagships will seek further synergies in coordinating their goals and activities.

#### *Related Policies*

- Human capital development – pertaining to education, skills formation, and employment.
- Sustainable development – creating linkages to transport, energy, and environment.  
Culture - facilitate use of cultural heritage in SEE as a shared strategic resource for sustainable economic and social development through cultural tourism.
- Agriculture

#### **Activities and Structures**

In the period 2016 – 2020, the Flagship will focus on the actions with high regional scope and potential, and with strong synergy with other relevant parts of the 2020 Strategy i.e. with other Flagship initiatives.

#### *Areas of intervention 2016 - 2020*

##### Strengthening industrial base

- Analysing, designing, and coordinating national industrial policies through best practices and information/knowledge sharing, in pursuing reindustrialization of the Region;
- Promoting creation of special economic zones along the economic corridors;
- Supporting establishment of regional clusters;
- Developing a regional observatory on industrial policy.

##### Encouraging creation and growth of SMEs

- Supporting implementation of SBA;
- Facilitating SMEs for access to resources;
- Promoting entrepreneurial culture and entrepreneurship education;
- Improving SME performance through increased use of e-business, skill formation and international cooperation;

##### Supporting strategic sectors

- Promoting development of regional supply chains;
- Targeting investment promotion efforts in line with sectoral priorities;
- Addressing main barriers to development related to production, licensing, quality standards, administrative and public services, etc. through specific policy recommendations and actions;

#### Increasing share in international trade

- Further facilitating trade and liberalising trade in services within CEFTA;
- Promoting implementation of WTO and PEM Convention standards and rules;
- In a permanent regional dialogue preventing obstacles to trade before they arise;
- Promoting internationalisation of small and medium-size business;
- Developing a regional brand/product/offer of priority sectors for the global market.

#### Improving conditions for investment

- Setting reform priorities towards achieving greater harmonization and integration of investment policies;
- Developing and implementing regional investment policy reform agenda, through a regional reform dialogue and policy advocacy;
- Supporting horizontal implementation of investment policy reforms in the SEE economies;
- Improving the effectiveness of investment promotion efforts to translate investment policy reforms into increased investments on the ground.

#### Enhancing innovation performance

- Promoting best practice exchange and training in technology transfer;
- Encouraging creation of industrial incubators, technology and science parks networks;
- Enhancing business incubation and mentoring programmes to help bridge the “valley of death” in the process of bringing an idea to the marketplace;
- Encouraging development of “networks of excellence” in areas consistent with the “smart specialization” of the region;
- Promoting a technology transfer programme for public research organizations to facilitate collaboration between research and industry.

### *Implementing Structures*

#### South East Europe Investment Committee - SEEIC

The necessary regional mechanisms needed for successful implementation of such endeavour are largely in place. Namely the RCC’s South East Europe Investment Committee (SEEIC), composed of Deputy Ministries responsible for economy, and already acts as the SEE 2020 Dimension Coordinator for the areas of Industrial and Investment Policy.

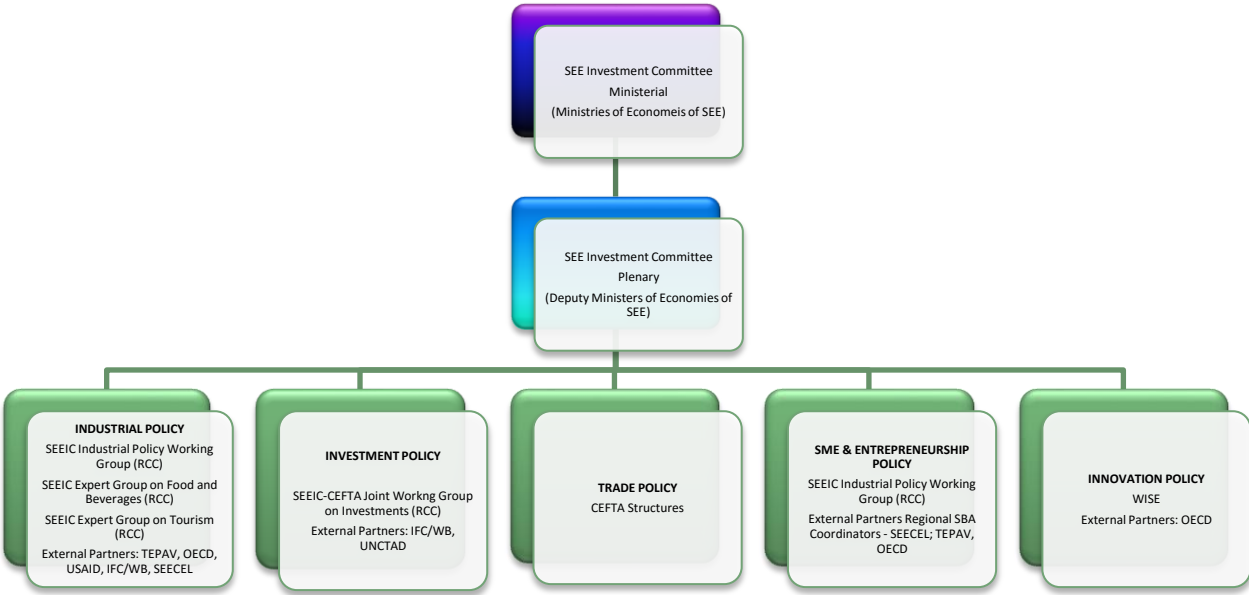
The flagship structure involves following working bodies: Working Group on Investments, Expert Group for Food and Beverages, Expert Group for Tourism, and Industrial Policy Working Group. Experts on SME and Entrepreneurship are currently part of the Industrial Policy structure. If deemed necessary a separate working body can be established.

All of the decisions of the SEEIC (based on proposals provided by its technical groups) are subject to endorsement of the SEEIC Ministerial forum, meeting on an annual basis and comprised out of

SEE’s Ministers of Economies, providing a political endorsement and commitment of the involved economies for implementation of proposed policies, measures, and activities.

Regional Partners

SEEIC cooperates closely with other SEE 2020 Regional Dimension Coordinators in order to ensure implementation of the specific SEE 2020 priorities, such as CEFTA Structures being in charge of Trade Policy, with SEECEL in the field of SME and Entrepreneurship, and with WISE serving as a regional platform for Innovation Policy. It is expected that alignment of priorities in the flagship will further intensify cooperation and facilitate identification of synergies with the regional partners



Support Structure

SEEIC extensively cooperates with other international and regional partner organizations related to SEE 2020, such as OECD and TEPAV in the area of Industrial Policy and Sectoral Competitiveness, WB and IFC in the area of Investment Policy, ETF in the area of Entrepreneurship (related to skills), as well as the business sector representatives which are present in its technical bodies.

**4. Cross-cutting issues**

**Objective of the Flagship**

To support the implementation of actions proposed under the flagship initiatives, a number of horizontal interventions were identified for which the implementation and expected results will cut across several flagships. These are mostly related to strengthened governance, improved administration capacity, and increased transparency in all stages of the policy cycle, from agenda setting, through policy design and formulation to decision-making and evaluation.

The scope and nature of these interventions makes them difficult to categorize within a single flagship, and were thus systemized as 'cross-cutting issues' in the programming process. These interventions will have a shared objective of building the necessary preconditions for successful

implementation of the SEE 2020 agenda through regional approaches. As most of the policy areas covered by the cross cutting issues sit firmly within the national domain (such as public administration reform, anti-corruption, regulatory reform, judiciary, etc.) it is necessary to apply rigorous criteria in selecting only those actions that address shared national challenges within the SEE 2020 context.

### **Activities and Structures**

In the period 2016 – 2020, the cross-cutting actions will focus on those interventions that support the implementation of actions envisioned by the flagship initiatives, making the objectives set forth by the three flagship initiatives more viable.

#### *Areas of intervention during 2016-2020*

##### Better regulation for competitiveness and growth

- Regulatory Impact Assessment – Competitiveness proofing of legislation and removing obstacles to employment

##### Increased transparency and information exchange

- Deployment of e-services, such as eProcurement, to support increased transparency and better services to the citizens and business
- Introduction of one-stop-shops in areas that promote mobility and enhance competitiveness (such as issuance of labor permits)
- Introduction of a Regional Decentralization Observatory, to monitor the progress in adapting the national legal system to EU *acquis* and introducing relevant measures for improvement of investment climate through changes in the national regulatory frameworks
- Whistle-blowers protection to enhance the transparency of public and private organizations.

#### *Implementing Structures*

Close cooperation with the key national institutions and authorities and relevant regional organisations will be sought to implement the actions envisioned under the cross-cutting issues.

To coordinate the regional cooperation in the policy areas addressed by cross-cutting issues, RCC will closely coordinate with the **Regional School of Public Administration (ReSPA)**, which is the main regional interlocutor for public administration reform. Work with the central government authorities would be complemented by coordination with the **Network of Associations of Local Authorities (NALAS)** that brings together the local governments. Joint activities targeting increased transparency will be coordinated with the **Regional Anti-corruption Initiative (RAI)**, as the region's leader in promoting transparency and fight against corruption.